BANCA D'ITALIA
EUROSISTEMA

# Economic Bulletin

October 2013

Number 70

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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 global expansion continues but without gaining pace**

*World economic activity continues to expand but is showing the effects of the loss of momentum in the emerging economies. The various international organizations have trimmed their growth forecasts, even though the economic slowdown in China appears to have halted in recent months. Uncertainty over impending public finance decisions in the United States, following the failure to approve the federal budget and the consequent partial government shutdown, remains a risk factor for the global economy.*

**The euro area shows signs of recovery**

*Economic activity in the euro area returned to growth in the second quarter, after declining for six successive quarters. The latest cyclical indicators suggest that the recovery will continue at a moderate pace in the second half of the year. The signals remain mixed, however.*

**Financial markets are calm but yields are rising**

*Conditions on the international and euro-area financial markets remained relaxed overall throughout the summer, despite high volatility. However, uncertainty about the continuation of monetary stimulus in the United States triggered a global rise in long-term interest rates which came to a halt in September, partly owing to the decisions of the Federal Reserve.*

**The ECB keeps monetary conditions expansionary …**

*The ECB's Governing Council confirmed that it would keep official rates at present or lower levels for an extended period of time, in view of the overall subdued outlook for inflation extending into the medium term, given the broad-based weakness in the real economy and subdued monetary dynamics. The Council is ready to use all available instruments, including new refinancing operations, to keep short-term money market rates at the level warranted by the medium-term inflation outlook.*

**… but Italian government bond markets remain vulnerable to changes in the domestic situation**

*In Italy conditions on the markets for government securities have improved since the summer, partly in response to brighter growth prospects in the euro area, but they are still vulnerable to changes in the domestic situation. In September, as political uncertainty increased, the yield differential with German government securities briefly widened. By mid-October it had eased back to about 230 basis points.*

**The first favourable signs emerge for the Italian economy**

*In recent months, thanks in part to the improvement in the economic cycle in Europe, some positive qualitative signals have emerged for the Italian economy. Firms' assessments of the investment outlook, both in industry and services, have improved to levels close to those recorded before the crisis of summer 2011. Industrial production continued to fall in July and, more modestly, in August, but the rate of decrease in real GDP is estimated to have been virtually nil in the third quarter. It is possible that economic activity will return to growth before the end of the year, in line with the forecasts set out in July's Economic Bulletin, aided significantly by a recovery in investment.*

**A strengthening of business and household confidence is needed to support the recovery**

*Economic activity has benefited so far from a solid export performance. The gradual improvement under way in business and* *household confidence could provide the support for domestic demand on which the continuation of the recovery heavily depends. About half of the firms taking part in our surveys believe that the worst is over or that a significant improvement is on its way. Opinions still differ widely, however, and there are considerable reservations about an imminent cyclical turnaround, indicating that the outlook is still precarious.*

**The payment of general government commercial debts sustains firms' liquidity**

*According to our surveys, about one third of the firms with commercial claims against general government report having received payment of a fairly large sum, which they intend to use to pay off part of their debts to suppliers and staff, reduce their bank loans and make new investments. The payments appear to have been associated with an improvement in the prospects of the recipient firms.*

**The current account comes back into surplus**

*In the first seven months of the year, despite the appreciation of the euro, the current account of the balance of payments continued to improve, showing a surplus of €3.9 billion. Apart from the ongoing fall in imports in the second quarter, a contribution came from the expansion of exports to other EU countries, where Italy took advantage of the cyclical recovery and maintained its market shares.*

**The decline in employment eases**

*The fall in employment, which was sharp in the first quarter, was less marked in the second. The unemployment rate went up to 12 per cent in the second quarter, but the rise was more moderate than in the previous ones.*

**Inflation remains subdued**

*The twelve-month inflation rate came down to 0.9 per cent in September, a very low level by historical standards. Cost pressures remain insubstantial. Assuming that the rise in the VAT rate that took effect on 1 October is fully passed on, it is expected to have a temporary impact on the price index of less than half a percentage point.*

**Credit conditions are still tense**

*Credit supply tensions are still acting as a brake on the economic recovery. The decline in lending to firms and households has continued. Some signs of an easing of the difficulties in accessing credit have emerged from business surveys, but loan supply is still affected by the deterioration in borrowers' creditworthiness because of the protraction of the recession and will improve only slowly.*

**Banks' retail funding stays robust and their capital position strengthens**

*The poor economic outlook continues to weigh on the quality of banks' assets and their profitability. However, retail funding is still growing, and the banks' capital base improved in the course of the first half of the year. The resilience of the Italian banking system and its ability to cope with adverse macroeconomic scenarios has been confirmed by the IMF's latest Financial Sector Assessment. The ECB will shortly make a comprehensive assessment of the banks that will be subject to centralized supervision when the single supervisory mechanism comes into force.*

**The Government is committed to meeting the public finance objectives**

*In an economic framework that is less positive than had been expected in April, the Government has pledged to keep net borrowing in 2013 below the ceiling of 3 per cent of GDP. Accordingly, on 9 October it approved an adjustment equal to 0.1 per cent of GDP. The primary surplus is now projected at 2.4 per cent. To make sure the deficit target is met, the accounts will have to be monitored closely in the final months of the year. For the next four years the budgetary plans set out in the September Update to the 2013 Economic and Financial Document are consistent with the new European budgetary rules, which centre on the structural performance of the public finances and on the trend of the public debt. The debt is projected to begin to diminish relative to GDP in 2014, with the reduction intensifying in subsequent years.*

*For this year and next, the Government's macroeconomic framework shows limited divergences from the Bank of Italy forecasts released in July, which have been confirmed to some extent by later cyclical indicators. For*

*2015-17 the framework projects faster growth than the consensus forecasts, insofar as it assumes the complete materialization of the effects of the structural reforms enacted in the last two years and a significant narrowing of the spread on Italian government securities. The realization of these assumptions depends on the stability of the domestic situation and the continuation of the reform process.*

**The opportunity offered by the improving economic situation must be seized**

*It is essential not to squander the opportunities offered by the cyclical improvement in the euro area and the signs of stabilization in Italy. The policy measures supporting firms' liquidity are having positive effects. The commitment to promote growth within a consistent and systematic reform framework and scrupulous compliance with the budget requirements remain essential to overcoming the problems that are sapping the competitiveness of the Italian economy. The strengthening of European institutional arrangements, of which the Banking Union is a fundamental part, must also serve to create more relaxed conditions in the financial markets of the euro area and Italy, helping to break the perverse spiral between sovereign risk and banks.*

# 2 THE WORLD ECONOMY

## 2.1 ECONOMIC DEVELOPMENTS

The expansion of the world economy continued in the second quarter of 2013, although it was held to a modest pace by the difficulties of the emerging countries. Inflation remained subdued, despite the rise in the cost of energy commodities in the summer months. World trade continued to grow at a very moderate rate. The third quarter appears to have followed the same pattern, with an improvement in the outlook for the countries of the euro area. The uncertainty over the immediate public finance choices of the United States, heightened by the failure to pass the federal budget, with the resulting shutdown of non-essential government services, and by the federal debt approaching the statutory limit, remains a risk factor.

**Growth continues in the advanced countries ...**

In the second quarter GDP grew at an annual rate of 2.5 per cent in the United States, accelerating from 1.1 per cent in the first quarter. An investment recovery was accompanied by a modest slowdown in household consumption, while the negative impact of the contraction of government spending was reduced further. The expansion of economic activity was more robust in the United Kingdom (2.7 per cent) and especially in Japan (3.8 per cent), sustained in the former by consumption and stock-building and in the latter by consumer and investment spending.

**... into the third quarter ...**

US growth is estimated at an annual rate of 2 per cent in the third quarter. The improvement in the labour market has continued, although not as rapidly as in the second quarter. The unemployment rate fell to 7.3 per cent in August, largely reflecting a decline in labour force participation to its lowest level since the end of the 1970s, 63.2 per cent. House prices rose further, but real-estate market activity was held back by the increasing cost of mortgages, with interest rates rising by about 90 basis points between May and September. According to the information available, in the United Kingdom output expanded at about the same rate as in the second quarter, in Japan slightly more slowly (Figure 1).

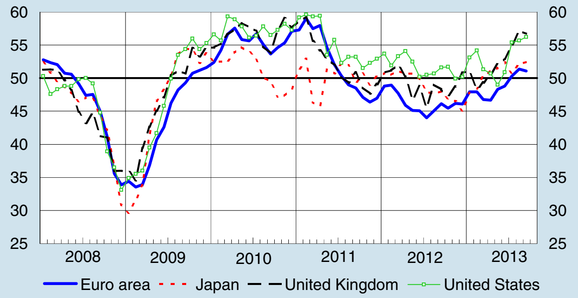
**... while it slackens in the emerging countries**

In the second quarter the expansion of economic activity slowed further in China (to growth of 7.5 per cent compared with the year-earlier period), India (to 4.4 per cent) and Russia (to 1.2 per cent). But it accelerated to 3.3 per cent in Brazil, thanks to a sharp rebound in exports and stronger investment growth. The slackening of growth in all the emerging countries reflects both cyclical factors and structural problems that have existed for some time but that have now begun to weigh on growth processes. In

Figure 1

**Manufacturing purchasing managers indices in the main advanced countries** (1)

*(monthly data)*




Sources: Markit and Thomson Reuters Datastream.
(1) Diffusion indices of economic activity in the manufacturing sector, derived from the assessments of purchasing managers.

particular, in some emerging markets, such as India, growth is held back by adverse domestic and international factors involving the financing of the current account deficit, the failure to remove infrastructural constraints and the consequent narrowing of the scope for fiscal and monetary policy measures.

The latest data for China indicate that the slowdown in growth came to a halt in the third quarter, thanks in part to measures to sustain economic activity. In the other main emerging economies industrial production and business survey findings confirm the sluggishness of the expansion.

**World trade expands moderately**

The growth of world trade slowed from an annual rate of 3.3 per cent in the first quarter to 1.4 per cent in the second, owing above all to declining exports and imports in the emerging economies of Asia. The available data indicate that world trade will pick up in the third quarter, driven by an expansion of foreign trade in the advanced economies.

**The risks are on the downside**

The latest IMF projections released in October show world GDP growing by 2.9 per cent this year and 3.6 per cent next, representing a modest downward revision of 3 and 2 decimal points respectively from the July forecasts, owing to the deterioration in the growth outlook for the emerging economies (Table 1).

The forecast for the world economy is still subject above all to downside risks. Even a gradual dismantling of unconventional monetary policy measures by the Federal Reserve could result in highly unstable flows of capital, especially to the emerging countries with the weakest fundamentals, which would aggravate global financial conditions and increase exchange-rate volatility. An important factor of risk is the uncertainty over budgetary choices in the United States, exacerbated in October by the federal government shutdown and the federal debt nearing the statutory limit.

**Oil prices fall in September**

The price of Brent grade crude oil began to rise at the end of June owing to the reduction in supplies from North Africa and fears sparked by the worsening Syrian crisis. Starting in September, however, the resumption of shipments from Libya and the easing of the tensions in Syria combined to produce a gradual decline in prices, which nevertheless remained 8 per cent above their June levels (Figure 2). Futures

Table 1

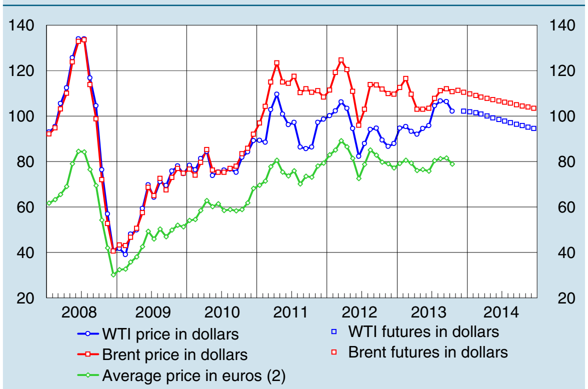
**Selected macroeconomic projections**
*(percentage changes on the previous year)*

| | IMF | | | Consensus Economics | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2013 | 2014 |
| **GDP** | | | | | |
| **World** | **3.2** | **2.9** | **3.6** | **–** | **–** |
| **Advanced countries** | | | | | |
| *Euro area* | *-0.6* | *-0.4* | *1.0* | *-0.4* | *0.9* |
| *Japan* | *2.0* | *2.0* | *1.2* | *1.9* | *1.7* |
| *United Kingdom* | *0.2* | *1.4* | *1.9* | *1.3* | *2.1* |
| *United States* | *2.8* | *1.6* | *2.6* | *1.6* | *2.7* |
| **Emerging countries** | | | | | |
| *Brazil* | *0.9* | *2.5* | *2.5* | *2.4* | *2.6* |
| *China* | *7.7* | *7.6* | *7.3* | *7.5* | *7.4* |
| *India* (1) | *3.2* | *3.8* | *5.1* | *4.9* | *5.9* |
| *Russia* | *3.4* | *1.5* | *3.0* | *2.0* | *2.6* |
| **World trade** (2) | **2.7** | **2.9** | **4.9** | **–** | **–** |

Sources: IMF, *World Economic Outlook*, October 2013; Consensus Economics, September 2013.
(1) The Consensus Economics forecasts refer to the fiscal year beginning in April of the year indicated. – (2) Goods and services.

Figure 2

**Crude oil: spot and futures prices** (1)
*(dollars and euros per barrel)*




Sources: IMF and Thomson Reuters Datastream.
(1) For spot prices, monthly averages up to September 2013; the last data refer to 11 October 2013. – (2) Average price per barrel of the three main grades (Brent, Dubai and WTI).

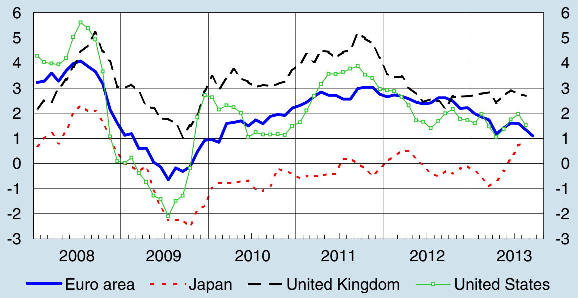
contracts imply that the price of Brent grade crude ($111 a barrel in mid-October) will come gradually down over the next 12 months to $104.

The prices of non-energy commodities remained broadly unchanged on average in the third quarter, but with divergent trends in different components. The rise in the prices of industrial metals was offset by a reduction in those of agricultural commodities, favoured by the prospects of an abundant harvest in the United States.

Figure 3

**Consumer price inflation in the main advanced countries** (1)

*(monthly data; 12-month percentage changes)*




Source: Thomson Reuters Datastream.
(1) For the euro area and the United Kingdom, harmonized consumer prices. For September 2013 in the euro area, flash estimate.

**Inflation remains subdued ...**

Inflationary pressures continue to be moderate in the advanced countries (Figure 3). The inflation rate held practically unchanged in the United States and the United Kingdom in August at 1.5 and 2.7 per cent respectively. In Japan the twelve-month change in the consumer price index turned positive again in June, owing above all to the rise in energy prices. Among the emerging economies, inflation remained low in China, high in India, Russia and Brazil.

**... and monetary policies accommodative**

The monetary policy stance in the main advanced countries has stayed expansive. On 18 September the US Federal Reserve's Open Market Committee decided to keep its programme of purchases of mortgage-backed securities and long-term Treasury bonds unchanged at a total of $85 billion a month. The Committee announced that before easing the pace of its purchases it would wait for additional evidence that the improvement in the economic outlook will be sustained. The Bank of Japan, in order to achieve its inflation target of 2 per cent, confirmed its programme of monetary base expansion by between ¥60 trillion and ¥70 trillion a year. The Bank of England announced in August that its policy rate would not be raised and that the financial assets purchased under the Asset Purchase Programme (£375 billion) would not be reduced as long as the unemployment rate stayed above 7 per cent, provided that forecast inflation 18 to 24 months ahead did not exceed 2.5 per cent, that longer-term inflation expectations remained sufficiently well anchored and that no risks to financial stability emerged.

In view of the international financial market tensions triggered over the summer by expectations of an imminent reduction in monetary stimulus in the United States, the monetary authorities of the emerging countries intervened to ward off the downward pressures on their currencies. Given substantial capital outflows, the central banks of Brazil and India activated market instruments, such as policy rate increases and foreign exchange market operations, as well as administrative measures, such as easing the restrictions on capital inflows. In China, where the impact of the international financial strains was limited, monetary conditions were kept moderately expansive.

## 2.2 THE EURO AREA

Economic activity in the euro area returned to growth in the second quarter of 2013, albeit at a modest pace. Business surveys indicate a gradual improvement in the cyclical outlook. In September consumer price inflation continued to fall; excluding the most volatile components it came to 1.0 per cent, in a context of moderate cost pressures. The ECB's Governing Council confirmed that it expected its key policy rates to remain at current or lower levels for an extended period of time. The Council stands ready to use all available instruments to keep short-term money market rates at the level warranted by its medium-term inflation assessments.

**GDP increases in the second quarter of 2013**

After contracting from the end of 2011 to the beginning of this year, in the second quarter GDP in the euro area expanded by 0.3 per cent on the previous period, supported in part by temporary factors. Exports, which declined by 1.4 per cent overall in the two previous quarters, rose by 2.1 per cent; net exports' contribution to growth, which was null in the first three months of the year, amounted to 0.2 percentage points. Domestic demand remained practically unchanged; the modest recovery in household spending (0.1 per cent with respect to the previous quarter) and in gross fixed investment (0.2 per cent), interrupting a downward trend of about two years, was counterbalanced by the effect of the change in stocks (-0.2 percentage points). Among the euro area's main economies, activity recorded a sharp increase in Germany – where the adverse weather conditions of the first quarter had slowed construction – and, to a lesser extent, in France. In Italy the pace of the contraction eased.

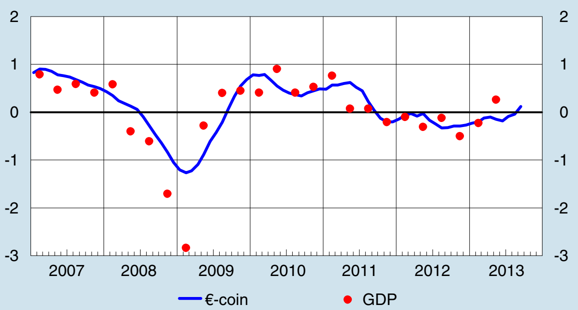
**Qualitative indicators and €-coin point to a recovery in the summer ...**

In July the composite Purchasing Managers Index (PMI) rose above the threshold value compatible with an increase in economic activity, after being below it for seventeen months. The improvement, which strengthened in the months that followed, involved all the area's leading economies with manufacturing industry most affected, followed by services. In the third quarter the European Commission's business sentiment indicators increased again in the euro area and in all the leading economies. In September the €-coin coincident indicator compiled by the Bank of Italy, which tracks underlying GDP trends in the euro area, entered positive territory, continuing an upward trend under way since the beginning of the summer (Figure 4).

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", *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.

**... yet to be confirmed by the quantitative indicators**

The improvement in the qualitative indicators has not yet been matched by equally solid progress on the quantitative indicators. In the period July-August industrial production in the euro area remained virtually unchanged with respect to May-June.

**Domestic demand improves**

Consumer confidence improved overall in the third quarter, mostly reflecting short-term expectations regarding the general economic situation. In the period July-August the volume of retail sales expanded again with respect to the previous quarter.

Over the summer foreign demand indicators also remained favourable. In September, for the third month in a row, manufacturers' assessments of foreign orders were above the threshold value for an increase in sales.

The professional analysts polled by Consensus Economics in September forecast that euro-area GDP will fall by 0.4 per cent in 2013, in line with the ECB staff projections published at the beginning of the same month. Analysts expect growth of 0.9 per cent in 2014 (1.0 per cent according to the ECB).

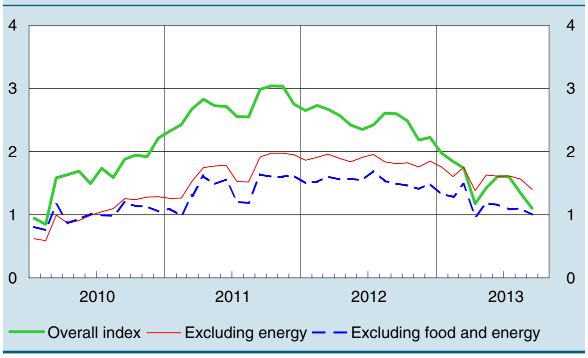
**Inflation remains low**

Inflation continued to decline in the summer. Based on the flash estimate, in September it fell at to a twelve-month rate of 1.1 per cent (Figure 5). The drop is mainly attributable to the slowdown in the prices of energy products. In the same month core inflation, calculated net of food and energy prices, diminished slightly to 1.0 per cent, primarily reflecting the end of the statistical effect of the increase in VAT in Spain in September 2012.

Figure 5

**Inflation in the euro area** (1)

*(12-month percentage changes)*




Sources: Based on Eurostat and ECB data.
(1) Harmonized index of consumer prices; for September, flash estimates.

Cost pressures remain very weak. In August the producer price index fell by 0.8 per cent on a twelve-month basis, owing above all to the decline in energy commodity prices. Excluding the most volatile components, producer price inflation stayed at record low levels. However, in September the indexes of firms' sales price intentions rose again, to just above the threshold value for an increase in prices.

According to the private forecasters surveyed by Consensus Economics in September, consumer price inflation in the euro area will average 1.5 per cent this year and next. For 2013 these forecasts are in line with the ECB staff projections published in early September.

**Monetary growth remains subdued**

The slowdown in M3 continued, with the twelve-month rate of growth reaching 2.3 per cent in August (2.9 per cent in May). This likely reflects slow growth in consumption and the absence of inflationary tensions.

**Credit to firms continues to contract**

Lending to the non-financial private sector has continued to contract, falling by 1.3 per cent in the three months ending in August on a seasonally adjusted, annualized basis, corrected for the accounting effect of securitizations. Lending to firms continued to shrink (-3.7 per cent) while loans to households expanded by 0.7 per cent. In the twelve months to August, lending to firms declined in Spain, Italy, Ireland and, to a lesser extent, Germany; it stagnated in France and its growth slowed markedly in the Netherlands.

