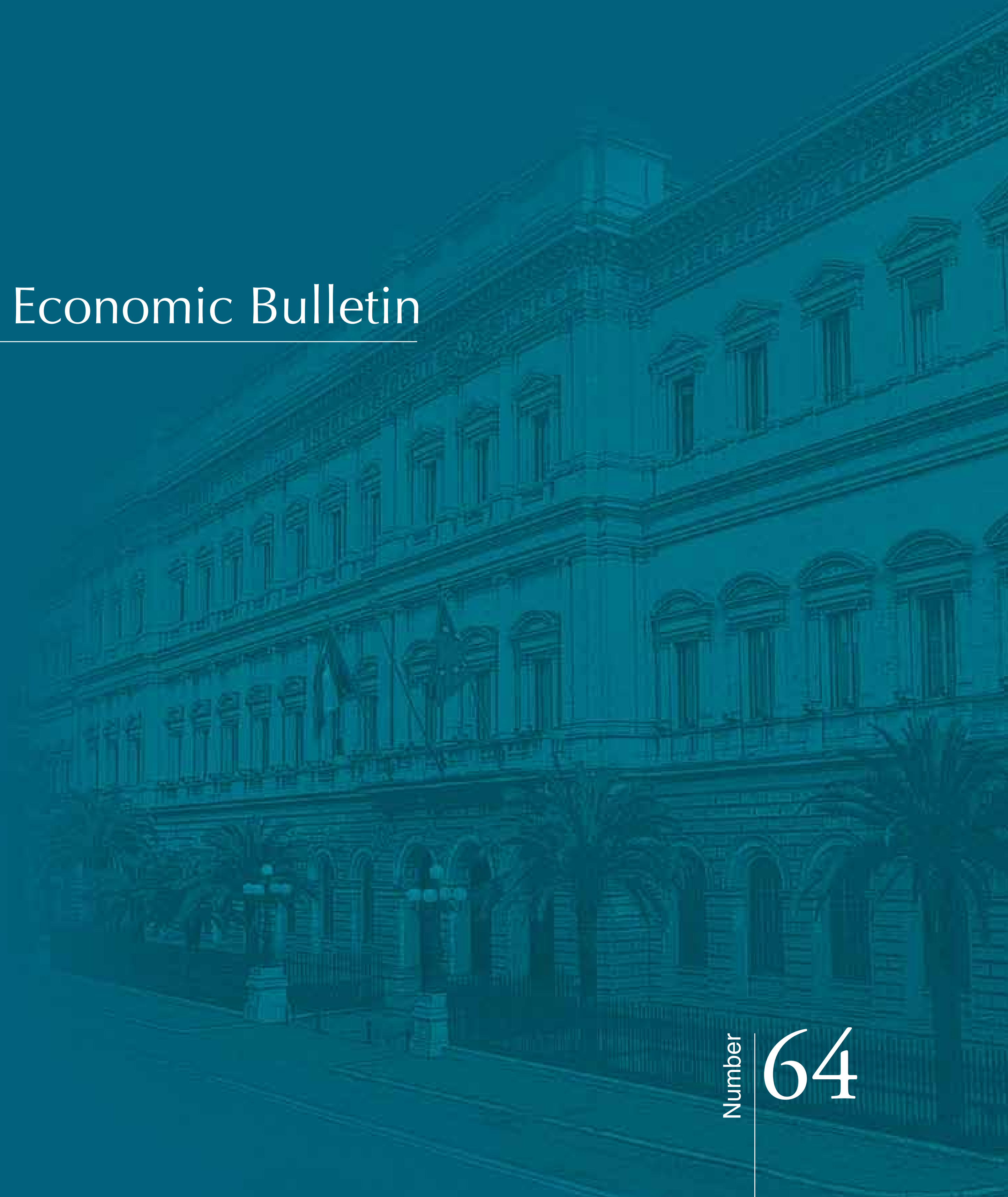
BANCA D'ITALIA
EUROSISTEMA

Economic Bulletin



April 2012

Number 64

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SYMBOLS AND CONVENTIONS

Unless indicated otherwise, figures have been computed by the Bank of Italy.

In the following tables:

–	the phenomenon in question does not occur
....	the phenomenon occurs but its value is not known
..	the value is known but is nil or less than half the final digit shown
::	the value is not statistically significant
()	provisional; estimates are in italics

1 OVERVIEW

The world economy slows in the fourth quarter of 2011

Global economic growth lost strength in the last quarter of 2011. Since the turn of the year the deterioration appears to have come to an end, and growth expectations have generally stabilized. In the advanced countries aggregate demand expansion is impeded by deleveraging, both public and private.

The Eurosystem acts decisively to provide liquidity support to banks

In order to sustain credit to the economy and alleviate the funding difficulties of banks caused by the sovereign debt tensions and aggravated by the large volume of bank bonds maturing in the first half of 2012, the ECB conducted two three-year refinancing operations, in December and February, at a fixed rate of 1.0 per cent and with full allotment. It also broadened the range of eligible collateral and halved the reserve ratio. The net injection of liquidity into the system amounted to some €500 billion, which was provided directly to a large number of banks.

Sovereign debt strains abate in the first quarter …

Thanks to the action of the ECB, the measures enacted by several countries, notably Italy, and the agreement reached on financial assistance for Greece, the strains in the financial markets of the euro area eased considerably in the first few months of the new year. Government bond, interbank yield and bank CDS spreads all narrowed sharply.

… but worsen somewhat in April

In April government securities spreads increased significantly again, though remaining far below their January highs. Market concerns over the outlook for some euro-area countries began to resurface. Fears of a more pronounced slowdown in world economic growth accentuated the preference for the securities of the reputedly safest countries.

In the euro area, the contraction of economic activity eases in the first quarter

According to cyclical indicators, the contraction in euro-area economic activity was more moderate in the first quarter. The €-coin indicator calculated by the Bank of Italy recorded an improvement on last December's low and in March registered barely negative levels. Twelve-month consumer price inflation came down from 3.0 per cent in the fourth quarter of 2011 to 2.6 per cent in March.

In Italy, GDP continues to slide …

Italian GDP declined by 0.7 per cent between the third and fourth quarters, as the decline in domestic demand was only partially offset by the positive contribution of foreign trade, itself due to a fall in imports while exports were steady. Cyclical indicators point to a further contraction of economic activity in the first few months of 2012. Exports appear to have held broadly stable in the first two months.

… but with some signs of stabilization

The business survey conducted by the Bank of Italy together with Il Sole 24 Ore *in March and the qualitative indicators derived from surveys suggest that although the economic picture is still poor, the cyclical deterioration has moderated. In particular, more favourable assessments of export orders have emerged.*

The employment recovery comes to a halt in the closing months of 2011

After two years of contraction, the Italian labour market showed signs of recovery in 2011, *with a year-on-year increase of 0.4 per cent in the number of persons employed and a marked reduction in the number of wage supplementation hours authorized. However, the demand for labour stagnated in the fourth quarter, while the supply continued to grow rapidly. The feebleness of demand persisted in the early months of 2012, the unemployment rate rose and wage supplementation hours began to grow again.*

Declining income is holding back consumption

Households remain cautious on spending, restrained by declining disposable income and the state of the labour market. Consumption remained weak in the early months of this year too, especially of durable goods. Business investment is being affected by ample idle capacity and stagnant domestic demand, as well as by difficulty in accessing credit, although this has eased somewhat.

Core inflation remains moderate. Prices reflect the increases in energy costs and indirect taxes

Consumer price inflation, which rose to just over 3.0 per cent on a twelve-month basis in the last quarter of 2011, remained at this level on average for the first quarter of 2012. Core inflation, net of the most volatile components, stayed at around 2 per cent. Price trends mainly reflect the rise in energy costs and indirect tax increases, which in turn were reflected in the projections of the professional forecasters for 2012, revised upwards in recent months.

Difficulty in accessing credit were countered by ECB liquidity injections

In December lending to firms recorded a contraction; surveys indicated a tightening of credit supply in connection with banks' fund-raising difficulties abroad. The refinancing operations conducted by the ECB have averted a more drastic scenario: they should allow credit supply conditions to return to normal in the months to come. Signs to this effect have come from the latest surveys of firms. Weak demand and the deterioration in borrowers' creditworthiness will continue to affect credit growth in the coming months.

Banks' profitability is down, but they have strengthened their capital base and regained access to the market

The deterioration of the economy had repercussions on credit quality and increased the flow of bad debts from lending to firms. In 2011, the profitability of the major banking groups declined; nevertheless, they have continued to strengthen their core tier 1 capital. In December the leverage ratio of these groups was significantly lower than the average of a sample of large European banks. Several Italian banks regained access to the wholesale funding market and resumed unsecured international bond issues.

In 2011 the government deficit fell; a further marked improvement is expected this year

In 2011 general government net borrowing declined to 3.9 per cent of GDP, 0.7 percentage points less than in 2010. Net of interest payments, a surplus of 1 per cent of GDP was recorded. This limited to 1.5 percentage points the increase in the ratio of government debt to GDP, which reached 120.1 per cent. Following the adoption of adjustment measures in the second half of the year, the debt-to-GDP ratio is expected to begin declining in 2013; the outturn for 2012 is expected to show a significant improvement, despite the forecast decrease in GDP.

Economic policy aims to create the conditions for growth, but there are still serious risks at European and global level

There is still great uncertainty over the economic outlook. The possibility of a recovery beginning towards the end of the year and continuing in 2013 depends above all on the performance of the financial markets and the interest rates on government securities. These rates have approached those postulated in the more favourable forecasting scenario set out in the January Economic Bulletin, *but volatility remains high. The recently approved measures for liberalization and administrative simplification can increase potential GDP growth and improve expectations. The proposed reform of the labour market is designed to reduce segmentation by rationalizing income support measures and* *readjusting the relative advantage of the different forms of labour flexibility. Nevertheless, substantial risks remain, namely the danger of a resurgence of the tensions in the European financial markets and a more pronounced slowdown in world trade.*

2 THE WORLD ECONOMY

2.1 ECONOMIC DEVELOPMENTS

World economic growth continued to lose steam in the closing months of 2011, with a contraction of activity in Europe and Japan and a slowdown in growth in the emerging economies. The stagnation of world trade was accompanied by a dip in raw materials prices and the general subsiding of inflationary pressures. In the first quarter of 2012 financial strains eased and growth expectations basically stabilized. Nevertheless, aggregate demand growth in the advanced countries continues to be impeded by the process of reducing debt, public and private alike. The still great uncertainty over the sovereign debt crisis in Europe and the risk of a further rise in oil prices weigh on the robustness of the upturn over the next two years (Table 1).

Table 1

Selected macroeconomic projections
(percentage changes on the previous year)

		IMF (1)		Consensus Economics (2)	
	2011	2012	2013	2012	2013
GDP					
World	**3.8**	**3.3**	**3.9**	–	–
Advanced countries	**1.6**	**1.2**	**1.9**	–	–
Euro area	*1.4*	*-0.5*	*0.8*	*-0.4*	*0.9*
Japan	*-0.7*	*1.7*	*1.6*	*2.0*	*1.5*
United Kingdom	*0.8*	*0.6*	*2.0*	*0.7*	*1.8*
United States	*1.7*	*1.8*	*2.2*	*2.3*	*2.5*
Emerging countries	**6.2**	**5.4**	**5.9**	–	–
Brazil	*2.7*	*3.0*	*4.0*	*3.3*	*4.4*
China	*9.2*	*8.2*	*8.8*	*8.4*	*8.5*
India (3)	*7.2*	*7.0*	*7.3*	*7.2*	*7.7*
Russia	*4.3*	*3.3*	*3.5*	*3.7*	*3.8*
World trade (4)	**6.9**	**3.8**	**5.4**	–	–

Sources: IMF, Consensus Economics and national statistics.
(1) *World Economic Outlook Update,* January 2012. – (2) Various publications, April 2012; for Brazil and Russia, March 2012. – (3) The Consensus Economics forecasts refer to the fiscal year beginning in April of the year indicated. – (4) Goods and services.

Output trends diverge among the advanced countries in the fourth quarter of 2011 ...

Economic activity slackened sharply in Europe in the fourth quarter, while GDP growth picked up to a 3 per cent annual rate in the United States, powered by the rebuilding of inventories and a growth in consumption beyond the rise in disposable income; public spending made a negative contribution and investment slowed. In Japan economic activity contracted by 0.7 per cent, owing above all to a sharp fall in exports caused in part by problems with the supply of intermediate goods following the flooding in Thailand. In the United Kingdom, GDP declined by 1.2 per cent, reflecting a marked fall in investment and the drawing down of inventories.

... while activity in the emerging economies weakens

Economic activity slowed in the main emerging economies in the fourth quarter, in response to the restrictive policy measures adopted during the first half of the year and the slackness of demand from the advanced countries. In China growth dipped only slightly (to 8.9 per cent with respect to the fourth quarter of 2010), thanks to the continuing strong expansion of domestic demand. The deceleration was more substantial in India (to 6.1 per cent) and Brazil (to 1.4 per cent), in connection with a sharp slowdown in industry. In Russia, by contrast, growth remained robust (4.8 per cent).

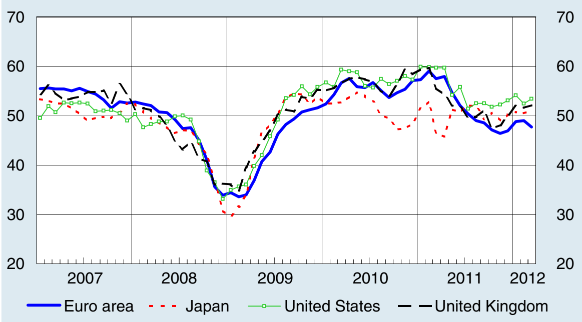
Activity appears to expand modestly in the first quarter

According to the latest cyclical indicators, economic activity apparently picked up in the first quarter of 2012 in the leading advanced economies outside the euro area, but only modestly (Figure 1). A fairly strong upturn in Japan and a more moderate one in the United Kingdom were accompanied by a slight slackening of growth in the United States. The state of the US economy proved to be better than the leading private analysts had expected. The labour market has improved somewhat in recent months but is still marked by a high rate of unemployment (8.2 per cent in March) and its long average duration by historical standards. The real-estate market has stabilized and futures contracts on the Case-Shiller index of home prices in the ten largest cities suggest a modest recovery over the next few months from the lows recorded at the beginning of the year.

Figure 1

Manufacturing Purchasing Managers' Index in the main advanced countries (1)

(monthly data)



Sources: Markit and Thomson Reuters Datastream.
(1) Diffusion index of economic activity.

In the emerging countries both industrial production indices and business surveys suggest a further slowdown. In particular, Chinese GDP growth slowed to 8.1 per cent in the first quarter, reflecting the weakening of industrial output owing to persistently slack foreign demand.

World trade stagnated in the fourth quarter of 2011, as the imports of the main European countries and exports from Asia contracted. In the first quarter of 2012 trade growth appears to have remained modest, reflecting flat demand in the main advanced countries.

Recovery is expected to be modest and uneven in 2012

According to the IMF projections in January, world economic growth will slow to 3.5 per cent in 2012 (from 3.9 per cent in 2011), owing to the contraction of activity in the euro area and slower growth in the emerging economies. Output is forecast to expand by around 2 per cent in the United States and by slightly less in Japan.

The outlook for world economic growth remains clouded not only by the slow reduction of public and private debt in the advanced countries but also by numerous factors of uncertainty, mainly in connection with the rekindling of the sovereign debt turmoil in the euro area, and the risk that new strains on global oil supplies could trigger a sharp rise in prices.

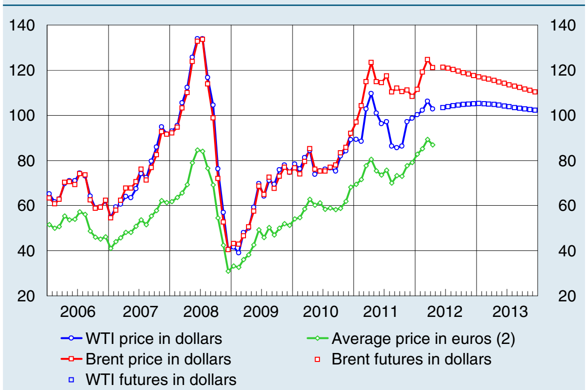
Oil prices rise sharply and futures contracts indicate they will subside only slowly

In the first quarter the prices of the main raw materials commodities began to rise again. The price of Brent grade crude oil jumped in February, driven by heightened geopolitical tensions in the Middle East and the building up of reserves by the leading emerging countries. The futures contracts on Brent grade oil imply that its price, which was \$121 a barrel on 13 April (Figure 2), will remain high over the next twelve months (\$115 a barrel in April 2013). The prices of non-energy commodities have risen more modestly

Figure 2

Crude oil: spot and futures prices (1)

(dollars and euros per barrel)



Sources: IMF and Thomson Reuters Datastream.
(1) Monthly averages for spot prices. – (2) Average price per barrel of the three main grades (Brent, Dubai and WTI).

and in March were still 14 per cent below the peaks recorded at the beginning of 2011.

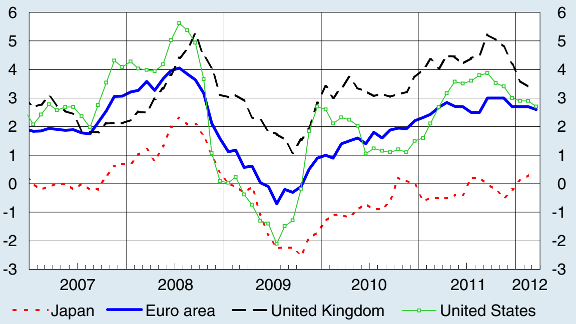
Inflation diminishes in the advanced and the emerging countries

Inflationary pressures have eased both in the main advanced countries and in the emerging economies, in response to the cyclical sluggishness of the economy and the decline in raw materials prices during 2011. The twelve-month rate of consumer price inflation in the United States fell to 2.7 per cent in March, from 3.9 per cent in September (Figure 3), and core inflation, net of food and energy prices, was 2.3 per cent. In the United Kingdom inflation fell to 3.4 per cent in February (1.8 points less than in September), thanks to the decline of core inflation to 2.4 per cent. In Japan, the deflationary tendency abated; the twelve-month decline in the core price index was 0.6 per cent.

Figure 3

Consumer price inflation in the main advanced countries (1)

(monthly data; twelve-month percentage changes)



Source: Thomson Reuters Datastream.
(1) For the euro area and the United Kingdom, harmonized consumer prices.

Monetary policies become still more expansive in the advanced economies ...

Monetary policies in the leading advanced economies have been made increasingly expansive, given very substantial idle capacity, new downside risks to economic activity and low inflation expectations. Central banks, their policy rates already nearly down to zero, have made greater use of unconventional measures. The Federal Reserve has continued to lengthen the average maturity of its portfolio of Treasury securities and to reinvest the proceeds of redemptions of mortgage-backed securities in similar instruments. In January the Fed extended from mid-2013 to the end of 2014 the horizon over which it expects to maintain exceptionally low interest rates and modified its monetary policy strategy, setting an explicit medium-term inflation target (see the box "Recent changes to the Federal Reserve's monetary policy strategy"). The Bank of England expanded its programme of financial asset purchases by £50 billion. The Bank of Japan announced that its objective of price stability means a twelve-month inflation rate of 1 per cent and at the same time substantially expanded its programme of financial asset purchases. In the wake of this announcement the yen depreciated sharply.

RECENT CHANGES TO THE FEDERAL RESERVE'S MONETARY POLICY STRATEGY

At the meeting of the Federal Open Market Committee (FOMC) of 24-25 January, the Federal Reserve made two important changes to the way it conducts its monetary policy. First, it specified that its goal of price stability should be understood as the pursuit, in the longer run, of an annualized inflation rate of 2 per cent, as measured by the annual change in the price index for personal consumption expenditures; this level will be re-examined annually at the January meeting. Second, together with the quarterly forecasts of GDP, unemployment and inflation, for the first time the Committee published the distribution of the monetary policy rates considered appropriate by its own members for the next three years and in the long term. These innovations reflect the conviction that greater clarity regarding the Fed's objectives and decision-making processes will not only enhance accountability but also reduce the uncertainty weighing on household and business decisions and increase the effectiveness of monetary policy.

The picture that emerges from the distribution of the Committee members' assessments – in reference to the federal funds rate considered appropriate in the last quarters of 2012, 2013 and 2014 – is consistent with the monetary policy rates curve outlined in the Committee's own statement, according to which the rates will probably remain very low at least until the end of

2014. The majority of the 17 Committee members, only 10 of whom have the right to vote on monetary policy decisions for 2012, thought that this rate should be maintained in the 0-0.25 per cent range at least until the end of 2013; about a third of the members, however, considered it opportune to initiate a restrictive phase during 2012 or 2013 and judged the appropriate level at the end of 2014 to be between 2 and 3 per cent. The members also thought that in the longer run the rate would stabilize around 4.25 per cent, a (median) value similar to the average rate of 4.4 per cent observed between 1990 and 2007.

These assessments represent forecasts based on the information available at the time they were made; thus they are baseline scenarios which, sensitive to the margins of uncertainty linked to the performance of the economy, can be revised as new information is received.

The day after the FOMC's statement was issued, the slope of the policy rates curve anticipated by the markets decreased; in particular, the expected levels of the federal funds rate and the 3-month interbank rate until the end of 2014 both fell by about 30 basis points. However, the rates curve remained consistent with forecasts that the phase of rate increases would get under way by mid-2014. The markets seemed, therefore, to assume that the US economy will perform better than implied in the Committee's statement. On 13 April, the probability of a phase of monetary tightening beginning in the first half of 2014 was still high.

... and in the emerging countries

In response to the deteriorating economic situation and the easing of price tensions, the central banks of the main emerging countries have continued with their gradual relaxation of monetary conditions. Since the start of the year the People's Bank of China has lowered reserve requirements by a total of 0.5 percentage points and phased out some administrative restrictions on lending, in particular for the real-estate sector. The Central Bank of Brazil, citing serious concerns over the economic slowdown, has lowered its official rates by a total of 125 basis points; at the same time, to counter the appreciation of the currency, it has tightened its controls on capital inflows. The Reserve Bank of India has reduced the compulsory reserve ratio by 1.25 percentage points.

