BANCA D'ITALIA
EUROSISTEMA

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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

OVERVIEW

The global economy loses momentum

In the fourth quarter of 2018 global economic activity decelerated and world trade decreased. Various risk factors continue to weigh on the economic outlook: protracted trade tensions, despite recent signs of an easing; a greater than expected cyclical slowdown in China; and the effects of the United Kingdom's process of withdrawing from the European Union (Brexit). The main central banks have signalled their intention to maintain an expansionary monetary policy stance for longer, favouring a reduction in long-term yields and a recovery in share prices.

The ECB Governing Council prolongs expansionary conditions

For 2019, growth prospects in the euro area have been revised downwards significantly and inflation expectations have fallen. The ECB Governing Council will maintain expansionary conditions for longer: it has extended the minimum time horizon over which it expects to keep its key interest rates unchanged at least through the end of 2019 and has announced a new series of targeted longer-term refinancing operations whose pricing, to be defined in the coming months, will take account of future economic developments. The Governing Council stands ready to utilize all the instruments at its disposal to support the economy and to ensure the convergence of inflation to levels that are below, but close to, 2 per cent over the medium term.

Economic activity in Italy seems to have recovered slightly

The latest indicators point to a slight recovery in economic activity in Italy at the start of this year, after it declined in the second half of 2018. The weak cyclical conditions observed in the last few quarters mirror conditions in Germany and in the other euro-area countries. The firms interviewed in the Bank of Italy's survey gave negative assessments of demand conditions, especially in relation to purchases by Germany and China, but they expect a moderate improvement for the current quarter; planned investment for 2019 has been revised downward. According to firms, the outlook is affected by uncertainty stemming from economic and political factors and by global trade tensions.

Export developments remain favourable

Italian exports continued to perform favourably, expan-ding at a steady pace in the fourth quarter of 2018, despite the drop in international trade. Nevertheless, qualitative indicators confirm that uncertainty stemming from global conditions is weighing on the outlook. The current account surplus remains sizeable and the net international investment position is only slightly negative. At the start of 2019, non-resident investors resumed purchases of Italian government securities.

Employment appears to stabilize; wage growth continues

Based on the latest data, the moderate decline in employment, which reflected weak cyclical conditions in the fourth quarter, did not carry over into January and February. The total number of persons in employment increased in 2018, as did the number of permanent contracts. Contractual earnings continued to rise.

Inflation declines

Inflation declined in the first quarter of 2019, partly on account of the slowdown in the prices of energy products and the weakness of the economy; it stood at 1.1 per cent in March. The core component also weakened. Firms, households and analysts revised their inflation expectations downwards; in April, Consensus Economics reported an expected inflation rate of 0.9 per cent for 2019.

Conditions improve on the Italian financial market

The improvement in the global financial markets also extended to Italy. Since the start of the year, the general index of the Italian stock market has gained 19 per cent, recouping the sharp decline recorded in the autumn. The increase, partly induced by the Eurosystem's decision in March to ease monetary conditions, extended to the share prices of credit institutions. After a temporary increase in February, triggered by the downward revision of economic growth expectations, sovereign risk premiums returned to the levels recorded at the end of December. However, they remain well above the levels prevailing at the start of 2018. The yield spread between Italian and German ten-year bonds stood at around 250 basis points in mid-April.

Lending to firms slows

Lending to firms has slowed. The increase in yields on government securities and the cost of banks' bond funding is only gradually being transmitted to credit conditions, thanks to high levels of liquidity and banks' favourable capital conditions. However, surveys show some signs that credit supply conditions are tightening, owing to both the deterioration in the macroeconomic outlook and the increase in funding costs. The ratio of new non-performing loans to outstanding loans continued to fall, reaching 4.1 per cent at the end of 2018 for significant banks, net of loan loss provisions.

The Government submits the 2019 Economic and Financial Document

In 2018, general government net borrowing fell to 2.1 per cent of GDP, from 2.4 per cent in 2017. The debt-to-GDP ratio rose to 132.2 per cent of GDP. In the 2019 Economic and Financial Document, approved on 9 April 2019, the Government revised its net borrowing estimates for 2019 from 2.0 per cent to 2.4 per cent. In the planning scenario for the coming years, both the deficit and the debt are expected to decline, partly on account of the revenue expected from the application of the safeguard clauses.

1 THE WORLD ECONOMY

1.1 THE WORLD ECONOMY

In the fourth quarter of 2018, the world economy decelerated and global trade decreased; the signs of weakening growth extended to the early months of 2019. Various risk factors are weighing on the economic outlook: the possible growth in protectionist tendencies at global level; a greater than expected cyclical slowdown in China; and the arrangements and timeframe for the United Kingdom's withdrawal from the European Union (Brexit). The main central banks have indicated their intention to maintain an expansionary monetary policy stance for a longer period in order to support the economy.

The global economy loses momentum ...

In the fourth quarter of 2018, economic activity in the United States grew at a slower pace than in the third quarter (Table 1). It decelerated sharply in the United Kingdom, against a backdrop of growing uncertainty over the arrangements for Brexit. GDP returned to growth in Japan, following the significant fall in the third quarter. The latest data from the purchasing managers' index (PMI) indicate that growth in economic activity in the main advanced countries remained weak in the first quarter as well (Figure 1).

In China, GDP growth continued to slow, despite the fiscal and monetary authorities' greater efforts to sustain domestic demand; in March the Government announced a growth target of between 6.0 and 6.5 per cent for 2019, half a percentage point lower than that for the previous year. The economic situation remains fragile in Russia and Brazil too.