According to the quarterly euro-area bank lending survey, in the second quarter of 2013 weak demand for credit by firms and households mainly reflected, as in the previous quarter, the low level of fixed investment, unfavourable prospects in the real-estate markets and poor consumer confidence. In most euro-area countries firms have replaced bank credit with other sources of funding, mainly debt securities. Banks' credit supply policies remained slightly restrictive, reflecting risks perceived by intermediaries regarding the outlook for economic activity in general and for certain industries and businesses.

**The ECB confirms that its key interest rates will remain low for an extended period of time**

At its meeting at the beginning of October, the ECB Governing Council confirmed that it expected to keep its key policy rates at current or lower levels for an extended period of time. The Council also announced that it will continue to pay special attention to the possible implications of money market conditions for monetary policy and declared itself ready, if necessary, to use all the instruments at its disposal, including further extraordinary measures.

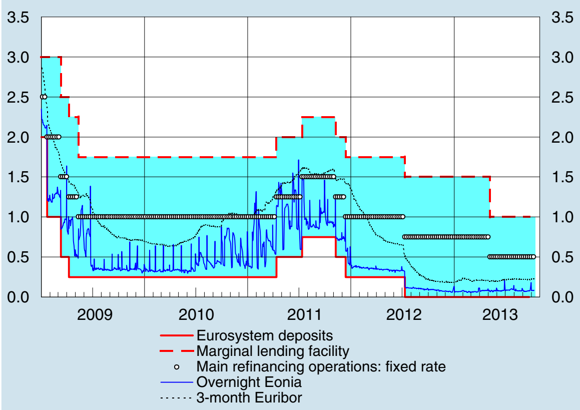
**Liquidity remains abundant**

Despite a further reduction in the third quarter of the year, banks' liquidity held with the Eurosystem in excess of requirements remains abundant (€216 billion at end-September, from €265 billion at end-June). The decrease reflects both the lower recourse to main refinancing operations by the banks (down by about €20 billion) and the early repayment of €35 billion of the funds distributed in the two three-year LTROs of December 2011 and February 2012. At the end of September total repayments amounted to €340 billion, equal to about one third of the total funds distributed by the Eurosystem in the two three-year operations. The abundant liquidity is helping keep money market rates at historically low levels. Eonia and the three-month unsecured interbank lending rate (Euribor) are stable at 0.08 and 0.2 per cent respectively (Figure 6).

Figure 6

**Official interest rates and money market rates in the euro area**

*(daily data; per cent)*




Sources: ECB and Thomson Reuters Datastream.

**TARGET2 balances stabilize**

The disparities between the various euro-area central banks' TARGET2 balances, which had widened considerably since 2011 reflecting the segmentation of financial markets along national borders, have stabilized. The net balance for the economies worst hit by the sovereign debt crisis remained negative and practically unchanged with respect to the end of June. At end-September the net balance for Italy was around -€230 billion.

**The European Parliament approves the Single Supervisory Mechanism**

On September 12 the European Parliament approved the regulation on the Single Supervisory Mechanism (SSM) comprising the ECB and the national supervisory authorities, which is now before the EU Council. The ECB will soon undertake a comprehensive assessment of banks' conditions prior to the mechanism's launch, scheduled for autumn 2014, one year after the entry into force of the regulation. Banking union, a crucial milestone in the completion of the EU construction, envisages – in addition to the SSM which has been given priority – a single resolution mechanism and, with a view to budgetary union, a single deposit insurance mechanism.

## 2.3 WORLD FINANCIAL MARKETS

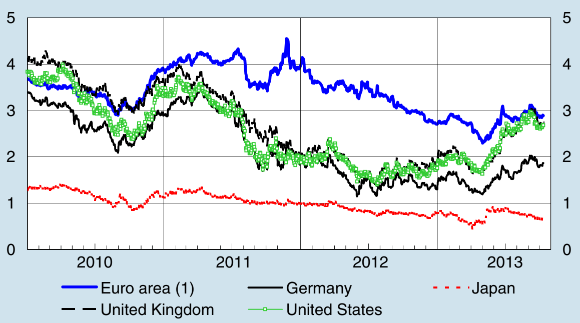
In the summer months the improvement in the growth prospects of the advanced economies triggered a rise in share prices and long-term interest rates, which came to a halt in September. Evolving market expectations as to when monetary stimulus in the US will be reduced are affecting the performance of the bond and equity markets.

**In September the increase in long-term yields comes to an end**

The interest rates on ten-year government bonds, after having risen again in August following the publication of positive macroeconomic data and the strengthening of expectations that a reduction in US monetary stimulus was imminent, began to fall again from mid-September, after the Federal Reserve's announcement that the conditions were not yet ripe to start tapering their asset purchases. Overall, between the end of June and mid-October long-term rates rose by 20 basis points in the United States,

**Figure 7**

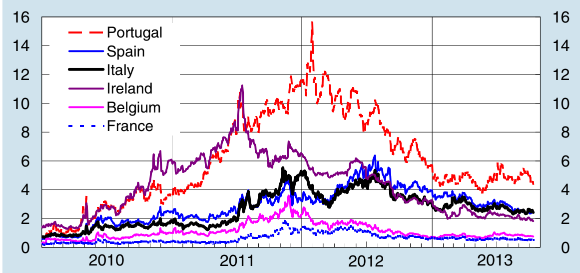
**Yields on 10-year government bonds**
*(daily data; per cent)*




Source: Thomson Reuters Datastream.
(1) Average yields, weighted by 2010 GDP at constant prices, of the 10-year benchmark government securities of the euro-area countries except Cyprus, Estonia, Greece, Luxembourg, Malta, Slovakia and Slovenia.

**Figure 8**

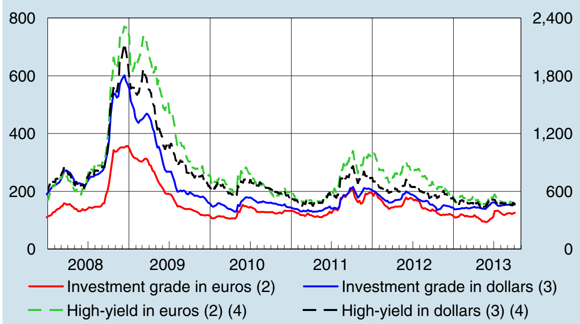
**Yield spreads between 10-year government bonds and the German Bund**
*(daily data; percentage points)*




Sources: Based on Bloomberg and Thomson Reuters Datastream data.

**Figure 9**

**Yield spreads between bonds of non-financial corporations and government securities in euros and dollars** (1)
*(end-of-week data; basis points)*




Source: Merrill Lynch.
(1) Investment grade bonds are those issued by firms with high credit ratings (not lower than BBB- or Baa3). High-yield bonds are those issued by corporations rated below those grades. – (2) Fixed-rate bonds with a residual maturity of not less than one year, issued on the Euromarket; yield spreads are calculated with respect to French and German government securities. – (3) Fixed-rate bonds denominated in dollars with a residual maturity of not less than one year issued on the US domestic market; yield spreads are calculated with respect to US Treasury securities. — (4) Right-hand scale.

by 30 points in the United Kingdom, and by 14 points in Germany; in the euro area, they remained, on average, virtually unchanged. In Japan long-term interest rates fell by 19 basis points, back to levels just above the lows recorded last April (Figure 7).

**Sovereign risk premiums decrease**

Since the end of June the long-term interest-rate differentials with Germany have narrowed overall, albeit with some fluctuations, in all the euro-area countries most exposed to the sovereign debt crisis. The improvement can be ascribed to the action of the ECB, the publication of positive data on euro-area growth prospects and, since September, the Federal Reserve's decision not to begin tapering its securities' purchases yet (Figure 8).

**Banks and firms' risk premiums also decrease**

The main banks' premiums on five-year credit default swaps declined by 68 basis points in the euro area and by 26 points in the United States since the end of June. The yield spreads between the securities of companies with lower creditworthiness (high yield) and the corresponding government securities also narrowed, for securities denominated in euros and in dollars (Figure 9).

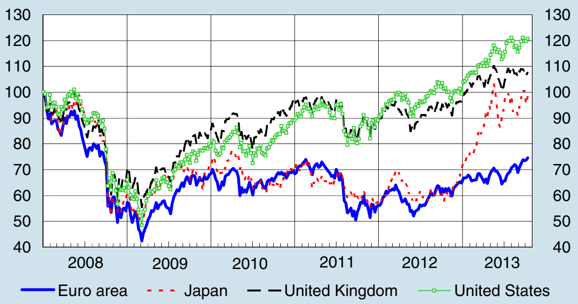
**Share prices pick up**

Starting at the end of the second quarter the stock market indices in the advanced countries recorded gains, subsequently eroded as a result of geopolitical tensions in the Middle East in August and uncertainties surrounding public finance decisions in the United States since the end of September. Overall, share prices rose by 14 per cent in the euro area and, to a lesser degree, in Japan (5 per cent) and in the United States (6 per cent; Figure 10). The increase in share prices was also associated with a reduction of uncertainty, measured by the volatility implied by stock index options; in October another upturn reflected recent developments in the situation of the public finances in the United States (Figure 11).

**Figure 10**

**Stock market indices** (1)

*(end-of-week data; first week of January 2008=100)*

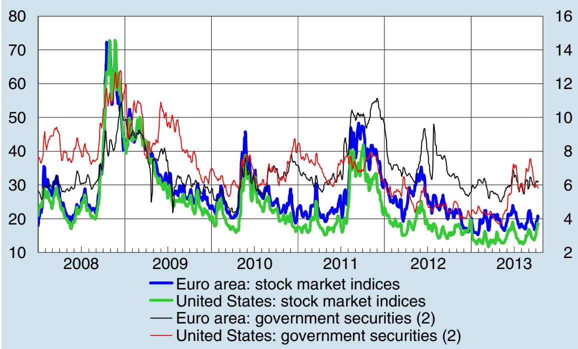



Source: Thomson Reuters Datastream.
(1) Dow Jones Euro Stoxx for the euro area, Nikkei 225 for Japan, FTSE All Share for the United Kingdom and Standard & Poor's 500 for the United States.

**Figure 11**

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

*(daily data; 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. – (2) Right-hand scale.

**The emerging economies' markets stabilize**

After continuing to be affected in the summer months by the reduction in the exposure of interna-tional investors, conditions on the financial markets in the emerging countries have stabilized starting in September. The yield spreads between emerging countries' long-term sovereign debt denominated in dollars and US Treasury securities returned to around 340 basis points – end-June levels – but they remain about 60 points higher (125 points in the case of India) compared with mid-May, when yields began to rise worldwide. The stock market indices rose again, after the sharp falls recorded in the second quarter. Since the end of June the aggregate local currency index for the emerging economies has increased by 8 per cent, by 14 per cent in China.

**The euro strengthens**

Despite the ECB's expansionary monetary policy, the euro strengthened against the dollar and the yen (Figure 12). The appreciation reflected signs of recovery in the area's economies, the Federal Reserve's decision not to start reducing its monetary stimulus and the emergence of risks on US securities in connection with the possible debt-ceiling breach. Since the end of June, the euro has gained 3.7 per cent against the dollar and 3.1 per cent against the yen, while it has weakened with respect to sterling by 1.0 per cent. The euro's nominal effective exchange rate, constructed from the weighted averages of euro exchange rates against a wider range of currencies, recorded a more modest increase of 1.1 per cent.

During the summer the currencies of the emerging countries with weaker macroeconomic fundamentals depreciated markedly against the dollar; however, since the end of August the action of the monetary authorities and the repositioning of investors have alleviated this trend.

**Figure 12**

**Bilateral exchange rates**

*(daily data)*


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

# 3 THE ITALIAN ECONOMY

## 3.1 THE CYCLICAL SITUATION

Since the beginning of the summer there have been signs of the Italian economy stabilizing, although it is performing less well than the rest of the euro area and the outlook for the coming months is uncertain. The latest business opinion surveys indicate a less pessimistic assessment of the general state of the economy. The cyclical improvement reflects the recovery in exports, which has been accompanied by signs of a more favourable investment environment. Household spending continues to be held back by the weakness of disposable income and the difficult conditions in the labour market.

**GDP contracts less in the spring ...**

In the second quarter of 2013 Italy's GDP diminished by 0.3 per cent on the previous period, a much smaller contraction than in the two preceding quarters (Table 2). If economic activity were to remain at the level reached in the second quarter, GDP would contract by 1.9 per cent in 2013 as a whole.

The main positive contribution to growth came from net exports, which added 0.4 percentage points in the second quarter; exports grew by 0.6 per cent and imports contracted by 0.8 per cent (Figure 13). Gross fixed investment virtually stabilized. Investment in machinery, equipment and transport equipment rose after declining for seven quarters. Construction investment recorded a further decrease, though not as large as in the first quarter (1.0 per cent, as against 4.2 per cent). Household consumption diminished, albeit less than in the preceding quarters. The change in stocks subtracted 0.4 percentage points from GDP growth. Value added stagnated in industry excluding construction but declined again in the construction sector and to a lesser extent in services.

Table 2

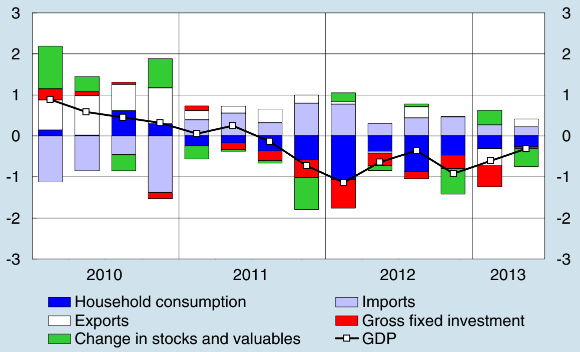
**GDP and its main components** (1)
*(percentage changes on previous period)*

| | 2012 | | 2012 | 2013 | |
|---|---|---|---|---|---|
| | Q3 | Q4 | (2) | Q1 | Q2 |
| GDP | -0.4 | -0.9 | -2.5 | -0.6 | -0.3 |
| Total imports | -1.5 | -1.6 | -7.4 | -0.9 | -0.8 |
| National demand (3) | -1.1 | -1.4 | -5.3 | -0.4 | -0.7 |
| National consumption | -1.2 | -0.5 | -3.8 | -0.3 | -0.3 |
| *household spending* | *-1.4* | *-0.8* | *-4.2* | *-0.5* | *-0.4* |
| *other* (4) | *-0.4* | *0.1* | *-2.6* | *0.1* | *0.1* |
| Gross fixed investment | -1.1 | -1.8 | -8.3 | -2.9 | -0.3 |
| *construction* | *-1.1* | *-1.5* | *-6.4* | *-4.2* | *-1.0* |
| *other investment goods* | *-1.1* | *-2.2* | *-10.4* | *-1.5* | *0.6* |
| Change in stocks and valuables (5) | 0.1 | -0.6 | -0.7 | 0.4 | -0.4 |
| Total exports | 0.9 | 0.1 | 2.0 | -1.4 | 0.6 |
| Net exports (5) | 0.7 | 0.5 | 2.8 | -0.2 | 0.4 |

Source: Istat.
(1) Chain-linked volumes; data adjusted for seasonal and calendar effects. – (2) Data not adjusted for calendar effects. – (3) Includes the change in stocks and valuables. – (4) Expenditure of general government and non-profit institutions serving households. – (5) Contributions to GDP growth on previous period, in percentage points.

Figure 13

**GDP growth and contributions of its main determinants** (1)
*(quarterly data; 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.

**... and shows signs of stabilizing in the third quarter**

The indicators available show that output stabilized in the summer months. In August and, according to our estimates, in September as well, the decline in industrial production was less pronounced. In the qualitative surveys conducted in September, firms' pessimism moderated.

**Inflation abates further**

Inflation (measured by the twelve-month change in the HICP) slowed to 0.9 per cent in September, remaining slightly below the euro-area average; excluding the most volatile components, consumer prices rose by 1.3 per cent, in line with the prolonged weakness of domestic demand. Even if the increase in the ordinary VAT rate that came into force at the beginning of October is passed on in full to consumer prices, it will have only a modest impact on inflation (less than half a percentage point over the next twelve months).

## 3.2 FIRMS

The indicators available suggest that industrial activity continued to decline in the third quarter, although the intensity of the contraction diminished during the period. Business opinion surveys point to a gradual improvement in the coming months.

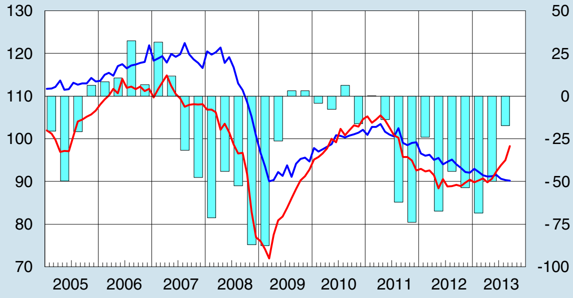
**Industrial activity contracts again in the third quarter ...**

The month-on-month decline in industrial production eased in August to 0.3 per cent from 1.0 per cent in July; with the exception of energy products, all the branches of manufacturing recorded positive changes. According to our estimates, the decline in industrial activity in the third quarter as a whole was similar to that of the second (-1.0 per cent; Figure 14). These estimates should be treated with caution because of the complexity of calculating the adjustment for seasonal and calendar effects on production in the various sectors.

Figure 14

**Industrial production and business confidence**

*(monthly data)*




Sources: Based on Istat, Terna and Bank of Italy data.
(1) Balance in percentage points between answers "better" and "worse" to the question on the general state of the economy in the Bank of Italy–*Il Sole 24 Ore* quarterly "Survey on Inflation and Growth Expectations, September 2013", published in *Supplements to the Statistical Bulletin*, No. 50, 2013; the data refer to industrial firms only; right-hand scale. – (2) Industrial production adjusted for seasonal and calendar effects; index, 2010=100. The figure for September 2013 is estimated on the basis of electricity consumption and the indicators of Istat surveys of manufacturing firms. – (3) 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, 2010=100. – (4) A number of methodological innovations were introduced in June 2013 relating to the sample and the survey techniques; as a result the data released from June onwards are not directly comparable with those for the previous months.

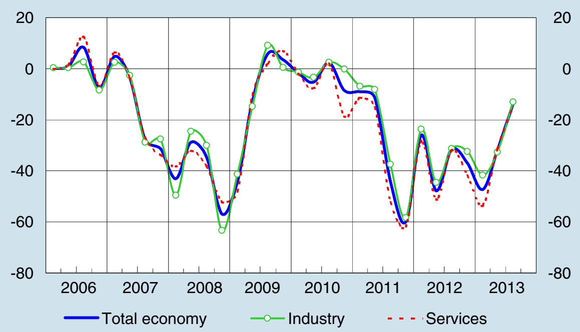
**... but business confidence continues to strengthen**

Business surveys recorded a progressive improvement over the summer in firms' assessments of short-term prospects. In July the PMI index for the manufacturing sector rose above the threshold consistent with an expansion of activity; the index of business confidence continued to gain in the third quarter. In the quarterly survey conducted in September by the Bank of Italy together with *Il Sole 24 Ore*, firms' assessments of the short-term outlook improved in all the main productive sectors (see the box "The outlook for investment and the settlement of general government debts: findings of the Bank of Italy's business surveys"). However, the high dispersion of firms' and households' expectations concerning their own economic situation suggests that the cyclical recovery is still fragile and not broadly based (see the box "The dispersion of economic agents' expectations and economic activity").

## THE OUTLOOK FOR INVESTMENT AND THE SETTLEMENT OF GENERAL GOVERNMENT DEBTS: FINDINGS OF THE BANK OF ITALY'S BUSINESS SURVEYS

The Bank of Italy-*Il Sole 24 Ore* quarterly survey of firms with 50 or more workers, conducted between 2 and 24 September, shows that pessimism about the general economic situation has diminished sharply in all the main sectors. Firms' assessments of the conditions for investment have improved further ("Survey on Inflation and Growth Expectations, September 2013", in Supplements to the *Statistical Bulletin*, No. 50, October 2013), returning, for industrial and service firms, to the levels recorded before the sovereign debt crisis deepened in 2011 (see figure); construction firms' assessments have also improved, albeit more moderately.

**Assessment of the conditions for investing compared with the previous quarter** (1)
*(quarterly data; percentage points)*




(1) Balance between assessments of an improvement and expectations of a deterioration compared with the previous quarter according to the quarterly "Survey on Inflation and Growth Expectations, September 2013", conducted by the Bank of Italy together with *Il Sole 24 Ore* and published in Supplements to the *Statistical Bulletin*, No. 50, October 2013.

In addition, between 23 September and 14 October the Bank of Italy's branches conducted the customary Business Outlook Survey on a sample of firms with 20 or more workers in industry, private non-financial services and construction. The survey, whose publication is forthcoming, confirmed the difficulties faced by the productive system in the last few quarters but provided a number of positive forward-looking indications.

About 42 per cent of firms in industry and 44 per cent of those in services reported that their turnover was lower in the first nine months of this year than in the same period of 2012, while 29 and 26 per cent respectively reported an expansion (Table A). Considering export sales, however, more firms indicated expansion than contraction: in their assessment, the slight decline in demand from the euro-area countries this year was more than offset by resurgent demand from the major emerging economies and the United States.

Estimated investment expenditure for 2013 is higher than that planned at the end of 2012 for 12 per cent of the firms and lower for 28 per cent. Looking ahead, in the second half of the year the total volume of industrial investment – calculated by weighting firms' responses according to their number of employees – is expected to stabilize as a result of the growth in investment by the largest firms (200 or more workers). Of the largest companies, 21 per cent indicate an increase in investment expenditure and 19 per cent a decrease. Investment, measured taking firm size into account, is projected to expand in 2014 on average, with the largest companies in the lead. In market services, total investment is likely to continue to decline in the second half of this year and in 2014, but is expected to return to growth among firms with 200 or more workers. In manufacturing, about a third of the firms expect an expansion of production in the fourth quarter compared with the previous three months, while 22 per cent expect a decline.

In both surveys, which polled partially different samples of firms, additional questions were included in order to assess the diffusion of the payments of general government debt arrears to firms and the ways firms would use these resources.