Current payments imbalances were reduced again in the course of 2011, and according to the projections of the IMF they should diminish a bit further this year as well.

2.2 THE EURO AREA

The deterioration in euro-area economic activity in the second half of 2011 may have come to a halt in the first quarter of 2012. The main private analysts expect the area's GDP to fall slightly this year, before returning to moderate growth in 2013. Consumer price inflation declined in the first quarter, in line with the slowdown in the prices of energy products. The expansion of the Eurosystem's liquidity provision eased the tensions in the financial markets.

GDP declines in the fourth quarter of 2011 ...

In the fourth quarter of 2011 the area's GDP fell by 0.3 per cent with respect to the previous quarter, the first fall since the summer of 2009. Domestic demand shrank by 0.7 per cent, reflecting cutbacks in household consumption and investment. Despite the contraction of 0.4 per cent in exports, foreign trade made a positive overall contribution to the change in GDP, of 0.4 percentage points, owing to the sharp decline in imports.

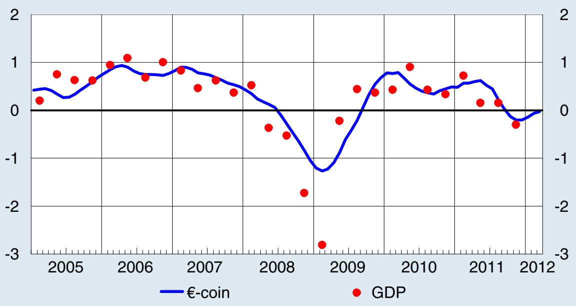
For the year as a whole GDP expanded by 1.5 per cent, a slower pace than in 2010. Among the main economies, growth was strong in Germany (3.0 per cent), more modest in Spain (0.7 per cent) and Italy (0.4 per cent); output growth in France was in line with the euro-area average.

... but the cyclical downturn eases in the first quarter of 2012

Since the beginning of 2012, the decline in economic activity has slowed, in parallel with the easing of tensions over funding conditions in several countries. The €-coin indicator calculated by the Bank of Italy – which gauges underlying GDP growth – recorded an improvement on last December's trough and in March settled at barely negative levels (Figure 4). However, the weakness of the current economic outlook was confirmed by firms' evaluations recorded in European Commission surveys and the Purchasing Managers' Index. According to the professional forecasters surveyed by Consensus Economics in April, euro-area GDP will decline by 0.4 per cent for the year, then return to growth in 2013. Eurosystem macroeconomic forecasts released in March expect annual real GDP growth to range between -0.5 and 0.3 per cent in 2012 and between 0.0 and 2.2 per cent in 2013.

Figure 4

€-coin coincident cyclical indicator and GDP in the euro area (1)
(percentage changes)



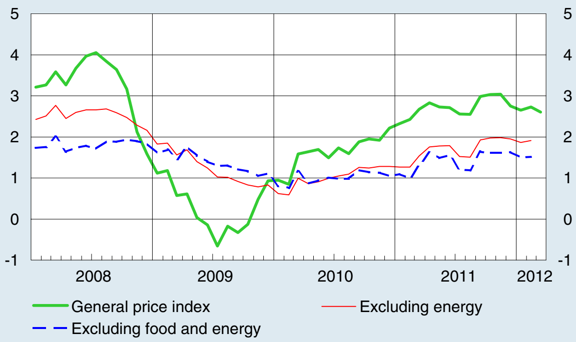
Sources: Bank of Italy and Eurostat.
(1) For the methodology used in constructing the indicator, see the box "The €-coin indicator and the economic situation in the euro area" in *Economic Bulletin*, July 2009. Details on the indicator are available at http://eurocoin.bancaditalia.it/. For GDP, quarterly data; change on previous quarter. For €-coin, monthly estimates of the change in GDP on the previous quarter net of the most erratic components.

Consumer prices decelerate in the first quarter

The twelve-month rise in consumer prices, which had reached 3.0 per cent in the fourth quarter of 2011, declined to 2.6 per cent in March, according to Eurostat's flash estimate (Figure 5). The slowdown is ascribable to that in the prices of energy products owing to statistical factors related to the high levels of oil prices in the opening months of 2011. Core inflation, measured by the harmonized index of consumer prices net of energy and food products, has remained basically stable since last autumn (at around 1.5 per cent). The recent rises in the prices of raw materials are expected to put upward pressure on consumer prices in the coming months. Against this backdrop, the latest business surveys do not indicate that firms intend to make significant upward adjustments to their list prices, owing in part to continued weak demand. The analysts surveyed by Consensus Economics in April forecast average annual inflation in the euro area to decline to 2.3 per cent in 2012, from 2.7 per cent in 2011; it was expected to subside to below 2 per cent in 2013. The forecasts made in the same month by the Eurosystem put average consumer inflation for 2012 in a range of 2.1 to 2.7 per cent.

Figure 5

Inflation in the euro area (1)
(twelve-month percentage changes)



Sources: Based on Eurostat and ECB data.
(1) Harmonized index of consumer prices. For March 2012, preliminary data.

The money supply continues to grow at a moderate pace

The rate of expansion of M3 in the area strengthened slightly in the twelve months up to February, but remains modest (at 2.8 per cent). The growth in deposits held by households was unchanged at 2.0 per cent, while the growth in those held by non-financial corporations slowed by one percentage point, to 0.4 per cent. The rate of growth in M3 varied across countries: in those most directly affected by sovereign debt tensions it was basically nil or negative, while in the other main economies it was faster.

Credit growth slows between December and February ...

Growth in credit to the non-financial private sector, which in 2011 had expanded significantly (based on data adjusted for the accounting effect of securitizations and net of seasonal effects), declined in the three months up to February (-0.8 per cent, on an annual basis). This reflected the decrease of 2.7 per cent in loans to non-financial corporations, concentrated above all in December, and the slowdown in lending to households, to 1.0 per cent.

Credit trends reflected both weak demand for loans and a contraction in supply, especially in the countries affected by financial market tensions. Based on the results of the bank lending survey for the euro area for the fourth quarter of 2011, the tightening of credit standards primarily reflected banks' funding difficulties, as a result of the intensification of the sovereign debt crisis up to December.

... but the Eurosystem operations eased the tensions

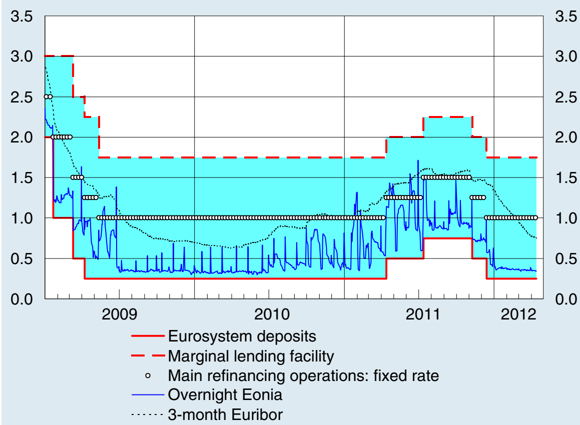
The tensions responsible for banks' funding difficulties eased following the three-year longer-term refinancing operations conducted by the Eurosystem at the end of December 2011 and the end of February 2012. These operations, which had the immediate effect of averting even tighter financing conditions, may help to restore more relaxed supply conditions in the coming months.

Official rates remain at very low levels ...

In view of the considerable uncertainty about the area's growth prospects and with inflation expectations compatible with the aim of price stability over the medium term, the Governing Council of the ECB held the fixed rate on its main refinancing operations at 1.0 per cent and at the same time increased the supply of liquidity (Figure 6).

Figure 6

Official interest rates and money market rates in the euro area
(daily data; percentages)



Sources: ECB and Thomson Reuters Datastream.

... and liquidity is increasing

In its second three-year refinancing operation, conducted on 29 February, the Eurosystem allotted a total of €530 billion to 800 banks (see the box "The effects of the three-year refinancing operations"). Following the two operations, the effective injection of new liquidity, net of the amounts not rolled over in maturing operations, came to €500 billion. From an accounting perspective, the liquidity issued by the ECB necessarily returns to the banks' Eurosystem deposit facility, but it circulated within the system as is shown by the fact that it was deposited by different banks from those that borrowed it is evidence of its having circulated within the system.

THE EFFECTS OF THE THREE-YEAR REFINANCING OPERATIONS

At the beginning of December the Governing Council of the European Central Bank took measures to prevent banks' mounting difficulty in raising funds, on account of the sovereign debt crisis, from provoking a credit crunch and a concomitant destabilization of macroeconomic and financial conditions. The Governing Council introduced two three-year refinancing operations with full allotment, widened the eligibility requirements for collateral and halved the reserve ratio to 1.0 per cent.

In the first three-year operation, carried out on 21 December, the Eurosystem supplied a total of €489 billion in gross financing to the 523 euro-area banks that took part; taking into account the lessened demand in the shorter-term operations, the net injection of liquidity came to €210 billion. In the second operation, conducted on 29 February with 800 banks participating, the funds assigned amounted to €530 billion (€310 billion net). The loans disbursed by the Bank of Italy to its counterparties in the two operations amounted to €116 billion and €139 billion respectively (€60 billion and €80 billion net).

The expansion of the list of assets eligible as collateral in refinancing operations aimed at ensuring that banks had sufficient collateral to meet their substantial funding needs during the current year, needs which had become all the more pressing because of the difficulty of tapping the wholesale funding market. The rating requirements for some types of asset-backed securities were lowered, and it was decided that the national central banks could accept some additional types of bank loans as collateral on their own responsibility and with approval of the eligibility criteria by the Governing Council of the ECB.

The new collateral assets are selected on the basis of particularly stringent eligibility criteria and risk-control measures able to preserve the soundness of the Eurosystem's balance sheet. A first group of frameworks for additional eligible credit claims, presented by seven national central banks, was approved on 9 February.[1] Net of haircuts, this could increase the volume of eligible collateral by a total of some €200 billion, according to an estimate made by the ECB in February. Further, the reduction of the reserve ratio freed up €100 billion of reserves for the euro-area banking system, of which €12 billion for Italian banks.

This set of decisions promptly countered the pressures on banks' liquidity.

Market participants' growing fears that the funding difficulties of some banks might lead to an outright systemic crisis were dispelled. The reduced risk of a funding crisis was immediately reflected in the spreads on banks' credit default swaps, which fell by 130 basis points between 21 December, when the first three-year operation was carried out, and the first ten days of April.

In the same period the strains in the interbank market eased considerably: the spread between the rate on unsecured loans (Euribor) and that on interest rate swaps (Eonia swap), which provides a measure of the risk premium, diminished by 60 basis points for three-month funds; the spreads between the overnight rates on the national markets and Eonia, which in some countries of the area had risen above one percentage point, were wiped out, indicating that the decisions of the Governing Council of the ECB had helped restore more uniform monetary policy transmission within the area.

The ample financing granted by the Eurosystem did not reduce banks' incentives to actively search for funds on the wholesale market, as some observers had feared. The restoration of confidence in the market enabled Spanish and Italian banks to regain access to the international markets. Italian banks, which had not issued unsecured bonds since the summer, placed €6.7 billion worth in the first few months of this year; two issues were for five-year securities, considerably longer than the maturity of the Eurosystem's operations.

Other segments of the financial markets also benefited from the effects of the three-year operations. After the first operation, the yields on the government securities of the countries hit hardest by the crisis declined. Between the second ten days of December and the first ten days of April the yields on Italian government securities fell by 170 basis points for maturities shorter than three years, by 120 basis points at the five-year horizon and by 110 at the ten-year horizon. The decline in yields was made possible partly by the economic policy measures adopted in Italy and the progress, albeit gradual, in European governance, but it also reflected the elimination of the risks of a disorderly liquidation of bank assets and the greater inflow of liquidity to the government securities market.

[1] For the Bank of Italy, the framework is available in Italian at http://www.bancaditalia.it/banca_centrale/polmon/strumenti/ampliamento_criteri_prestiti_bancari.pdf.

Between the end of December and the end of February the stock of Italian government securities held by Italian banks grew by €58 billion, of which €45 billion due to net investment and the rest to price changes.

In the aggregate, the liquidity injected into the system necessarily translated into an increase of equal amount in the funds held by banks on the Eurosystem's deposit facility. However, most of these funds were redeposited with the Eurosystem by other intermediaries than those to which they had been assigned. This indicates that the new liquidity has not remained idle, but has circulated within the euro area, influencing transactions, the functioning of the markets and yields, and can be expected to remove the obstacles to the return of credit supply conditions to normal.

According to the available evidence, in the first three-year operation requests for funds were mainly precautionary and came especially from banks that had to roll over a large volume of bonds falling due this year and in the next two years; this pattern prevailed in the euro area as a whole (see the box "The impact of the first three-year longer-term refinancing operation" in the European Central Bank's *Economic Bulletin* of January 2012) and also held for Italian banks. For the time being, the funds obtained were put into short-term investments or used to replace sources of financing that had dried up.

Going forward, the clear improvement in the conditions in the markets for liquidity, the abatement of funding risks and the availability of a large additional amount of resources obtained with the second operation at the end of February will certainly be reflected in the conditions of lending to firms and households. This effect cannot be observed immediately, both because of the lags with which monetary policy decisions are transmitted (for instance, the decisions taken by the Eurosystem following the collapse of Lehman Brothers produced a significant attenuation of the credit crunch after one or two calendar quarters) and because the pace of lending also reflects the weakness of demand and banks' assessment of borrowers' creditworthiness, which depends on the economic outlook – factors that could remain at work in the near future. Still, there are some favourable indications.

The improvements seen in the sovereign debt market should progressively lead to a reduction in the cost of bank credit, which is essential to the recovery of the Italian economy. In Italy, the first two months of the year have already witnessed a slight decline in the interest rates on new loans to firms, after the sharp increase recorded in the second half of 2011. Past data suggest that a reduction in government bond yields typically translates into lower interest rates on business loans and home mortgages to a significant extent already within the first quarter following the reduction, and that the transmission is nearly complete within the span of three quarters.

Some initial positive signs regarding credit availability come from the surveys of businesses, which show that the net percentage balance of firms reporting greater difficulty in obtaining credit dropped steeply in March. In the first two months of the year the flow of loans to firms expanded somewhat, after the sharp contraction in December. The evidence suggests that the same banks that obtained the most net refinancing in the December operation were those that contributed most to the growth in lending to the economy in the first two months of the year.

A positive effect could also stem from the large number of small banks that participated in the second operation thanks to the expansion of the collateral eligibility requirements. These banks are especially important for financing small and medium-sized enterprises.

Interbank market strains ease

The ample excess liquidity helped to alleviate the pressures on the money market, eliminate the risks of a supply crisis in the banking system, and reactivate the transmission of monetary policy between countries. The spread between the rates on unsecured loans (Euribor) and those on collateralized loans, which provides an indication of the counterparty risk premium in the interbank market, fell sharply (to 45 basis points for three-month maturities, from around 100 basis points at mid-December).

2.3 WORLD FINANCIAL MARKETS

Sovereign debt strains in the euro area eased significantly in the first quarter of 2012, thereby contributing to a general decline in the volatility of both government securities and shares (Figure 7). The improvement reflected the new measures adopted by the governments of some euro-area countries, the decisions taken by the European summit in January, the agreement reached on a second financial assistance plan for Greece (see the box "Private sector involvement in resolving the Greek crisis") and the extraordinary liquidity support provided by the ECB starting in December 2011 (see the box "The effects of the three-year refinancing operations"). The return to more relaxed conditions in the financial markets fostered an upswing in share prices and a renewal of capital flows to the emerging countries. However, from the end of March, new worries about the outlook for some euro-area countries and fears about the scale of the slowdown of the world economy rekindled tensions in the financial markets.

Figure 7

Implied volatility of stock market indices and government securities prices (1)

(percentage points)

Source: Based on Thomson Reuters Datastream data.
(1) Moving averages over 5 days. Stock market indices: VSTOXX for the euro area and VIX for the United States. Government securities: volatility implied by the prices of options on futures on the German Bund for the euro area and on Treasury notes for the United States.

PRIVATE SECTOR INVOLVEMENT IN RESOLVING THE GREEK CRISIS

In February and March, the Greek Government, the European Union, the European Central Bank and the International Monetary Fund drew up the second financial assistance plan for Greece to bring the country's public debt back on a sustainable path. Under the plan, additional financial aid to the tune of €138 billion will be offered by the euro-area countries through the European Financial Stability Facility (EFSF) and by the IMF. It will be disbursed in tranches up to 2016, subject to periodic checks that Greece is honouring its commitments. The new aid comes on top of the over €34 billion worth of funding still available under the financial assistance plan agreed in May 2010.

The new financial package was agreed subject to the following conditions: a) an undertaking by the Greek authorities to carry out budgetary adjustments and structural reforms designed to enhance the country's competitiveness and restore stability in the financial sector; b) the retroactive lowering of interest rates on the Greek Loan Facility forming part of the first assistance package in May 2010;[1] c) Greece's adoption of a debt restructuring plan with private sector involvement (PSI) and using up to €36 billion of funds supplied by the EFSF (already included in the new loans to Greece). The financial assistance plan and accompanying actions aim to reduce Greece's debt-to-GDP ratio from 165 per cent to 120 per cent by 2020.

The debt restructuring proposal concerns Greek securities held by private sector investors with a face value of approximately €206 billion (about 96 per cent of GDP); €177 billion of these are government bonds subject to Greek law and €29 billion are government bonds subject to other jurisdictions or securities issued by public enterprises and guaranteed by the Greek Government. The main conditions of PSI are a 53.5 per cent haircut on the nominal value of the bonds and their being swapped for new financial instruments

[1] The retroactive lowering of interest rates on the Greek Loan Facility can be financed partly from the profits generated by the Eurosystem holdings of Greek government bonds under the Securities Markets Programme, which the participating countries will receive from their central banks. In addition, the euro-area countries have agreed to pass on to Greece the profits realized by their central banks until 2020 from the Greek securities in their investment portfolios.

amounting to the remaining 46.5 per cent (15 per cent in bonds issued by the EFSF and 31.5 per cent in twenty new Greek government bonds maturing between 2023 and 2042). The income accrued on the old stock was to be paid in bonds issued by the EFSF. Furthermore, the Greek Government has introduced retroactive collective action clauses on the PSI bonds, giving it the power to force all bondholders to take part in the debt restructuring plan if it is approved by a qualified majority.

On 9 March, the Greek Government announced that about 86 per cent of holders of government bonds subject to Greek law had opted to take part in the PSI exercise, and about 69 per cent of holders of other bonds. It therefore decided to activate the CACs on the government bonds subject to Greek law. The deadline for the remaining bondholders to participate in the debt restructuring plan was postponed several times up to 20 April, gaining a further €2 billion. Overall participation in the PSI exercise reached €199 billion in total.

Loans to be disbursed to Greece in 2012-16
(billions of euros)

	2012-14		2015-2016		Total	
	new (1)	existing (2)	new (1)	existing (2)		*of which:* new (1)
EFSF	120.2	24.4	–	–	144.6	120.2
IMF	9.8	10.0	8.2	–	28.0	18.0
Total	130.0	34.4	8.2	–	172.6	138.2

(1) New loans granted under the second financial assistance plan. – (2) Loans granted in May 2010 under the first financial assistance plan but not yet disbursed.

The International Swaps and Derivatives Association determined that the activation of the CACs was a "credit event" triggering the payment of credit default swaps. Protection buyers against Greek default with CDSs (with an estimated $3.2 billion net notional value at the time of the announcement) are therefore entitled to ask the sellers to pay the difference between the nominal value of the purchased CDSs and the recovery value of the Greek bonds, set at 21.5 per cent of their face value at a market participants' auction sponsored by the ISDA. According to analysts, the recovery amount determined by the auction is in line with their assessment of the cost to the bondholders taking part in the PSI, who therefore would not have suffered losses if they had used CDSs to hedge against Greek default.

Following the successful outcome of the PSI exercise and orderly payout of the CDSs, fears of a disorderly default by Greece on its public debt have subsided somewhat.

Long-term interest rates remain very low in the countries deemed least risky ...

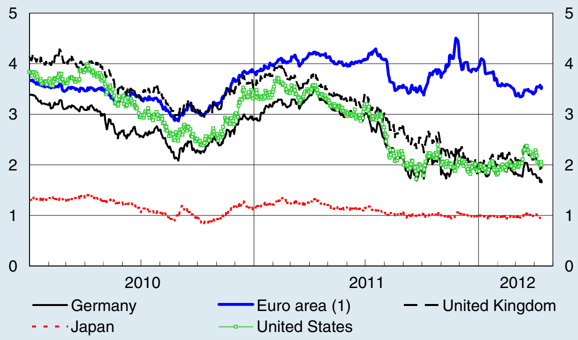
In the first few months of 2012 the yields on the ten-year government securities of the countries deemed to be least risky remained at the very low levels reached at the end of last year, continuing to reflect investors' preference for reputedly safer assets and the increasingly expansionary monetary conditions (Figure 8).

... and in the euro area sovereign yield spreads over Bunds narrow in the first quarter

The significant declines in the yield spreads of euro-area ten-year government securities over German Bunds in most of the first quarter were partly reversed from the end of March onwards. Until then the spread had narrowed in Italy, Ireland, Belgium and Portugal (Figure 9), while in Spain it had widened following the worsening of the outlook for the consolidation of the public finances. The downgrading of the credit ratings of numerous euro-area countries by the main rating agencies did not significantly affect their risk premiums.

Figure 8

Yield spreads on ten-year government bonds
(daily data; percentages)



Source: Thomson Reuters Datastream.
(1) Average yields, weighted by 2010 GDP at constant prices, of the ten-year government securities of the euro-area countries except Cyprus, Estonia, Greece, Luxembourg, Malta, Slovakia and Slovenia.