Table A

**Main findings of the Business Outlook Survey of Industrial and Service Firms** (1)
*(frequency of responses, in per cent)*

| | Industry excl. contruction | | Services | | Total | |
|---|---|---|---|---|---|---|
| | 200 or more workers | Total | 200 or more workers | Total | 200 or more workers | Total |
| | *Turnover in the first 3 quarters of 2013 compared with the same period of 2012* | | | | | |
| Lower | 43.9 | 42.5 | 43.2 | 44.4 | 43.5 | 43.4 |
| About the same | 27.4 | 28.8 | 30.9 | 29.7 | 29.2 | 29.2 |
| Higher | 28.7 | 28.7 | 25.9 | 25.9 | 27.2 | 27.3 |
| | *Investment expenditure in 2013 compared with planned investment at end-2012* | | | | | |
| Lower | 31.0 | 26.1 | 30.0 | 29.9 | 30.5 | 28.0 |
| About the same | 55.3 | 60.7 | 57.2 | 59.3 | 56.3 | 60.0 |
| Higher | 13.6 | 13.2 | 12.8 | 10.9 | 13.2 | 12.0 |
| | *Investment expenditure in the second half of 2013 compared with the first* | | | | | |
| Lower | 19.0 | 23.0 | 23.1 | 30.2 | 21.2 | 26.5 |
| About the same | 60.0 | 60.5 | 53.2 | 55.6 | 56.4 | 58.1 |
| Higher | 21.0 | 16.5 | 23.7 | 14.3 | 22.4 | 15.4 |
| | *Planned investment for 2014 compared with investment in 2013* | | | | | |
| Lower | 16.8 | 20.9 | 21.2 | 24.4 | 19.1 | 22.6 |
| About the same | 57.5 | 60.3 | 55.2 | 57.2 | 56.3 | 58.8 |
| Higher | 25.7 | 18.8 | 23.6 | 18.3 | 24.6 | 18.6 |
| | *Industrial production in the fourth quarter of 2013 compared with the third* | | | | | |
| Lower | 16.2 | 22.2 | – | – | – | – |
| About the same | 50.6 | 46.8 | – | – | – | – |
| Higher | 33.2 | 31.0 | – | – | – | – |
| | *Average workforce in 2013 compared with average in 2012 (2)* | | | | | |
| Lower | 33.7 | 30.7 | 38.6 | 35.5 | 36.8 | 33.4 |
| About the same | 50.5 | 52.5 | 39.3 | 44.6 | 43.5 | 48.1 |
| Higher | 15.8 | 16.8 | 22.1 | 19.9 | 19.7 | 18.5 |

(1) Sample composed of firms with 20 or more workers in industry excluding construction (2,694 firms) and private non-financial services (wholesale and retail trade, hotels and restaurants, transport and communications, other professional services; 1,104 firms). Estimates of the percentages, net of the response "don't know, don't wish to answer", calculated using a weighting coefficient for each firm that takes account, for each geographical area, size class and sector of activity, of the number of firms in the sample and in the universe. Standard errors of the estimated percentages not greater than 0.8 per cent, i.e. maximum confidence intervals (at 95 per cent) equal to 1.6 percentage points. Estimates calculated on a sample equal to 98 per cent of the target sample.— (2) Weighted by firm size (number of workers).

In the Bank of Italy-*Il Sole 24 Ore* survey, about 30 per cent of firms in services and industry excluding construction declared they had credit arrears with general government and just over 10 per cent overall (16 per cent in services, 5 per cent in industry) reported that they had recently recovered an amount they considered significant; among construction firms, the share rises to 25 per cent. In both surveys, a majority of firms indicated that these funds have been or will be used mainly to pay suppliers and employees and to pay down debt to the financial system. In particular, according to the autumn Business Outlook Survey, whose sample includes smaller firms, over 40 per cent planned to use the funds to pay suppliers and employees and 23 per cent to finance working capital (Table B). Almost a fifth of the manufacturing and service firms and 29 per cent of those in construction said they would reduce their bank debt. About 4 per cent overall of firms in industry and services report earmarking funds directly for new investment; the proportion increases with firm size, to about 8 per cent among companies with 500 or more workers.

The settlement of general government commercial debts has been accompanied by an improvement in the prospects of the firms that received payment. According to the Bank of

Table B

**Prevalent use of the payments received from general government for commercial credits** (1)
*(per cent)*

| | Industry excl. construction | Services | Total industry and services | Construction |
|---|---|---|---|---|
| Payments of back wages | 9.6 | 9.9 | 9.8 | 8.4 |
| Reduction of commercial debts | 37.6 | 28.7 | 31.5 | 36.1 |
| Reduction of liabilities to general government | 1.7 | 4.3 | 3.5 | 5.1 |
| Reduction of debt to the financial system | 19.6 | 16.6 | 17.5 | 28.6 |
| Other forms of financing working capital | 17.7 | 26.1 | 23.5 | 7.7 |
| Financing of investment | 1.9 | 4.5 | 3.7 | 4.6 |
| Increase of reserves of liquidity | 9.1 | 7.5 | 8.0 | 8.9 |
| Other | 2.8 | 2.4 | 2.5 | 0.6 |
| Total | 100 | 100 | 100 | 100 |

(1) Sample composed of firms with 20 or more workers: 2,694 firms in industry excluding construction, 1,104 in private non-financial services (wholesale and retail trade, hotels and restaurants, transport and communications, other professional services) and 457 in construction. Percentages referring to the firms reporting that they had received in 2013 at least partial payment of their claims on general government as of the end of 2012. Estimates of the percentages, net of the response "don't know, don't wish to answer", calculated using a weighting coefficient for each firm that takes account, for each geographical area, size class and sector of activity, of the number of firms in the sample and in the universe. Standard errors of the estimated percentages not greater than 3.3 per cent, i.e. maximum confidence intervals (at 95 per cent) equal to 6.6 percentage points. Estimates calculated on a sample equal to 98 per cent of the target sample.

Italy-*Il Sole 24 Ore* quarterly survey, 33 per cent of sample firms expect to step up production appreciably in the coming months; the share rises to 38 per cent among those that have recovered a significant portion of their credits in arrears from general government.

## THE DISPERSION OF ECONOMIC AGENTS' EXPECTATIONS AND ECONOMIC ACTIVITY

The sharp deterioration in household and business confidence that accompanied the unfolding of the sovereign debt crisis had a significant effect on economic activity in Italy. According to our estimates, reported in the Bank's last *Annual Report*, it contributed more than half a percentage point to the contraction in GDP in 2012.

From the beginning of this year the climate of confidence has improved continuously, although starting from a very low level. This result can be considered broadly consistent with the stabilization of economic activity in the summer months and a return to growth, albeit slow, in the last part of the year.

The improvement in household and business confidence has gone hand in hand with an increase in the dispersion of individual judgments. This dispersion, already high in the first half of the year, rose further in the third quarter, signalling the persistence of widespread uncertainty about the prospects of recovery. One contributory factor was an increase in the polarization of business assessments between firms able to benefit from export demand and those that still do not see significant growth in domestic demand. Households' uncertainty is likely to have been mainly influenced by the prolonged weakness of the labour market.

Uncertainty can have an impact on economic activity by reducing expenditure that is marked by a high degree of irreversibility (such as purchases of durable goods and spending to expand capacity), increasing households' precautionary saving and depressing the prices of financial assets.

Despite its economic importance, uncertainty is difficult to measure because it cannot be observed directly. The figure shows the movements in three indicators that, at least approximately, capture the changes in the uncertainty of financial market participants, economic analysts, and households and firms:

a) the volatility of equity returns;

b) the dispersion of the GDP growth forecasts of analysts surveyed by Consensus Economics;

c) the dispersion of the expectations of households and firms regarding their economic situation.

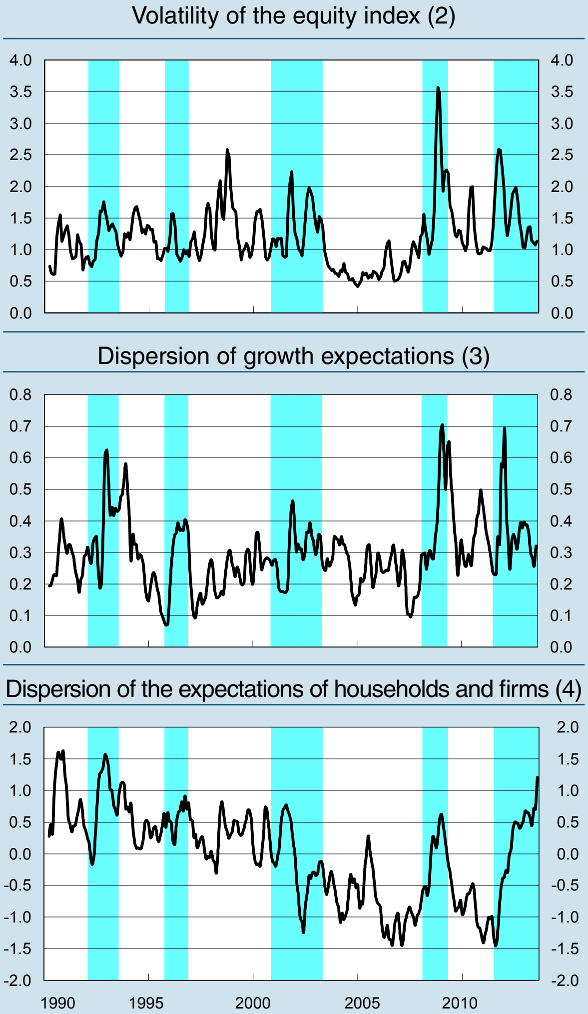
In all the recessions (the shaded areas in the figure) there was a significant increase in uncertainty that was greatest for the indicators based on equity returns and the dispersion of growth expectations.

The indicators considered rose sharply in the second half of 2011; subsequently, starting in the spring of 2012, those based on the volatility of financial markets and the opinions of professional analysts progressively improved. In particular, the ECB's announcement in the summer of 2012 of new forms of intervention in the secondary market for government securities (Outright Monetary Transactions), aimed at reassuring investors as to the irreversibility of the single currency, produced a significant reduction in the volatility of the equity index.

By contrast, the dispersion of the expectations of households and firms increased further, reflecting an improvement that was restricted to only a part of the sample.

All told, the indications that can be derived from the confidence indicators are consistent with a scenario marked by modest growth in economic activity. The pronounced uncertainty that still characterizes households and firms suggests, however, that the cyclical upturn is fragile and not broadly based.

**Indicators of uncertainty and the economic cycle in Italy** (1)




Sources: Based on Thomson Reuters Datastream, Consensus Economics and Istat data.
(1) The shaded areas correspond to the periods of recession as defined by Istat (*Rapporto annuale. La situazione del Paese nel 2010*, 2011). – (2) Standard deviation of the daily returns of the equity index in the reference month. – (3) Interquartile range of the distribution of the GDP growth forecasts for the current year and the following year of the analysts surveyed monthly by Consensus Economics. – (4) Calculated on the basis of households' responses to the question about their future economic situation and manufacturing firms' responses to the question about their expected production in Istat's monthly surveys.

**The decline in capital expenditure ends ...**

Business investment registered a small decline of 0.3 per cent in the second quarter compared with the first; this was considerably less than the average decline over the last two years. Non-construction expenditure rose by 0.6 per cent, the first increase in seven quarters, as a result of a jump in the highly volatile transport equipment component and a slight decline in investment in machinery and equipment. The Bank of Italy-*Il Sole 24 Ore* quarterly survey in September found that in the third quarter firms again deemed the conditions for investing to be improving.

**... and that in construction eases**

The fall in construction investment moderated in the second quarter, with a decline of 1.0 per cent compared with 4.2 per cent in the first quarter. Trends were similar in residential building and non-residential construction. On the basis of data from the Property Market Observatory of the Revenue Agency, in the second quarter the number of house sales was about the same as in the fourth quarter of 2012 on a seasonally adjusted basis (Figure 15). In the same period, the quarterly rate of decline in the prices of houses purchased by households eased to 0.6 per cent, from 1.5 per cent in the first quarter. In July, the quarterly housing market survey carried out by the Bank of Italy together with Tecnoborsa and the Property Market Observatory indicated that conditions were expected to remain unfavourable in the short term. On the supply side, the Bank of Italy–*Il Sole 24 Ore* survey found that more construction firms expected the outlook to improve in the medium term than that did not.

**Competitiveness reflects the appreciation of the euro**

Italian firms' loss of price competitiveness, measured on the basis of the producer prices of manufactured goods, essentially came to a halt in July. According to preliminary estimates, in August and September competitiveness continued to suffer in Italy, as in the other euro-area countries, from the appreciation of the currency. Since the beginning of this trend, in August 2012, the cumulative loss of competitiveness has been estimated at 3.5 per cent in Italy, 3.8 per cent in France, 5.0 per cent in Germany and 2.5 per cent in Spain (Figure 16), against a 7.1 per cent nominal effective appreciation of the euro.

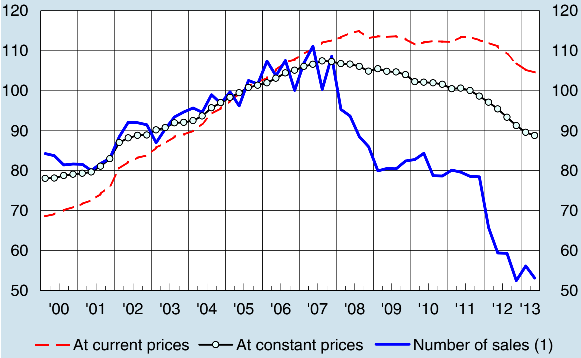
**Firms' operating profitability remains modest**

According to estimates based on the national accounts, in the second quarter firms' operating profitability – measured as gross operating profit over value added in the twelve months to June 2013 – remained practically unchanged at historically low levels. With fixed investment contracting more sharply than self-financing, firms' funding needs declined slightly in relation to value added. Net financial costs were basically unchanged.

Figure 15

**House prices and sales in Italy**

*(quarterly data; indices, 2005=100)*

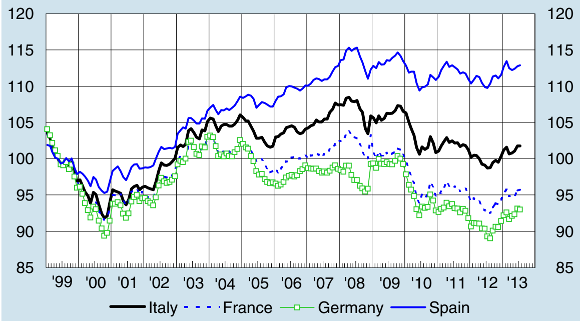



Sources: Based on data from the Revenue Agency's Property Market Observatory, Bank of Italy, Istat and *Consulente Immobiliare*.
(1) Adjusted for seasonal and calendar effects.

Figure 16

**Indicators of competitiveness** (1)

*(monthly data; indices, 1999=100)*

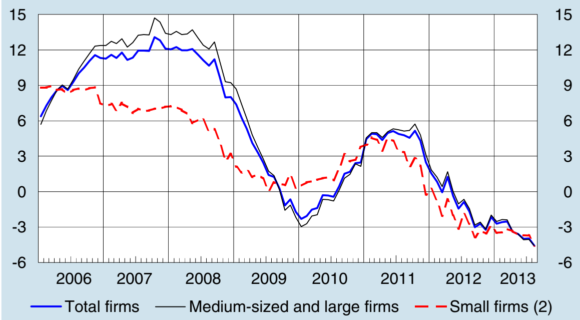



Sources: Based on IMF, OECD and Eurostat data.
(1) In relation to 61 competitor countries; based on producer prices of manufactured goods. An increase in an index indicates a loss of competitiveness. The latest data refer to July 2013.

Figure 17

**Firms' bank debt by size of firm** (1)

*(monthly data; 12-month percentage changes)*




(1) Non-financial firms. Data adjusted for the accounting effect of securitizations. Loans include repos and bad debts. The data are adjusted for reclassifications. – (2) Limited partnerships, general partnerships, informal partnerships, de facto companies and sole proprietorships with up to 19 workers.

**Lending to firms falls further**

Bank loans to firms (gross of repos and bad debts) fell further; at the end of August the twelve-month decline was equal to 4.6 per cent. The credit contraction affected both medium-sized and large firms and small businesses (Figure 17). Non-financial corporations' total debt continues to hover at about 80 per cent of GDP (Figure 18).

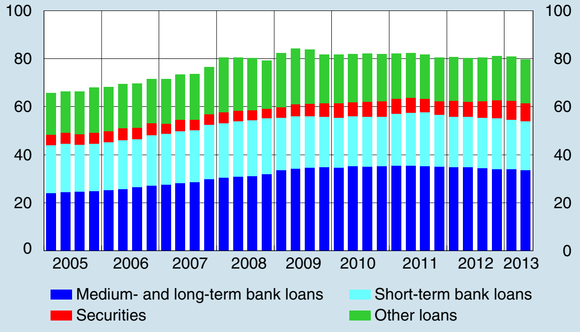
**Net bond issuance remains positive**

Italian firms' net bond issues declined slightly in the second quarter, to €3.4 billion from €3.8 billion in the previous quarter (Table 7). However, preliminary Dealogic data on gross issues indicate that the third quarter saw a marked increase in bond placement by companies belonging to Italian groups (€10 billion, against €3 billion in the second quarter).

Figure 18

**Debt of non-financial firms** (1)

*(quarterly data; per cent of GDP)*




Sources: Based on Bank of Italy and Istat data.
(1) The data refer to the 12 months ending in the reference quarter. Debt is net of intra-sector exposures and includes securitized loans. Data for the second quarter of 2013 are provisional.

## 3.3 HOUSEHOLDS

Households' spending remained fairly prudent despite a substantial improvement in the climate of confidence. Disposable income began to decline again in the spring, albeit at a slower pace; the saving rate remained close to the levels recorded in the first three months of the year, when it increased sharply.

**The decline in consumption eases**

The second quarter of 2013 saw a renewed contraction in consumption, which fell by 0.4 per cent compared with the previous quarter, less than the average for the past two years. Spending on semi-durable goods decreased sharply, while the slump in spending on non-durables eased. Purchases of services and durable goods were virtually stationary.

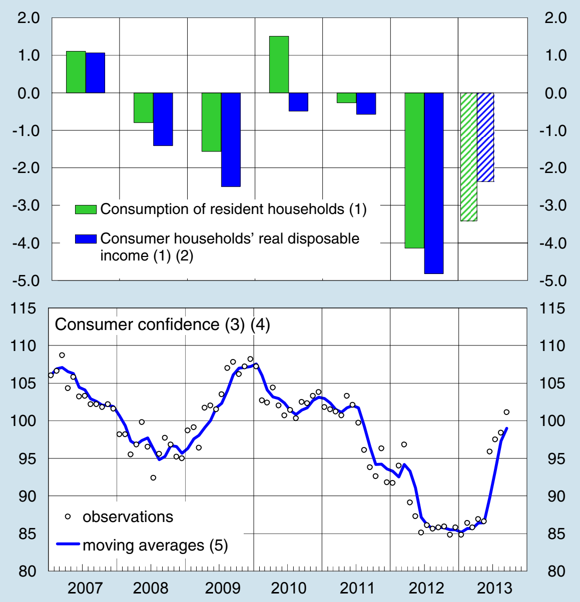
The disposable income of consumer households began to contract again, with a drop of 0.7 per cent in real terms with respect to the first quarter, which wiped out the gain made in the first three months. After increasing by nearly 1 percentage point during the winter, the saving rate held practically stable at 9.4 per cent.

Household consumption remained weak throughout the summer. Retail sales were almost unchanged in volume terms in July and new car registrations resumed their downward trend in the third quarter.

Figure 19

**Consumption, disposable income and consumer confidence in Italy** (1)

*(percentage changes and indices)*




Source: Based on Istat data.
(1) Chain-linked volumes; percentage changes on the previous year. Up to 2012, annual data; for 2013, percentage changes in the first half of the year compared with the same period in 2012. – (2) Obtained using the consumption deflator for resident households. – (3) Monthly data, seasonally adjusted. Indices, 2005=100. – (4) In June 2013 methodological changes were introduced to the sample and survey techniques which make the latest data not directly comparable with the previous months. – (5) Monthly data; moving averages for the three months ending in the reference month.

**The climate of confidence continues to improve**

More favourable signals for the future come from the improvement in the consumer confidence index under way since the beginning of the year (Figure 19) and mainly driven in the third quarter by assessments of the country's economic situation. Pessimism concerning the evolution of the labour market also lifted slightly.

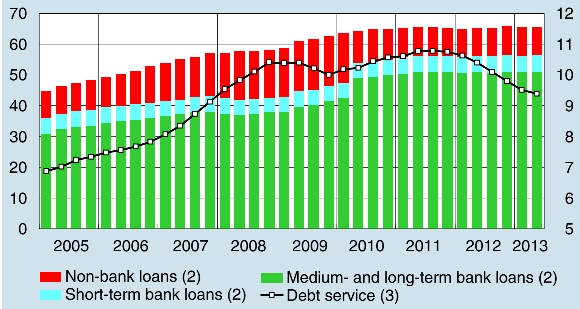
**Household debt holds steady**

The ratio of household debt to disposable income was unchanged in the second quarter of 2013 at about 65 per cent (Figure 20). This is still significantly below the euro-area average, which stands at around 100 per cent. Between March and June households' debt service burden (payment of interest plus repayment of principal) fell from 9.5 to 9.4 per cent of disposable income, reflecting the small drop in the cost of consumer credit, while the interest rates on new loans for house purchase were unchanged (Figure 21).

Figure 20

**Household debt** (1)

*(quarterly data; per cent of gross disposable income)*

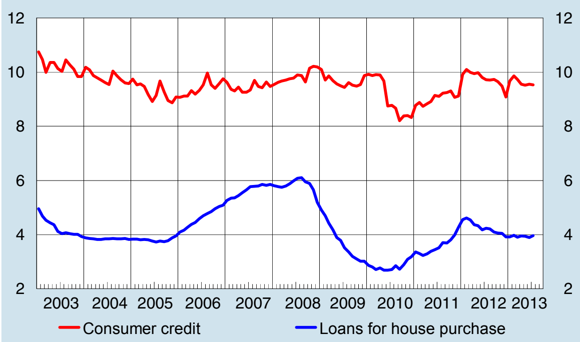



Sources: Based on Bank of Italy and Istat data.
1) End-of-quarter stocks and flows in the 12 months to the end of the quarter. Data for the last quarter are provisional. Includes securitized loans. – (2) In the second quarter of 2010 there is a methodological break in the computation of the statistics on the distribution between bank and non-bank loans. For the methodology see the note in "Monetary and Financial Indicators. Financial Accounts", Supplements to the *Statistical Bulletin*, No. 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (payment of interest and repayment of principal) for consumer households only.

Figure 21

**Interest rates on loans to households: APRC on new business** (1)

*(monthly data; per cent)*




(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.

## 3.4 FOREIGN DEMAND AND THE BALANCE OF PAYMENTS

Exports of Italian goods and services increased in volume in the second quarter of 2013 after falling briefly in the first, while imports declined further. The improvement in the current account balance under way since 2011 continued. Foreign investors again made net purchases of Italian government securities, while the decline in Italian banks' foreign funding came to a halt.

**Exports increase in the second quarter of 2013 ...**

Real exports of goods and services increased by 0.6 per cent compared with the previous quarter. The 0.6 per cent growth in the goods component was almost entirely ascribable to exports to EU markets, notably the United Kingdom and Spain. The increase, which was in line with the growth in potential demand, enabled Italy to preserve its market shares. On the other hand, exports to non-EU markets barely increased, sustained by demand from Turkey and some Asian countries, including Japan. Demand from Switzerland and the OPEC countries fell significantly. At sector level, the growth in exports was most pronounced for a broad range of traditional Italian products and for transport equipment; the largest contractions were recorded for refined petroleum products and electronic and optical products.

**... while imports continue to contract**

Real imports of goods and services shrank by 0.8 per cent compared with the first quarter, again reflecting the protracted weakness of domestic demand.

The seasonally adjusted data for July point to a decline in trade with the EU countries, particularly exports. The data for July and August relating to trade with non-EU countries show a volatile pattern.

**The current account balance returns to surplus**

Italy's current account balance, which had been improving since mid-2011, continued to progress in the first seven months of the year, recording a surplus of €3.9 billion compared with a deficit of €8.6 billion in the same period in 2012 (Table 3). The gain concerned all items except income and was mainly attributable to the sharp jump in the merchandise trade surplus from €8.6 billion to €22.1 billion or 1.4 per cent of GDP, the highest level since 1999.

**Inward direct investment turns positive**

Continuing a trend that began in 2012, net outward direct investment of Italian residents fell to €3.0 billion in the first seven months of the year compared with €8.3 billion in the year-earlier period, reflecting loans granted by foreign subsidiaries to Italian parent companies. Non-residents' net direct investment in Italy increased to €6.5 billion, chiefly owing to net purchases of equity in Italian firms, against net outflows of €3.9 billion in the same period in 2012; a major contributory factor was the €3.4 billion investment in the energy sector made in July.

Table 3

**Italy's balance of payments** (1)

*(billions of euros)*

| | 2011 | 2012 | Jan. 2012 July 2012 | Jan. 2013 July 2013 |
|---|---|---|---|---|
| **Current account** | -48.3 | -6.0 | -8.6 | 3.9 |
| Goods | -17.4 | 17.8 | 8.6 | 22.1 |
| *non-energy products* (2) | 42.4 | 79.4 | 45.5 | 53.3 |
| *energy products* (2) | -59.7 | -61.6 | -36.9 | -31.3 |
| Services | -5.7 | -0.7 | -0.6 | 1.0 |
| Income | -9.4 | -7.6 | -4.4 | -7.4 |
| Current transfers | -15.8 | -15.5 | -12.2 | -11.7 |
| **Capital account** | 0.6 | 3.8 | 0.9 | -2.5 |
| **Financial account** | 72.8 | 11.0 | 11.1 | -4.2 |
| Direct investment | -13.9 | -6.1 | -12.3 | 3.5 |
| Portfolio investment | -34.4 | 29.2 | -10.0 | 16.5 |
| Financial derivatives | 7.5 | -5.7 | -5.0 | -3.0 |
| Other investment | 114.5 | -4.9 | 40.5 | -19.2 |
| Change in official reserves | -0.9 | -1.5 | -2.2 | -1.9 |
| **Errors and omissions** | -25.2 | -8.8 | -3.5 | 2.7 |

(1) For July 2013, provisional data. – (2) Based on Istat foreign trade data.

**Foreign purchases of Italian government securities continue to pick up**

In the first seven months of 2013 non-residents made large net purchases of Italian portfolio securities amounting to €26.7 billion, against net sales of €51.4 billion in the year-earlier period. More specifically, net purchases of government bonds, which benefited from the easing of tensions on sovereign debt markets, totalled €32.3 billion, split almost evenly between short-term and medium- and long-term securities. In the early months of the year, purchases of medium- and long-term maturities predominated, whereas in June and July investors favoured the short end of the market. On the asset side, after making large net disposals in the first quarter, in April resident investors halted their sales of foreign debt securities while at the same time making net purchases of shares and units of foreign investment funds to the tune of €31.2 billion. Between January and July there were net purchases of foreign portfolio securities amounting to €10.3 billion.

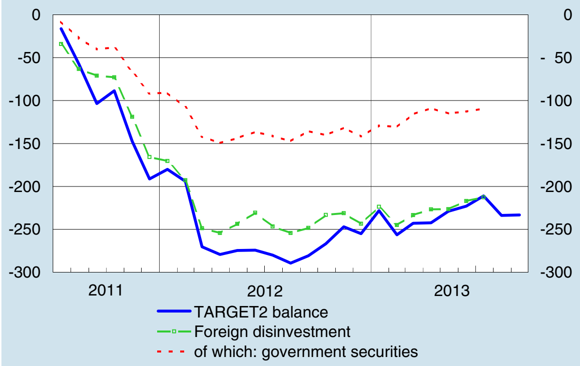
**Withdrawals of interbank funds come to a halt**

The item *other investment*, consisting mainly of loans and deposits, recorded net outflows of €19.2 billion in the first seven months of 2013. However, within this item, banks resident in Italy reduced their foreign assets (producing inflows to the tune of €22.2 billion) and increased their net foreign funding by €4.1 billion, compared with a €29.5 billion reduction in liabilities in the same period in 2012. The net inflows, together with non-residents' purchases of Italian debt securities, helped to reduce the Bank of Italy's debit balance on TARGET2, notwithstanding some wide fluctuations in recent months. At the end of September the balance stood at about -€230 billion (Figure 22).

At the end of June Italy's net external debt was €433.7 billion, about 27.8 per cent of GDP, remaining virtually stable net of valuation adjustments.

Figure 22

**Bank of Italy balance on TARGET2 and foreign disinvestment (1)**
*(end-of-month balances and cumulative flows in billions of euros)*




(1) Balance vis-à-vis the ECB on the TARGET2 trans-European payments system; foreign disposals of Italian portfolio securities and loans and deposits in respect of resident banks. Foreign disinvestment, cumulative data from July 2011 onwards.

## 3.5 THE LABOUR MARKET

The fall in employment, which was sharp in the first quarter, eased in the second, and the trend continued into July and August. The unemployment rate rose more moderately in the second quarter than it had in the preceding ones. The total number of hours worked turned slightly upward and the number of wage supplementation hours authorized stopped rising. However, business surveys on the employment outlook gave no indications of a recovery.

**Employment continues to fall, but more slowly**

According to the national accounts, seasonally adjusted employment declined by 0.3 per cent during the second quarter after falling by 1.2 per cent in the first. According to Istat's labour force survey, the number of persons in work fell by 2.5 per cent (or 586,000) between the second quarter of 2012 and the second quarter of 2013 (Table 4). The drop was sharpest in the South (5.4 per cent) and affected both self-employment (down by 3.7 per cent) and payroll employment (2.1 per cent). There was a particularly steep fall (7.2 per cent) in fixed-term employment. Based on the compulsory notifications collected by the eleven Italian regions that belong to the SeCO inter-regional network (Statistics and Compulsory Communications), hirings in the second quarter of 2013 were stable compared with a year earlier. However, there was a decline in hiring under both apprenticeship contracts (15 per cent) and open-ended contracts (8 per cent).

**Employment in construction plummets**

According to the labour force survey for the second quarter, employment diminished in all sectors, but the fall was sharpest in construction (12.6 per cent on a four-quarter basis). The number of construction workers, which was at an all-time high in 2008, has fallen back to the levels of the late 1990s.

**Signs of stability emerge in industry**

In industry excluding construction the four-quarter employment decline came to 2.4 per cent in the second quarter. However, in recent months the downward trend that began in the first quarter of 2012 has come to an end (Figure 23). In the service sector the number of persons employed slipped by 1 per cent compared with the year-earlier quarter, owing mainly to the further decline of about 2 per cent in the prevalently public sector (general government, education and health).

The employment rate of the population aged 15-64 fell to 55.7 per cent in the second quarter, from 57.1 per cent in the second quarter of 2012. The prevalence of men in the sectors where employment fell most sharply produced a greater decline in the male than in the female employment rate (2 as against 0.9 percentage points).

**The decrease in hours worked ceases**

After two quarters of pronounced contraction, the national accounts reported a modest increment of 0.5 per cent in the total number of hours worked during the second quarter, adjusted for seasonal and calendar effects. The number of wage supplementation hours authorized was about the same as a year earlier. According to the labour force survey, the share of mainly involuntary part-time work continued to rise, but more slowly than in the past.

**Unemployment is at an all-time high**

The number of job-seekers came to 3.1 million in the second quarter, the highest figure since 1992, when seasonally adjusted data based on international standards were first collected. The unemployment rate rose to 12.0 per cent, compared with 10.5 per cent a year earlier (Table 4), but the rise was not as steep as in the previous quarters, in part because of a contraction in the labour force. The youth unemployment rate (in the 15-24 age group)

Table 4

**Labour force status of the population** (1)

| | Average 2011 | Average 2012 | Change (2) | 2012 Q2 | 2013 Q2 | Changes (3) |
|---|---|---|---|---|---|---|
| | | | *Thousands of persons* | | | |
| **Total persons in work** | **22,967** | **22,899** | **-0.3** | **23,046** | **22,460** | **-2.5** |
| *North* | *11,932* | *11,901* | *-0.3* | *11,918* | *11,790* | *-1.1* |
| *Centre* | *4,819* | *4,818* | *0.0* | *4,882* | *4,761* | *-2.5* |
| *South* | *6,216* | *6,180* | *-0.6* | *6,245* | *5,910* | *-5.4* |
| **Employees** | **17,240** | **17,214** | **-0.2** | **17,256** | **16,886** | **-2.1** |
| *of which:* | | | | | | |
| *fixed-term* | *2,303* | *2,375* | *3.1* | *2,455* | *2,277* | *-7.2* |
| *part-time* | *2,825* | *3,107* | *10.0* | *3,151* | *3,205* | *1.7* |
| **Self-employed** | **5,727** | **5,685** | **-0.7** | **5,790** | **5,574** | **-3.7** |
| **Labour force** | **25,075** | **25,642** | **2.3** | **25,751** | **25,536** | **-0.8** |
| *men* | *14,733* | *14,909* | *1.2* | *14,971* | *14,799* | *-1.1* |
| *women* | *10,342* | *10,733* | *3.8* | *10,780* | *10,737* | *-0.4* |
| **Population** | **60,328** | **60,515** | **0.3** | **60,505** | **60,673** | **0.3** |
| | | | *Per cent and percentage points* | | | |
| **Unemployment rate** | **8.4** | **10.7** | **2.3** | **10.5** | **12.0** | **1.5** |
| *men* | *7.6* | *9.9* | *2.3* | *9.8* | *11.5* | *1.7* |
| *women* | *9.6* | *11.9* | *2.3* | *11.4* | *12.8* | *1.4* |
| *North* | *5.8* | *7.4* | *1.7* | *7.3* | *8.1* | *0.8* |
| *Centre* | *7.6* | *9.5* | *1.9* | *8.9* | *10.8* | *1.9* |
| *South* | *13.6* | *17.2* | *3.6* | *17.1* | *19.8* | *2.7* |
| **Participation rate (15-64 years)** | **62.2** | **63.7** | **1.4** | **63.9** | **63.4** | **-0.5** |
| *men* | *73.1* | *73.9* | *0.9* | *74.2* | *73.4* | *-0.9* |
| *women* | *51.5* | *53.5* | *2.0* | *53.7* | *53.6* | *-0.1* |
| *North* | *69.3* | *70.3* | *1.0* | *70.4* | *70.1* | *-0.3* |
| *Centre* | *66.2* | *67.5* | *1.3* | *67.9* | *67.5* | *-0.4* |
| *South* | *51.0* | *53.0* | *2.0* | *53.4* | *52.6* | *-0.8* |
| **Employment rate (15-64 years)** | **56.9** | **56.8** | **-0.2** | **57.1** | **55.7** | **-1.4** |
| *men* | *67.5* | *66.5* | *-0.9* | *66.8* | *64.8* | *-2.0* |
| *women* | *46.5* | *47.1* | *0.6* | *47.5* | *46.7* | *-0.9* |
| *North* | *65.2* | *65.0* | *-0.2* | *65.1* | *64.3* | *-0.8* |
| *Centre* | *61.1* | *61.0* | *-0.1* | *61.8* | *60.1* | *-1.7* |
| *South* | *44.0* | *43.8* | *-0.2* | *44.2* | *42.1* | *-2.1* |

Source: Istat, labour force survey.
(1) Data not seasonally adjusted. – (2) Average 2012/average 2011; changes are in per cent for persons and percentage points for rates. – (3) 2013 Q2/2012 Q2; changes are in per cent for persons and percentage points for rates.

again rose sharply, reaching 37.3 per cent (3.4 percentage points higher than a year earlier). The labour force participation rate came down by half a point to 63.4 per cent; participation declined above all among young people, mostly for reasons of education or training.

**Signs of labour market stabilization emerge in the summer months**

According to provisional monthly data from Istat, during the summer months the seasonally adjusted number of persons in work held at about the same levels as in the second quarter. In August the unemployment rate was 12.2 per cent; for people aged 15-24 it rose to 40.1 per cent, seasonally adjusted. The number of wage supplementation hours authorized in the third quarter fell by 10 per cent compared with the third quarter of 2012. However, manufacturing firms' expectations for new hiring remain negative (Figure 23), partly as an effect of their ample recourse to wage supplementation and part-time work in the first half of the year.

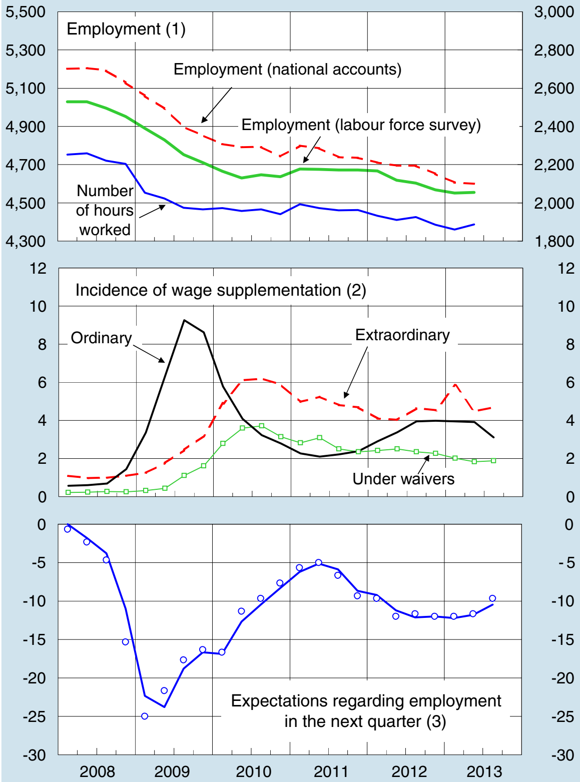
**Labour cost dynamics remain moderate**

Actual nominal earnings rose by 1.2 per cent in the second quarter of 2013 compared with the year-earlier period, and by 2.3 per cent in the non-farm private sector. The parallel reduction in consumer price inflation kept real wages practically unchanged. Contractual earnings rose by 1.5 per cent overall (2.0 per cent in the non-farm private sector), mainly because of the freeze on collective bargaining in the public sector. The data for July and August show a continuation of the second-quarter trend. Our estimates indicate no significant modification of these tendencies in the next few months.

Figure 23

**Employment, wage supplementation and employment expectations in industry excluding construction**

*(seasonally adjusted quarterly data; thousands of persons, millions of hours and per cent)*




Sources: Based on Istat (NACE 2007), labour force surveys, quarterly economic accounts and business sentiment surveys, and INPS data (Statistical contribution code).
(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 was authorized in the quarter as a percentage of the sum of this term and the number of full-time equivalent employees as defined in the quarterly economic accounts. – (3) Balance between percentages of manufacturing firms expecting to increase/decrease their workforce in the next three months. Single observations and three-term moving averages, quarterly data.

## 3.6 PRICE DEVELOPMENTS

Consumer price inflation came down to 0.9 per cent in September, a very low level by historical standards. Producer price pressures remain weak. The inflationary impact of the increase in the main value-added tax rate that came into force on 1 October appears to be modest.

**Inflation falls below 1 per cent in September**

Consumer price inflation, measured by the twelve-month change in the harmonized index, fell from 1.2 per cent in August to 0.9 per cent in September (Table 5), owing chiefly to the slowdown in the prices of energy and unprocessed food products. In

September core inflation (i.e. calculated by excluding the most volatile components) rose slightly to 1.3 per cent, remaining at historically low levels against the backdrop of the protracted weakness of domestic demand.

**The increase in VAT is likely to have a limited inflationary impact**

The differential between inflation in Italy and the average rate for the euro area had been erased in the second quarter as the effects of the tax measures taken in Italy between 2011 and 2012 faded. It is likely to turn positive again following the increase in the ordinary VAT rate that came into force on 1 October. If the VAT hike is fully passed on to prices, its total impact on the overall index can be estimated at just under half a percentage point.

**Producer price pressures remain weak**

The twelve-month decline in producer prices accelerated in August (2.3 per cent, from 1.5 per cent in July), reflecting the trend of energy prices. For non-food consumer goods, the twelve-month change in producer prices – a leading indicator of the consumer prices of these items – remained positive at 0.2 per cent, though below the average recorded from the start of the year.

The survey carried out in September by the Bank of Italy in conjunction with *Il Sole 24 Ore* found expectations of minor adjustments to list prices over the next twelve months, reflecting the weakness of demand and of commodity price pressures. Similar indications come from the September release of the Purchasing Managers Index with regard to firms' assessments of the trend of their own selling prices. The professional analysts surveyed in September by Consensus Economics expected consumer price inflation in Italy to be 1.5 per cent for the current year, in line with the euro-area average, and 1.6 per cent in 2014, barely above their forecasts last June.

Table 5

**Indicators of inflation in Italy**
*(12-month percentage changes)*

| | HICP (1) | | | CPI (2) | | | PPI (3) |
|---|---|---|---|---|---|---|---|
| | Overall index | Excl. energy and food | Overall index at constant taxation (4) | Overall index | at 1 month (5) | Excl. energy and food | Overall index |
| 2011 | 2.9 | 2.0 | 2.6 | 2.8 | _ | 1.9 | 5.1 |
| 2012 | 3.3 | 2.0 | 2.5 | 3.0 | _ | 1.7 | 4.1 |
| 2012 - July | 3.6 | 2.6 | 2.7 | 3.1 | 0.0 | 1.9 | 3.8 |
| Aug. | 3.3 | 2.0 | 2.4 | 3.2 | 0.3 | 2.0 | 4.5 |
| Sept. | 3.4 | 1.8 | 2.5 | 3.2 | 0.3 | 1.6 | 4.2 |
| Oct. | 2.8 | 1.4 | 2.3 | 2.6 | 0.1 | 1.3 | 3.5 |
| Nov. | 2.6 | 1.4 | 2.2 | 2.5 | 0.0 | 1.3 | 2.8 |
| Dec. | 2.6 | 1.6 | 2.3 | 2.3 | 0.1 | 1.5 | 2.4 |
| 2013 - Jan. | 2.4 | 1.7 | 2.2 | 2.2 | 0.3 | 1.5 | 0.7 |
| Feb. | 2.0 | 1.4 | 1.9 | 1.9 | 0.0 | 1.3 | 0.5 |
| Mar. | 1.8 | 1.5 | 1.7 | 1.6 | 0.0 | 1.3 | 0.0 |
| Apr. | 1.3 | 1.2 | 1.1 | 1.1 | -0.2 | 1.1 | -1.1 |
| May | 1.3 | 1.4 | 1.1 | 1.1 | 0.1 | 1.3 | -1.1 |
| June | 1.4 | 1.2 | 1.3 | 1.2 | 0.2 | 1.1 | -0.7 |
| July | 1.2 | 1.0 | 1.1 | 1.2 | 0.0 | 1.0 | -1.5 |
| Aug. | 1.2 | 1.2 | 1.2 | 1.2 | 0.3 | 1.1 | -2.3 |
| Sept. | 0.9 | 1.3 | 0.9 | 0.9 | 0.0 | 1.2 | …. |

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) Index calculated by Istat by subtracting from sales prices the impact of indirect tax changes, on the assumption that these were passed on immediately and in full. – (5) Overall index, seasonally adjusted.

## 3.7 BANKS

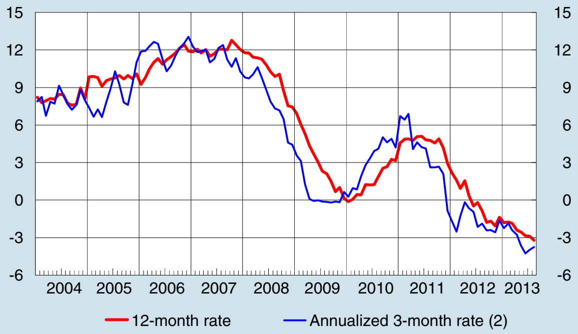
Bank funding remains solid. Lending to firms and households shows no sign of recovery as yet, reflecting not only the weakness of the economy and its effect on demand but also credit supply conditions, despite indications that tensions are abating. The unfavourable cyclical conditions continue to have an adverse impact on the quality of banks' assets and their profitability. Their capital base, already sound, has improved further.