Risk premiums on banks and non-financial corporations also fall

The liquidity support measures adopted by the ECB alleviated banks' fund-raising problems, thereby fostering a reduction in the risk premiums required by investors on bank bonds. Compared with the beginning of 2012, banks' five-year credit default swap spreads have fallen by 52 basis points in the euro area and 81 basis points in the United States. Non-financial corporations have also recorded a substantial decrease in their risk premiums: on 13 April the spreads on securities denominated in euros were equal to 201 basis points for investment grade securities with the lowest rating (BBB) and 780 basis points for the riskiest (high yield) securities; the corresponding figures for securities denominated in dollars were about 226 and 626 basis points (Figure 10).

Share prices recover in the first quarter ...

After making large gains in the first quarter, stock prices in the main advanced countries declined from the end of March onwards, notably in the euro area and Japan. On 13 April the Dow Jones Euro Stoxx index covering the largest companies listed in the euro area and the S&P500 index in the United States had risen by respectively 2.3 and 9.0 per cent compared with the beginning of the year (Figure 11).

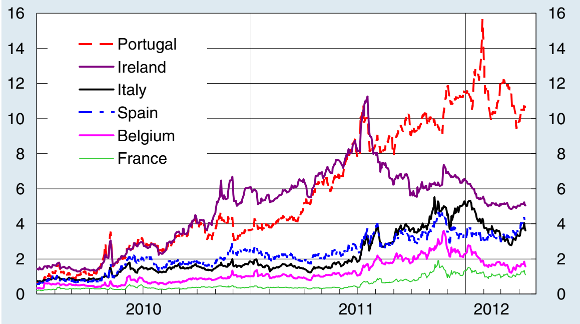
... and flows of capital to the emerging countries revive

Financial conditions in the emerging countries have benefited from the easing of the euro-area sovereign debt strains. Portfolio investment turned positive, with both shares and debt securities recording positive, albeit volatile, net inflows. The yield spreads of emerging countries' dollar-denominated long-term sovereign bonds over US Treasury securities have narrowed since the beginning of the year, as have their sovereign debt CDS spreads.

After rising by 12 per cent in the first two months of 2012, emerging-countries' share prices in local currency have fallen a little since the beginning of March, partly owing to the uncertainty about China's growth prospects.

Figure 9

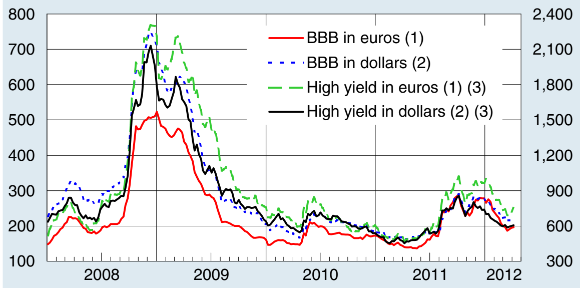
Yield spreads between ten-year government bonds and the German Bund
(daily data; percentage points)



Sources: Based on Bloomberg and Thomson Reuters Datastream data. The latest available data refer to 13 April 2012.

Figure 10

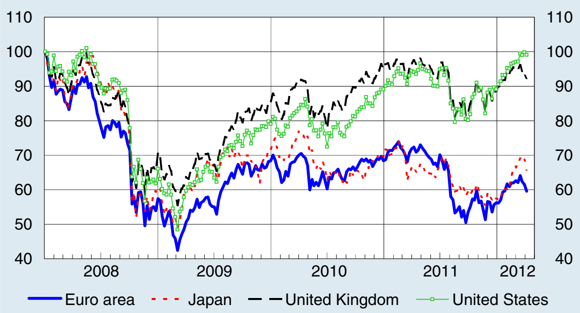
Yield spreads between bonds of non-financial corporations and government securities in dollars and euros
(end-of-week data; basis points)



Source: Merrill Lynch
(1) Fixed-rate bonds with a residual maturity of not less than one year issued in the Euromarket; yield spreads are calculated with respect to French and German government securities. – (2) Fixed-rate bonds with a residual maturity of not less than one year issued in the US domestic market; yield spreads are calculated with respect to US Treasury securities. – (3) Right-hand scale.

Figure 11

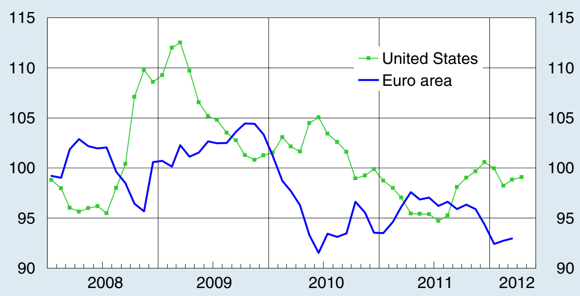
Stock market indices (1)
(end-of-week data; first week of January 2008=100)



Source: Thomson Reuters Datastream.
(1) Dow Jones Euro Stoxx for the euro area, Nikkei 225 for Japan, FTSE All Share for the United Kingdom, Standard & Poor's 500 for the United States.

Figure 12

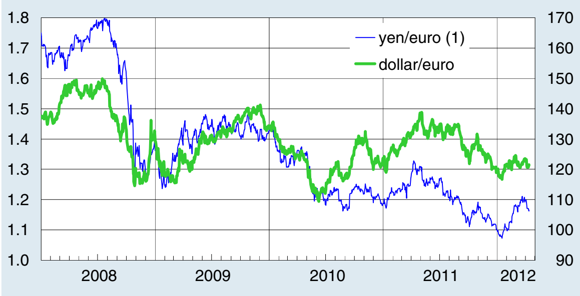
Nominal effective exchange rates (1)
(monthly data)



Sources: ECB and Federal Reserve.
(1) Indices, 2008=100. An increase implies an appreciation.

Figure 13

Bilateral exchange rates
(daily data)



Source: ECB.
(1) Right-hand scale.

The euro appreciates

After weakening in the last part of 2011, the euro has strengthened against the other leading currencies. In nominal effective terms it appreciated slightly, rising by 0.6 per cent between January and March (Figure 12). In bilateral terms, on 13 April the euro was up by 1.6 per cent against the dollar and to a greater extent, 5.9 per cent, against the yen, owing in part to the Japanese central bank's announcement of its intention to increase the size of its quantitative easing programme (Figure 13).

The Chinese renminbi has weakened slightly in nominal effective terms, falling by 0.5 per cent, while remaining virtually unchanged against the dollar. On 14 April the Chinese authorities announced that the daily fluctuation band of the renminbi would be widened from 0.5 to 1.0 per cent of the dollar central parity fixed daily at the opening of the markets.

3 THE ITALIAN ECONOMY

3.1 THE CYCLICAL PHASE

In the first few months of the year, against the background of a slowdown in world trade, economic activity in Italy appears to have declined again, reflecting the continuing constraints on household and business expenditure. The leading indicators point to some attenuation of the cyclical weakness in the coming months.

In the fourth quarter of 2011 the decline in domestic demand results in a fall in GDP ...

In the fourth quarter of 2011 Italy's GDP diminished by 0.7 per cent on the previous quarter, its second consecutive fall (Table 2). National demand contracted by 1.4 per cent: the decline in consumption and investment was accompanied by reductions in stocks, which subtracted 0.4 percentage points from GDP growth. Exports stagnated following a prolonged period of expansion; nevertheless, foreign trade made a positive contribution of 0.7 points to GDP growth, owing to the sharp fall in imports (-2.5 per cent). On the supply side, the decline in GDP reflected the 2.2 per cent reduction in value added in industry excluding construction, together with substantial stagnation in services and construction.

Table 2

GDP and its main components

(chain-linked volumes; data adjusted for seasonal and calendar effects; percentage changes on previous period)

	2011				2011
	Q1	Q2	Q3	Q4	(1)
GDP	0.1	0.3	-0.2	-0.7	0.4
Total imports	-2.3	-1.4	-1.2	-2.5	0.4
National demand (2)	-0.5	-0.3	-1.1	-1.4	-0.9
National consumption	0.1	-0.2	-0.4	-0.7	..
household spending	*..*	*-0.1*	*-0.4*	*-0.7*	*0.2*
other (3)	*0.3*	*-0.4*	*-0.6*	*-0.7*	*-0.9*
Gross fixed investment	..	-0.1	-0.6	-2.4	-1.9
construction	*-0.4*	*-1.0*	*-0.5*	*0.1*	*-2.8*
other investment goods	*0.5*	*0.9*	*-0.8*	*-4.9*	*-0.9*
Change in stocks and valuables (4)	-0.7	-0.2	-0.6	-0.4	-0.5
Total exports	0.2	0.7	2.0	..	5.6

Source: Istat.
(1) Annual data not adjusted for calendar effects. – (2) Includes the change in stocks and valuables. – (3) Expenditure of general government and non-profit institutions serving households. – (4) Contributions to GDP growth on previous period, in percentage points.

According to annual data, GDP grew by 0.4 per cent in 2011, down from growth of 1.8 per cent in 2010 (Figure 14). Growth was held back by the decline in national demand (-0.9 per cent), due to the reduction in stocks and the fall in investment (-1.9 per cent), despite a modest increase in household spending (0.2 per cent). By contrast, foreign trade made a positive contribution, thanks to a much greater increase in exports than in imports (5.6 against 0.4 per cent).

... which appears to be continuing in the first three months of 2012

Our own calculations suggest that industrial production declined again on average in the first quarter of 2012 compared with the fourth quarter of 2011, partly reflecting temporary factors, i.e. the unusually bad weather and road hauliers' strikes. The outcome appears to be a fall in GDP on a par with that of the previous quarter. Nevertheless, even if the economic indicators signal continuing weak domestic demand, the quarterly survey conducted in March by the Bank of Italy and *Il Sole 24 Ore* on a sample of industrial and service firms reports signs that the cyclical deterioration is easing. There have also been some moderately positive signs in the more recent trends of household and business confidence.

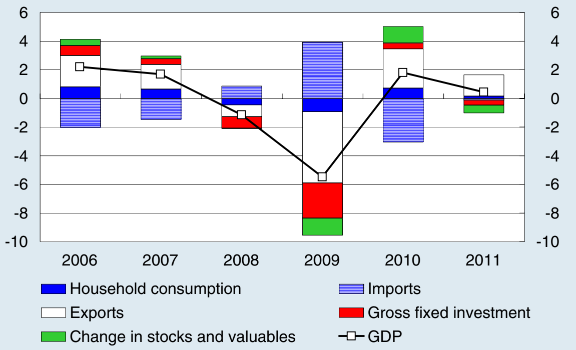
The GDP forecasts are marked by great uncertainty

A high degree of uncertainty continues to surround the economic forecasts. The possibility of a recovery beginning late this year and gathering strength in 2013 depends above all on the performance of the financial markets and government bond yields. The latter are now close to the most favourable scenario proposed in the January *Economic Bulletin*; volatility remains very high, however. The recently approved measures for liberalization and administrative simplification can increase potential GDP growth and have a positive effect on expectations (see box). The proposed reform of the labour market moves in the same direction. It aims to reduce the segmentation of the market by rationalizing income support measures and readjusting the relative advantage of the different forms of labour flexibility. Nevertheless, there remain substantial risks, namely the danger of a resurgence of tensions in the European financial markets and a more marked slowdown in world trade.

Figure 14

GDP growth and the contributions of its main determinants (1)

(percentage points)



Source: Based on Istat data.
(1) The formula for calculating the contributions to real GDP growth in accordance with the methodology for price deflation based on chain linking is available at: www.istat.it.

THE LIBERALIZATION AND SIMPLIFICATION MEASURES

Starting in the summer of 2011 a process of liberalization got under way in a wide range of sectors, culminating in the adoption on 24 January of Decree Law 1/2012, known as the "Grow Italy" decree, converted with amendments into Law 27/2012 on 24 March. The main provisions are summarized below.

On professional services, a number of steps were taken beginning last year, aimed mainly at reducing entry barriers. In August, Decree Law 138/2011 provided that professional orders be reformed by 13 August 2012 to comply with such requirements as: (a) guaranteeing that without exception the exercise of the profession be in accordance with the principle of free competition; and (b) the admissibility of publicity for informational purposes. The 2012 finance law (Law 183/2011) and the "Grow Italy" decree included additional liberalization measures that extended the possibility of exercising professional activities in the form of companies, in particular limited companies. Shareholders may be professionals and non- professionals, as long as the number of the former and the stake they hold are above certain thresholds. To facilitate entry to the professions, the rules governing internships were amended, shortening their duration and allowing them to be partially concomitant with students' university careers. The "Grow Italy" decree abrogated compulsory minimum fees and also introduced provisions for greater transparency in the relations between professionals and clients. In this regard clients were assured of an instrument – an "informal" estimate – for comparing the services offered by different practitioners.

In the segments with formal limits to access (notaries, pharmacies), the decree acted to increase competition within the market (as by increasing the number of licences) but retained the existing strict limits on competition from operators outside the profession.

On network services (transport, gas, local public services) a series of measures in 2011 and 2012 have significantly improved the regulatory framework. For transport (railways, motorways, ports, airports, taxis) a crucial role is assigned to the newly established Authority, whose members will be appointed by 31 May 2012. Its powers of regulation and sanction are intended to guarantee competition, efficiency, transparency and access to infrastructure. The effects of the new regulatory framework will depend crucially on the Authority's action. In the gas sector, as previously for electricity, ownership of the infrastructure for transport, storage, regasification and distribution must be separated from the dominant company in the production and sale of gas (Eni). The separation must be completed no later than 24 September 2012, under criteria, terms and procedures fixed in a decree of the prime minister, to be issued by 31 May. As regards local public services, the liberalization process was resumed, after the referendum of 2011, by a package of measures in August, which provided, in general, for public award procedures. In the first months of 2012 the conditions for the exclusive provision of a service were further restricted. The value of a service above which direct award without a competitive tender is no longer possible was lowered from €900,000 to €200,000. The role of the Antitrust Authority was strengthened; it is now called on to evaluate the way in which local authorities determine the optimal scope or territory for the service and the procedures for awarding the service contract.

The "Save Italy" decree (Decree Law 201/2011, issued on 6 December) deregulated shop opening and closing hours. Subsequently, the "Grow Italy" decree introduced general provisions for reducing the number of bureaucratic obligations (such as licences, authorizations and permits) limiting business activities. These measures are designed to abolish the many central, regional and local government restrictions on opening and operating businesses. Their efficacy will depend to a considerable extent on the implementing regulations.

On banking and insurance, the "Save Italy" decree prohibited the holding of multiple positions by members of management, oversight and control bodies and introduced a similar ban for top managers in enterprises or groups active in the credit, insurance and financial markets. These persons may not take or hold analogous positions in competitor enterprises or groups. The decree also incorporated into the Consolidated Law on Banking the provisions – previously contained in Law 2/2009 – governing charges for overdrafts and violations of overdraft ceilings in current account and loan contracts. The rules specify the price structure of fees and provide that non-compliant contract clauses are null and void. For insurance, the "Grow Italy" decree introduced measures to combat fraud in motor vehicle liability insurance. The measures to increase competition between insurers by enabling customers to compare offers appear to be less incisive.

Law 35/2012, converting the "Simplify Italy" decree (Decree Law 5/2012 of 9 February), issued on 4 April, adopts a number of measures to reduce the administrative obligations of firms. The most important are those relating to privacy, labour, research, public contracting and the environment. The measure also introduces a new instrument against the inertia of the public administration. In the event of failure to abide by the time limits set for the completion of a procedure, the private party may apply directly to a public manager assigned to act as substitute and obtain, within a shortened term, the issue of the permit requested. Rules were issued for the application of the principle of compensation contained in the so-called "Enterprise Charter", whereby no new charge on private parties can be instituted without the elimination of quantitatively equivalent charges contained in the previous regulation. The system of public controls on economic activity has been rationalized, among other things by reducing controls on firms that have certificates from accredited certification bodies.

Consumer price inflation reflects the increase in indirect taxes

Since last autumn the rate of consumer price inflation has risen above 3 per cent, mainly in response to the increase in indirect taxes. Measured by the twelve-month change in the consumer price index for the entire economy, overall inflation remained stable at 3.3 per cent in March. Core inflation (calculated net of energy and food prices) was about 2 per cent; it has basically remained unchanged since the middle of 2011. Consumer price inflation in 2012 will be affected by the recent pressures on raw materials prices: the analysts surveyed in April by Consensus Economics forecast average consumer price inflation of 3.0 per cent in 2012, falling to 2.4 per cent in 2013.

3.2 FIRMS

Industrial activity weakened in the early months of 2012. Firms' operating profitability declined slightly and their self-financing capacity diminished, while difficulties in accessing bank credit persisted. Large firms, however, increased their recourse to the financial markets. For the future, there are signs that the cyclical problems are easing.

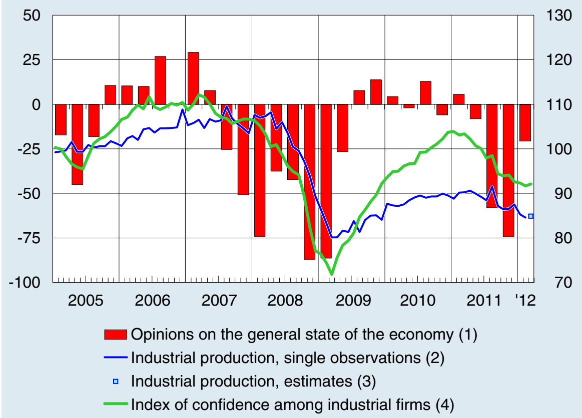
Industrial production declines further in the first quarter

In February the index of industrial production fell by 0.7 per cent with respect to January (Figure 15), when it had dropped 2.6 per cent. The decline was due partly to the road hauliers' strike at the end of the month and partly to very bad weather in the first weeks of February. Based on our own estimate for March, manufacturing activity contracted by just over 2 per cent in the first quarter compared with the previous quarter, with particularly sharp decreases in the capital goods and consumer durables sectors.

Figure 15

Industrial production and business confidence

(monthly data)



Sources: Based on Istat, Terna and Bank of Italy data.
(1) Balance of responses to the question on the state of the economy in the March 2012 Bank of Italy-*Il Sole 24 Ore* quarterly Survey on Inflation and Growth, published in *Supplements to the Statistical Bulletin*, 18, 2012. The data refer to industrial firms only; left-hand scale. – (2) Industrial production adjusted for seasonal and calendar effects; index, 2005=100; monthly data. – (3) Based on electricity consumption and the indicators of Istat surveys of manufacturing firms. – (4) Average of the seasonally adjusted percentage balances of the responses to questions on firms' assessment of demand, production expectations and stocks of finished products; index, 2005=100; monthly data.

Investment declines in the second half of 2011

Against a background of substantial margins of spare capacity, investment is being held back by lacklustre demand and persistent strains affecting firms' borrowing conditions. Between the first and second half of 2011 it contracted by 1.9 per cent; the worst-hit sector was spending on machinery, equipment and transport equipment, which fell by 2.8 per cent. Some signs of a lessening of pessimism have emerged, however. According to the quarterly survey conducted in March by the Bank of Italy in collaboration with *Il Sole 24 Ore*, the negative balance between firms expecting an improvement and those expecting a deterioration in investment conditions decreased, especially in industry, to almost half the peak value recorded at the end of 2011.

The real-estate market continues to struggle

The real-estate market weakened in the second half of 2011. Construction investment diminished by almost 1 per cent with respect to the first half of the year, owing to the contraction in the residential sector. House prices, meanwhile, held stable in nominal terms. Adjusted for inflation, they fell by 1.4 per cent, continuing a trend under way since the middle of 2009. The number of sales concluded in the first half of last year was again extremely small, and a modest increase of only 0.6 per cent was recorded in the second half. According to the latest indicators, the outlook for the sector remains weak. Confidence among construction companies deteriorated steadily in the first quarter of this year, falling to the same level as last summer.

The indicators point to an easing of cyclical problems

Confidence among industrial firms began to pick up in March, reversing the downward trend of the past year; judgments on the present and expected performance of foreign demand in particular were more favourable. Signs that economic weakness is easing are confirmed by the quarterly survey conducted by the Bank of Italy and

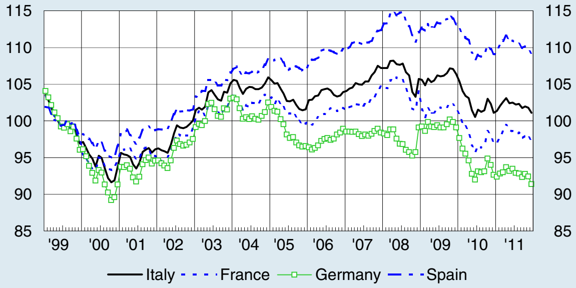
Il Sole 24 Ore. The negative balance between the percentage of firms expecting an improvement and a deterioration of conditions in their market narrowed considerably, more so in industry than in services. Opinions regarding access to credit were more favourable than in the December survey, probably as a result of the Eursosystem's recent liquidity support operations.

The price competitiveness of Italian firms, gauged by producer prices, improved by around half a percentage point in the fourth quarter of 2011, thanks entirely to the decline in the euro's nominal effective exchange rate (Figure 16). Preliminary data suggest that the trend gained impetus at the beginning of this year. Since last summer Italy has accumulated a gain in competitiveness of over 2 percentage points, in line with that of France but about 1 point less than Germany's.

Figure 16

Indicators of competitiveness (1)

(indices, 1999=100)



Sources: Based on IMF, OECD and Eurostat data.
(1) In relation to 61 competitor countries; based on producer prices of manufactured goods. An increase in an index indicates a loss of competitiveness. The latest data refer to December 2011.

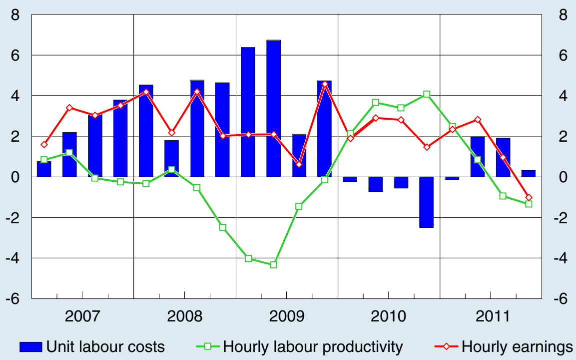
Unit labour costs are virtually stationary

Unit labour costs in the private sector slowed sharply in the fourth quarter of 2011, rising by 0.3 per cent compared with the year-earlier period, against 1.9 per cent in the third quarter (Figure 17). The decline in productivity for the second quarter running was almost entirely offset by a 1 per cent fall in hourly earnings. The trend was virtually identical in industry excluding construction and in services.