**Retail funding remains robust**

Between the end of May and the end of August the stock of resident customers' deposits with Italian banks increased by about €4 billion (Table 6). The twelve-month rate of growth was equal to 5.5 per cent. The net change in

Figure 24

**Bank lending to the non-financial private sector** (1)
*(monthly data; percentage changes)*




(1) Includes bad debts, repos and the loans not reported in banks' balance sheets because they have been securitized. The percentage changes are calculated net of reclassifications, exchange rate variations, value adjustments and other variations not due to transactions. – (2) Seasonally adjusted.

Table 6

**Main assets and liabilities of Italian banks** (1)

| | End-of-month stocks (2) | | 12-month percentage changes (3) | |
|---|---|---|---|---|
| | May 2013 | August 2013 | May 2013 | August 2013 |
| **Assets** | | | | |
| Loans to Italian residents (4) | 1,893,102 | 1,860,420 | -2.4 | -3.6 |
| *of which: to firms* (5) | *848,352* | *830,067* | *-3.6* | *-4.6* |
| *to households* (6) | *606,801* | *603,657* | *-1.0* | *-1.2* |
| Claims on central counterparties (7) | 73,959 | 76,137 | 126.4 | 66.6 |
| Debt securities excluding bonds of resident MFIs (8) | 551,828 | 558,575 | 16.2 | 15.1 |
| *Securities of Italian general government entities* | *408,836* | *410,137* | *21.1* | *19.5* |
| Claims on the Eurosystem (9) | 23,522 | 20,757 | 35.6 | -31.2 |
| External assets (10) | 331,260 | 312,802 | -7.5 | -12.2 |
| Other assets (11) | 1,322,439 | 1,278,091 | -1.1 | -4.1 |
| **Total assets** | **4,196,110** | **4,106,781** | **0.8** | **-1.7** |
| **Liabilities** | | | | |
| Deposits of Italian residents (4) (12) (13) | 1,242,111 | 1,246,101 | 7.4 | 5.5 |
| Deposits of non-residents (10) | 346,306 | 345,864 | -7.6 | -5.3 |
| Liabilities towards central counterparties (7) | 141,129 | 137,805 | 36.5 | 17.5 |
| Bonds (13) | 541,654 | 530,830 | -9.0 | -9.1 |
| Liabilities towards the Eurosystem (14) | 261,885 | 243,941 | -5.1 | -14.0 |
| Liabilities connected with assignments of claims | 150,607 | 154,039 | 5.6 | 5.7 |
| Capital and reserves | 382,319 | 383,303 | 4.0 | 3.8 |
| Other liabilities (15) | 1,130,099 | 1,064,898 | -1.3 | -5.9 |
| **Total liabilities** | **4,196,110** | **4,106,781** | **0.8** | **-1.7** |

Source: Supervisory reports.
(1) The figures for August 2013 are provisional. – (2) Millions of euros. – (3) Adjusted for reclassifications, value adjustments and exchange rate variations. Loans to firms and households are adjusted for securitizations. – (4) Excludes transactions with central counterparties. – (5) Harmonized definition; excludes producer households. – (6) Harmonized definition; includes producer households, non-profit institutions serving households and units not classified elsewhere. – (7) Only includes repos. – (8) Excludes bonds of resident MFIs, i.e. banks and money market funds. (9) Current accounts with the Bank of Italy (including in connection with the reserve requirement), overnight deposits and other minor deposits with the Bank of Italy. – (10) In the period considered, these refer mainly to interbank transactions. – (11) Bonds issued by resident MFIs, loans to resident MFIs, shares and other equity of resident companies, cash, money market fund units, derivatives, movable and immovable goods, and other minor items. – (12) Excludes liabilities connected with assignments of claims. – (13) Excludes liabilities towards resident MFIs. – (14) Main refinancing operations, longer-term refinancing operations, marginal lending facility, fine-tuning operations, and other minor items. – (15) Bonds held by resident MFIs, deposits from resident MFIs, money market fund units, derivatives, and other minor items.

non-residents' deposits was virtually nil. The negative balance between gross bond issues and redemptions, both retail and wholesale (net of interbank transactions), narrowed to €11 billion, compared with €30 billion in the previous quarter.

**Lending continues to decline ...**

Bank loans to the non-financial private sector continued to contract at the same pace, falling in the three months to August by 3.7 per cent on an annual basis (Figure 24). The trend reflected the performance of both loans to firms, down by 5.4 per cent, and those to households, which fell by 1.6 per cent. The twelve-month fall in lending to firms involved banks of all sizes.

**... reflecting lower demand and credit risk**

The bank lending survey for the second quarter of 2013 showed that lending was still affected by weak demand and by supply-side tensions connected with the high level of credit risk. The latest business surveys, however, indicate that the difficulty of accessing credit has lessened although it is still considerable compared with the past (see the box "Credit supply and demand in Italy").

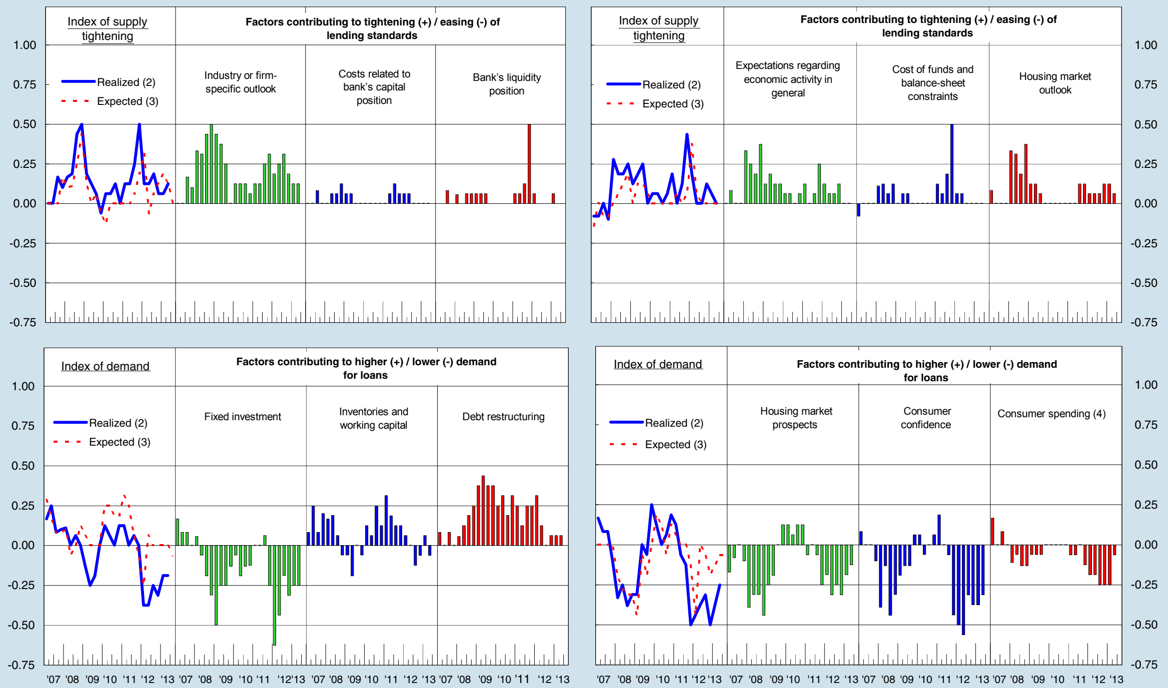
## CREDIT SUPPLY AND DEMAND IN ITALY

The banks interviewed for the quarterly euro area bank lending survey reported that in the second quarter of 2013 the degree of tightening of lending conditions to firms was basically unchanged

**Figure A**

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

(a) *Lending to firms* (b) *Lending to households for house purchase*




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 = 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 that the trend in consumer spending not associated with house purchases had an expansive (restrictive) effect on the demand for mortgage loans.

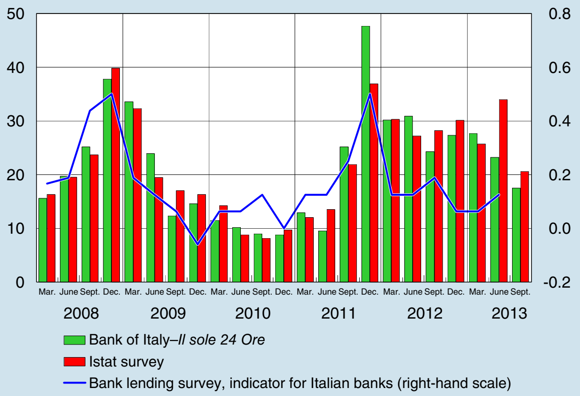
(Figure A).[1] Lending policies continued to be affected by the perception of credit risk. The tightening of lending conditions to households for mortgage loans came to a halt, as a result of less unfavourable prospects for the housing market. The residual strains were reflected in the still high margins being applied to riskier loans to both businesses and households.

In their assessments, banks indicated that the demand for loans in the second quarter still appeared very weak. For businesses this mainly reflected their low propensity to invest in fixed capital and a reduced requirement for funds for inventories and working capital. Households' demand for credit was still mainly being dampened by poor consumer confidence and unfavourable expectations concerning the housing market.

Fund-raising on the wholesale markets recorded a slight improvement in the second quarter.

**Figure B**

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




(1) For the Bank of Italy–*Il Sole 24 Ore* survey and for the Istat survey, net percentages calculated as the difference between the percentage of replies indicating a tightening of lending criteria and the percentage of those indicating an easing. The two surveys refer respectively to a sample of firms in industry and services and in manufacturing. The Istat result is taken from the end-of-quarter survey; in the month of June 2013 some changes were made to the sample and survey techniques, which preclude direct comparison with previous periods. For the bank lending survey, see Figure A.

With reference to the third quarter of 2013 the banks expected that lending policies would remain unchanged and demand would still be weak.

The most recent business surveys do, however, signal an easing of credit supply tensions (Figure B). The quarterly survey conducted by the Bank of Italy together with *Il Sole 24 Ore* found that the net percentage of firms reporting difficulties in accessing credit fell in the third quarter to 17.5 from 23.2. Istat's monthly survey of manufacturing firms provided results that were qualitatively similar: the net percentage of firms reporting difficulties in accessing credit fell to 21 in September from 34 in June.

1 Eight leading Italian banking groups took part in the survey, which was completed on 4 July. The results for Italy are available at www.bancaditalia.it and those for the euro area at www.ecb.int. The responses concerning assessments for the third quarter of 2013 and expectations for the fourth quarter will be published on 30 October.

**The cost of credit stays unchanged**

In August the average cost of new loans to firms was unchanged from May at 3.5 per cent, standing at 4.5 per cent for loans under €1 million and 2.9 per cent for those over that amount (Figure 25). The gap between the interest rate on new business loans in Italy and the euro-area average is 90 basis points, reflecting the high credit risk of Italian borrowers. The average cost of new mortgage loans to households was basically unchanged at 3.6 per cent; the 0.1 percentage point decline (to 3.4 per cent) for variable-rate loans, which make up more than two thirds of the total amount, was offset by an increase of 0.4 points (to 4.7 per cent) for fixed-rate loans.

**The economic situation is reflected in loan quality**

In the second quarter of 2013 the ratio of the flow of new bad debts to outstanding loans remained high, at 2.9 per cent on a seasonally adjusted annual basis. The ratio rose by 0.2 percentage points, to 4.7 per cent, for lending to firms, but decreased by 0.2 points, to 1.3 per cent for loans to households. Preliminary figures for July and August indicate that total exposure to first-time defaulters increased slightly with respect to a year earlier, but nevertheless diminished on a seasonally adjusted basis compared with the previous two months.

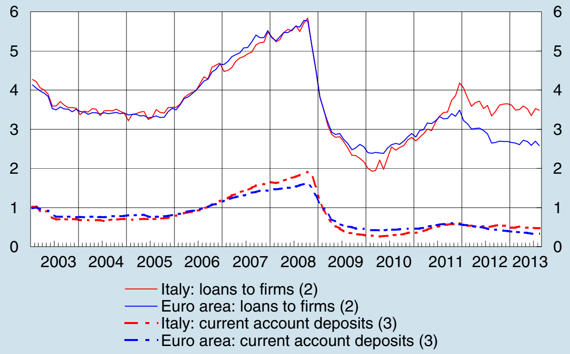
**Banks' profitability remains low ...**

On the basis of their consolidated quarterly reports, in the first six months of this year the profitability of the five largest Italian banking groups was virtually unchanged from a year earlier. Their annualized ROE remained low (1.8 per cent). Gross income contracted by 7.2 per cent, mainly as a result of the sharp fall in net interest income, which was only partly offset by increased fee income. The 4.5 per cent reduction in operating costs, notably for personnel, helped to limit the fall in operating profit to 11.4 per cent. Loan loss provisions rose again, by 4.5 per cent, absorbing around two thirds of operating income.

Figure 25

**Bank interest rates** (1)

*(monthly data; per cent)*




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.

**... but their capital position continues to improve**

The capital ratios of the five largest groups continued to improve thanks to the reduction in risk-weighted assets. At the end of June their average core tier 1 ratio was 11.2 per cent, compared with 10.9 per cent in December; their tier 1 ratio was 11.9 per cent and their total capital ratio 15.0 per cent, up from 11.6 and 14.5 per cent respectively in December.

**The International Monetary Fund's assessment**

On 27 September the IMF published the results of its periodic Financial Sector Assessment Program. The report acknowledges that Italy's banking system has managed, overall, to withstand the double-dip recession and sovereign debt tensions, while increasing its solid deposit base and raising additional capital almost entirely on the market. The exercises carried out indicate that the system is capable of weathering the unfavourable macroeconomic situation projected for the years to come and even coping, as a whole, with a more adverse scenario in which output growth in the three years 2013-15 is cumulatively 4 percentage points lower than in the base scenario.

## 3.8 THE FINANCIAL MARKETS

Conditions on Italian equity and private debt markets have gradually improved since early July, benefiting from the positive signs of growth in the euro area and the ECB's intention to maintain relaxed monetary policy conditions for an extended period of time, despite some strains over the uncertain course of US monetary policy and the temporary worsening of the Syrian crisis. In the final days of September the markets suffered as a result of uncertainties about the domestic situation.

**Spreads on Italian government securities remain vulnerable to domestic developments**

Conditions on the Italian government securities market began to improve in early July, buoyed by the ECB's recent announcements and the release of positive data on euro-area growth prospects. In mid-August sovereign risk premiums fell to their lowest levels since July 2011 (230 basis points for ten-year bonds). They later rose again following uncertainty over monetary policy developments in the US. Considerable volatility resulted from the political tensions that emerged in Italy at end-September, temporarily driving interest rate differentials between ten-year Italian government bonds and the equivalent German securities to over 290 basis points during the morning of 30 September. Once the domestic situation was clarified, the spread rapidly narrowed to 230 basis points in mid-October. In the same month issues of new government securities attracted very strong demand.

**The CDS spreads of the main Italian banks fall**

The yield spreads on bonds issued by Italian non-financial corporations with respect to benchmark French and German government securities remained virtually unchanged at end-June levels. The credit default swap spreads of the main Italian banks fell by 155 basis points, to 313 points. These levels are nonetheless considerably higher than the average for the leading French and German banks (106 and 125 basis points respectively).

**The cost of wholesale bond funding remains high**

Italian banks continued to record net bond redemptions (€15 billion in the second quarter), as was the case in the euro area as a whole (Table 7). For Italian banks the cost of wholesale bond funding remains high, still suffering from the fragmentation of the euro area's financial markets along national lines. According to preliminary Dealogic data on gross issues, in the third quarter Italian banks' placements amounted to €8 billion, of which €5 billion uncollateralized, compared with €4 billion in the second quarter.

Table 7

**Net bond issues** (1)
*(millions of euros)*

| | Banks | Other financial corporations | Non-financial corporations | Total |
|---|---|---|---|---|
| | | **Italy** | | |
| 2011 | 66,330 | -4,261 | -170 | 61,899 |
| 2012 | 83,153 | -4,858 | 13,329 | 91,624 |
| 2012 – Q1 | 84,907 | -7,960 | 4,214 | 81,161 |
| Q2 | -7,847 | -8,985 | -1,431 | -18,264 |
| Q3 | 8,491 | 6,286 | 6,051 | 20,828 |
| Q4 | -2,398 | 5,801 | 4,496 | 7,901 |
| 2013 – Q1 | -29,799 | -3,195 | 3,771 | -29,222 |
| Q2 | -14,817 | -2,525 | 3,386 | -13,956 |
| | | **Euro area** | | |
| 2011 | 139,613 | -27,773 | 33,546 | 145,387 |
| 2012 | 25,289 | 13,649 | 122,231 | 161,169 |
| 2012 – Q1 | 105,056 | 23,862 | 32,532 | 161,450 |
| Q2 | -22,611 | -16,315 | 17,773 | -21,153 |
| Q3 | -5,971 | -50,520 | 40,387 | -16,104 |
| Q4 | -51,185 | 56,465 | 31,517 | 36,796 |
| 2013 – Q1 | -120,382 | -17,171 | 18,538 | -119,015 |
| Q2 | -101,953 | 28,725 | 12,365 | -60,863 |

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 or the euro area 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.

**The Italian stock exchange index records a sharp increase**

From end-June the Italian stock exchange index rose by 20 per cent, compared with an increase of 14 per cent for the euro area as a whole (Figure 26). The growth in share prices can be ascribed to the reduction in risk premiums, which more than offset the negative effects of the decline in the current and expected earnings of listed companies and the increase in

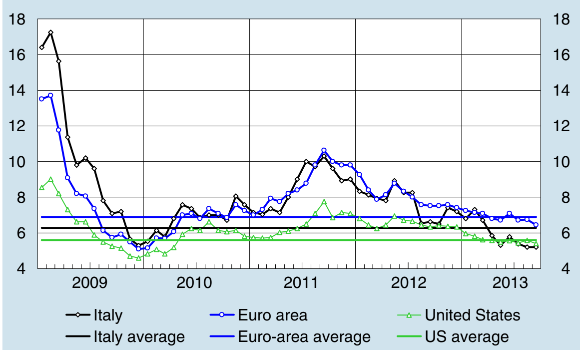
Figure 26

**Share prices** (1)
*(end-of-week data; indices, 2 January 2009=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 27

**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.

long-term interest rates on assets considered risk-free. The expected volatility of share prices, inferred from the prices of stock index options, remained below the levels of the previous quarter. The ratio of listed companies' current earnings to their stock market value diminished by about half a percentage point, remaining below the long-term average (Figure 27). The rise in share prices, which involved all the main sectors, was especially pronounced in the banking segment (46 per cent).

**Investment funds continue to record net inflows**

Italian open-end investment funds enjoyed net inflows of €19 billion in the second quarter, up from €14 billion in the previous quarter. Net fund-raising was considerable both for flexible and bond funds, while equity and hedge funds recorded modest net outflows.

## 3.9 THE PUBLIC FINANCES

Because of the worsening recession, in mid-September the Government estimated net borrowing at 3.1 per cent of GDP this year on a current legislation basis (compared with 2.9 per cent in April) and issued a decree in October to bring the deficit back down below the 3 per cent ceiling. The primary surplus is expected to be 2.4 per cent of GDP. These estimates factor in payments of commercial debts on capital account amounting to 0.5 per cent of GDP. The net borrowing target for 2014 is 2.5 per cent of GDP, against a projection on a current legislation basis of 2.3 per cent.

**The Government takes measures to keep the deficit below 3 per cent of GDP**

On 20 September, in the Update of the 2013 Economic and Financial Document, the Government revised its April public finance forecasts (Tables 8 and 9). For this year, given the sharper contraction of GDP (1.7 as against 1.3 per cent), the general government net borrowing projection was revised upwards by 0.2 percentage points to 3.1 per cent of GDP, owing to slower-than-expected growth in revenue.

On 9 October the Government approved a budget adjustment package worth 0.1 per cent of GDP to keep the deficit under the 3 per cent ceiling. The package included property sales and spending cuts for a total of €1.6 billion.

**The structural deficit is estimated at 0.4 per cent of GDP ...**

Within the planning framework of the Update, structural net borrowing (net of cyclical effects and temporary measures) is projected to decrease by 0.9 percentage points to 0.4 per cent of GDP in 2013. This adjustment is greater than the 0.5 points required by the Stability and Growth Pact for the countries that have not attained their medium-term objective (for Italy, structural budgetary balance).

Table 8

**Public finance objectives and estimates for 2013**

*(billions of euros and per cent of GDP)*

| | General government | | | | Memorandum item: Real GDP growth rate (per cent) |
|---|---|---|---|---|---|
| | Net borrowing | Structural net borrowing | Primary balance | Debt (1) | |
| **Objectives** | | | | | |
| April 2012 (2) | 8.6 | .... | 79.9 | 1977.1 | 0.5 |
| *as a % of GDP* | *0.5* | *-0.6* | *4.9* | *121.5* | |
| September 2012 (3) | .... | .... | .... | .... | -0.2 |
| *as a % of GDP* | *1.8* | *0.0* | *3.8* | *126.1* | |
| September 2013 (4) | .... | .... | .... | .... | -1.7 |
| *as a % of GDP* | *3.0* | *0.4* | *2.4* | *132.9* | |
| **Estimates** | | | | | |
| April 2013 (5) | 45.4 | .... | 38.5 | 2.051.4 | -1.3 |
| *as a % of GDP* | *2.9* | *0.0* | *2.4* | *130.4* | |
| September 2013 (4) | 48.7 | .... | 35.2 | 2.069.5 | -1.7 |
| *as a % of GDP* | *3.1* | *0.5* | *2.3* | *133.0* | |

(1) The estimates and objectives given in the official documents are not entirely consistent because they include, in a non-homogeneous manner, the effects of the financial support given to countries in difficulty and the Italian contribution to the ESM. – (2) 2012 Economic and Financial Document. – (3) Update of the 2012 Economic and Financial Document. – (4) Update of the 2013 Economic and Financial Document. – (5) 2013 Economic and Financial Document.

Table 9

**Outturns and official objectives for the main general government balances** (1)

*(millions of euros and percentages of GDP)*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Net borrowing | 46,974 | .... | .... | .... | .... | .... |
| *as a % of GDP* | *3.0* | *3.0* | *2.5* | *1.6* | *0.8* | *0.1* |
| Primary surplus | 39,700 | .... | .... | .... | .... | .... |
| *as a % of GDP* | *2.5* | *2.4* | *2.9* | *3.7* | *4.5* | *5.1* |
| Interest payments | 86,674 | .... | .... | .... | .... | .... |
| *as a % of GDP* | *5.5* | *5.4* | *5.4* | *5.3* | *5.3* | *5.1* |
| Structural net borrowing | .... | .... | .... | .... | .... | .... |
| *as a % of GDP* | *1.3* | *0.4* | *0.3* | *0.0* | *0.0* | *0.0* |
| Debt | 1,989,431 | 2,069,470 | 2,128,800 | 2,148,715 | 2,148,678 | 2,137,425 |
| *as a % of GDP* | *127.0* | *132.9* | *132.8* | *129.4* | *125.0* | *120.1* |
| Debt net of support to EMU countries (2) | 1,946,767 | 2,014,034 | 2,067,341 | 2,087,083 | 2,086,855 | 2,075,371 |
| *as a % of GDP* | *124.2* | *129.3* | *129.0* | *125.7* | *121.4* | *116.6* |

Sources: For the general government consolidated accounts for 2012, Istat; for the years 2013-2017, Update of the 2013 Economic and Financial Document.
(1) Rounding may cause discrepancies in totals. – (2) Net of Italy's bilateral loans to Greece and contributions to the European Financial Stability Facility and the European Stability Mechanism.

**... and the primary surplus at 2.4 per cent**

The primary surplus, projected at 2.4 per cent of GDP, is in line with that recorded in 2012. The public debt is forecast to increase by 5.9 percentage points in 2013 to 132.9 per cent of GDP, including Italy's financial support to other EMU countries (0.8 percentage points) and the accelerated repayment of general government debts (1.7 points).

Within the current legislation forecasting framework, primary current expenditure and revenue should both rise by 0.6 percentage points of GDP, corresponding to modest nominal increases of 0.9 and 0.7 per cent respectively. The ratio of interest payments to GDP should be broadly unchanged at 5.4 per cent.

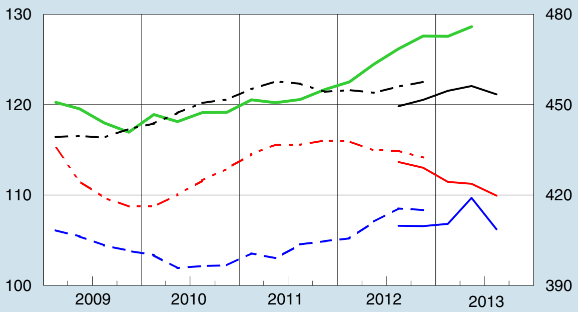
**Tax revenue rises modestly**

In the first nine months of 2013, net of lotto and lotteries and – for purposes of comparability – the Treasury's share of municipal property tax receipts, State tax revenue rose by about half a percentage point compared with the same period of 2012 (Figure 28). This reflected the good performance of direct tax revenue, which increased by 3.3 per cent or €4.9 billion, owing mainly to the substitute taxes on financial assets and balance-sheet asset revaluations. Indirect tax proceeds, however, fell by 3.0 per cent or €3.6 billion, with all the main components contracting sharply (VAT, excise taxes and receipts from

Figure 28

**Tax revenue: rolling four-quarter totals** (1)

*(billions of euros)*




Sources: Istat for general government tax revenue; *Rendiconto generale dell'amministrazione dello Stato* and State budget for the other items.
(1) From September 2011 the State budget figures do not include the revenue pertaining to the Trentino-Alto Adige region or the autonomous provinces of Trento and Bolzano. For the sake of comparability, the State budget figures are given both including these amounts (broken lines), on an estimated basis until December 2012, and excluding them (solid lines).

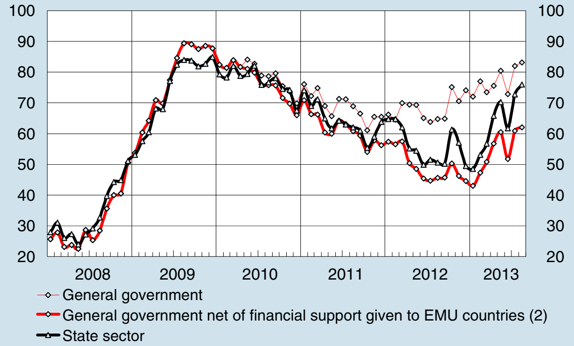
monopolies), except for stamp taxes, which were buoyed by the increase in the percentage of the payment on account in April.

**The borrowing requirement is affected by temporary measures and the payment of commercial debts**

In the first eight months the general government borrowing requirement, net of privatization receipts, amounted to €59.7 billion, €9.0 billion higher than in the same period of 2012 (Figure 29). The requirement is practically unchanged if calculated net of some major temporary financial transactions (such as disbursements for the EFSF) and the accelerated settlement of commercial debts. The increase in the ordinary VAT rate on 1 October will lower the borrowing requirement (and net borrowing) by about €1 billion in the fourth quarter, and the adjustment measures approved on 9 October by a further €1.6 billion. For purposes of calculating net borrowing, finally, a part of the payment of commercial debts in relation to capital expenditure will affect the deficit (the Government estimates this component at over €7 billion for all of 2013).

Figure 29

**Rolling 12-month borrowing requirement** (1)
*(billions of euros)*




Source: For the state sector, Ministry for the Economy and Finance.
(1) Net of privatization receipts. – (2) Excluding liabilities in respect of loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution of capital to the European Stability Mechanism.

General government debt increased by €70.6 billion in the first eight months of 2013 (€69.3 billion in the same period of 2012). Apart from the borrowing requirement, the change in the debt was due above all to the increase in the Treasury's liquid balance on deposit with the Bank of Italy.

**First-half net borrowing is lower**

According to Istat's estimates, net borrowing amounted to 4.1 per cent of GDP in the first half of 2013, 0.3 percentage points less than in the first six months of 2012 (Table 10). Total expenditure increased by 0.8 per cent. Primary current outlays increased by 1.8 per cent, owing above all to social benefits in cash, while interest payments fell by 6.6 per cent and capital expenditure remained practically stable. Revenue rose by 1.5 per cent, reflecting the substantial gain in direct tax receipts (4.0 per cent) and the fall in indirect tax receipts (2.5 per cent).

**The Government projects net borrowing of 2.5 per cent of GDP in 2014**

On a current legislation basis, the Update to the 2013 Economic and Financial Document projects net borrowing to decline to 2.3 per cent of GDP in 2014 and 0.7 per cent in 2017. The improvement can be ascribed to the forecast of a marked recovery in GDP to average growth of 1.8 per cent from 2015 through 2017 and to the assumption of a rapid narrowing of the yield spread between Italian and German ten-year government bonds. With respect to this projection, a 0.2-percentage-point increase in capital spending is planned for 2014 (consistent with net borrowing of 2.5 per cent). In structural terms, this would still leave a slight deficit (0.3 per cent). For the three years from 2015 to 2017 the Update confirms the size of the adjustment packages called for in the Document in April (this planning framework differs from the current legislation projection by 0.2, 0.4, and 0.6 percentage points of GDP in the three years), which would produce a budget close to balance by the end of the planning period. Structural balance is expected to be achieved as early as 2015. The primary surplus is forecast to rise from 2.9 per cent of GDP in 2014 to 5.1 per cent in 2017.

The Government plans on privatization and property sales receipts of 0.5 per cent of GDP each year from 2014 through 2017, down from the Economic and Financial Document's programme of 1 per cent each year starting in 2013. The reduction reflects the difficult conditions in the financial and real-estate markets.

The public debt is forecast to begin coming down, marginally, in 2014 (to 132.8 per cent of GDP), despite additional commercial debt settlements amounting to €20 billion. The reduction is set to be more pronounced in the years following, bringing the ratio down to 120.1 per cent in 2017 (compared with a projection of 117.3 per cent in the April Document). The planning framework set out in the September Update is broadly consistent with the new European budget rules, which centre on structural tendencies in the public finances and on the trend of the public debt.

For this year and next, the Government's macroeconomic framework shows limited divergences from the Bank of Italy forecasts released in July, which have been confirmed to some extent by later cyclical indicators. For 2015-17 the framework projects faster growth than the consensus forecasts, insofar as it assumes the complete materialization of the effects of the structural reforms enacted in the last two years and a significant narrowing of the spread on Italian government securities. The realization of these assumptions depends on the stability of the domestic situation and the continuation of the reform process.

Table 10

**General government expenditure and revenue**
*(millions of euros and percentage changes)*

| | 1st half | | | |
|---|---|---|---|---|
| | 2012 | 2013 | % change on corresponding period of previous year | |
| | | | 2012 | 2013 |
| **TOTAL EXPENDITURE** | **374,790** | **377,797** | **0.8** | **0.8** |
| Current expenditure net of interest payments | 312,035 | 317,789 | 0.5 | 1.8 |
| *of which: compensation of employees* | *77,753* | *77,184* | *-1.3* | *-0.7* |
| *intermediate consumption* | *42,424* | *43,597* | *-1.2* | *2.8* |
| *social benefits in cash* | *146,044* | *149,788* | *2.4* | *2.6* |
| Interest payments | 42,759 | 39,932 | 14.3 | -6.6 |
| Capital expenditure | 19,996 | 20,076 | -15.8 | 0.4 |
| *of which: gross fixed investment* | *12,568* | *11,870* | *-14.2* | *-5.6* |
| **TOTAL REVENUE** | **341,227** | **346,395** | **2.3** | **1.5** |
| Current revenue | 338,802 | 340,855 | 2.6 | 0.6 |
| *of which: direct taxes* | *99,145* | *103,146* | *3.3* | *4.0* |
| *indirect taxes* | *116,617* | *113,654* | *6.1* | *-2.5* |
| *social security contributions* | *96,908* | *96,690* | *0.2* | *-0.2* |
| Capital revenue | 2,425 | 5,540 | -26.2 | 128.5 |
| *of which: capital taxes* | *629* | *2,765* | *-69.6* | *339.6* |
| **NET BORROWING** | **-33,563** | **-31,402** | | |
| **Primary balance** | **9,196** | **8,530** | | |
| *Memorandum item:* | | | | |
| GDP | 770,442 | 760,069 | 2.1 | -1.3 |

Source: Istat, *Conto economico trimestrale delle Amministrazioni pubbliche.*

**The budget is presented in mid-October**

On 15 October the Government finalized its draft of the Stability Law for 2014. According to official statements, the budget measures are intended not only to attain the planning objectives set forth in the Update to the 2013 Economic and Financial Document but also to make a start on reducing the tax burden, to be financed by spending cuts.

# 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 |
| 2009 | -2.8 | -1.6 | -1.1 | 3.2 | 0.6 | -16.7 | -2.8 | -4.0 | -3.9 | -9.1 | -13.7 | 1.1 | -0.8 |
| 2010 | 2.5 | 2.0 | 1.3 | 0.1 | .. | 1.5 | 0.2 | 4.5 | 3.0 | 11.5 | 12.8 | -0.5 | 1.5 |
| 2011 | 1.8 | 2.5 | 1.7 | -3.2 | -0.7 | 6.2 | 0.9 | 4.0 | 1.7 | 7.1 | 4.9 | 0.1 | -0.2 |
| 2012 | 2.8 | 2.2 | 1.5 | -1.0 | -0.2 | 8.3 | 1.2 | 4.3 | 2.7 | 3.5 | 2.2 | 0.1 | 0.2 |
| 2010 – Q3 | 2.8 | 2.8 | 1.9 | -0.3 | -0.1 | -0.4 | .. | 4.9 | 3.7 | 10.9 | 14.5 | -0.9 | 1.9 |
| Q4 | 2.8 | 4.3 | 2.9 | -4.1 | -0.9 | 8.5 | 1.1 | 3.7 | 1.5 | 12.4 | 0.9 | 1.3 | -1.6 |
| 2011 – Q1 | -1.3 | 2.1 | 1.4 | -7.5 | -1.6 | -0.5 | -0.1 | 1.5 | -1.3 | 3.8 | 2.8 | .. | -1.1 |
| Q2 | 3.2 | 1.5 | 1.0 | -1.3 | -0.3 | 8.6 | 1.2 | 6.1 | 2.7 | 4.9 | 0.7 | 0.5 | 0.7 |
| Q3 | 1.4 | 2.1 | 1.4 | -2.5 | -0.5 | 14.8 | 2.0 | 3.3 | 1.3 | 7.0 | 4.9 | 0.1 | -1.6 |
| Q4 | 4.9 | 2.4 | 1.7 | -1.5 | -0.3 | 10.0 | 1.4 | 6.3 | 5.5 | 2.7 | 5.9 | -0.6 | 2.7 |
| 2012 – Q1 | 3.7 | 2.9 | 2.0 | -1.4 | -0.3 | 8.6 | 1.2 | 5.5 | 3.3 | 4.2 | 0.7 | 0.4 | 0.4 |
| Q2 | 1.2 | 1.9 | 1.3 | 0.3 | 0.1 | 4.7 | 0.7 | 2.1 | 1.1 | 3.8 | 2.5 | 0.1 | -0.9 |
| Q3 | 2.8 | 1.7 | 1.2 | 3.5 | 0.7 | 2.7 | 0.4 | 3.9 | 2.8 | 0.4 | 0.5 | .. | 0.6 |
| Q4 | 0.1 | 1.7 | 1.1 | -6.5 | -1.3 | 11.6 | 1.6 | 1.3 | -0.6 | 1.1 | -3.1 | 0.7 | -2.0 |
| 2013 – Q1 | 1.1 | 2.3 | 1.5 | -4.2 | -0.8 | -1.5 | -0.2 | 2.9 | 1.4 | -1.3 | 0.6 | -0.3 | 0.9 |
| Q2 | 2.5 | 1.8 | 1.2 | -0.4 | -0.1 | 6.5 | 1.0 | 2.6 | 2.6 | 8.0 | 6.9 | -0.1 | 0.4 |

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 |
| 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 | 4.7 | 2.8 | 1.7 | 1.9 | 0.4 | -0.2 | -0.1 | 2.9 | 2.9 | 24.4 | 11.1 | 1.7 | 0.9 |
| 2011 | -0.6 | 0.4 | 0.3 | 1.4 | 0.3 | 1.1 | 0.2 | 0.3 | 0.3 | -0.4 | 5.9 | -0.9 | -0.5 |
| 2012 | 2.0 | 2.3 | 1.4 | 2.4 | 0.5 | 4.4 | 0.9 | 2.8 | 2.9 | -0.1 | 5.4 | -0.9 | .. |
| 2010 – Q3 | 6.0 | 5.6 | 3.2 | 1.3 | 0.3 | 4.4 | 0.9 | 5.9 | 5.7 | 8.3 | 7.3 | 0.3 | 1.4 |
| Q4 | -1.3 | -0.9 | -0.5 | 1.8 | 0.3 | -3.1 | -0.6 | -1.0 | -1.0 | 1.4 | 4.0 | -0.3 | -0.1 |
| 2011 – Q1 | -7.6 | -6.3 | -3.7 | 0.6 | 0.1 | -1.9 | -0.4 | -6.5 | -6.6 | -3.1 | 5.4 | -1.2 | -2.5 |
| Q2 | -3.4 | 3.7 | 2.2 | 1.1 | 0.2 | -2.5 | -0.5 | 0.7 | 0.7 | -26.1 | -2.8 | -4.1 | -1.2 |
| Q3 | 10.7 | 6.0 | 3.7 | 0.9 | 0.2 | 6.7 | 1.3 | 7.1 | 7.0 | 41.9 | 14.4 | 3.4 | 1.9 |
| Q4 | 1.4 | 2.6 | 1.5 | 1.1 | 0.2 | 20.6 | 3.8 | 4.4 | 4.3 | -10.6 | 7.7 | -2.8 | -1.4 |
| 2012 – Q1 | 5.0 | 3.7 | 2.2 | 6.5 | 1.3 | -0.9 | -0.2 | 4.7 | 4.7 | 11.2 | 8.3 | 0.3 | 1.4 |
| Q2 | -1.2 | 0.3 | 0.2 | 0.3 | 0.1 | 3.5 | 0.7 | -0.2 | -0.2 | -0.7 | 5.4 | -1.0 | -1.2 |
| Q3 | -3.5 | -1.5 | -0.9 | 1.6 | 0.3 | -4.1 | -0.9 | -0.8 | -0.8 | -16.8 | .. | -2.7 | 0.6 |
| Q4 | 1.1 | 2.0 | 1.2 | 2.5 | 0.5 | 2.0 | 0.4 | 1.3 | 1.3 | -10.2 | -7.8 | -0.2 | -0.9 |
| 2013 – Q1 | 4.1 | 3.4 | 2.1 | 0.2 | 0.0 | 2.4 | 0.5 | 2.4 | 2.5 | 16.8 | 4.1 | 1.6 | -0.1 |
| Q2 | 3.8 | 3.0 | 1.8 | 3.0 | 0.6 | 6.0 | 1.2 | 3.0 | 3.0 | 12.4 | 6.2 | 0.7 | -0.7 |

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.

Table A3

## Sources and uses of income: euro area (1)

*(percentage changes on the previous period)*

| | Sources: GDP | Sources: Imports | Uses: 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** | | | | | | | | | |
| 2007 | 3.0 | 6.2 | 3.9 | 3.0 | 8.2 | 5.2 | 1.7 | 2.2 | 6.6 |
| 2008 | 0.4 | 0.9 | 0.5 | -2.9 | 0.8 | -1.4 | 0.4 | 2.3 | 1.1 |
| 2009 | -4.4 | -10.9 | -6.3 | -9.9 | -16.7 | -12.8 | -1.0 | 2.6 | -12.4 |
| 2010 | 2.0 | 10.0 | 4.1 | -4.4 | 5.6 | -0.4 | 1.0 | 0.6 | 11.6 |
| 2011 | 1.6 | 4.5 | 2.4 | -0.4 | 4.3 | 1.6 | 0.3 | -0.1 | 6.5 |
| 2012 | -0.7 | -1.0 | -0.8 | -4.3 | -3.6 | -4.0 | -1.4 | -0.5 | 2.5 |
| 2011 – Q2 | 0.1 | -0.1 | .. | -1.3 | .. | -0.7 | -0.5 | 0.1 | 0.4 |
| Q3 | 0.1 | 0.6 | 0.2 | -0.7 | 0.5 | -0.2 | 0.2 | -0.3 | 1.2 |
| Q4 | -0.2 | -1.2 | -0.5 | -0.3 | -0.9 | -0.6 | -0.6 | 0.2 | 0.4 |
| 2012 – Q1 | -0.1 | .. | -0.1 | -1.4 | -0.9 | -1.2 | -0.4 | -0.3 | 0.8 |
| Q2 | -0.3 | -0.2 | -0.3 | -1.8 | -2.1 | -2.0 | -0.6 | -0.3 | 0.9 |
| Q3 | -0.1 | 0.3 | .. | -0.3 | -0.6 | -0.4 | -0.1 | -0.2 | 0.7 |
| Q4 | -0.5 | -0.9 | -0.6 | -1.3 | -1.1 | -1.2 | -0.4 | 0.1 | -0.5 |
| 2013 – Q1 | -0.2 | -1.0 | -0.5 | -2.4 | -2.2 | -2.3 | -0.3 | .. | -0.9 |
| Q2 | 0.3 | 1.6 | 0.7 | .. | 0.4 | 0.2 | 0.1 | 0.4 | 2.1 |
| **Implicit prices** | | | | | | | | | |
| 2007 | 2.3 | 1.2 | …. | …. | …. | 2.5 | 2.2 | 1.8 | 1.6 |
| 2008 | 1.9 | 3.9 | …. | …. | …. | 2.3 | 2.6 | 2.7 | 2.3 |
| 2009 | 0.9 | -6.3 | …. | …. | …. | -0.3 | -0.4 | 2.1 | -3.5 |
| 2010 | 0.8 | 5.0 | …. | …. | …. | 0.8 | 1.7 | 0.7 | 3.2 |
| 2011 | 1.2 | 5.6 | …. | …. | …. | 1.7 | 2.5 | 0.8 | 3.6 |
| 2012 | 1.3 | 2.4 | …. | …. | …. | 1.1 | 2.1 | 1.0 | 1.6 |
| 2011 – Q2 | 0.4 | 0.8 | …. | …. | …. | 0.3 | 0.6 | 0.6 | 0.5 |
| Q3 | 0.3 | 0.2 | …. | …. | …. | 0.4 | 0.3 | 0.1 | 0.2 |
| Q4 | 0.3 | 0.6 | …. | …. | …. | 0.3 | 0.6 | 0.6 | 0.3 |
| 2012 – Q1 | 0.3 | 1.5 | …. | …. | …. | 0.3 | 0.8 | -0.2 | 1.0 |
| Q2 | 0.4 | .. | …. | …. | …. | 0.1 | 0.3 | 0.7 | -0.1 |
| Q3 | 0.3 | 0.2 | …. | …. | …. | 0.2 | 0.2 | 0.2 | 0.4 |
| Q4 | 0.4 | -0.1 | …. | …. | …. | 0.2 | 0.5 | -0.2 | .. |
| 2013 – Q1 | 0.6 | -0.5 | …. | …. | …. | 0.1 | 0.4 | 1.0 | .. |
| Q2 | 0.4 | -0.8 | …. | …. | …. | .. | 0.2 | .. | -0.4 |