Figure 17

Labour costs and productivity in the private sector (1)

(percentage changes on year-earlier period)



Source: Based on Istat data.
(1) Based on hours actually worked. The private sector comprises: agriculture, industry excluding construction, construction, wholesale and retail trade, lodging and catering, transport and communication, credit and insurance, real-estate and professional services.

Operating profitability declines and self-financing diminishes

According to estimates based on national accounts data, the operating profitability of non-financial corporations (value added net of labour costs) decreased in the twelve months to December 2011 with respect to the figure observed in September. Given the contemporaneous increase in net financial costs, firms' self-financing capacity also diminished in relation to value added.

Firms' borrowing requirement increased slightly with respect to the previous quarter, amounting to 14.8 per cent of value added, despite the slight contraction in investment (including inventories).

Bank lending to firms turns negative ...

After recording twelve-month growth rates of around 3 per cent until October 2011, banks' lending to non-financial firms, net of bad debts and repos, slowed sharply. The twelve-month growth rate turned negative in January and fell to -1.6 per cent in February (Figure 18). The contraction in credit affected firms of all sizes, but especially small ones. It reflected not only the decline in loan demand caused by the slowdown in economic activity, but also the tightening of banks' lending conditions. The total outstanding debt of firms continued to decrease, reaching 79 per cent of GDP in December 2011 (Figure 19), about 20 percentage points below the average for the euro area. Firms' leverage, defined as the ratio of financial debt to the sum of financial debt and equity at market prices, also diminished slightly, to 48 per cent, about 4 percentage points above the euro-area average.

... but bond fund-raising turns positive

Faced with the reduction in bank credit, Italian non-financial firms increased their recourse to the financial markets. In the fourth quarter of 2011 net bond fund-raising turned positive by over €1.5 billion, mainly thanks to large firms. The euro area as a whole recorded a sharp acceleration in net issues, which amounted to over €16 billion. Provisional Dealogic data on gross issues indicate that placements by companies belonging to Italian groups accelerated in the first quarter of 2012 compared with the average for the previous three quarters, amounting to around €9 billion.

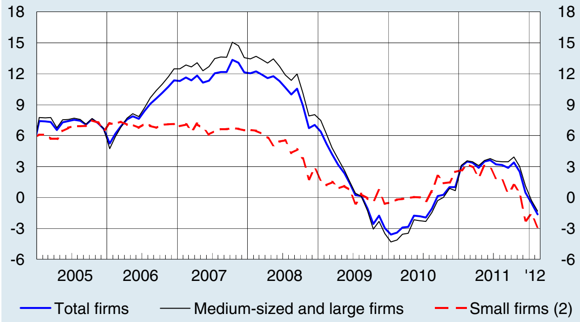
... as does fund-raising on the equity market. M&A activity diminishes

Fund-raising on the equity market also became slightly positive after stagnating for two quarters. By contrast, M&A activity declined; according to Thomson Reuters Datastream data, in the fourth quarter of 2011 Italian firms carried out 25 transactions, compared with 30 in the previous quarter, and their value fell by half, to about €1.4 billion. M&A activity in Germany held stable at a value of around €4 billion while it increased in France and Spain, to €8 billion and €3 billion respectively. According to provisional data, activity in Italy was again weak in the first quarter of this year.

Figure 18

Firms' bank debt by size of firm (1)

(monthly data; twelve-month percentage changes)

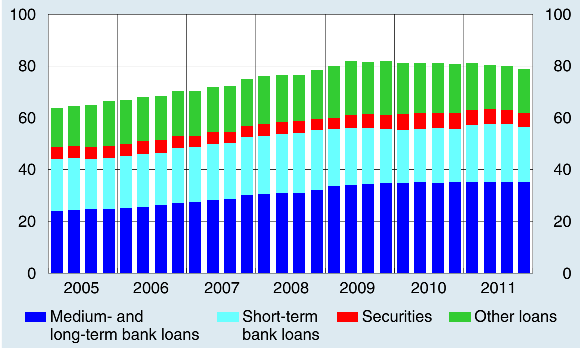


(1) Non-financial firms. Data adjusted for the accounting effect of securitizations. Loans exclude repos, bad debts and some minor items included in the Eurosystem harmonized definition of the aggregate. The data are adjusted for reclassifications. – (2) Limited partnerships, general partnerships, informal partnerships, de facto companies and sole proprietorships with up to 19 workers.

Figure 19

Debt of non-financial firms (1)

(as a percentage of GDP)



Sources: Based on Bank of Italy and Istat data.
(1) The data refer to the twelve months ending in the reference quarter and include securitized loans. The data for the fourth quarter of 2011 are provisional.

3.3 HOUSEHOLDS

Household spending is being held back by declining disposable income and the uncertain outlook for the labour market. However, there have been some signs of a recovery in consumer confidence, which was at an all-time low at the end of 2011.

Household spending remains weak

After stagnating in the first six months of 2011, household consumption declined by 0.8 per cent in the second half. The moderate increase in purchases of services was offset by the significant reduction in purchases of goods, and of durables in particular (down 4.4 per cent on the previous six months).

In 2011 household spending was dampened by the further contraction in real disposable income, which fell by 0.5 per cent as consumer prices accelerated (Figure 20). Since 2008, households' purchasing power has declined by a total of nearly 5 per cent. The downward trend in the saving rate continued;

Figure 20

Consumption, disposable income and consumer confidence in Italy
(percentage changes and indices)

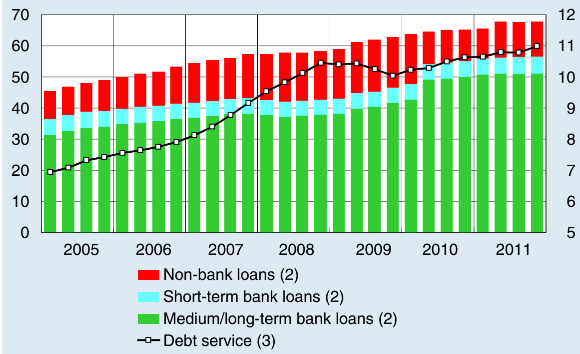
Source: Based on Istat data.
(1) Chain-linked volumes; percentage changes in relation to the previous year. – (2) Includes income of consumer households, producer households and non-profit institutions serving households; obtained using the consumption deflator for resident households and non-profit institutions serving households. – (3) Monthly data, seasonally adjusted. Indices, 2005=100. – (4) Monthly data; moving averages for the three months ending in the reference month.

it fell by 0.7 percentage points last year, to 12.0 per cent.

Consumption remained weak in the early months of this year too, especially for durable goods. New car registrations fell by over 10 per cent in the first quarter, accumulating a loss of more than 25 per cent in one year. Households' pessimism regarding the general economic situation lifted somewhat; overall, consumer confidence gradually improved, after sinking to a level in December not seen since the recession of the early 1990s (Figure 20).

Figure 21

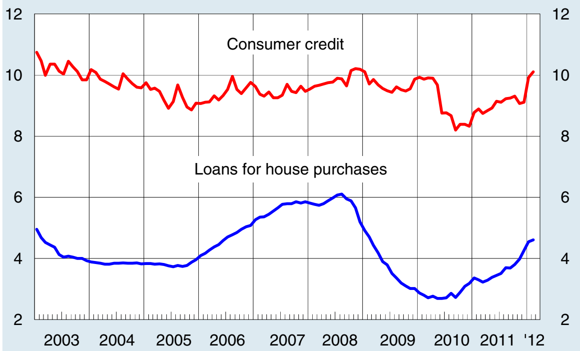
Household debt (1)
(as a percentage of gross disposable income)



Sources: Based on Bank of Italy and Istat data.
(1) End-of-quarter stocks and flows in the twelve months to the end of the quarter. Data for the last period are provisional. Includes securitized loans. – (2) There is a break in statistics on the distribution between bank and non-bank loans for the second quarter of 2010. For the methodology see the "Notice" in *Monetary and Financial Indicators. Financial Accounts, Supplements to the Statistical Bulletin*, 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (payment of interest and repayment of principal) for consumer households only.

Figure 22

Interest rates on loans to households: APRC on new business (1)
(monthly data; percentages)



(1) The data on bank lending rates refer to euro transactions and are collected and processed using the Eurosystem's harmonized method. "New business" means contracts concluded during the reference period or contracts renegotiating previous terms and conditions. The APRC (annual percentage rate of charge) includes ancillary expenses (administrative expenses, loan examination fees and insurance) and is calculated as the average for the different maturities, weighted by loan size.

Household debt is stable; its level is still low by European standards

In the fourth quarter of 2011 household debt held basically steady, at just below 68 per cent of disposable income (Figure 21), still significantly below the euro-area average of 100 per cent in 2011. The cost borne by Italian households for debt service (payment of interest and repayment of principal) rose slightly to 11 per cent of disposable income. The significant increase in interest rates on loans for house purchases and for consumer credit were contributory factors (Figure 22).

3.4 FOREIGN DEMAND AND THE BALANCE OF PAYMENTS

After continuing in the first half of 2011, the recovery in foreign trade slowed in the second half, affected by the weaker growth in world demand. The fact that imports slowed more sharply than exports contributed to the reduction in the deficit on current account.

Exports slow in the last quarter of 2011 ...

In 2011 exports of goods and services increased in volume terms by 5.6 per cent compared with the previous year, with services stagnating. In the fourth quarter the growth in exports came to a halt compared with the third quarter, albeit with significant differences between sectors. Considering goods, only food products and metals made positive contributions to exports, while traditional Italian products and transport equipment made negative contributions. Among Italy's main markets, the largest increases in demand for Italian products occurred in Switzerland and the United Kingdom.

... while imports decrease

In 2011 imports of goods and services grew by 0.4 per cent in volume terms. After the recovery recorded in the previous year, this virtual stagnation reflected the sluggishness of production and income and was affected by the ending of incentives for the photovoltaic industry, which had fuelled the growth in imports in the closing months of 2010. In the fourth quarter of 2011 imports decreased by 2.5 per cent compared with the previous quarter, entirely as a result of the contraction in goods imports. The sectors that recorded the largest contractions were electronic products, transport equipment, and, to a lesser extent, traditional Italian products. By contrast, imports of pharmaceutical and food products increased. The reduction in imports was on a similar scale for both EU and non-EU countries. The decreases in imports from Germany and China accounted for the bulk of the overall contraction.

Value data for the first two months of this year suggest exports are basically holding up, while imports appear to be falling further.

The current account deficit improves

The deficit on current account amounted to €50.3 billion in 2011 (Table 3) and fell to 3.2 per cent of GDP, from 3.5 per cent in 2010. The improvement in the balance, which began in May, carried over into January 2012. The strong performance of goods and services, despite the increase of more than 30 per cent in the energy deficit, partly offset the deterioration in the balance on income deriving from the sharp rise in the interest rates on portfolio liabilities.

Direct investment flows increase

In 2011 outflows of direct investment nearly doubled compared with the previous year, rising from €24.7 billion to €42.5 billion; this reinforced the strong recovery that followed the 2009 recession. Inflows of direct investment turned up, rising from €6.9 billion to €23.3 billion.

Table 3

Italy's balance of payments (1)
(billions of euros)

	2010	2011	Jan. 2011	Jan. 2012
Current account	**-54.7**	**-50.3**	**-8.5**	**-8.0**
Goods	-20.9	-16.6	-5.6	-4.6
non-energy products (2)	*29.5*	*43.3*	*-0.1*	*1.6*
energy products (2)	*-50.4*	*-59.9*	*-5.5*	*-6.2*
Services	-9.2	-6.9	-1.4	-1.2
Income	-8.8	-11.6	0.1	-0.3
Current transfers	-15.9	-15.3	-1.6	-1.8
Capital account	**-0.6**	**..**	**..**	**-0.1**
Financial account	**86.7**	**62.7**	**-10.7**	**15.7**
Direct investment	-17.7	-19.2	-1.0	3.9
Portfolio investment	38.5	-34.4	7.5	18.6
Financial derivatives	-4.7	7.6	1.1	0.5
Other investment	71.8	109.7	-17.2	-7.1
Change in official reserves	-1.0	-0.9	-1.1	-0.2
Errors and omissions	**-31.5**	**-12.4**	**19.2**	**-7.6**

(1) For January 2012, provisional data. – (2) Based on Istat foreign trade data.

Reflecting the tensions stemming from the sovereign debt crisis, there was substantial net portfolio disinvestment by both residents and non-residents in 2011, concentrated mainly in the second half of the year. Residents made €35.8 billion of net sales of foreign assets, mainly bonds, while non-residents disposed of €70.2 billion worth of Italian securities, mainly medium- and long-term paper.

In 2011 "other investment" (mostly comprising bank deposits and loans) recorded an increase of €109.7 billion in foreign liabilities in respect of intra-Eurosystem operations carried out on the TARGET2 platform (see the box "Recent evolution of the balances of the TARGET2 payment system" in *Economic Bulletin*, January 2012).

The net foreign debtor position improves

Italy's net foreign debtor position at the end of 2011 amounted to €344.4 billion, equal to 21.8 per cent of GDP, down from 23.9 per cent at the end of 2010. The reduction was mainly due to the fall in the market prices of Italian government securities.

3.5 THE LABOUR MARKET

Employment expanded slightly in 2011 as a whole following two years of contraction: the average number of persons in work grew by 95,000, or 0.4 per cent (Table 4). The number of hours of wage supplementation authorized, which had risen sharply since 2008, fell by 18.8 per cent. However, the recovery flagged in the final months of the year: in the fourth quarter the number of persons in work stalled at the previous quarter's level while the unemployment rate turned upwards as the labour force continued to grow rapidly. In the opening months of this year labour demand appears to have remained weak, causing a further rise in unemployment. Authorized hours of wage supplementation began to grow again.

The recovery in employment under way since 2010 and accompanied by an expansion of the labour force ...

In 2011 the recovery in employment, which began in the last quarter of 2010, was fuelled entirely by the female component, whose increase of 110,000 (1.2 per cent) more than offset the stagnation of male employment (down by 15,000, or 0.1 per cent). For both sexes, the change in employment reflects the dynamic of labour supply, which expanded for women by 1.1 per cent and was virtually flat for men (-0.1 per cent). For the first time since the start of the crisis, the increase in women in the labour force is not due entirely to foreigners: the participation rate among women with Italian citizenship rose to 50.7 per cent, 0.3 percentage points more than in 2010.

Table 4

Labour force status of the population in Italy

	Average 2010	Average 2011	Change (1)	2010 Q4	2011 Q4	Change (2)
	Thousands of persons					
Total persons in work	**22,872**	**22,967**	**0.4**	**22,935**	**22,953**	**0.1**
Employees	17,110	17,240	0.8	17,290	17,385	0.5
of which:						
fixed-term	*2,182*	*2,303*	*5.5*	*2,285*	*2,368*	*3.7*
part-time	*2,715*	*2,825*	*4.1*	*2,803*	*2,937*	*4.8*
Self-employed	**5,762**	**5,727**	**-0.6**	**5,645**	**5,568**	**-1.4**
Labour force	**24,975**	**25,075**	**0.4**	**25,115**	**25,382**	**1.1**
men	*14,748*	*14,733*	*-0.1*	*14,760*	*14,831*	*0.5*
women	*10,227*	*10,342*	*1.1*	*10,355*	*10,551*	*1.9*
Population	**60,051**	**60,328**	**0.5**	**60,150**	**60,408**	**0.4**
	Percentages and percentage points					
Unemployment rate	**8.4**	**8.4**	**0.0**	**8.7**	**9.6**	**0.9**
men	*7.6*	*7.6*	*0.0*	*7.8*	*8.7*	*0.9*
women	*9.7*	*9.6*	*-0.1*	*10.0*	*10.8*	*0.8*
North	*5.9*	*5.8*	*-0.2*	*6.2*	*6.7*	*0.6*
Centre	*7.6*	*7.6*	*0.0*	*7.9*	*9.2*	*1.3*
South	*13.4*	*13.6*	*0.2*	*13.6*	*14.9*	*1.2*
Participation rate (age 15-64)	**62.2**	**62.2**	**0.1**	**62.5**	**63.0**	**0.5**
men	*73.3*	*73.1*	*-0.2*	*73.4*	*73.5*	*0.1*
women	*51.1*	*51.5*	*0.4*	*51.7*	*52.5*	*0.9*
North	*69.2*	*69.3*	*0.1*	*69.5*	*70.1*	*0.7*
Centre	*66.6*	*66.2*	*-0.4*	*66.7*	*66.7*	*0.0*
South	*50.8*	*51.0*	*0.2*	*51.2*	*51.7*	*0.6*
Employment rate (age 15-64)	**56.9**	**56.9**	**0.1**	**57.0**	**56.9**	**-0.1**
men	*67.7*	*67.5*	*-0.2*	*67.6*	*67.0*	*-0.6*
women	*46.1*	*46.5*	*0.4*	*46.5*	*46.8*	*0.3*
North	*65.0*	*65.2*	*0.2*	*65.1*	*65.3*	*0.2*
Centre	*61.5*	*61.1*	*-0.4*	*61.3*	*60.5*	*-0.9*
South	*43.9*	*44.0*	*0.1*	*44.1*	*44.0*	*-0.1*

Source: Istat, labour force survey.
(1) Average 2011/average 2010; changes are in percentages for persons and percentage points for rates. – (2) 2011 Q4/2010 Q4; changes are in percentages for persons and percentage points for rates.

... fades in recent months

The positive trend in employment during the year came to an end in the fourth quarter. The number of persons in work showed a very modest gain of 18,000 (0.1 per cent) with respect to the last quarter of 2010. Since the labour force expanded by 267,000 (1.1 per cent), the weakness of the demand for labour caused the number of job-seekers to rise by 249,000 (11.4 per cent) and the unemployment rate consequently increased to 9.6 per cent, up from 8.7 per cent a year earlier.

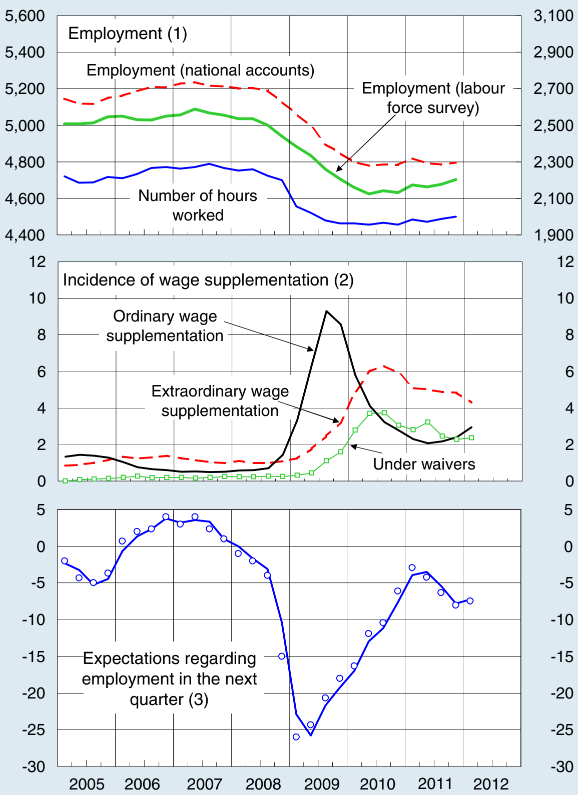
Youth unemployment increases

Among the factors pushing up the unemployment rate were the further deterioration in the employment prospects of the younger cohorts of the population and an acceleration in labour force participation among the older cohorts. The unemployment rate among persons aged 15 to 34 rose by 1.5 percentage points to 17.8 per cent. Driven by the lengthening of working life, the participation rate among persons aged 55 to 64 increased to 40.8 per cent, from 38.4 per cent a year earlier; the increase of 205,000 (7.2 per cent) in the number of labour force participants in this age bracket was matched only in part by a gain in employment (173,000 persons, or 6.3 per cent); persons aged 55 or more accounted for 6.0 per cent of total unemployment, up from 5.2 per cent a year earlier. The trend was particularly negative for workers with little schooling, typically more common among the older segments of the population: the unemployment rate among persons who did not go beyond compulsory schooling rose by more than 1.3 percentage points to 12.1 per cent, while among university graduates it remained basically stable at 6.0 per cent.

Figure 23

Employment, wage supplementation and employment expectations in industry excluding construction

(seasonally adjusted quarterly data; thousands of persons, millions of hours and percentages)



Sources: Based on Istat, *Fiducia delle imprese manifatturiere e di costruzione,* labour force surveys and quarterly economic accounts, and INPS data.
(1) Total employment (persons in work) as defined by the quarterly national economic accounts and the Istat labour force surveys (left-hand scale); millions of hours worked as defined in the quarterly economic accounts (right-hand scale), adjusted for calendar effects. – (2) Average number of full-time equivalent workers for whom wage supplementation (ordinary, under waivers, or extraordinary) was authorized in the quarter as a percentage of the number of full-time equivalent employees as defined in the quarterly economic accounts. For the first quarter of 2012, data partly estimated. – (3) Balance between percentages of firms expecting to increase/decrease their workforce in the next three months. Single observations and three-term moving averages, quarterly data.

Firms' demand for labour grows, including offers of permanent jobs ...

The growth in employment in the fourth quarter of 2011 compared with a year earlier came mainly in the North (0.7 per cent), in industry excluding construction (2.0 per cent) and in services (0.8 per cent), against further declines in the Centre and South (-0.6 per cent) and in construction (-8.0 per cent). The shift in the composition of employment in favour of payroll workers continued. While the number of self-employed persons was down by 77,000 (1.4 per cent) from a year earlier, firms expanded their workforce, both in the fixed-term component (by 83,000 workers, or 3.7 per cent) and, for the second consecutive quarter after a year and half of continual contraction, in the permanent component (by 11,000 workers, or 0.1 per cent).