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

## 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** | | | | | | | | | |
| 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 | 1.7 | 12.6 | 3.8 | -4.5 | 6.8 | 0.6 | 1.5 | -0.4 | 11.4 |
| 2011 | 0.5 | 0.8 | 0.5 | -3.6 | -0.6 | -2.2 | -0.3 | -1.1 | 6.2 |
| 2012 | -2.5 | -7.4 | -3.7 | -6.4 | -10.4 | -8.3 | -4.2 | -2.6 | 2.0 |
| 2011 – Q2 | 0.2 | -1.9 | -0.2 | -2.1 | 0.5 | -0.8 | -0.3 | -0.4 | 0.6 |
| Q3 | -0.1 | -1.1 | -0.4 | -1.2 | -1.3 | -1.3 | -0.6 | -0.6 | 1.2 |
| Q4 | -0.7 | -2.8 | -1.2 | -0.7 | -4.0 | -2.3 | -1.0 | 0.3 | 0.7 |
| 2012 – Q1 | -1.1 | -2.6 | -1.5 | -3.5 | -4.2 | -3.8 | -1.7 | -2.0 | 0.2 |
| Q2 | -0.6 | -1.1 | -0.7 | -0.7 | -2.8 | -1.7 | -0.6 | -0.5 | -0.2 |
| Q3 | -0.4 | -1.5 | -0.6 | -1.1 | -1.1 | -1.1 | -1.4 | -0.4 | 0.9 |
| Q4 | -0.9 | -1.6 | -1.1 | -1.5 | -2.2 | -1.8 | -0.8 | 0.1 | 0.1 |
| 2013 – Q1 | -0.6 | -0.9 | -0.7 | -4.2 | -1.5 | -2.9 | -0.5 | 0.1 | -1.4 |
| Q2 | -0.3 | -0.8 | -0.4 | -1.0 | 0.6 | -0.3 | -0.4 | 0.1 | 0.6 |
| **Implicit prices** | | | | | | | | | |
| 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 | 6.6 | 1.7 | 2.7 | 0.5 | 1.7 | 1.5 | 1.1 | 2.6 |
| 2011 | 1.4 | 7.0 | 2.6 | 3.2 | 1.0 | 2.2 | 2.8 | -0.3 | 4.0 |
| 2012 | 1.7 | 3.1 | 2.0 | 2.3 | 0.9 | 1.6 | 2.8 | 0.5 | 1.9 |
| 2011 – Q2 | 0.8 | 1.5 | 0.9 | 0.5 | 0.3 | 0.4 | 0.8 | 0.5 | 1.2 |
| Q3 | 0.5 | 0.2 | 0.4 | 0.6 | .. | 0.3 | 0.7 | -0.7 | 0.5 |
| Q4 | 0.3 | 0.5 | 0.3 | 0.5 | 0.2 | 0.4 | 1.0 | 0.3 | -0.1 |
| 2012 – Q1 | 0.5 | 2.4 | 1.0 | 1.0 | 0.3 | 0.6 | 0.6 | 0.7 | 1.1 |
| Q2 | 0.6 | -0.8 | 0.3 | 0.5 | 0.1 | 0.3 | 0.7 | 0.2 | 0.4 |
| Q3 | .. | 0.8 | 0.2 | 0.2 | 0.2 | 0.2 | 0.5 | -0.3 | 0.2 |
| Q4 | 0.4 | -0.1 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 | -0.7 | -0.1 |
| 2013 – Q1 | 0.6 | -1.0 | 0.2 | .. | 0.1 | 0.1 | 0.2 | 1.9 | 0.1 |
| Q2 | 0.2 | -1.0 | .. | 0.1 | 0.4 | 0.2 | 0.1 | -1.1 | -0.3 |

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

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

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

| | Hourly compensation | Hourly productivity | | | Unit labour costs |
|---|---|---|---|---|---|
| | | | Value added (2) | Hours worked | |
| | | **Total industry excluding construction** | | | |
| 2010 | 1.1 | 9.9 | 9.5 | -0.4 | -8.0 |
| 2011 | 2.6 | 2.2 | 3.0 | 0.8 | 0.4 |
| 2012 | 3.6 | 1.1 | -1.0 | -2.1 | 2.5 |
| 2011 – Q1 | 1.2 | 4.0 | 6.3 | 2.2 | -2.6 |
| Q2 | 3.4 | 3.3 | 3.8 | 0.5 | 0.1 |
| Q3 | 2.7 | 2.1 | 2.7 | 0.6 | 0.6 |
| Q4 | 2.6 | -0.2 | -0.3 | -0.2 | 2.8 |
| 2012 – Q1 | 2.5 | 0.5 | -0.6 | -1.1 | 2.0 |
| Q2 | 4.3 | 1.5 | -0.8 | -2.3 | 2.7 |
| Q3 | 4.1 | 1.7 | -0.7 | -2.4 | 2.4 |
| Q4 | 3.8 | 1.2 | -1.3 | -2.5 | 2.6 |
| 2013 – Q1 | 4.7 | 1.4 | -1.9 | -3.3 | 3.3 |
| Q2 | 1.2 | -0.7 | -1.2 | -0.5 | 2.0 |
| | | **Services** | | | |
| 2010 | 1.2 | 0.4 | 1.0 | 0.6 | 0.8 |
| 2011 | 1.5 | 0.9 | 1.8 | 0.8 | 0.6 |
| 2012 | 2.1 | 0.7 | 0.0 | -0.8 | 1.3 |
| 2011 – Q1 | 1.0 | 0.8 | 2.0 | 1.2 | 0.2 |
| Q2 | 1.8 | 1.1 | 1.9 | 0.8 | 0.7 |
| Q3 | 1.7 | 0.9 | 1.8 | 0.8 | 0.8 |
| Q4 | 1.9 | 1.0 | 1.4 | 0.5 | 1.0 |
| 2012 – Q1 | 2.5 | 1.2 | 0.5 | -0.7 | 1.3 |
| Q2 | 2.1 | 1.1 | 0.1 | -1.0 | 1.0 |
| Q3 | 2.1 | 0.3 | -0.2 | -0.5 | 1.8 |
| Q4 | 1.5 | 0.5 | -0.3 | -0.8 | 1.0 |
| 2013 – Q1 | 2.4 | 0.9 | -0.4 | -1.3 | 1.4 |
| Q2 | 1.3 | 0.3 | 0.0 | -0.3 | 1.1 |
| | | **Total economy** | | | |
| 2010 | 1.3 | 2.0 | 2.0 | 0.0 | -0.8 |
| 2011 | 2.0 | 1.5 | 1.8 | 0.3 | 0.5 |
| 2012 | 2.6 | 0.9 | -0.5 | -1.5 | 1.7 |
| 2011 – Q1 | 1.3 | 1.6 | 2.6 | 0.9 | -0.3 |
| Q2 | 2.4 | 1.8 | 2.0 | 0.2 | 0.6 |
| Q3 | 2.1 | 1.5 | 1.7 | 0.2 | 0.6 |
| Q4 | 2.3 | 1.2 | 1.0 | -0.2 | 1.1 |
| 2012 – Q1 | 2.7 | 1.2 | 0.0 | -1.2 | 1.5 |
| Q2 | 2.7 | 1.4 | -0.4 | -1.7 | 1.4 |
| Q3 | 2.7 | 0.7 | -0.6 | -1.3 | 2.0 |
| Q4 | 2.2 | 0.7 | -0.9 | -1.6 | 1.5 |
| 2013 – Q1 | 3.1 | 1.2 | -1.0 | -2.2 | 1.9 |
| Q2 | 1.4 | 0.2 | -0.6 | -0.7 | 1.2 |

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.

Table A6

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

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

| | Hourly compensation | Hourly productivity | | | Unit labour costs |
|---|---|---|---|---|---|
| | | | Value added (2) | Hours worked | |
| **Total industry excluding construction** | | | | | |
| 2010 | 3.1 | 8.2 | 6.0 | -2.0 | -4.8 |
| 2011 | 2.5 | 1.2 | 1.5 | 0.3 | 1.4 |
| 2012 | 2.9 | -0.3 | -3.1 | -2.8 | 3.2 |
| 2011 – Q1 | 2.5 | 3.8 | 4.9 | 1.0 | -1.2 |
| Q2 | 3.2 | 2.4 | 3.2 | 0.7 | 0.8 |
| Q3 | 2.9 | 1.7 | 1.4 | -0.3 | 1.2 |
| Q4 | 0.2 | -2.0 | -0.9 | 1.1 | 2.3 |
| 2012 – Q1 | 2.0 | 0.3 | -2.7 | -3.0 | 1.7 |
| Q2 | 3.1 | -0.9 | -4.0 | -3.1 | 4.1 |
| Q3 | 3.1 | -0.8 | -2.6 | -1.8 | 3.9 |
| Q4 | 3.9 | 0.3 | -3.7 | -3.9 | 3.6 |
| 2013 – Q1 | 4.5 | 0.6 | -3.1 | -3.7 | 3.9 |
| Q2 | 1.8 | -1.5 | -2.7 | -1.2 | 3.3 |
| **Services** | | | | | |
| 2010 | 2.1 | 1.2 | 1.1 | -0.1 | 0.9 |
| 2011 | 0.3 | 0.0 | 0.8 | 0.8 | 0.2 |
| 2012 | 0.4 | -1.5 | -1.7 | -0.2 | 1.9 |
| 2011 – Q1 | 1.2 | 1.1 | 0.9 | -0.2 | 0.1 |
| Q2 | -0.2 | -0.1 | 1.2 | 1.3 | -0.1 |
| Q3 | 0.0 | -0.6 | 1.0 | 1.7 | 0.7 |
| Q4 | -0.3 | -0.9 | 0.3 | 1.3 | 0.6 |
| 2012 – Q1 | 1.1 | 0.7 | -0.6 | -1.3 | 0.3 |
| Q2 | 0.0 | -0.9 | -1.6 | -0.7 | 0.9 |
| Q3 | 0.0 | -3.6 | -2.4 | 1.3 | 3.7 |
| Q4 | 0.4 | -2.0 | -2.2 | -0.2 | 2.5 |
| 2013 – Q1 | 1.5 | -1.7 | -1.6 | 0.1 | 3.3 |
| Q2 | 0.4 | -0.9 | -1.3 | -0.4 | 1.2 |
| **Total economy** | | | | | |
| 2010 | 2.3 | 2.4 | 1.7 | -0.7 | -0.1 |
| 2011 | 1.0 | 0.3 | 0.6 | 0.3 | 0.6 |
| 2012 | 1.2 | -0.8 | -2.3 | -1.4 | 2.1 |
| 2011 – Q1 | 1.7 | 1.6 | 1.4 | -0.2 | 0.1 |
| Q2 | 0.8 | 0.5 | 1.2 | 0.8 | 0.3 |
| Q3 | 0.8 | -0.1 | 0.7 | 0.8 | 0.9 |
| Q4 | 0.0 | -0.9 | -0.2 | 0.7 | 0.9 |
| 2012 – Q1 | 1.4 | 0.7 | -1.4 | -2.1 | 0.7 |
| Q2 | 1.0 | -0.5 | -2.3 | -1.8 | 1.5 |
| Q3 | 0.9 | -2.3 | -2.7 | -0.3 | 3.3 |
| Q4 | 1.6 | -1.0 | -2.8 | -1.8 | 2.6 |
| 2013 – Q1 | 2.4 | -0.3 | -2.1 | -1.9 | 2.7 |
| Q2 | 0.8 | -0.2 | -1.9 | -1.7 | 1.0 |

Source: Based on Istat data.
(1) Based on hours effectively worked; annual figures are unadjusted 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

*(indices, 2005=100; percentage changes on the year-earlier period)*

| | France | | Germany | | Italy | | Spain | | Euro area (1) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Total excl. energy and unpro-cessed food products | Total | Total excl. energy and unpro-cessed food products | Total | Total excl. energy and unpro-cessed food products | Total | Total excl. energy and unpro-cessed food products | Total | Total excl. energy and unpro-cessed food products |
| 2010 | 1.7 | 0.9 | 1.2 | 0.6 | 1.6 | 1.5 | 2.1 | 0.9 | 1.6 | 1.0 |
| 2011 | 2.3 | 1.3 | 2.5 | 1.5 | 2.9 | 2.2 | 3.1 | 1.6 | 2.7 | 1.7 |
| 2012 | 2.2 | 1.7 | 2.1 | 1.4 | 3.3 | 2.3 | 2.4 | 1.6 | 2.5 | 1.8 |
| 2010 – Jan. | 1.2 | 0.9 | 0.8 | 0.8 | 1.3 | 1.4 | 0.7 | -0.4 | 0.9 | 0.8 |
| Feb. | 1.4 | 1.1 | 0.5 | 0.7 | 1.1 | 1.2 | 0.4 | -0.5 | 0.8 | 0.7 |
| Mar. | 1.7 | 1.0 | 1.2 | 0.9 | 1.4 | 1.4 | 2.7 | 1.6 | 1.6 | 1.1 |
| Apr. | 1.9 | 0.9 | 1.0 | 0.3 | 1.6 | 1.7 | 2.4 | 0.8 | 1.6 | 0.8 |
| May | 1.9 | 0.8 | 1.2 | 0.6 | 1.6 | 1.5 | 2.5 | 0.9 | 1.7 | 0.9 |
| June | 1.7 | 0.9 | 0.8 | 0.6 | 1.5 | 1.5 | 2.1 | 1.1 | 1.5 | 1.0 |
| July | 1.9 | 1.0 | 1.2 | 0.5 | 1.8 | 1.7 | 1.8 | 0.6 | 1.7 | 1.0 |
| Aug. | 1.6 | 0.8 | 1.0 | 0.6 | 1.8 | 1.7 | 1.6 | 0.7 | 1.6 | 1.0 |
| Sept. | 1.8 | 1.0 | 1.3 | 0.6 | 1.6 | 1.5 | 2.8 | 2.1 | 1.9 | 1.2 |
| Oct. | 1.8 | 1.0 | 1.3 | 0.7 | 2.0 | 1.7 | 2.5 | 1.4 | 1.9 | 1.1 |
| Nov. | 1.8 | 1.0 | 1.6 | 0.8 | 1.9 | 1.6 | 2.3 | 1.1 | 1.9 | 1.2 |
| Dec. | 2.0 | 0.9 | 1.9 | 0.7 | 2.1 | 1.5 | 2.9 | 1.3 | 2.2 | 1.1 |
| 2011 – Jan. | 2.0 | 0.9 | 2.0 | 0.9 | 1.9 | 1.2 | 3.0 | 1.4 | 2.3 | 1.2 |
| Feb. | 1.8 | 0.7 | 2.2 | 0.9 | 2.1 | 1.3 | 3.4 | 1.6 | 2.4 | 1.1 |
| Mar. | 2.2 | 1.0 | 2.3 | 1.0 | 2.8 | 2.1 | 3.3 | 1.6 | 2.7 | 1.5 |
| Apr. | 2.2 | 1.3 | 2.7 | 1.7 | 2.9 | 2.2 | 3.5 | 2.0 | 2.8 | 1.8 |
| May | 2.2 | 1.4 | 2.4 | 1.4 | 3.0 | 2.2 | 3.4 | 2.0 | 2.7 | 1.7 |
| June | 2.3 | 1.5 | 2.4 | 1.6 | 3.0 | 2.3 | 3.0 | 1.6 | 2.7 | 1.8 |
| July | 2.1 | 1.2 | 2.6 | 1.7 | 2.1 | 1.3 | 3.0 | 1.4 | 2.6 | 1.5 |
| Aug. | 2.4 | 1.4 | 2.5 | 1.6 | 2.3 | 1.5 | 2.7 | 1.3 | 2.5 | 1.5 |
| Sept. | 2.4 | 1.4 | 2.9 | 1.8 | 3.6 | 3.1 | 3.0 | 1.5 | 3.0 | 2.0 |
| Oct. | 2.5 | 1.6 | 2.9 | 1.7 | 3.8 | 3.0 | 3.0 | 1.6 | 3.0 | 2.0 |
| Nov. | 2.7 | 1.8 | 2.8 | 1.6 | 3.7 | 2.9 | 2.9 | 1.6 | 3.0 | 2.0 |
| Dec. | 2.7 | 2.0 | 2.3 | 1.6 | 3.7 | 2.9 | 2.4 | 1.4 | 2.7 | 2.0 |
| 2012 – Jan. | 2.6 | 2.0 | 2.3 | 1.6 | 3.4 | 2.4 | 2.0 | 1.2 | 2.7 | 1.9 |
| Feb. | 2.5 | 1.9 | 2.5 | 1.8 | 3.4 | 2.3 | 1.9 | 1.1 | 2.7 | 1.9 |
| Mar. | 2.6 | 2.1 | 2.3 | 1.7 | 3.8 | 2.8 | 1.8 | 1.1 | 2.7 | 1.9 |
| Apr. | 2.4 | 1.9 | 2.2 | 1.7 | 3.7 | 2.6 | 2.0 | 1.1 | 2.6 | 1.9 |
| May | 2.3 | 1.9 | 2.2 | 1.7 | 3.5 | 2.6 | 1.9 | 1.2 | 2.4 | 1.8 |
| June | 2.3 | 1.9 | 2.0 | 1.4 | 3.6 | 2.6 | 1.8 | 1.3 | 2.4 | 1.8 |
| July | 2.2 | 1.9 | 1.9 | 1.3 | 3.6 | 2.8 | 2.2 | 1.5 | 2.4 | 1.9 |
| Aug. | 2.4 | 1.8 | 2.2 | 1.2 | 3.3 | 2.2 | 2.7 | 1.4 | 2.6 | 1.7 |
| Sept. | 2.2 | 1.6 | 2.1 | 1.2 | 3.4 | 2.1 | 3.5 | 2.0 | 2.6 | 1.6 |
| Oct. | 2.1 | 1.5 | 2.1 | 1.2 | 2.8 | 1.6 | 3.5 | 2.5 | 2.5 | 1.6 |
| Nov. | 1.6 | 1.2 | 1.9 | 1.3 | 2.6 | 1.6 | 3.0 | 2.4 | 2.2 | 1.5 |
| Dec. | 1.5 | 1.2 | 2.0 | 1.5 | 2.6 | 1.7 | 3.0 | 2.3 | 2.2 | 1.6 |
| 2013 – Jan. | 1.4 | 1.0 | 1.9 | 1.2 | 2.4 | 1.8 | 2.8 | 2.3 | 2.0 | 1.5 |
| Feb. | 1.2 | 0.9 | 1.8 | 1.3 | 2.0 | 1.4 | 2.9 | 2.4 | 1.8 | 1.4 |
| Mar. | 1.1 | 0.9 | 1.8 | 1.8 | 1.8 | 1.5 | 2.6 | 2.4 | 1.7 | 1.6 |
| Apr. | 0.8 | 0.6 | 1.1 | 0.8 | 1.3 | 1.3 | 1.5 | 2.0 | 1.2 | 1.1 |
| May | 0.9 | 0.7 | 1.6 | 1.2 | 1.3 | 1.4 | 1.8 | 2.1 | 1.4 | 1.3 |
| June | 1.0 | 0.7 | 1.9 | 1.4 | 1.4 | 1.2 | 2.2 | 2.1 | 1.6 | 1.3 |
| July | 1.2 | 0.8 | 1.9 | 1.5 | 1.2 | 1.1 | 1.9 | 1.7 | 1.6 | 1.3 |
| Aug. | 1.0 | 0.8 | 1.6 | 1.5 | 1.2 | 1.2 | 1.6 | 1.7 | 1.3 | 1.3 |
| Sept. (2) | .... | .... | 1.6 | 1.5 | 0.9 | 1.3 | .... | .... | 1.1 | .... |

Source: Based on Eurostat data.
(1) Weighted average of the indices of the countries belonging to the euro area at the date indicated. – (2) Flash estimate for the euro area..