... but the outlook remains uncertain

According to the latest business outlook surveys, firms' confidence in an enduring recovery in labour demand is still limited. The balance between firms expecting to increase their workforce in the coming months and those expecting to decrease it remains negative, though less so than in the previous months. After the contraction recorded last year, firms have stepped up their recourse to wage supplementation: 237 million hours were authorized in the first three months of this year (5 million more than in the same period of 2011), equivalent on a seasonally adjusted basis to 9.7 per cent of total full-time equivalent workers in work in industry excluding construction (Figure 23). Further, according to provisional estimates by Istat, in the fourth quarter of 2011 the number of job openings decreased slightly in services (by about one for every 1,000 persons in work) while remaining basically stable in industry.

Real gross earnings decline

Actual earnings in the non-farm private sector fell in real terms in 2011, as a nominal gain of 2.1 per cent was offset by a 2.9 per cent rise in consumer prices. The gap widened further in the last quarter, reaching 2 percentage points. For public sector employees, the loss of purchasing power was still greater: the rise in inflation was accompanied by the freeze on contractual and bargaining procedures for the three years 2010-12, which reduced actual nominal earnings by 0.6 per cent, thereby helping to narrow the gap with the private sector.

3.6 PRICE DEVELOPMENTS

In the first quarter of 2012 consumer price inflation held at the end-2011 levels, at just over 3 per cent. This year price dynamics will continue to reflect the consequences of indirect tax measures and recent increases in oil prices.

Inflation is above 3 per cent in the first quarter, but the core component is stable

According to the latest data released by Istat, in March inflation, measured on the basis of the national consumer price index (CPI), stayed at 3.3 per cent on a twelve-month basis (Table 5). This is ascribable in part to the rapid rise in energy prices, up 15.5 per cent in the first quarter compared with the year-earlier period, which itself reflects the rise in indirect taxes and the higher electricity and gas tariffs decided in January by the competent authority. Core inflation, measured by the CPI, but net of food and energy, held at around 2 per cent (Figure 24).

Based on our estimates, excluding the effect of indirect tax increases, overall inflation in March can be quantified at just above 2 per cent.

The producer price index continues to slow

The twelve-month rate of change in producer prices, in decline since the end of last year, decreased further to 3.2 per cent in February. The slowdown reflects that of the intermediate component, now

Table 5

Indicators of inflation in Italy
(twelve-month percentage changes)

	HICP (1)		CPI (2)			PPI (3)
	Overall index	Excl. energy and food	Overall index	at 1 month (4)	Excl. energy and food	Overall index
2007	2.0	1.8	1.8	–	1.5	3.3
2008	3.5	2.2	3.3	–	2.1	5.8
2009	0.8	1.6	0.8	–	1.5	-5.4
2010	1.6	1.7	1.5	–	1.5	3.1
2011	2.9	2.0	2.8	–	1.9	5.0
2011 – Jan.	1.9	1.1	2.1	0.4	1.5	5.3
Feb.	2.1	1.2	2.4	0.3	1.6	5.8
Mar.	2.8	2.1	2.5	0.4	1.7	6.2
Apr.	2.9	2.1	2.6	0.3	1.9	5.6
May	3.0	2.1	2.6	0.1	1.9	4.8
June	3.0	2.3	2.7	0.1	2.0	4.6
July	2.1	1.0	2.7	0.2	1.9	4.9
Aug.	2.3	1.2	2.8	0.2	1.9	4.8
Sept.	3.6	3.1	3.0	0.3	2.3	4.7
Oct.	3.8	2.7	3.4	0.5	2.3	4.7
Nov.	3.7	2.6	3.3	0.2	2.1	4.7
Dec.	3.7	2.6	3.3	0.3	2.1	3.9
2012 – Jan.	3.4	2.0	3.2	0.3	2.0	3.5
Feb.	3.4	2.0	3.3	0.4	2.0	3.2
Mar.	3.8	2.5	3.3	0.4	1.9	....

Sources: Based on Istat and Eurostat data.
(1) Harmonized index of consumer prices. – (2) Consumer price index for the entire resident population; this differs from the harmonized index principally on account of the different method of recording the prices of pharmaceutical products and promotional sales. – (3) Index of producer prices of industrial products sold on the domestic market. – (4) Overall index, seasonally adjusted.

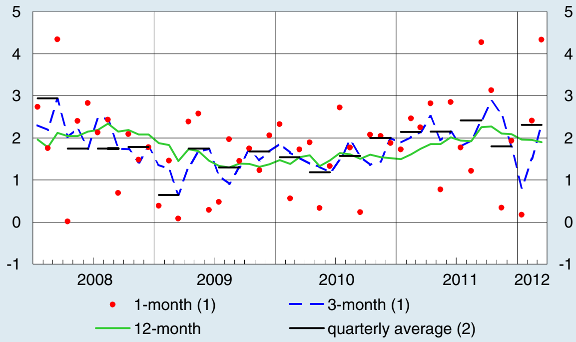
incorporating with the usual lag the drop in basic materials prices recorded in the second half of 2011. Upward pressure on prices is instead coming from the energy sector, linked to the recent round of increases in oil prices.

In 2012 consumer price inflation is expected to remain at around 3 per cent

The consumer price inflation projections of the professional forecasters surveyed by Consensus Economics, of 3.0 per cent in April, have been revised progressively upwards for 2012 as a whole, to take account of the effects of the indirect tax measures approved at the end of 2011 and the recent increases in commodity prices. Purchasing managers' indices suggest that firms' list prices will remain basically unchanged.

Figure 24

Core inflation in Italy
(consumer price index excluding food and energy; percentage changes)



Source: Based on Istat data.
(1) Seasonally adjusted annualized rate. – (2) Average, in the reference quarter, of monthly rates of increase, seasonally adjusted and annualized.

3.7 BANKS

The mounting pressure on Italy's sovereign debt in the second half of last year also hit Italian banks' fund-raising in international wholesale markets, first affecting their borrowing costs and then the availability of funds, which shrank sharply. The three-year refinancing supplied by the Eurosystem at the end of December enabled banks to cope with the emerging shortfall of wholesale funding, which could have persisted in the subsequent months as outstanding bond issues fell due. It was thus possible to limit the contraction in assets, particularly in loans. Lending to the economy diminished in the three months through February (the latest month for which data are available), but the brunt of the contraction was felt in December. The additional three-year refinancing operation carried out at the end of February should help bring credit market conditions back to normal.

Retail funding is stable, external funding diminishes

Retail fund-raising in the traditional forms by Italian banks from resident savers was not significantly affected by the sovereign debt crisis, although it did reflect the slowing of the economy. At the end of February the stock of deposits from residents was at about the year-earlier level; from the end of November it grew by €25 billion, net of value adjustments and other variations not due to transactions (Table 6). By contrast, non-residents' deposits, consisting mainly of interbank funds raised abroad, fell by €32 billion between the end of November and the end of February, owing to the heightened perception of country risk, which spread from sovereign debt to the banking system. In the same period, the stock of bonds placed by Italian banks both through their branch networks and on the wholesale market, for which the residence of the holder is unknown, declined by €13 billion.

The Eurosystem's measures avert the risk of a sharper credit contraction

The disappearance of a large portion of wholesale funding, as happened in the past months and is still possible in the course of this year, would have necessitated liquidating a considerable share of assets by restricting credit and selling securities. The Eurosystem refinancing has greatly mitigated these phenomena, which would have had very severe systemic effects. The three-year operation of 21 December alone injected €60 billion of net liquidity into the Italian banking system, and starting in January the reduction of the reserve ratio made an additional €12 billion available. In the three months from December to February, lending to households fell by €2 billion and to firms by €16 billion; however,

Table 6

Main assets and liabilities of Italian banks (1)
(millions of euros)

	End-of-month stocks					Change November 2011-February 2012	
	2011			2012			
	February	November	December	January	February	(2)	(3)
Assets							
Loans to Italian residents (4)	1,929,901	1,961,834	1,949,303	1,946,873	1,940,155	-21,679	-17,306
to firms (5)	*893,944*	*915,262*	*894,256*	*899,345*	*895,557*	*-19,705*	*-16,361*
to households (6)	*599,783*	*618,520*	*618,165*	*617,104*	*615,848*	*-2,672*	*-1,987*
Debt securities (7)	346,804	367,742	375,706	411,321	444,631	76,889	57,972
securities of Italian general government entities	*204,366*	*219,132*	*224,114*	*252,223*	*281,710*	*62,578*	*43,708*
Claims on the Eurosystem (8)	17,589	31,568	33,887	16,918	10,818	-20,750	-20,750
External assets (9)	339,948	355,301	366,971	354,816	350,077	-5,224	-5,759
Other assets (10)	1,142,827	1,269,874	1,316,376	1,359,982	1,374,325	104,451	127,025
Total assets	**3,777,069**	**3,986,319**	**4,042,243**	**4,089,910**	**4,120,006**	**133,687**	**141,181**
Liabilities							
Deposits of Italian residents (4) (11) (12)	1,141,070	1,115,946	1,150,624	1,132,927	1,141,137	25,191	25,261
Deposits of non-residents (9)	461,161	416,602	394,577	389,751	384,495	-32,107	-31,755
Other forms of secured interbank funding (13)	67,617	66,149	47,380	50,858	65,988	-161	-161
Bonds (12)	607,769	621,991	619,303	612,627	607,984	-14,007	-13,222
Liabilities towards the Eurosystem (14)	43,726	158,683	215,544	210,012	202,377	43,694	43,694
Capital and reserves	368,463	385,526	379,435	390,286	392,368	6,842	14,917
Other liabilities (15)	1,087,263	1,221,422	1,235,380	1,303,449	1,325,657	104,235	102,449
Total liabilities	**3,777,069**	**3,986,319**	**4,042,243**	**4,089,910**	**4,120,006**	**133,687**	**141,181**

Source: Supervisory reports.
(1) The figures for February 2012 are provisional. They do not take into account the Eurosystem's second three-year refinancing operation, conducted on 29 February with a 1 March value date. – (2) Unadjusted change. – (3) Change from transactions in the period, excluding changes due to value adjustments, exchange-rate fluctuations or reclassifications. – (4) Excludes operations with central counterparties. – (5) Harmonized definition; excludes producer households. – (6) Harmonized definition; includes producer households, non-profit social institutions and units not elsewhere classified. – (7) Excludes bonds of resident monetary financial institutions (MFIs), i.e. banks and money market funds. – (8) Current accounts with the Bank of Italy in connection with the reserve requirement, overnight deposits and other minor deposits with the Bank of Italy. – (9) In the period considered, these refer mainly to interbank transactions. – (10) Bonds issued by resident MFIs, loans to resident MFIs, asset-side repos with central counterparties, shares and other equity of resident companies, cash, money market fund units, derivatives, movable and immovable goods, and other minor items. – (11) Excludes deposits connected with securitizations. – (12) Excludes liabilities towards resident MFIs. – (13) Liability-side repos, net of asset-side repos, with central counterparties. – (14) Main refinancing operations, longer-term refinancing operations, marginal refinancing operations, fine-tuning operations, and other minor items. – (15) Bonds held by resident MFIs, deposits connected with securitizations, deposits of resident MFIs, money market fund units, derivatives, and other minor items. In order to square the amount of total liabilities with the amount of the component items, "other liabilities" is increased by the amount of asset-side repos with central counterparties (see note 13).

the decline was concentrated in December. Over a twelve-month horizon there is still a contrast between the trend in lending by the five largest banking groups, which is contracting, and that in lending by smaller banks, which, though slowing, continues to expand (the former down by 2.8 per cent in the twelve months ended in February, net of repos and bad debts, the latter up by 0.8 per cent; Figure 25). Between the end of November and the end of February the stock of securities issued by Italian general government entities held by Italian banks grew by €63 billion, of which €44 billion due to net investment and the rest to price changes. Purchases were widespread among intermediaries. In the second three-month operation, conducted at the end of February, the net financing granted to Italian banks amounted to €80 billion; further expansionary effects on credit supply are likely to be discerned in the coming months, given the lags in the transmission of monetary policy measures (see the box "The effects of the three-year refinancing operations").

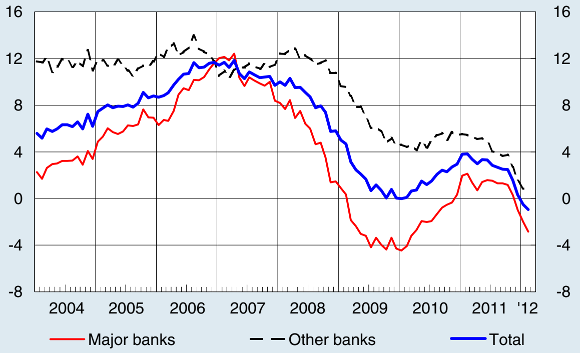
Surveys confirm the credit tightening

The Italian banks participating in the quarterly euro-area Bank Lending Survey conducted at the end of December reported that they had tightened their lending standards in the fourth quarter, chiefly in connection with the difficulty of raising funds (see the box "Credit supply and demand in Italy"). The tightening involved loans to households and especially to firms and took the form both of a widening of margins and of a reduction in the amounts granted. The sharp worsening of the conditions for access to credit is confirmed by the business surveys conducted in the closing months of 2011, although more recent data indicate some improvement. The quarterly survey by the Bank of Italy and *Il Sole 24 Ore* found that the percentage difference between firms reporting increased and decreased difficulty in obtaining credit – which had been 47.7 percentage points in December,

Figure 25

Bank lending to firms by size class of bank (1)

(monthly data; twelve-month percentage changes)



Source: Supervisory reports.
(1) The percentage changes are calculated net of reclassifications. Includes an estimate of loans not recorded in banks' balance sheets because they are securitized. Loans exclude repos and bad debts, which are included instead in the Eurosystem harmonized definition. Major banks are those belonging to the following groups: UniCredit, Intesa Sanpaolo, Banca Monte dei Paschi di Siena, Unione di Banche Italiane and Banco Popolare. Other banks do not include Italian branches of foreign banks.

CREDIT SUPPLY AND DEMAND IN ITALY

The latest data available from the quarterly euro area bank lending survey refer to the end of December 2011. As a result they do not take account of the Eurosystem's three-year liquidity support operations.

According to Italian banks' assessments, in the fourth quarter of 2011 business lending criteria were tightened considerably, by as much as after the collapse of Lehman Brothers (Figure A).[1] Above all the tightening involved medium and longer-term lending and can be ascribed to both the worsening of economic prospects and, to a greater extent than in late 2008, to the difficulties in obtaining funding on the markets and the deterioration of the banks' liquidity position. The contraction of the supply of credit, which in previous quarters had been reflected in net interest income, in the last quarter of 2011 also led to a reduction in the quantities disbursed.

The banks reported that the trend in demand for loans from businesses remained basically unchanged; the negative effects of fewer applications for loans to fund fixed capital investment and M&A activity appear to have offset the expansion connected with debt-restructuring operations and the funding of inventory and working capital.

In the last quarter of 2011 there was also a significant tightening of the terms for lending to households, above all in the form of more stringent cost conditions. In the house purchase loan sector, the banks also tightened other terms such as loan duration and loan-to-value ratios. The tightening can be ascribed mainly to the increased cost of raising funds and tighter balance sheet constraints and, for mortgages, to the worsening of residential housing market prospects.

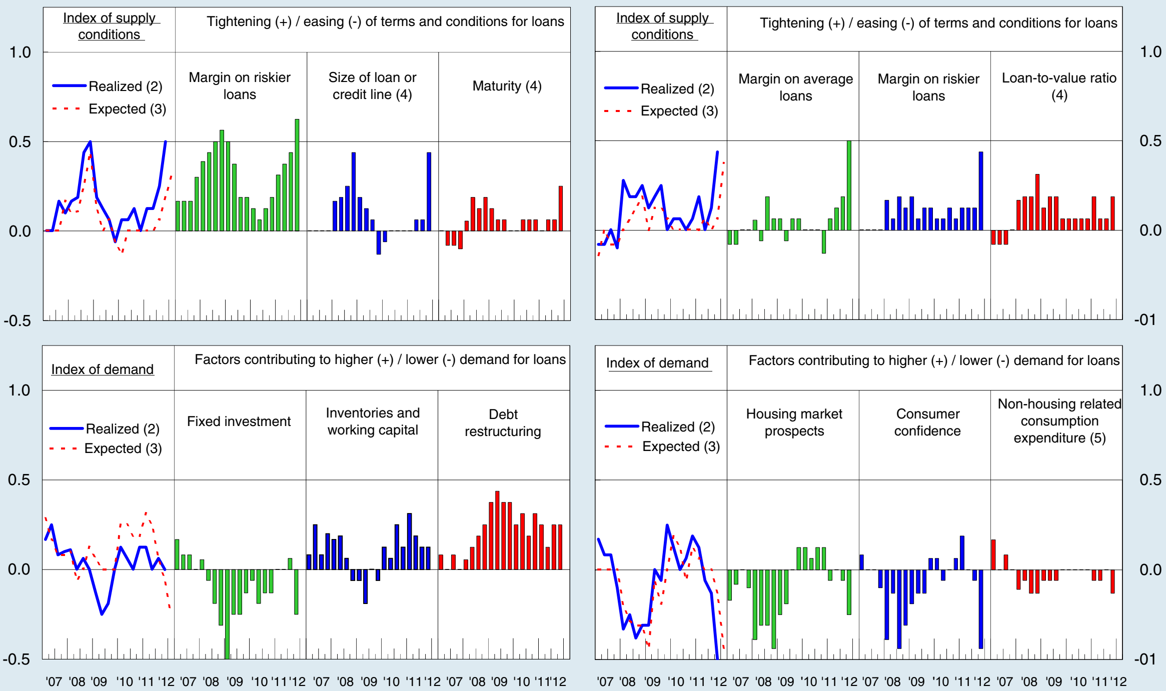
Households' demand for house purchase loans appears to have slowed considerably, reflecting the deterioration of consumer confidence and the less favourable conditions in the property market; the growth in the demand for consumer credit appears to have remained stable at fairly low levels.

[1] Eight leading banking groups took part in the survey, which was completed on 9 January; the results for Italy are available at www.bancaditalia.it and those for the euro area at www.ecb.int.

Figure A

Supply conditions and trends in credit demand in Italy (1)

A) *Lending to firms* B) *Lending to households for house purchases*

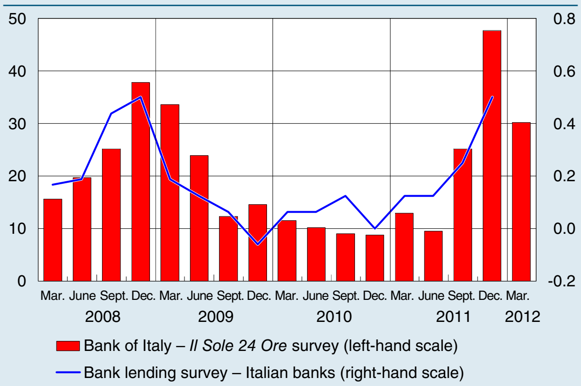


Source: The euro area bank lending survey.
(1) Positive values indicate supply restriction/demand expansion compared with the previous quarter. Diffusion indices are constructed on the basis of the following weighting scheme: for supply conditions, 1 = tightened considerably, 0.5 = tightened somewhat, 0 = remained basically unchanged, -0.5 = eased somewhat, -1 = eased considerably; for demand, 1 = increased considerably, 0.5 = increased somewhat, 0 = basically unchanged, -0.5 = decreased somewhat, -1 = decreased considerably. The range of variation of the index is from -1 to 1. – (2) Refers to the quarter ending at the time of the survey. – (3) Forecasts made in the preceding quarter. – (4) Positive (negative) values indicate a lesser (greater) willingness of banks to grant, respectively, large loans, long-term loans, or loans with high loan-to-value ratios. – (5) Positive (negative) values indicate that the trend in consumer spending other than for house purchases had an expansive (restrictive) effect on the demand for mortgages.

According to the banks' surveyed, the causes of the changes in credit supply conditions included a new and marked worsening in access conditions to the wholesale market in the fourth quarter of 2011, for all types of borrowing. The replies concerning access conditions to retail funding also indicated a worsening, with reference both to deposits and to other instruments (including OTC bonds).

Figure B

Indicators of credit access conditions for businesses in Italy (1)



(1) For the Bank of Italy – *Il Sole 24 Ore* survey, net percentages calculated as the difference between the percentages of replies indicating a tightening of lending criteria and the percentage of those indicating an easing. For the bank lending survey, see Figure A.

Nevertheless, there have recently been signs of a gradual improvement in credit supply conditions since – partly as a result of the Eurosystem's operations – banks' liquidity conditions have become decidedly more favourable (see the box "The effects of the three-year refinancing operations"). Business surveys, available to March, indicate an attenuation of the difficulty in obtaining credit (see Figure B).[2]

[2] The new euro area bank lending survey data relating to the first quarter of 2012 will be published on 25 April 2012.

more than at the height of the crisis at the end of 2008 – fell to 30.2 points in March, suggesting a pronounced moderation of the tightening. The indications deriving from Istat's monthly survey were similar.

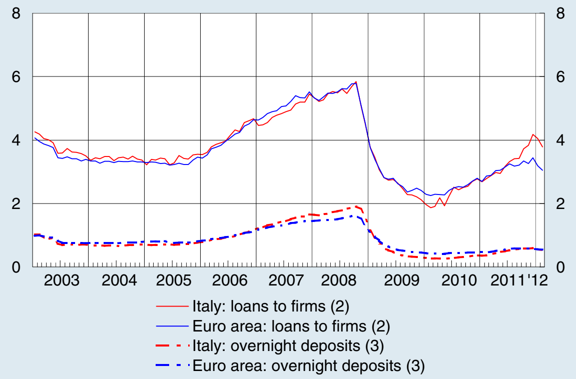
The cost of finance for firms turns back down

The cost of new loans to firms, which had risen by a percentage point in the second half of 2011 to 4.2 per cent, fell to 3.8 per cent in February (Figure 26). The average rate on new loans of under €1 million, which proxies for the cost of credit to smaller businesses, fell to 5.0 per cent, and that of larger loans came down to 3.1 per cent. However, the cost of mortgage loans to households rose again in February, to 4.0 per cent for variable-rate and 5.1 per cent for fixed-rate loans.

Figure 26

Bank interest rates (1)

(monthly data; percentages)



Sources: Bank of Italy and ECB.
(1) The data on lending and deposit rates refer to transactions in euros and are gathered and processed using the Eurosystem's harmonized method. – (2) Average rate on new loans to firms. – (3) Average rate on current accounts of households and firms.

Funding costs stabilize early in 2012

The cost to banks of funding in the market and from customers, which had risen in the second half of 2011 as the sovereign debt strains worsened, diminished slightly in the first few months of 2012. Interest rates on current accounts were 0.5 per cent in February, compared with 0.6 per cent in December. In the same span of time, the rate on households' new deposits with agreed maturity fell by an average of two-tenths of a point to 3.2 per cent. The average yield on new bond issues also declined, to 4.4 per cent. In the early months of the year several Italian banks resumed making unsecured bond issues on the international market (see the box "The effects of the three-year refinancing operations").

The cyclical state of the economy affects credit quality

The deterioration of the economy in the fourth quarter of 2011 had repercussions on credit quality. The flow of new bad debts in relation to outstanding loans increased by 0.3 percentage points to 2.0 per cent on a seasonally adjusted annual basis. All of this increase came from loans to firms, which showed a new bad debt ratio of 3.0 per cent, the highest since the start of the crisis. The worsening was nationwide but was most pronounced among borrowers resident in the South. The banks' exposure to borrowers newly reported as bad debtors remained very high in January and February, although slightly below the peak recorded in November-December. Loans to firms in temporary difficulty (substandard and restructured loans) increased from 6.2 per cent of total lending to businesses in November to 6.6 per cent in February. Over the next few months credit quality will accordingly continue to be a factor of risk for credit growth.

The operating profitability of the five major banking groups declines in 2011 ...

According to provisional data, the profitability of the five largest Italian banking groups fell in 2011. Excluding extraordinary losses in connection with substantial balance-sheet write-downs of goodwill, the return on equity fell by about 2 percentage points to 1.8 per cent. The roughly 2 per cent decrease in net interest income was not entirely offset by an increase of about 1 per cent in non-interest income, and gross income accordingly contracted by approximately 1 per cent. Operating profit fell by about 5 per cent, partly owing to a rise of close to 2 per cent in operating expenses. Value adjustments increased by around 5 per cent in response to deteriorating loan quality, absorbing some two thirds of gross operating profit.

... but capital is strengthened

There was a slight strengthening of the five largest banking groups' core tier 1 capital in the fourth quarter. At the end of 2011 their core tier 1 ratio averaged 8.9 per cent, up from 8.8 per cent in September. The tier 1 ratio and the total capital ratio stood at 10.1 and 13.3 per cent respectively. There was a significant further capital strengthening early in 2012 thanks to the completion of a capital increase at one major bank. The leverage ratio of the five groups, measured as total balance-sheet assets over tier 1 capital, was 19, significantly lower than the average of 33 for a sample of large European banks.

3.8 THE FINANCIAL MARKETS

The yields on Italian government securities declined, at all maturity horizons, in the first quarter of the year, benefiting from the easing of euro-area sovereign debt strains and the Government's action for fiscal adjustment and structural reform. Risk premiums for banks and firms also diminished. Starting in the last ten days of March, however, renewed fears for the sustainability of the sovereign debt of some euro-area countries triggered a sharp widening of the yield spreads on government securities. By the end of the month share prices, which had previously scored substantial gains, were back down to just above the levels recorded at the start of the year.

The spread on government securities narrows ...

The yield differential between ten-year BTPs and their German equivalent began to decrease at the start of January, reaching a low of 278 basis points in the second ten-day period of March. Subsequently, a new bout of concern over the soundness of the public finances in some euro-area countries was transmitted to the Italian government securities market, driving the spread to 380 basis points on 13 April. Over the period as a whole, for the shorter maturities spreads vis-à-vis Germany recorded a more pronounced narrowing, partially undone in the past few weeks.

... as do the credit risk premiums for Italian banks and firms

Over the same period, the credit risk premiums on the obligations of Italian firms and banks also diminished. The yield differential between the bonds issued by the best-rated Italian non-financial corporations and the government bonds of the reputedly safest euro-area countries decreased by more than 120 basis points. Smaller decreases were recorded for Spanish, French and German firms (51, 62 and

Table 7

Net bond issues (1)
(millions of euros)

		Banks	Other financial corporations	Non-financial corporations	Total
			Italy		
2010		-11,799	-36,458	12,413	-35,844
2011		66,329	-3,917	-609	61,803
2010 –	Q1	-4,240	-10,744	7,056	-7,928
	Q2	-8,508	-6,825	1,016	-14,317
	Q3	8,788	-12,623	1,154	-2,681
	Q4	-7,839	-6,266	3,187	-10,918
2011 –	Q1	25,567	-10,902	425	15,090
	Q2	12,001	-11,967	-2,125	-2,091
	Q3	15,663	-5,361	-491	9,811
	Q4	13,098	24,313	1,582	38,993
			Euro area		
2010		22,435	23,947	63,675	110,057
2011		144,921	-15,427	32,806	162,300
2010 –	Q1	66,173	-33,629	28,058	60,602
	Q2	-23,731	2,832	16,923	-3,976
	Q3	-4,228	5,534	9,651	10,957
	Q4	-15,779	49,211	9,043	42,475
2011 –	Q1	82,219	-50,689	6,829	38,359
	Q2	50,167	-15,261	7,092	41,998
	Q3	8,699	-19,356	2,601	-8,056
	Q4	3,836	69,879	16,284	89,999

Sources: Bank of Italy and ECB.
(1) Bonds with a maturity at issue of more than one year, at face value, issued by companies resident in Italy (upper section) and the euro area (lower section) and belonging to the sector indicated. Net issues are equal to the difference between the face value of the securities placed and that of the securities redeemed.

33 basis points, respectively). Credit default swap spreads for the major Italian banks came down by an average of 120 basis points to around 400 basis points, still 160 points above the average for the main German and French banks but 140 points below that of Spanish banks.

Banks return to the market in the first quarter

Given the acute strains in the government securities market and the difficulty in wholesale funding, in the fourth quarter of 2011 Italian banks reduced their bond issuance (Table 7) and made recourse to the placement of instruments backed by government guarantees. Net issues of other financial corporations and non-financial corporations were positive, both in Italy and in the euro area as a whole. Preliminary data from Dealogic – for gross issues only – indicate that in the first quarter of 2012 Italian banks regained access to the market, stepping up their issues of bonds unsecured by collateral or government guarantees.

The stock market is broadly unchanged for the quarter

Since the end of 2011 the Italian stock market has remained basically unchanged, compared with a gain of 5 per cent for the euro area as a whole (Figure 27). Share prices rose through the middle ten days of March, thanks to an improvement in investor confidence, but then fell back because of renewed tensions in the government securities markets in some euro-area countries.

Within the Italian share index, the sector of consumer goods companies scored particularly large gains, averaging 25 per cent. By contrast, bank and electricity shares registered further losses of 8 and 16 per cent respectively.

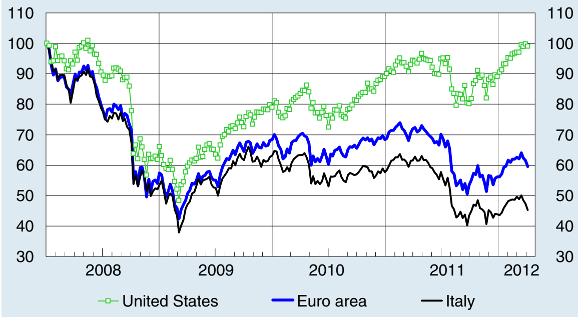
The ratio of current earnings to prices came down by more than one percentage point, reflecting the declining profitability of listed companies, but still remains above its long-term average (Figure 28).

There were two initial public offerings in the first quarter, both on the MAC alternative capital market. At the end of March, Borsa Italiana counted 287 listed companies with total capitalization of €369 billion (equal to 23 per cent of GDP).

Figure 27

Share prices (1)

(end-of-week data; indices, 4 January 2008=100)

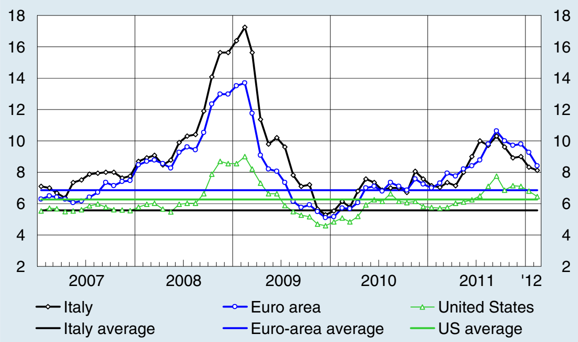


Source: Thomson Reuters Datastream.
(1) Indices: for Italy, FTSE Italia MIB storico; for the euro area, Dow Jones Euro Stoxx; for the United States, Standard & Poor's 500.

Figure 28

Current earnings/price ratios for the main stock exchanges (1)

(end-of-month data; per cent)



Source: Based on Thomson Reuters Datastream data.
(1) Averages are for the period from January 1986.

Net outflows from investment funds increase towards the end of 2011

The net outflow of savings from open-end investment funds doubled between the third and fourth quarters of 2011 to €18 billion. For the most part the net redemptions involved Italian funds, and they were most substantial for bond funds (€5 billion) and money market funds (€4 billion). Assets under management of open-end Italian and foreign funds in Italy fell from €431 billion at the end of September to €419 billion at the end of December. Italian harmonized funds recorded average returns of 1.5 per cent during the quarter.

3.9 THE PUBLIC FINANCES

General government net borrowing diminished further in 2011, but not sufficiently to halt the increase in the ratio of debt to GDP. Following the adoption of adjustment measures in the second half of the year, the outturn for 2012 is expected to show a significant improvement, despite the expected slowdown in GDP.

The primary balance improves by 1 per cent of GDP in 2011

General government net borrowing declined for the second consecutive year, from 4.6 to 3.9 per cent of GDP (Table 8). The outturn was in line with the target set in May 2010, despite the subsequent sharp deterioration in macroeconomic conditions (Table 9). Net of interest payments, a surplus of 1 per cent of GDP was recorded, compared with a balanced result in 2010.

The ratio of expenditure to GDP falls despite higher interest payments

The decline in the deficit-to-GDP ratio is the result of the smaller incidence of expenditure, which fell by 0.7 percentage points to 50.5 per cent (Table 10). More specifically, primary current expenditure decreased by 0.6 per cent of GDP and capital expenditure by 0.4 per cent. By contrast, interest payments rose by 0.4 per cent (almost €7 billion) to 4.9 per cent of GDP (€78 billion).

Current spending net of interest payments increased by 0.3 per cent in nominal terms, compared with 1.5 per cent in 2010. Over the ten years from 2000 to 2009 it had grown at an average rate of 4.5 per cent in nominal terms. Public employee compensation and social benefits in kind (which consist principally of health expenditure) declined, and intermediate consumption grew very slowly. Social benefits in cash rose by 2.2 per cent.

Capital expenditure contracted further, after falling by almost 20 per cent in 2010. Excluding

Table 8

General government balances and debt (1)

(millions of euros and percentages of GDP)

	2008	2009	2010	2011
Net borrowing	42,700	82,746	71,457	62,363
as a % of GDP	*2.7*	*5.4*	*4.6*	*3.9*
Primary balance	38,612	-11,883	-345	15,658
as a % of GDP	*2.5*	*-0.8*	*0.0*	*1.0*
Interest payments	81,312	70,863	71,112	78,021
as a % of GDP	*5.2*	*4.7*	*4.6*	*4.9*
Debt	1,665,705	1,762,724	1,841,912	1,897,179
as a % of GDP	*105.7*	*116.0*	*118.6*	*120.1*

Sources: For the general government consolidated accounts, based on Istat data (released on 2 March 2012).
(1) Rounding may cause discrepancies in totals.

Table 9

Public finance objectives and estimates for 2011

(billions of euros and percentages of GDP)

	General government			*Memorandum item:*
	Net borrowing	Primary balance	Debt	GDP growth rate
Objectives				
May 2010 (1)	….	….	….	1.5
as a % of GDP	*3.9*	*1.0*	*118.7*	
September 2010 (2)	63.1	12.5	1,910.0	1.3
as a % of GDP	*3.9*	*0.8*	*119.2*	
April 2011 (3)	….	….	….	1.1
as a % of GDP	*3.9*	*0.9*	*120.0*	
Estimates				
September 2011 (4)	61.7	14.9	….	0.7
as a % of GDP	*3.9*	*0.9*	*120.6*	
December 2011 (5)	60.9	16.4	….	0.6
as a % of GDP	*3.8*	*1.0*	….	
Outturn (6)	62.4	15.7	1,897.9	0.4
as a % of GDP	*3.9*	*1.0*	*120.1*	

(1) *Combined report on the economy and public finances 2010.* – (2) Public Finance Decision 2011-13. – (3) Economic and Financial Document 2011. – (4) Economic and Financial Document Update 2011. – (5) *Report to Parliament 2011.* – (6) Net borrowing, primary surplus and GDP growth rate published by Istat on 2 March 2012.

revenue from the sale of broadband licences (€3.8 billion), which was set against other capital outlays, the decrease comes to 3.9 per cent.

The revenue-to-GDP ratio is unchanged

In 2011 the ratio of general government revenue to GDP remained at 46.6 per cent. The small decrease in current revenue (0.2 per cent of GDP) was offset by the increase in capital revenue. The ratio of taxes and social security contributions to GDP also remained at much the same level as in the previous year (42.5 per cent).

Current tax receipts grew by 1.0 per cent (€4.2 billion) and social security contributions by 1.4 per cent (€2.9 billion), both less than GDP. The reduction in the payment on account of self-assessed personal income tax at the end of 2011 had a negative effect on revenue, which had instead been boosted in 2010 as a result of the reduction in payments on account due in 2009. On the other hand, the impact of the increase of 1 percentage point in the ordinary VAT rate introduced in the middle of September 2011 was positive.

Capital taxes doubled with respect to 2010 (from €3.5 billion to €7 billion), mainly owing to the one-off revenue from the enlarged scope of the substitute tax on the alignment of fiscal and book values introduced last year.

The borrowing requirement decreases ...

In 2011, general government net borrowing, net of privatization receipts, declined by €2.7 billion to €64.3 billion (Table 11 and Figure 29), falling to 4.1 per cent of GDP from 4.3 per cent in 2010. Excluding outlays in support of Greece under the financial assistance plan agreed at the European level in May 2010, which rose from €3.9 billion to €6.1 billion, and the €3.1 billion contribution to the European Financial Stability Facility, the borrowing requirement improved by about €8.0 billion, from 4.1 to 3.5 per cent of GDP.

... but the debt ratio increases slightly

The ratio of general government debt to GDP rose further, from 118.6 to

Table 10

General government expenditure and revenue

(millions of euros and percentage changes)

	2010	2011	% change on previous year 2010	% change on previous year 2011
EXPENDITURE				
Final consumption expenditure	327,431	324,220	0.8	-1.0
of which:				
compensation of employees	*172,085*	*170,052*	*0.6*	*-1.2*
intermediate consumption	*90,484*	*91,527*	*0.9*	*1.2*
social benefits in kind	*45,614*	*44,599*	*2.0*	*-2.2*
Social benefits in cash	298,418	305,122	2.4	2.2
Interest payments	71,112	78,021	0.4	9.7
Other current expenditure	44,532	43,285	0.2	-2.8
Current expenditure	**741,493**	**750,648**	**1.4**	**1.2**
as a % of GDP	*47.7*	*47.5*		
Current expenditure, net of interest payments	**670,381**	**672,627**	**1.5**	**0.3**
as a % of GDP	*43.2*	*42.6*		
Investment (1)	32,346	32,099	-15.8	-0.8
Investment grants	20,027	17,815	-17.6	-11.0
Other capital expenditure (2)	1,445	-1,997	-65.8	-238.2
Capital expenditure	**53,818**	**47,917**	**-19.6**	**-11.0**
Total expenditure, net of interest payments	**724,199**	**720,544**	**-0.5**	**-0.5**
as a % of GDP	*46.6*	*45.6*		
TOTAL EXPENDITURE	**795,311**	**798,565**	**-0.4**	**0.4**
as a % of GDP	*51.2*	*50.5*		
REVENUE				
Direct taxes	226,235	226,027	1.5	-0.1
Indirect taxes	217,860	222,313	5.5	2.0
Social security contributions	213,398	216,340	0.4	1.4
Other current revenue	59,237	61,032	1.7	3.0
Current revenue	**716,730**	**725,712**	**2.4**	**1.3**
as a % of GDP	*46.1*	*45.9*		
Capital revenue	**7,124**	**10,490**	**-54.4**	**47.2**
of which:				
capital taxes	*3,497*	*6,963*	*-71.5*	*99.1*
TOTAL REVENUE	**723,854**	**736,202**	**1.1**	**1.7**
as a % of GDP	*46.6*	*46.6*		
of which:				
taxes and social security contributions	*42.6*	*42.5*		
NET BORROWING	**71,457**	**62,363**		
as a % of GDP	*4.6*	*3.9*		
Primary balance	**-345**	**15,658**		
as a % of GDP	*0.0*	*1.0*		
Memorandum item:				
GDP	1,553,166	1,580,220	2.2	1.7

Source: Based on Istat data.
(1) Includes proceeds of property sales entered with a negative sign. – (2) Includes proceeds of the sale of broadband licences, with a negative sign.

Table 11

General government balances and debt
(millions of euros and percentages of GDP)

	2008	2009	2010	2011
Borrowing requirement	48,257	85,893	66,993	62,773
as a % of GDP	*3.1*	*5.7*	*4.3*	*4.0*
Net borrowing requirement (1)	48,276	86,691	67,001	64,333
as a % of GDP	*3.1*	*5.7*	*4.3*	*4.1*
Debt	1,665,705	1,762,724	1,841,912	1,897,179
as a % of GDP	*105.7*	*116.0*	*118.6*	*120.1*
Memorandum items:				
Privatization receipts	19	798	8	1.560
as a % of GDP	*0.0*	*0.1*	*0.0*	*0.1*
Settlements of past debts	1,653	1,519	187	47
as a % of GDP	*0.1*	*0.1*	*0.0*	*0.0*

(1) Net of privatization receipts.

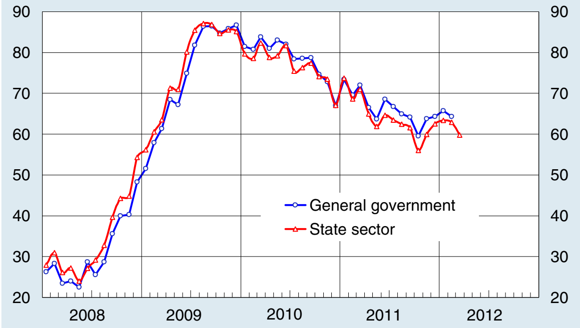
120.1 per cent (Figure 30), but less than recent estimates for the euro area as a whole. The €55.3 billion increase in the public debt, almost entirely attributable to central government, was limited by the reduction from €43.2 billion to €24.3 billion in the Treasury's assets with the Bank of Italy, while a factor working in the opposite direction came from high issue discounts, amounting to €11.3 billion (Table 12). Excluding loans granted to other euro-area countries, the debt-to-GDP ratio rose from 118.3 to 119.2 per cent.

The improvement in the borrowing requirement in the early months of 2012 is expected to gain strength as the year progresses

In the first quarter of 2012 the state sector borrowing requirement amounted to €28.2 billion, down €2.8 billion on the year-earlier period. The improvement was partly due to the cessation of payments in support of Greece (almost €4 billion) and of government entities depositing funds with the Treasury previously held with the banking system following the introduction of a new unified cash management system under Decree Law 1/2012 (€4 billion). A countervailing factor was the one-off payment of around €2.7 billion of interest for the closure of derivative contracts decided unilaterally by the financial intermediary which was the counterparty of the state. The borrowing requirement is expected to improve further during

Figure 29

Rolling twelve-month borrowing requirement (1)
(billions of euros)



Source: For the state sector, Ministry for the Economy and Finance.
(1) Net of privatization receipts.

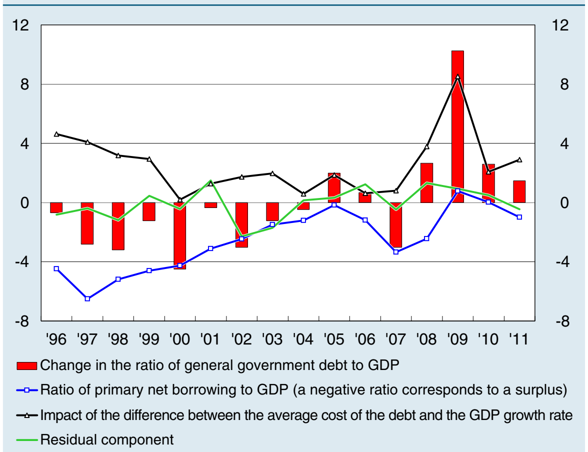
Table 12

Changes in general government debt and its components
(millions of euros)

	2008	2009	2010	2011
Change in the debt = (a)+(b)+(c)+(d)	**63,600**	**97,018**	**79,188**	**55,267**
(a) Total borrowing requirement	48,257	85,893	66,993	62,773
(b) Change in Treasury deposits with the Bank of Italy and investment of liquidity	10,611	11,399	11,518	-18,994
(c) Issue discounts and premiums	4,473	-167	420	11,333
(d) Change in foreign currency liabilities	260	-106	257	154

Figure 30

General government debt: trend and determinants of its changes
(as a percentage of GDP)



the year, as the adjustment measures introduced in 2011 work their full effects.