## 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 |
| 2009 | -30,173 | 823 | -8,435 | -10,406 | -4,658 | -7,496 | -89 | -578 | -19 | 508 |
| 2010 | -54,516 | -20,918 | -9,218 | -8,289 | -5,425 | -10,666 | -556 | -706 | -70 | 220 |
| 2011 | -48,259 | -17,377 | -5,671 | -9,376 | -4,549 | -11,287 | 648 | -407 | -53 | 1,108 |
| 2012 | -6,006 | 17,835 | -741 | -7,644 | -5,360 | -10,096 | 3,839 | 1,723 | -95 | 2,211 |
| 2011 – Q3 | -8,956 | -1,670 | -50 | -2,468 | -1,243 | -3,526 | -347 | -226 | -21 | -100 |
| Q4 | -4,695 | 421 | -1,654 | -1,768 | -1,048 | -646 | 1,936 | -11 | -15 | 1,962 |
| 2012 – Q1 | -13,045 | -2,133 | -2,542 | -810 | -1,241 | -6,319 | 274 | 341 | -12 | -55 |
| Q2 | 137 | 5,395 | 960 | -3,144 | -1,319 | -1,754 | 380 | 356 | -2 | 26 |
| Q3 | 1,428 | 6,170 | 1,677 | -1,915 | -1,444 | -3,061 | 656 | 563 | -1 | 94 |
| Q4 | 5,474 | 8,403 | -836 | -1,774 | -1,357 | 1,038 | 2,529 | 463 | -80 | 2,145 |
| 2013 – Q1 | -5,831 | 4,457 | -1,992 | -1,837 | -522 | -5,937 | -2,555 | -2,559 | -17 | 21 |
| Q2 | 3,858 | 11,190 | 1,684 | -5,406 | -714 | -2,896 | 132 | -185 | -2 | 319 |
| 2011 – July. | 341 | 1,943 | 658 | -554 | -469 | -1,237 | -76 | -73 | -6 | 3 |
| Aug. | -5,111 | -2,393 | -713 | -467 | -428 | -1,110 | -196 | -72 | -6 | -118 |
| Sept. | -4,186 | -1,220 | 5 | -1,447 | -346 | -1,178 | -75 | -80 | -9 | 14 |
| Oct. | -2,232 | -536 | -333 | -753 | -356 | -254 | 687 | 22 | -4 | 669 |
| Nov. | -3,331 | -1,011 | -747 | -1,091 | -339 | -143 | 667 | 27 | -4 | 644 |
| Dec. | 868 | 1,968 | -574 | 76 | -353 | -249 | 582 | -60 | -7 | 649 |
| 2012 – Jan. | -7,360 | -3,968 | -854 | -220 | -436 | -1,882 | 133 | 156 | -3 | -20 |
| Feb. | -4,240 | -584 | -852 | -268 | -352 | -2,185 | 180 | 209 | -3 | -25 |
| Mar. | -1,445 | 2,419 | -836 | -322 | -453 | -2,253 | -40 | -25 | -6 | -9 |
| Apr. | -1,109 | 405 | -29 | -328 | -371 | -786 | 33 | 27 | -1 | 6 |
| May | -931 | 1,650 | 240 | -2,008 | -507 | -307 | 65 | 51 | .. | 15 |
| June | 2,177 | 3,340 | 748 | -809 | -441 | -661 | 282 | 278 | -1 | 5 |
| July | 4,319 | 5,350 | 974 | -405 | -476 | -1,123 | 279 | 245 | .. | 34 |
| Aug. | -1,906 | 16 | 30 | -456 | -489 | -1,007 | 208 | 177 | .. | 32 |
| Sept. | -985 | 804 | 673 | -1,054 | -478 | -931 | 170 | 141 | .. | 29 |
| Oct. | 1,444 | 2,955 | 47 | -1,547 | -509 | 497 | 885 | 173 | -21 | 733 |
| Nov. | 1,464 | 2,879 | -601 | -602 | -427 | 215 | 890 | 168 | -21 | 743 |
| Dec. | 2,566 | 2,569 | -282 | 374 | -421 | 326 | 753 | 122 | -38 | 669 |
| 2013 – Jan. | -4,057 | -1,008 | -746 | -689 | -303 | -1,312 | -592 | -607 | -3 | 18 |
| Feb. | -1,350 | 1,635 | -511 | -495 | -127 | -1,852 | -632 | -640 | -4 | 11 |
| Mar. | -425 | 3,830 | -736 | -654 | -93 | -2,773 | -1,330 | -1,312 | -9 | -9 |
| Apr. | 529 | 2,529 | 214 | -983 | -191 | -1,039 | -28 | -76 | -1 | 49 |
| May | 857 | 4,559 | 540 | -3,340 | -242 | -661 | -23 | -73 | -1 | 51 |
| June | 2,472 | 4,102 | 930 | -1,083 | -282 | -1,195 | 183 | -36 | -1 | 219 |
| July | (5,923) | (6,412) | (1,270) | (-112) | .... | .... | (-71) | .... | .... | .... |

## 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-classifiable and non-classified units | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | medium and large | small (2) | | | | |
| | | | | | | producer households (3) | | | |
| | | | | *Centre and North* | | | | | |
| 2010 – Dec. | 4.3 | 8.4 | 2.0 | 1.5 | 3.9 | 6.4 | 4.6 | 15.7 | 3.7 |
| 2011 – Dec. | -0.9 | -2.4 | 2.3 | 3.0 | -0.6 | 1.3 | 3.7 | 9.8 | 1.7 |
| 2012 – Mar. | 2.6 | 4.8 | -0.3 | 0.2 | -2.4 | -0.5 | 2.8 | 5.7 | 1.4 |
| June | 0.9 | 6.6 | -1.6 | -1.2 | -3.5 | -1.7 | 1.4 | 5.9 | 0.3 |
| Sept. | 5.7 | 8.9 | -3.3 | -3.1 | -4.2 | -2.6 | 0.7 | 3.7 | 0.2 |
| Dec. | 4.6 | 4.4 | -2.2 | -2.0 | -2.9 | -2.4 | 0.2 | -1.6 | 0.0 |
| 2013 – Mar. | 0.3 | 1.3 | -2.6 | -2.5 | -3.2 | -2.6 | -0.2 | -0.9 | -1.2 |
| June | -0.7 | -4.2 | -4.2 | -4.3 | -3.8 | -2.9 | -0.3 | -3.1 | -2.8 |
| July | -2.9 | -7.3 | -4.2 | -4.2 | -3.9 | -3.1 | -0.5 | -4.8 | -3.4 |
| Aug. | -3.5 | -6.6 | -4.8 | -4.8 | -4.7 | -3.7 | -0.5 | -4.3 | -3.8 |
| | | | | *South and Islands* | | | | | |
| 2010 – Dec. | 1.9 | -3.9 | 5.3 | 6.2 | 3.1 | 3.2 | 5.3 | 0.9 | 4.9 |
| 2011 – Dec. | 3.0 | -10.4 | 3.5 | 4.4 | 1.0 | 1.2 | 3.9 | 3.2 | 3.4 |
| 2012 – Mar. | 0.7 | -9.0 | 1.1 | 1.9 | -1.0 | -1.0 | 2.5 | -3.4 | 1.5 |
| June | -2.3 | -7.6 | -0.7 | -0.2 | -2.0 | -1.9 | 1.0 | -3.0 | -0.2 |
| Sept. | -3.8 | -8.5 | -1.7 | -1.3 | -2.7 | -2.9 | 0.4 | -1.4 | -1.1 |
| Dec. | -1.7 | -4.5 | -2.1 | -1.8 | -2.9 | -3.2 | -0.4 | -0.8 | -1.4 |
| 2013 – Mar. | -2.5 | -4.3 | -2.1 | -1.8 | -2.9 | -3.0 | -0.8 | 1.9 | -1.6 |
| June | -2.8 | -0.5 | -2.9 | -2.8 | -3.4 | -3.5 | -1.2 | 1.1 | -2.2 |
| July | -2.8 | -2.2 | -3.0 | -3.0 | -3.1 | -2.8 | -1.3 | -0.7 | -2.3 |
| Aug. | -1.8 | -1.1 | -3.3 | -3.0 | -4.0 | -3.8 | -1.4 | 1.2 | -2.4 |
| | | | | *ITALY* | | | | | |
| 2010 – Dec. | 4.1 | 8.1 | 2.5 | 2.1 | 3.8 | 5.6 | 4.8 | 13.8 | 3.8 |
| 2011 – Dec. | -0.5 | -2.6 | 2.5 | 3.2 | -0.2 | 1.3 | 3.7 | 9.1 | 1.9 |
| 2012 – Mar. | 2.4 | 4.5 | -0.1 | 0.4 | -2.1 | -0.6 | 2.7 | 4.7 | 1.4 |
| June | 0.5 | 6.3 | -1.4 | -1.0 | -3.2 | -1.8 | 1.3 | 4.9 | 0.3 |
| Sept. | 4.7 | 8.5 | -3.0 | -2.8 | -3.9 | -2.7 | 0.6 | 3.2 | 0.0 |
| Dec. | 4.0 | 4.2 | -2.2 | -2.0 | -2.9 | -2.6 | 0.0 | -1.5 | -0.2 |
| 2013 – Mar. | 0.0 | 1.2 | -2.5 | -2.4 | -3.2 | -2.7 | -0.4 | -0.7 | -1.3 |
| June | -0.9 | -4.1 | -4.0 | -4.1 | -3.7 | -3.1 | -0.5 | -2.7 | -2.7 |
| July | -2.8 | -7.2 | -4.0 | -4.0 | -3.7 | -3.0 | -0.7 | -4.4 | -3.3 |
| Aug. | -3.3 | -6.5 | -4.6 | -4.6 | -4.6 | -3.7 | -0.7 | -3.8 | -3.6 |

Source: Supervisory Report.
(1) Statistics for August 2013 are provisional. Loans include repurchase agreements and bad debts. The breakdown by geographical area is according to customers' place of residence. Net of the effects of securitizations, reclassifications and other changes not due to transactions. – (2) Limited partnerships and general partnerships with fewer than 20 employees. Informal associations, de facto companies and sole proprietorships with fewer 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 (1)

*(millions of euros)*

| | Currency and deposits | Currency and deposits – *of which:* PO funds | Short-term securities | Medium and long-term securities | MFI loans | Other operations | Other operations – *of which:* change in Treasury's liquid balances (2) | Other operations – *of which:* change in Treasury's liquid balances – *of which:* investments of liquidity | Borrowing requirement | Borrowing requirement – *of which:* financed abroad | Borrowing requirement – *of which:* in connection with financial support to EMU countries (3) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | 1,093 | -4,809 | -10,103 | 88,002 | 1,195 | -10,336 | -11,518 | 0 | 69,851 | 448 | 3,909 |
| 2011 | -3,635 | -3,116 | 1,319 | 43,101 | 18 | 23,056 | 18,994 | 0 | 63,859 | -1,297 | 9,209 |
| 2012 | 6,965 | -1,314 | 20,417 | 24,884 | 782 | 13,218 | -10,138 | 0 | 66,265 | 14,729 | 29,547 |
| 2010 – Mar. | -3,192 | -1,413 | 10,530 | 28,479 | 1,565 | -10,057 | -9,568 | 0 | 27,325 | 170 | 0 |
| June | 1,216 | -929 | -636 | 22,875 | -943 | -2,921 | -3,474 | 0 | 19,592 | 1,136 | 2,922 |
| Sept. | -1,315 | -1,219 | -1,960 | 22,908 | 1,859 | -2,281 | -2,188 | 0 | 19,210 | 3,944 | 987 |
| Dec. | 4,384 | -1,247 | -18,037 | 13,740 | -1,286 | 4,923 | 3,712 | 0 | 3,723 | -4,802 | 0 |
| 2011 – Mar. | -1,984 | -1,605 | 12,380 | 10,484 | 1,232 | 8,632 | 8,309 | 0 | 30,744 | -1,271 | 4,746 |
| June | 1,147 | -895 | -5,607 | 32,821 | 1,129 | -13,421 | -15,502 | 0 | 16,070 | -669 | 1,371 |
| Sept. | -3,693 | -355 | 9,090 | -23,064 | -1,677 | 33,741 | 34,039 | -800 | 14,397 | 2,473 | 1,006 |
| Dec. | 894 | -261 | -14,544 | 22,859 | -666 | -5,896 | -7,852 | 800 | 2,647 | -1,830 | 2,085 |
| 2012 – Mar. | 8,028 | -1,236 | 31,493 | 234 | -105 | -2,823 | -10,202 | -5,556 | 36,827 | 8,319 | 7,985 |
| June | -3,934 | 470 | -1,493 | 17,811 | 1,886 | -3,131 | -11,661 | -2,382 | 11,139 | 4,290 | 8,599 |
| Sept. | 4,803 | -1,243 | 5,063 | 4,197 | -229 | 434 | 199 | -22,727 | 14,268 | 83 | 499 |
| Dec. | -1,932 | 695 | -14,645 | 2,641 | -770 | 18,738 | 11,525 | 30,665 | 4,031 | 2,037 | 12,464 |
| 2013 – Mar. | 228 | -1,443 | 4,992 | 42,536 | -501 | -11,088 | -11,463 | -10,746 | 36,166 | 563 | 1,074 |
| June | -5,068 | -670 | 6,533 | 32,941 | 473 | -26,255 | -30,395 | -8,646 | 8,625 | 2,268 | 7,100 |
| 2012 – Jan. | -473 | -483 | 17,980 | 18,755 | -1,250 | -32,029 | -32,573 | -5,655 | 2,983 | 653 | 863 |
| Feb. | -816 | -102 | 8,533 | -15,769 | 691 | 15,620 | 16,040 | 1,527 | 8,259 | 228 | 0 |
| Mar. | 9,317 | -651 | 4,980 | -2,752 | 454 | 13,586 | 6,331 | -1,428 | 25,585 | 7,438 | 7,122 |
| Apr. | -896 | -115 | 6,058 | -10,117 | 1,399 | 13,347 | 6,953 | -4,253 | 9,791 | 9,047 | 6,604 |
| May | -1,933 | 38 | 66 | 14,481 | -16 | -6,112 | -8,277 | 2,724 | 6,486 | 1,406 | 1,803 |
| June | -1,106 | 547 | -7,617 | 13,448 | 504 | -10,366 | -10,337 | -853 | -5,138 | -6,164 | 192 |
| July | 1,705 | -1,007 | -2,183 | -2,966 | -2,001 | 1,739 | 597 | -10,951 | -3,706 | -679 | 499 |
| Aug. | 1,120 | 270 | -1,412 | -1,337 | 171 | 7,911 | 8,158 | -6,890 | 6,452 | -758 | 0 |
| Sept. | 1,979 | -505 | 8,658 | 8,500 | 1,601 | -9,216 | -8,556 | -4,886 | 11,522 | 1,519 | 0 |
| Oct. | -1,449 | -161 | 4,885 | 16,287 | -184 | -7,326 | -6,971 | 7,501 | 12,213 | -1,261 | 5,732 |
| Nov. | -3,414 | -264 | 1,970 | 5,621 | 872 | -6,230 | -6,235 | 5,805 | -1,181 | -85 | 0 |
| Dec. | 2,931 | 1,120 | -21,500 | -19,267 | -1,458 | 32,294 | 24,731 | 17,359 | -7,001 | 3,384 | 6,732 |
| 2013 – Jan. | 1,501 | -1,356 | 6,549 | 28,069 | -1,408 | -33,848 | -33,717 | -13,033 | 863 | -244 | 384 |
| Feb. | -3,915 | 8 | 266 | -2,194 | 26 | 19,041 | 18,461 | -110 | 13,224 | 551 | 691 |
| Mar. | 2,642 | -94 | -1,823 | 16,660 | 880 | 3,719 | 3,793 | 2,397 | 22,078 | 256 | 0 |
| Apr. | -3,336 | -218 | 3,050 | 6,495 | 622 | 3,892 | 3,894 | -1,111 | 10,722 | -47 | 2,866 |
| May | 584 | -286 | 3,613 | 24,909 | 301 | -18,022 | -20,398 | -90 | 11,386 | 3,270 | 2,883 |
| June | -2,315 | -166 | -130 | 1,537 | -450 | -12,125 | -13,891 | -7,445 | -13,483 | -956 | 1,350 |
| July | 1,656 | 400 | -1,095 | 785 | -3,481 | 7,614 | 8,053 | 13,000 | 5,479 | 483 | 481 |
| Aug. | -1,629 | -538 | 104 | -13,089 | 806 | 21,374 | 21,769 | -5,994 | 7,567 | -48 | 0 |

(1) For more information, see the Methodological Appendix in "The Public Finances, borrowing requirement and debt" *Supplement to the Statistical Bulletin*. – (2) Treasury deposits held at the Bank of Italy and investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution of capital to the European Stability Mechanism.

**Table A11**

## General government debt: Italy (1)

*(millions of euros)*

| | Currency and deposits | *of which:* PO funds | Short-term securities | Medium and long-term securities | MFI loans | Other liabilities | *of which:* in connection with EFSF loans | General government debt | *Memorandum item:* Treasury's liquid balances (2) | *of which:* investments of liquidity | Deposits with resident MFIs net of liquidity transactions | Financial support to EMU countries (3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | 156,861 | 25,195 | 129,862 | 1,418,760 | 132,521 | 13,248 | 0 | 1,851,252 | 43,249 | 0 | 35,688 | 3,909 |
| 2011 | 153,226 | 22,080 | 131,181 | 1,473,355 | 132,540 | 17,310 | 3,110 | 1,907,612 | 24,255 | 0 | 35,385 | 13,118 |
| 2012 | 160,191 | 20,765 | 151,600 | 1,503,654 | 133,321 | 40,667 | 26,925 | 1,989,431 | 34,394 | 0 | 27,210 | 42,665 |
| 2010 – Mar. | 152,576 | 28,592 | 150,496 | 1,358,221 | 132,889 | 11,577 | 0 | 1,805,758 | 41,299 | 0 | 34,965 | 0 |
| June | 153,792 | 27,662 | 149,865 | 1,382,256 | 131,947 | 12,130 | 0 | 1,829,990 | 44,773 | 0 | 38,230 | 2,922 |
| Sept. | 152,477 | 26,443 | 147,911 | 1,403,642 | 133,807 | 12,037 | 0 | 1,849,873 | 46,961 | 0 | 36,568 | 3,909 |
| Dec. | 156,861 | 25,195 | 129,862 | 1,418,760 | 132,521 | 13,248 | 0 | 1,851,252 | 43,249 | 0 | 35,688 | 3,909 |
| 2011 – Mar. | 154,878 | 23,590 | 142,246 | 1,431,025 | 133,753 | 13,571 | 786 | 1,875,472 | 34,940 | 0 | 35,794 | 8,655 |
| June | 156,025 | 22,696 | 136,638 | 1,467,054 | 134,882 | 15,652 | 2,157 | 1,910,250 | 50,442 | 0 | 36,526 | 10,026 |
| Sept. | 152,332 | 22,341 | 145,736 | 1,445,292 | 133,205 | 15,353 | 2,157 | 1,891,919 | 16,403 | 800 | 36,274 | 11,032 |
| Dec. | 153,226 | 22,080 | 131,181 | 1,473,355 | 132,540 | 17,310 | 3,110 | 1,907,612 | 24,255 | 0 | 35,385 | 13,118 |
| 2012 – Mar. | 161,254 | 20,844 | 162,677 | 1,474,193 | 132,434 | 24,689 | 11,095 | 1,955,247 | 34,457 | 5,556 | 33,626 | 21,103 |
| June | 157,320 | 21,314 | 161,186 | 1,496,852 | 134,321 | 33,219 | 19,695 | 1,982,898 | 46,118 | 7,938 | 26,507 | 29,702 |
| Sept. | 162,123 | 20,071 | 166,248 | 1,500,595 | 134,092 | 33,454 | 20,193 | 1,996,512 | 45,919 | 30,665 | 25,380 | 30,201 |
| Dec. | 160,191 | 20,765 | 151,600 | 1,503,654 | 133,321 | 40,667 | 26,925 | 1,989,431 | 34,394 | 0 | 27,210 | 42,665 |
| 2013 – Mar. | 160,418 | 19,323 | 156,590 | 1,544,965 | 132,820 | 41,041 | 27,999 | 2,035,833 | 45,856 | 10,746 | 24,609 | 43,739 |
| June | 155,351 | 18,653 | 163,123 | 1,579,234 | 133,293 | 45,181 | 32,232 | 2,076,182 | 76,251 | 19,392 | 27,075 | 50,839 |
| 2012 – Jan. | 152,752 | 21,596 | 149,162 | 1,493,167 | 131,290 | 17,853 | 3,974 | 1,944,224 | 56,828 | 5,655 | 35,783 | 13,981 |
| Feb. | 151,936 | 21,495 | 157,695 | 1,477,788 | 131,980 | 17,434 | 3,974 | 1,936,835 | 40,788 | 4,128 | 31,381 | 13,981 |
| Mar. | 161,254 | 20,844 | 162,677 | 1,474,193 | 132,434 | 24,689 | 11,095 | 1,955,247 | 34,457 | 5,556 | 33,626 | 21,103 |
| Apr. | 160,358 | 20,729 | 168,739 | 1,464,679 | 133,833 | 31,083 | 17,699 | 1,958,694 | 27,505 | 9,809 | 27,813 | 27,707 |
| May | 158,426 | 20,767 | 168,806 | 1,481,711 | 133,817 | 33,249 | 19,503 | 1,976,008 | 35,782 | 7,085 | 28,060 | 29,510 |
| June | 157,320 | 21,314 | 161,186 | 1,496,852 | 134,321 | 33,219 | 19,695 | 1,982,898 | 46,118 | 7,938 | 26,507 | 29,702 |
| July | 159,024 | 20,306 | 159,001 | 1,494,051 | 132,320 | 34,361 | 20,193 | 1,978,758 | 45,521 | 18,889 | 28,014 | 30,201 |
| Aug. | 160,144 | 20,576 | 157,586 | 1,492,562 | 132,491 | 34,114 | 20,193 | 1,976,898 | 37,363 | 25,779 | 27,907 | 30,201 |
| Sept. | 162,123 | 20,071 | 166,248 | 1,500,595 | 134,092 | 33,454 | 20,193 | 1,996,512 | 45,919 | 30,665 | 25,380 | 30,201 |
| Oct. | 160,674 | 19,910 | 171,134 | 1,517,228 | 133,908 | 33,099 | 20,193 | 2,016,042 | 52,890 | 23,164 | 28,314 | 35,933 |
| Nov. | 157,260 | 19,646 | 173,102 | 1,523,593 | 134,780 | 33,104 | 20,193 | 2,021,839 | 59,125 | 17,359 | 27,925 | 35,933 |
| Dec. | 160,191 | 20,765 | 151,600 | 1,503,654 | 133,321 | 40,667 | 26,925 | 1,989,431 | 34,394 | 0 | 27,210 | 42,665 |
| 2013 – Jan. | 161,691 | 19,409 | 158,147 | 1,531,194 | 131,913 | 40,535 | 27,309 | 2,023,480 | 68,110 | 13,033 | 26,327 | 43,048 |
| Feb. | 157,776 | 19,417 | 158,413 | 1,529,203 | 131,939 | 41,116 | 27,999 | 2,018,447 | 49,650 | 13,143 | 25,761 | 43,739 |
| Mar. | 160,418 | 19,323 | 156,590 | 1,544,965 | 132,820 | 41,041 | 27,999 | 2,035,833 | 45,856 | 10,746 | 24,609 | 43,739 |
| Apr. | 157,082 | 19,105 | 159,640 | 1,551,168 | 133,442 | 41,039 | 27,999 | 2,042,370 | 41,963 | 11,857 | 26,750 | 46,605 |
| May | 157,666 | 18,819 | 163,253 | 1,577,568 | 133,743 | 43,415 | 30,883 | 2,075,645 | 62,361 | 11,947 | 26,645 | 49,489 |
| June | 155,351 | 18,653 | 163,123 | 1,579,234 | 133,293 | 45,181 | 32,232 | 2,076,182 | 76,251 | 19,392 | 27,075 | 50,839 |
| July | 157,006 | 19,053 | 162,029 | 1,580,343 | 129,812 | 44,742 | 32,713 | 2,073,932 | 68,199 | 6,392 | 28,067 | 51,319 |
| Aug. | 155,378 | 18,515 | 162,133 | 1,567,528 | 130,618 | 44,347 | 32,713 | 2,060,003 | 46,429 | 12,386 | 26,803 | 51,319 |

(1) For more information, see the Methodological Appendix in "The Public Finances, borrowing requirement and debt" *Supplement to the Statistical Bulletin*. – (2) Treasury deposits held at the Bank of Italy and investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution of capital to the European Stability Mechanism.