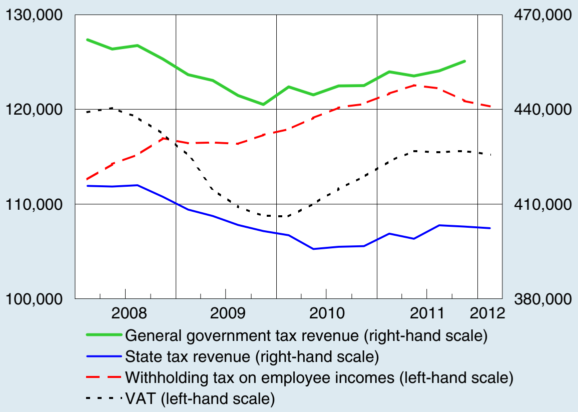
Excluding lotto and lotteries, central government tax receipts were broadly unchanged between the first quarter of 2011 and the first quarter of 2012 (Figure 31). Revenue from personal income tax declined, reflecting the drop in payroll withholdings; VAT receipts fell in response to the negative business cycle, the effects of which were only partially offset by the increase in the ordinary rate decided last September. By contrast, there was a sharp increase in revenue from fuel excise taxes (over 23 per cent and €1.2 billion), which had been raised as part of the December measures.

In the next few days the Government will approve the Economic and Financial Document

The Government will soon approve the Economic and Financial Document for 2012, which includes the Stability Programme and the National Reform Programme to be presented to the European Commission and the European Council by the end of the month. The Stability Programme will set out the new objectives for the public finances, which will take account of the deterioration in the outlook for economic growth (Table 13). Despite the expected fall in GDP this year, the adjustment measures already adopted will permit a substantial improvement in the public finances in the next two years.

Figure 31

Tax revenue: rolling four-quarter totals
(millions of euros)



Sources: Istat for general government tax revenue; *Rendiconto generale dell'amministrazione dello Stato* and state budget for the other variables.

Table 13

Public finance objectives for 2012
(percentages of GDP)

	Net borrowing	Primary balance	Debt	GDP growth rate	Debt 2011
Objectives					
September 2010 (1)	2.7	2.2	117.5	2.0	119.2
April 2011 (2)	2.7	2.4	119.4	1.3	120.0
September 2011 (3)	1.6	3.7	119.5	0.6	120.6

(1) Public Finance Decision 2011-2013. – (2) Economic and Financial Document 2011. – (3) Economic and Financial Document Update 2011.

SELECTED STATISTICS

Additional tables are contained in the Statistical Appendix of the *Economic Bulletin* available on the Internet at www.bancaditalia.it/pubblicazioni

CONTENTS

Table A1

Sources and uses of income: United States (1)

(seasonally adjusted data; percentage changes on the previous period and contribution to growth, on an annual basis)

	GDP	Resident households' expenditure		General government expenditure		Investment		Domestic demand (2)		Exports	Imports	Net exports	Stocks
	Change	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Change	Contri-bution	Contri-bution
2008	-0.3	-0.6	-0.4	2.6	0.5	-7.1	-1.2	-1.5	-1.5	6.1	-2.7	1.2	-0.5
2009	-3.5	-1.9	-1.3	1.7	0.3	-18.8	-2.8	-4.4	-4.6	-9.4	-13.6	1.1	-0.8
2010	3.0	2.0	1.4	0.7	0.1	2.6	0.3	3.4	3.5	11.3	12.5	-0.5	1.6
2011	1.7	2.2	1.5	-2.1	-0.4	6.8	0.8	1.6	1.7	6.7	4.9	0.1	-0.2
2009 – Q1	-6.7	-1.5	-1.0	-1.7	-0.3	-32.2	-5.1	-8.6	-9.1	-29.0	-34.0	2.4	-2.7
Q2	-0.7	-1.9	-1.3	5.9	1.2	-17.0	-2.3	-2.8	-2.9	-0.5	-15.0	2.2	-0.6
Q3	1.7	2.3	1.7	1.3	0.3	0.7	0.1	2.2	2.3	13.9	16.3	-0.6	0.2
Q4	3.8	0.4	0.3	-0.9	-0.2	-3.8	-0.4	3.5	3.6	23.5	17.4	0.2	3.9
2010 – Q1	3.9	2.7	1.9	-1.2	-0.3	1.1	0.2	4.8	4.9	7.3	12.6	-1.0	3.1
Q2	3.8	2.9	2.1	3.7	0.8	19.5	2.1	5.6	5.7	10.0	21.6	-1.9	0.8
Q3	2.5	2.6	1.9	1.0	0.2	2.3	0.3	3.1	3.2	10.0	12.3	-0.7	0.9
Q4	2.3	3.6	2.5	-2.8	-0.6	7.5	0.9	0.9	0.9	7.8	-2.3	1.4	-1.8
2011 – Q1	0.4	2.1	1.5	-5.9	-1.2	1.2	0.2	0.7	0.7	7.9	8.3	-0.3	0.3
Q2	1.3	0.7	0.5	-0.9	-0.2	9.2	1.1	1.1	1.1	3.6	1.4	0.2	-0.3
Q3	1.8	1.7	1.2	-0.1	-0.0	13.0	1.5	1.3	1.4	4.7	1.2	0.4	-1.4
Q4	3.0	2.1	1.5	-4.1	-0.8	6.3	0.8	3.1	3.3	2.7	3.7	-0.3	1.8

Source: National statistics.
(1) Chain-linked volumes. Public sector investment is included in government expenditure. – (2) Includes change in stocks.

Table A2

Sources and uses of income: Japan (1)

(seasonally adjusted data; percentage changes on the previous period and contribution to growth, on an annual basis)

	GDP	Resident households' expenditure		General government consumption expenditure		Investment		Domestic demand (2)		Exports	Imports	Net exports	Stocks
	Change	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Contri-bution	Change	Change	Contri-bution	Contri-bution
2008	-1.0	-0.9	-0.5	-0.1	0.0	-4.1	-0.9	-1.3	-1.2	1.4	0.5	0.2	0.2
2009	-5.5	-0.7	-0.4	2.3	0.4	-10.6	-2.4	-4.0	-4.0	-24.2	-15.7	-1.5	-1.6
2010	4.4	2.6	1.6	2.1	0.4	-0.2	0.0	2.7	2.7	24.2	11.1	1.7	0.8
2011	-0.7	0.0	0.0	2.1	0.4	0.5	0.1	0.1	0.1	0.0	5.9	-0.8	-0.5
2009 – Q1	-14.8	-3.3	-1.9	4.6	0.9	-9.0	-2.0	-10.6	-11.3	-69.2	-51.3	-4.3	-7.6
Q2	7.4	6.6	4.0	2.0	0.4	-12.5	-2.9	-0.4	-0.4	46.4	-14.1	7.5	-1.8
Q3	-0.7	0.0	0.0	4.8	0.9	-6.9	-1.5	-2.3	-2.3	40.6	22.4	1.7	-1.8
Q4	7.4	5.3	3.4	2.1	0.4	0.8	0.1	4.6	4.6	28.6	7.0	2.8	0.7
2010 – Q1	6.0	3.3	1.9	-1.6	-0.3	1.5	0.3	4.1	3.7	27.7	10.0	2.3	1.8
Q2	5.2	0.8	0.6	6.1	1.2	6.6	1.2	4.9	4.9	25.8	26.3	0.4	2.0
Q3	2.3	1.2	0.8	1.3	0.2	2.7	0.5	2.4	2.5	4.9	7.0	-0.1	1.0
Q4	-0.8	0.5	0.3	1.6	0.3	-5.9	-1.2	-0.4	-0.2	-1.2	1.3	-0.4	0.2
2011 – Q1	-6.9	-4.4	-2.6	2.0	0.4	-2.7	-0.5	-6.3	-6.4	-1.2	4.2	-0.8	-3.5
Q2	-1.2	1.3	0.8	3.1	0.6	4.5	0.9	2.9	2.8	-22.7	1.2	-4.1	0.5
Q3	7.1	4.2	2.5	1.1	0.2	1.7	0.3	4.1	3.9	39.1	14.3	3.1	0.8
Q4	-0.7	1.6	0.8	1.5	0.3	10.3	2.0	2.0	1.8	-11.8	4.1	-2.6	-1.3

Source: Based on national statistics.
(1) Chain-linked volumes. Statistical discrepancies may cause differences between the sum of contributions and GDP growth. – (2) Includes change in stocks.

Sources and uses of income: euro area (1)
(percentage changes on the previous period)

	Sources			Uses					
	GDP	Imports	Total	Gross fixed capital formation – Construction	Gross fixed capital formation – Machinery, equipment, sundry products & vehicles	Gross fixed capital formation – Total	Resident households' consumption expenditure (2)	General government consumption expenditure	Exports
				Chain-linked volumes					
2006	3.3	8.7	4.7	4.8	7.0	5.7	2.1	2.1	8.9
2007	3.0	6.2	3.9	2.1	8.4	4.7	1.7	2.2	6.6
2008	0.4	0.9	0.5	-2.6	1.0	-1.1	0.4	2.3	1.0
2009	-4.3	-11.7	-6.4	-9.5	-15.4	-12.1	-1.2	2.5	-12.7
2010	1.9	9.6	4.0	-4.4	4.6	-0.5	0.9	0.5	11.2
2011	1.5	3.8	2.1	-0.9	4.0	1.3	0.2	..	6.2
2009 – Q4	0.4	0.9	0.5	-1.5	0.1	-0.8	0.3	0.6	1.8
2010 – Q1	0.4	3.4	1.2	-1.9	1.7	-0.3	0.2	-0.5	3.0
Q2	0.9	4.2	1.8	1.4	2.4	1.8	0.1	0.2	4.6
Q3	0.4	1.6	0.7	-0.9	1.4	0.1	0.3	0.1	2.1
Q4	0.3	1.5	0.7	-1.9	1.2	-0.5	0.4	0.1	1.5
2011 – Q1	0.7	0.7	0.7	1.8	1.5	1.6	..	..	1.3
Q2	0.1	0.4	0.2	-0.6	0.4	-0.2	-0.5	..	1.2
Q3	0.1	0.7	0.3	-0.9	0.6	-0.2	0.2	-0.2	1.4
Q4	-0.3	-1.4	-0.6	-0.4	-0.5	-0.5	-0.5	-0.3	-0.4
				Implicit prices					
2006	1.8	3.5	….	….	….	3.0	2.2	2.0	2.2
2007	2.3	1.2	….	….	….	2.5	2.2	1.8	1.6
2008	1.9	3.9	….	….	….	2.3	2.7	2.8	2.4
2009	0.9	-5.9	….	….	….	-0.4	-0.4	2.1	-3.3
2010	0.7	5.0	….	….	….	1.0	1.7	0.8	2.7
2011	1.3	5.9	….	….	….	2.0	2.5	0.9	3.8
2009 – Q4	0.1	1.3	….	….	….	0.3	0.4	-0.2	0.5
2010 – Q1	0.2	1.6	….	….	….	0.2	0.4	0.5	0.6
Q2	0.3	2.6	….	….	….	0.8	0.7	..	1.7
Q3	0.3	0.6	….	….	….	0.2	0.4	0.1	1.1
Q4	0.1	1.4	….	….	….	0.3	0.7	..	0.6
2011 – Q1	0.5	3.1	….	….	….	0.9	0.7	0.5	1.7
Q2	0.4	0.5	….	….	….	0.5	0.7	0.2	0.3
Q3	0.3	0.3	….	….	….	0.2	0.4	0.2	0.6
Q4	0.2	0.6	….	….	….	0.3	0.7	0.4	0.1

Source: Eurostat.
(1) Quarterly data are seasonally and calendar adjusted. – (2) Includes expenditure of non-profit institutions serving households.

Table A4

Sources and uses of income: Italy (1)

(percentage changes on the previous period)

	Sources			Uses					
	GDP	Imports	Total	Gross fixed capital formation			Resident households' consumption expenditure	General government consumption expenditure (2)	Exports
				Construction	Machinery, equipment, sundry products & vehicles	Total			
				Chain-linked volumes					
2006	2.2	7.9	3.4	1.2	5.9	3.4	1.4	0.6	8.4
2007	1.7	5.2	2.5	0.5	3.3	1.8	1.1	1.0	6.2
2008	-1.2	-3.0	-1.6	-2.8	-4.7	-3.7	-0.8	0.6	-2.8
2009	-5.5	-13.4	-7.3	-8.8	-15.0	-11.7	-1.6	0.8	-17.5
2010	1.8	12.7	3.9	-4.8	10.4	2.1	1.2	-0.6	11.6
2011	0.4	0.4	0.4	-2.8	-0.9	-1.9	0.2	-0.9	5.6
2009 – Q4	-0.2	3.0	0.5	-1.2	3.0	0.7	0.2	0.2	2.2
2010 – Q1	1.1	4.0	1.7	-2.3	6.7	1.9	0.4	-0.6	3.2
Q2	0.5	3.3	1.1	0.1	0.7	0.4	-0.1	0.3	3.9
Q3	0.4	2.3	0.8	0.1	1.5	0.8	0.9	-0.4	2.4
Q4	0.2	5.1	1.2	-1.4	-0.5	-1.0	0.3	-0.3	3.1
2011 – Q1	0.1	-2.3	-0.4	-0.4	0.5	..	..	0.3	0.2
Q2	0.3	-1.4	-0.1	-1.0	0.9	-0.1	-0.1	-0.4	0.7
Q3	-0.2	-1.2	-0.4	-0.5	-0.8	-0.6	-0.4	-0.6	2.0
Q4	-0.7	-2.5	-1.1	0.1	-4.9	-2.4	-0.7	-0.7	..
				Implicit prices					
2006	1.7	5.6	2.5	3.3	1.9	2.6	2.6	2.5	2.3
2007	2.4	1.2	2.1	3.7	1.5	2.7	2.2	0.8	2.3
2008	2.5	5.1	3.1	3.4	2.5	3.0	3.1	3.4	2.9
2009	2.1	-7.7	..	1.1	0.8	1.0	-0.1	2.1	-2.4
2010	0.4	6.7	1.7	2.1	0.2	1.2	1.5	1.5	2.6
2011	1.3	7.3	2.6	4.1	2.4	3.3	2.7	-0.1	4.1
2009 – Q3	0.1	0.2	..	0.5	-0.1	0.2	0.2	-1.8	-0.1
2010 – Q1	0.1	3.9	0.9	-0.3	..	-0.1	0.4	1.0	1.0
Q2	0.5	3.1	1.1	2.2	0.4	1.3	0.5	0.9	1.6
Q3	-0.3	0.5	-0.1	0.4	0.3	0.4	0.5	0.4	0.7
Q4	0.2	0.5	0.3	0.5	0.3	0.4	0.5	-0.1	0.3
2011 – Q1	0.8	4.6	1.6	2.6	1.2	1.9	0.8	-0.8	1.9
Q2	0.4	1.1	0.5	..	0.8	0.4	0.8	0.1	1.2
Q3	0.2	0.4	0.2	0.4	0.3	0.4	0.6	0.2	0.5
Q4	..	0.9	0.2	0.6	0.4	0.5	0.8	0.8	-0.1

Source: Istat.
(1) Quarterly data are seasonally and calendar adjusted. – (2) Includes consumption of non-profit institutions serving households.

Table A5

Unit labour costs, per capita compensation and productivity: euro area (1)

(percentage changes on the year-earlier period)

	Hourly compensation	Hourly productivity	Value added (2)	Hours worked	Unit labour costs
		Total industry excluding construction			
2008	3.7	-2.0	-2.3	-0.4	5.8
2009	3.8	-4.8	-13.4	-8.9	9.1
2010	1.2	7.7	6.9	-0.8	-6.1
2011	2.5	3.0	3.6	0.6	-0.5
2009 – Q1	4.5	-9.3	-16.2	-7.7	15.2
Q2	5.7	-6.5	-16.7	-10.9	13.1
Q3	3.2	-3.3	-13.0	-10.1	6.7
Q4	1.8	0.2	-6.8	-7.0	1.6
2010 – Q1	1.2	8.8	4.8	-3.7	-6.9
Q2	0.9	8.7	8.0	-0.6	-7.1
Q3	1.3	6.2	6.6	0.4	-4.7
Q4	1.3	6.6	7.4	0.7	-4.9
2011 – Q1	1.6	4.5	6.2	1.6	-2.8
Q2	3.7	4.4	4.6	0.1	-0.7
Q3	2.8	3.3	3.8	0.5	-0.5
Q4	1.9	0.4	0.6	0.2	1.5
		Services			
2008	2.6	-0.2	1.5	1.7	2.8
2009	3.0	-0.1	-1.7	-1.6	3.1
2010	1.0	0.8	1.4	0.7	0.3
2011	1.8	0.4	1.2	0.7	1.4
2009 – Q1	3.2	-1.2	-2.2	-1.1	4.5
Q2	3.3	0.0	-2.0	-2.1	3.3
Q3	3.1	0.2	-1.6	-1.9	2.8
Q4	2.5	0.9	-0.6	-1.4	1.6
2010 – Q1	1.1	0.7	1.1	0.4	0.4
Q2	0.9	0.7	1.4	0.8	0.2
Q3	0.7	0.6	1.6	0.9	0.1
Q4	1.5	0.9	1.4	0.5	0.5
2011 – Q1	1.5	0.8	1.5	0.7	0.8
Q2	2.1	0.6	1.2	0.5	1.4
Q3	1.9	0.2	1.1	0.9	1.7
Q4	1.7	0.3	0.9	0.7	1.4
		Total economy			
2008	3.1	-0.2	0.6	0.8	3.3
2009	3.3	-0.9	-4.3	-3.4	4.3
2010	1.1	2.1	2.0	0.0	-1.0
2011	2.1	1.3	1.5	0.2	0.8
2009 – Q1	3.8	-2.5	-5.4	-3.0	6.4
Q2	4.0	-1.1	-5.3	-4.2	5.2
Q3	3.1	-0.5	-4.2	-3.8	3.6
Q4	2.5	0.6	-2.2	-2.8	1.8
2010 – Q1	1.0	2.1	1.3	-0.8	-1.0
Q2	0.9	2.1	2.3	0.2	-1.2
Q3	0.9	1.7	2.2	0.4	-0.8
Q4	1.5	2.2	2.2	0.0	-0.7
2011 – Q1	1.6	1.7	2.3	0.6	0.0
Q2	2.5	1.6	1.6	0.0	0.9
Q3	2.2	1.1	1.4	0.3	1.0
Q4	1.9	0.8	0.8	0.0	1.1

Source: Based on Eurostat data.
(1) Based on hours effectively worked; annual figures are unadjusted; quarterly data are seasonally and calendar-adjusted. – (2) Value added at base prices, volumes at chain-linked prices – reference year 2005.

Unit labour costs, per capita compensation and productivity: Italy (1)

(percentage changes on the year-earlier period)

	Hourly compensation	Hourly wages and salaries	Hourly productivity			Unit labour costs
				Value added (2)	Hours worked	
Total industry excluding construction						
2008	4.4	3.9	-1.3	-3.0	-1.6	5.9
2009	3.5	3.6	-5.3	-15.1	-10.3	9.3
2010	2.4	2.6	9.0	7.0	-1.9	-6.1
2011	2.2	2.3	0.4	1.2	0.9	1.8
2009 – Q1	3.0	3.2	-10.4	-18.2	-8.7	15.0
Q2	3.0	3.2	-9.1	-18.7	-10.6	13.4
Q3	-0.7	-0.3	-3.7	-14.3	-11.0	3.1
Q4	8.2	8.0	2.4	-8.6	-10.8	5.6
2010 – Q1	2.3	2.5	9.7	4.8	-4.4	-6.7
Q2	4.0	4.0	11.7	8.0	-3.2	-6.8
Q3	3.9	4.0	8.0	7.4	-0.5	-3.8
Q4	0.6	1.2	7.1	6.8	-0.3	-6.1
2011 – Q1	2.0	1.9	1.9	2.9	1.0	0.1
Q2	4.6	4.7	2.0	2.9	0.8	2.5
Q3	3.2	3.4	0.6	1.6	1.0	2.6
Q4	-2.5	-2.3	-2.7	-0.5	2.2	0.2
Services						
2008	2.7	2.3	-0.6	-0.5	0.0	3.3
2009	1.4	1.4	-1.2	-2.7	-1.6	2.6
2010	1.6	1.5	1.3	1.4	0.1	0.4
2011	0.5	0.5	0.2	0.8	0.6	0.3
2009 – Q1	2.2	2.0	-1.7	-3.6	-2.0	3.9
Q2	-0.5	-0.5	-2.3	-3.0	-0.8	1.8
Q3	2.2	2.6	-0.3	-2.3	-1.9	2.6
Q4	2.1	2.0	-0.1	-2.0	-1.9	2.2
2010 – Q1	0.9	0.9	0.3	1.2	0.9	0.6
Q2	3.0	2.8	2.0	1.1	-0.9	0.9
Q3	1.2	1.0	1.4	1.3	-0.1	-0.2
Q4	1.6	1.4	1.7	1.9	0.2	-0.1
2011 – Q1	2.0	2.0	2.1	1.2	-0.8	-0.1
Q2	0.6	0.6	0.4	1.1	0.7	0.3
Q3	-0.5	-0.4	-1.3	0.7	2.1	0.9
Q4	-0.7	-0.6	-1.2	0.2	1.4	0.5
Total economy						
2008	3.2	2.8	-0.7	-1.1	-0.5	3.9
2009	2.0	2.1	-2.3	-5.6	-3.4	4.4
2010	1.9	1.9	2.6	2.1	-0.5	-0.7
2011	0.9	1.0	0.3	0.6	0.3	0.6
2009 – Q1	2.6	2.6	-3.7	-7.0	-3.4	6.5
Q2	0.5	0.6	-3.9	-6.7	-2.8	4.6
Q3	1.5	2.0	-1.3	-5.2	-3.9	2.9
Q4	3.4	3.4	0.0	-3.5	-3.6	3.4
2010 – Q1	1.2	1.3	1.7	1.4	-0.3	-0.5
Q2	3.1	3.0	3.3	2.1	-1.2	-0.1
Q3	2.0	1.8	2.7	2.2	-0.5	-0.7
Q4	1.6	1.6	3.1	2.5	-0.6	-1.5
2011 – Q1	2.0	2.1	2.0	1.4	-0.6	0.0
Q2	1.7	1.7	0.8	1.1	0.4	0.9
Q3	0.4	0.5	-0.8	0.5	1.4	1.2
Q4	-1.0	-0.9	-1.2	-0.2	1.0	0.1

Source: Based on Istat data.
(1) Based on hours effectively worked; annual figures are averages of unadjusted quarterly data; quarterly data are seasonally and calendar-adjusted. – (2) Value added at base prices, volumes at chain-linked prices – reference year 2005.

Table A7

Harmonized index of consumer prices: main euro-area countries

(percentage changes on the year-earlier period) (1)

	ITALY		GERMANY		FRANCE		SPAIN		EURO (2)	
	Total	Total excl. energy and unprocessed food products	Total	Total excl. energy and unprocessed food products	Total	Total excl. energy and unprocessed food products	Total	Total excl. energy and unprocessed food products	Total	Total excl. energy and unprocessed food products
2007	2.0	1.9	2.3	2.1	1.6	1.5	2.8	2.7	2.1	2.0
2008	3.5	2.8	2.8	1.8	3.2	2.3	4.1	3.2	3.3	2.4
2009	0.8	1.6	0.2	1.2	0.1	1.3	-0.2	0.9	0.3	1.3
2010	1.6	1.5	1.2	0.6	1.7	0.9	2.1	0.9	1.6	1.0
2011	2.9	2.2	2.5	1.5	2.3	1.3	3.1	1.6	2.7	1.7
2008 – Jan.	3.1	2.6	2.9	2.1	3.2	2.2	4.4	3.2	3.2	2.3
Feb.	3.1	2.5	3.0	2.2	3.2	2.3	4.4	3.3	3.3	2.4
Mar.	3.6	2.9	3.3	2.4	3.5	2.5	4.6	3.5	3.6	2.7
Apr.	3.6	2.7	2.6	1.8	3.4	2.5	4.2	3.2	3.3	2.4
May	3.7	2.8	3.1	1.8	3.7	2.4	4.7	3.3	3.7	2.5
June	4.0	3.0	3.4	1.8	4.0	2.5	5.1	3.4	4.0	2.5
July	4.0	2.7	3.5	1.8	4.0	2.4	5.3	3.5	4.0	2.5
Aug.	4.2	3.2	3.3	1.9	3.5	2.3	4.9	3.5	3.8	2.6
Sept.	3.9	3.0	3.0	1.7	3.4	2.3	4.6	3.4	3.6	2.5
Oct.	3.6	3.0	2.5	1.5	3.0	2.3	3.6	2.9	3.2	2.4
Nov.	2.7	2.8	1.4	1.4	1.9	2.1	2.4	2.7	2.1	2.2
Dec.	2.4	2.8	1.1	1.2	1.2	1.9	1.5	2.4	1.6	2.1
2009 – Jan.	1.4	2.0	0.9	1.2	0.8	1.6	0.8	2.0	1.1	1.8
Feb.	1.5	2.1	1.0	1.2	1.0	1.7	0.7	1.6	1.2	1.7
Mar.	1.1	1.8	0.4	1.0	0.4	1.5	-0.1	1.2	0.6	1.5
Apr.	1.2	2.1	0.8	1.5	0.1	1.4	-0.2	1.3	0.6	1.7
May	0.8	1.9	0.0	1.2	-0.3	1.5	-0.9	0.9	0.0	1.5
June	0.6	1.7	0.0	1.2	-0.6	1.4	-1.0	0.8	-0.1	1.3
July	-0.1	1.3	-0.7	1.1	-0.8	1.4	-1.4	0.7	-0.7	1.2
Aug.	0.1	1.2	-0.1	1.2	-0.2	1.4	-0.8	0.5	-0.2	1.2
Sept.	0.4	1.5	-0.5	1.0	-0.4	1.2	-0.9	0.3	-0.3	1.1
Oct.	0.3	1.4	-0.1	1.1	-0.2	1.0	-0.6	0.3	-0.1	1.0
Nov.	0.8	1.4	0.3	1.0	0.5	1.0	0.4	0.4	0.5	1.0
Dec.	1.1	1.5	0.8	1.1	1.0	1.1	0.9	0.5	0.9	1.0
2010 – Jan.	1.3	1.4	0.8	0.8	1.2	0.9	0.7	-0.4	0.9	0.8
Feb.	1.1	1.2	0.5	0.7	1.4	1.1	0.4	-0.5	0.8	0.7
Mar.	1.4	1.4	1.2	0.9	1.7	1.0	2.7	1.6	1.6	1.1
Apr.	1.6	1.7	1.0	0.3	1.9	0.9	2.4	0.8	1.6	0.8
May	1.6	1.5	1.2	0.6	1.9	0.8	2.5	0.9	1.7	0.9
June	1.5	1.5	0.8	0.6	1.7	0.9	2.1	1.1	1.5	1.0
July	1.8	1.7	1.2	0.5	1.9	1.0	1.8	0.6	1.7	1.0
Aug.	1.8	1.7	1.0	0.6	1.6	0.8	1.6	0.7	1.6	1.0
Sept.	1.6	1.5	1.3	0.6	1.8	1.0	2.8	2.1	1.9	1.2
Oct.	2.0	1.7	1.3	0.7	1.8	1.0	2.5	1.4	1.9	1.1
Nov.	1.9	1.6	1.6	0.8	1.8	1.0	2.3	1.1	1.9	1.2
Dec.	2.1	1.5	1.9	0.7	2.0	0.9	2.9	1.3	2.2	1.1
2011 – Jan.	1.9	1.2	2.0	0.9	2.0	0.9	3.0	1.4	2.3	1.2
Feb.	2.1	1.3	2.2	0.9	1.8	0.7	3.4	1.6	2.4	1.1
Mar.	2.8	2.1	2.3	1.0	2.2	1.0	3.3	1.6	2.7	1.5
Apr.	2.9	2.2	2.7	1.7	2.2	1.3	3.5	2.0	2.8	1.8
May	3.0	2.2	2.4	1.4	2.2	1.4	3.4	2.0	2.7	1.7
June	3.0	2.3	2.4	1.6	2.3	1.5	3.0	1.6	2.7	1.8
July	2.1	1.3	2.6	1.7	2.1	1.2	3.0	1.4	2.6	1.5
Aug.	2.3	1.5	2.5	1.6	2.4	1.4	2.7	1.3	2.5	1.5
Sept.	3.6	3.1	2.9	1.8	2.4	1.4	3.0	1.5	3.0	2.0
Oct.	3.8	3.0	2.9	1.7	2.5	1.6	3.0	1.6	3.0	2.0
Nov.	3.7	2.9	2.8	1.6	2.7	1.8	2.9	1.6	3.0	2.0
Dec.	3.7	2.9	2.3	1.6	2.7	2.0	2.4	1.4	2.7	2.0
2012 – Jan.	3.4	2.4	2.3	1.6	2.6	2.0	2.0	1.2	2.7	1.9
Feb.	3.4	2.3	2.5	1.8	2.5	1.9	1.9	1.1	2.7	1.9

Source: Eurostat.
(1) Indices, 2005=100. – (2) Weighted average of the indices of the countries belonging to the euro area at the date indicated.

Balance of payments (current account and capital account): Italy

(millions of euros)

	Current account						Capital account			
	Total	Goods	Services	Income	Current transfers		Total	Intangible assets	Capital transfers	
					Private	Public			Private	Public
2008	-45,224	-2,129	-8,606	-19,354	-5,336	-9,799	-184	-1,044	..	860
2009	-30,075	823	-8,435	-10,406	-4,658	-7,398	-91	-578	-19	506
2010	-54,726	-20,918	-9,163	-8,762	-5,424	-10,459	-553	-706	-68	221
2011	-50,325	-16,612	-6,867	-11,582	-4,029	-11,235	10	-407	-52	469
2010 – Q1	-17,829	-6,671	-3,419	-1,229	-939	-5,571	-330	-241	-3	-86
Q2	-12,785	-4,463	-658	-4,525	-1,749	-1,390	-220	-227	-12	20
Q3	-11,145	-3,099	-1,508	-1,827	-1,281	-3,430	-68	-5	-4	-58
Q4	-12,967	-6,685	-3,579	-1,181	-1,455	-67	64	-233	-49	346
2011 – Q1	-22,516	-10,959	-3,949	-979	-613	-6,015	-167	-39	-15	-112
Q2	-12,671	-4,495	-642	-5,213	-1,189	-1,132	-780	-131	-2	-646
Q3	-8,863	-1,447	255	-3,062	-1,224	-3,385	-748	-226	-20	-503
Q4	-6,276	289	-2,531	-2,327	-1,004	-702	1,705	-11	-15	1,730
2010 – Jan.	-6,531	-3,655	-1,036	-330	-237	-1,273	-81	-50	-1	-30
Feb.	-5,066	-2,164	-1,073	-215	-160	-1,454	-107	-63	-1	-43
Mar.	-6,232	-852	-1,310	-684	-543	-2,843	-141	-128	-1	-12
Apr.	-2,867	-346	-415	-815	-692	-598	-49	-76	-4	31
May	-5,431	-1,385	-332	-3,009	-438	-267	-82	-68	-3	-12
June	-4,488	-2,732	89	-701	-619	-525	-88	-83	-6	..
July	591	2,343	..	-366	-340	-1,045	-63	-1	-1	-61
Aug.	-5,583	-2,499	-1,228	-423	-422	-1,012	13	-11	-1	24
Sept.	-6,153	-2,943	-279	-1,037	-520	-1,373	-18	6	-2	-22
Oct.	-2,844	-1,826	-955	-593	-533	1,063	155	-74	-10	239
Nov.	-4,986	-2,605	-1,424	-744	-421	209	111	-71	-13	194
Dec.	-5,137	-2,254	-1,199	156	-500	-1,340	-202	-88	-26	-88
2011 – Jan.	-8,516	-5,600	-1,426	113	-298	-1,306	-7	41	-4	-44
Feb.	-6,916	-2,349	-1,340	-570	-177	-2,481	-45	6	-3	-48
Mar.	-7,084	-3,010	-1,183	-523	-139	-2,228	-115	-87	-8	-21
Apr.	-4,626	-2,066	-299	-1,276	-521	-464	-268	-57	-1	-210
May	-5,059	-1,433	-255	-2,923	-301	-147	-249	-41	-1	-207
June	-2,986	-996	-88	-1,014	-367	-521	-263	-33	-1	-229
July	577	2,169	776	-801	-456	-1,111	-246	-73	-4	-168
Aug.	-5,145	-2,375	-604	-657	-415	-1,094	-244	-72	-4	-167
Sept.	-4,296	-1,241	83	-1,605	-352	-1,181	-258	-80	-11	-167
Oct.	-2,669	-476	-603	-965	-342	-284	625	22	-4	607
Nov.	-3,797	-969	-1,027	-1,311	-325	-165	605	27	-4	581
Dec.	190	1,734	-902	-51	-337	-254	475	-60	-7	542
2012 – Jan.	(-7,953)	(-4,621)	(-1,243)	(-316)	....	....	(-99)	....	....	....

Table A9

Lending by banks in Italy by geographical area and sector (1)

(twelve-month percentage changes)

	General government	Finance and insurance companies	Firms				Consumer households	Non-profit institutions and non-classified units	Total
				medium and large	small (2)				
						producer households (3)			
				Centre and North					
2010 – Mar.	4.0	-2.2	-3.6	-4.3	-0.1	1.8	3.3	5.5	-0.8
June	0.4	2.0	-2.5	-3.1	0.1	1.2	3.7	6.5	-0.2
Sept.	3.6	3.4	-0.5	-1.0	2.2	4.3	3.7	12.3	1.5
Dec.	4.0	7.0	0.5	0.1	2.6	5.3	3.8	16.2	2.6
2011 – Mar.	3.0	2.3	3.2	3.2	3.1	5.7	3.7	17.9	3.3
June	3.9	0.3	3.5	3.6	3.1	5.9	3.6	11.9	3.3
Sept.	1.5	0.8	2.8	3.3	0.5	2.6	3.6	11.9	2.6
Dec.	-1.0	-1.6	0.4	1.0	-2.4	-0.3	2.8	9.4	0.6
2012 – Feb.	-1.7	-0.6	-1.8	-1.5	-3.0	-1.3	2.4	5.5	-0.6
				South and Islands					
2010 – Mar.	5.8	-1.2	1.2	1.8	-0.6	-0.1	5.6	0.9	3.3
June	1.1	-2.0	2.7	3.8	-0.5	-0.4	5.3	0.5	3.5
Sept.	0.7	-0.4	3.9	4.9	1.3	1.4	4.8	3.6	3.9
Dec.	0.1	-3.9	3.7	4.5	1.7	2.0	4.4	0.6	3.5
2011 – Mar.	-1.2	-7.3	4.4	5.2	2.0	2.1	4.3	3.9	3.6
June	3.9	-10.8	4.2	5.0	1.9	2.1	4.1	3.5	3.9
Sept.	1.8	-21.6	3.4	4.6	-0.1	0.3	4.0	2.3	3.1
Dec.	3.1	-19.8	1.1	2.0	-1.6	-1.2	2.9	2.4	1.7
2012 – Feb.	-0.3	-20.6	-0.7	-0.2	-2.3	-2.2	2.1	1.4	0.2
				ITALY					
2010 – Mar.	4.1	-2.2	-2.9	-3.6	-0.2	1.4	3.8	4.9	-0.2
June	0.5	1.9	-1.8	-2.3	0.0	0.9	4.1	5.8	0.3
Sept.	3.3	3.3	0.1	-0.3	2.1	3.6	3.9	11.2	1.9
Dec.	3.6	6.8	1.0	0.6	2.5	4.5	3.9	14.4	2.7
2011 – Mar.	2.6	2.1	3.4	3.5	2.9	4.9	3.8	16.2	3.3
June	3.9	0.0	3.6	3.8	2.9	5.0	3.7	10.9	3.4
Sept.	1.5	0.3	2.9	3.4	0.4	2.1	3.7	10.8	2.7
Dec.	-0.6	-2.0	0.5	1.1	-2.2	-0.5	2.8	8.7	0.7
2012 – Feb.	-1.6	-1.0	-1.6	-1.3	-2.9	-1.5	2.3	5.1	-0.5

(1) Statistics for February 2012 are provisional. Loans do not include repurchase agreements and bad debts. The breakdown by geographical area is according to customers' place of residence. Net of the effects of securitizations and reclassifications. – (2) Limited partnerships and general partnerships with fewer than 20 employees. Informal associations, de facto companies and sole proprietorships with less than 20 employees. – (3) Informal associations, de facto companies and sole proprietorships with up to 5 employees.

Table A10

Financing of the general government borrowing requirement: Italy

(millions of euros)

	Currency and deposits		Short-term securities	Medium and long-term securities	MFI loans (1)	Other operations (1)			Borrowing requirement	
		of which: PO funds					*of which:* change in deposits with the Bank of Italy			*of which:* financed abroad
								of which: investments of liquidity		
2009	8,487	-1,487	-7,405	93,774	2,822	-11,786	-11,399	–	85,893	-2,112
2010	57	-4,809	-10,103	87,920	971	-11,852	-11,518	–	66,993	444
2011	-4,025	-3,116	1,363	44,086	-677	22,025	18,994	800	62,773	-4,615
2009 – Mar.	3,034	-1,264	25,111	48,196	1,434	-47,137	-47,108	–	30,638	1,965
June	4,780	-247	5,769	-2,205	1,982	9,738	9,963	–	20,064	-1,624
Sept.	-6,276	385	-9,480	50,557	502	-12,931	-12,676	–	22,373	-2,702
Dec.	6,948	-361	-28,805	-2,773	-1,096	38,544	38,423	–	12,817	249
2010 – Mar.	-3,196	-1,413	10,530	28,480	1,565	-9,644	-9,568	–	27,735	184
June	1,218	-929	-636	22,874	-944	-3,553	-3,474	–	18,959	1,090
Sept.	-1,316	-1,219	-1,960	22,875	1,768	-2,274	-2,188	–	19,093	3,981
Dec.	3,352	-1,247	-18,037	13,692	-1,420	3,619	3,712	–	1,205	-4,811
2011 – Mar.	-2,134	-1,605	12,380	10,452	1,358	9,092	8,309	–	31,148	-2,018
June	1,292	-895	-5,607	32,879	1,123	-14,140	-15,502	–	15,547	-2,085
Sept.	-3,701	-355	9,090	-23,064	-1,668	34,040	34,039	–	14,696	2,546
Dec.	518	-261	-14,500	23,819	-1,489	-6,967	-7,852	800	1,381	-3,058
2011 – Jan.	2,762	-812	8,290	24,134	686	-33,453	-33,424	–	2,420	468
Feb.	-5,995	-394	1,643	-3,374	1,650	16,235	15,455	–	10,160	-2
Mar.	1,099	-399	2,447	-10,308	-979	26,309	26,278	–	18,569	-2,484
Apr.	-42	250	-474	21,057	1,792	-11,807	-11,805	–	10,525	-67
May	-1,835	-987	-693	5,779	1,720	1,658	1,682	–	6,630	-1,659
June	3,168	-158	-4,440	6,043	-2,388	-3,991	-5,378	–	-1,608	-359
July	-2,572	-123	-1,378	14,384	-1,127	-13,294	-13,253	–	-3,986	-112
Aug.	-1,062	-165	-241	-10,762	-673	19,060	19,067	–	6,321	224
Sept.	-68	-67	10,709	-26,685	132	28,274	28,224	–	12,362	2,433
Oct.	-900	-152	7,102	17,200	723	-21,560	-21,561	100	2,566	3,195
Nov.	181	-249	-3,635	-3,402	340	15,374	14,853	-4,680	8,859	-2,819
Dec.	1,237	139	-17,967	10,021	-2,552	-782	-1,144	5,380	-10,044	-3,435
2012 – Jan.	-479	-483	17,977	18,768	-641	-31,734	-32,573	-5,655	3,892	-207
Feb.	-809	-102	8,533	-15,691	691	16,043	16,040	1,527	8,767	224

(1) As of September 2006 Cassa Depositi e Prestiti S.p.A. is included among MFIs; as of the same month its loans to general government bodies are included in the item "MFI loans".

General government debt: Italy

(millions of euros)

	Currency and deposits	of which: PO funds	Short-term securities	Medium and long-term securities	MFI loans (1)	Other liabilities (1)	General government debt	of which: in foreign currencies	of which: medium and long-term	Memorandum item: Deposits with the Bank of Italy and investments of liquidity	of which: investments of liquidity
2009	155,740	30,005	139,966	1,329,958	131,322	5,737	1,762,724	2,746	1,466,835	31,731	–
2010	155,797	25,195	129,862	1,418,553	132,297	5,403	1,841,912	2,897	1,553,953	43,249	–
2011	151,772	22,080	131,226	1,474,127	131,620	8,434	1,897,179	2,926	1,605,854	24,255	..
2009 – Mar.	150,287	30,228	172,490	1,284,845	129,935	6,096	1,743,653	3,768	1,421,299	67,441	–
June	155,067	29,980	178,265	1,283,056	131,916	5,871	1,754,175	3,528	1,419,415	57,478	–
Sept.	148,792	30,366	168,776	1,333,202	132,419	5,617	1,788,805	2,731	1,470,197	70,155	–
Dec.	155,740	30,005	139,966	1,329,958	131,322	5,737	1,762,724	2,746	1,466,835	31,731	–
2010 – Mar.	152,544	28,592	150,496	1,358,047	132,889	5,662	1,799,637	2,932	1,494,738	41,299	–
June	153,762	27,662	149,865	1,382,081	131,946	5,582	1,823,237	3,179	1,516,508	44,773	–
Sept.	152,446	26,443	147,911	1,403,435	133,716	5,496	1,843,003	2,892	1,538,773	46,961	–
Dec.	155,797	25,195	129,862	1,418,553	132,297	5,403	1,841,912	2,897	1,553,953	43,249	–
2011 – Mar.	153,664	23,590	142,246	1,430,786	133,654	6,186	1,866,536	2,730	1,565,153	34,940	–
June	154,956	22,696	136,638	1,466,872	134,777	7,548	1,900,791	2,656	1,600,344	50,442	–
Sept.	151,254	22,341	145,736	1,445,111	133,109	7,549	1,882,759	2,848	1,577,614	16,403	800
Dec.	151,772	22,080	131,226	1,474,127	131,620	8,434	1,897,179	2,926	1,605,854	24,255	..
2011 – Jan.	158,560	24,384	138,152	1,443,828	132,983	5,374	1,878,897	2,833	1,578,880	76,673	–
Feb.	152,565	23,989	139,799	1,441,859	134,633	6,155	1,875,010	2,804	1,577,056	61,218	–
Mar.	153,664	23,590	142,246	1,430,786	133,654	6,186	1,866,536	2,730	1,565,153	34,940	–
Apr.	153,622	23,841	141,772	1,452,460	135,446	6,184	1,889,483	2,615	1,587,873	46,745	–
May	151,787	22,854	141,078	1,460,262	137,165	6,160	1,896,453	2,696	1,596,328	45,063	–
June	154,956	22,696	136,638	1,466,872	134,777	7,548	1,900,791	2,656	1,600,344	50,442	–
July	152,384	22,573	135,260	1,482,135	133,651	7,507	1,910,937	2,697	1,613,383	63,695	–
Aug.	151,322	22,408	135,019	1,471,873	132,977	7,499	1,898,691	2,661	1,603,527	44,627	–
Sept.	151,254	22,341	145,736	1,445,111	133,109	7,549	1,882,759	2,848	1,577,614	16,403	800
Oct.	150,355	22,189	152,845	1,463,538	133,832	7,551	1,908,120	2,740	1,595,903	37,964	700
Nov.	150,536	21,940	149,203	1,462,358	134,172	8,072	1,904,341	2,854	1,595,650	23,111	5,380
Dec.	151,772	22,080	131,226	1,474,127	131,620	8,434	1,897,179	2,926	1,605,854	24,255	..
2012 – Jan.	151,294	21,596	149,204	1,494,216	130,980	9,272	1,934,965	2,876	1,625,368	56,828	5,655
Feb.	150,485	21,495	157,737	1,479,043	131,671	9,275	1,928,211	2,815	1,610,739	40,788	4,128

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