... and world trade falls

In the fourth quarter of 2018, world trade declined (by 1.0 per cent on an annual basis, according to

Table 1

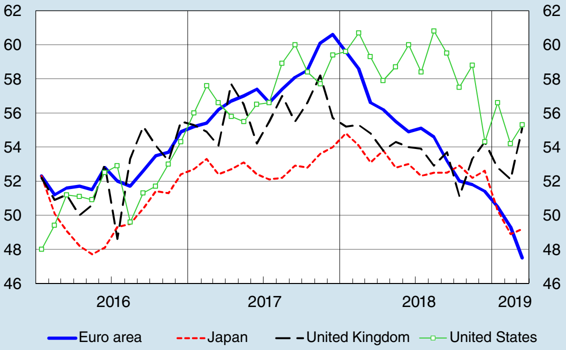
GDP growth and inflation
(percentage points)

	GDP growth (1) 2017	GDP growth (1) 2018 Q3	GDP growth (1) 2018 Q4	Inflation (2) March 2019
Advanced economies				
Japan	1.9	-2.4	1.9	0.2
United Kingdom	1.8	2.8	0.9	1.9
United States	2.2	3.4	2.2	1.9
Emerging economies				
Brazil	1.1	1.3	1.1	4.6
China	6.8	6.5	6.4	2.3
India	6.9	7.0	6.6	2.9
Russia	1.6	2.2	2.7	5.3
Memorandum item:				
World trade (3)	**5.4**	**3.2**	**-1.0**	

Sources: Thomson Reuters Datastream; IMF, *World Economic Outlook*, April 2019; and Bank of Italy for the data on world trade.
(1) For the annual figure, percentage change. For the quarterly figures, quarterly percentage changes, annualized and seasonally adjusted. For the emerging economies, year-on-year percentage changes. – (2) Consumer price index, monthly data. The data for Japan refer to February 2019. – (3) Based on national accounts and customs data. Seasonally adjusted quarterly data, annualized quarterly percentage changes.

Figure 1

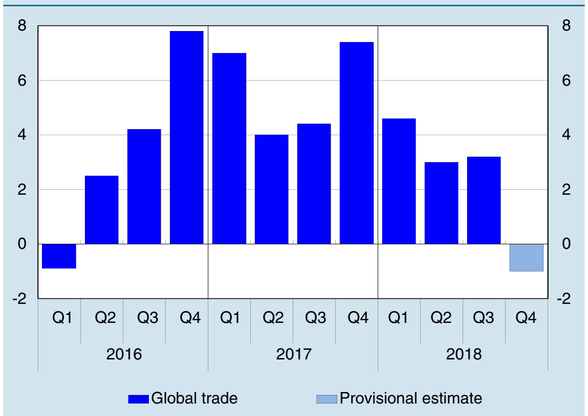
Manufacturing PMIs in the main advanced economies (1)
(monthly data)



Source: Markit, ISM and Thomson Reuters Datastream.
(1) Diffusion indices of economic activity in the manufacturing sector based on purchasing managers' assessments.

Figure 2

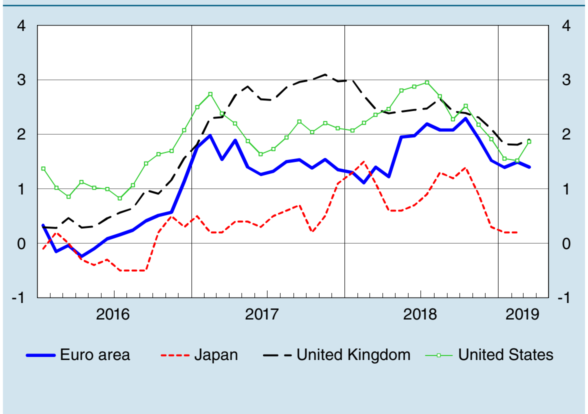
World trade (1)
(percentage changes)



Source: Based on national accounts and customs data.
(1) Seasonally adjusted quarterly data, annualized quarterly percentage changes.

Figure 3

Consumer price inflation in the main advanced economies (1)
(monthly data; 12-month percentage changes)



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

our estimates; Figure 2); one contributory factor was the fall in trade in Asian emerging economies, especially China, which was only partially offset by the moderate growth in imports of the advanced economies. The deterioration in business confidence and investment demand, caused by the trade restrictions adopted in 2018, also weighed on the performance of trade (see the box 'Trade tensions, uncertainty and economic activity' in *Economic Bulletin*, 4, 2018).

Inflation decreases

Consumer price inflation declined in all the main advanced economies, mostly in connection with the performance of the energy component; in the United States it rose to 1.9 per cent in March (Figure 3).

The outlook for world growth worsens ...

According to the projections released by the International Monetary Fund in April, world GDP is expected to slow to 3.3 per cent in the current year (Table 2). The downward revision of growth compared with the January forecasts, equal to 0.2 percentage points, reflects the general weakness of the industrial sector and, specifically, the deterioration in the outlook for the euro area. According to our estimates, the increase in international trade stood at 4.1 per cent overall in 2018, down from 5.7 per cent in 2017, and it will fall further this year, to 2.9 per cent, reflecting the slowdown in world growth.

... and downside risks prevail

Significant risks remain for global economic prospects, linked to various factors: the possible escalation of

Table 2

Macroeconomic projections
(percentage changes and points)

	2018	Forecasts		Revisions (1)	
		2019	2020	2019	2020
GDP (2)					
World	3.6	3.3	3.6	-0.2	0.0
Advanced economies					
of which: Euro area	1.8	1.3	1.5	-0.3	-0.2
Japan	0.8	1.0	0.5	-0.1	0.0
United Kingdom	1.4	1.2	1.4	-0.3	-0.2
United States	2.9	2.3	1.9	-0.2	0.1
Emerging economies					
of which: Brazil	1.1	2.1	2.5	-0.4	0.3
China	6.6	6.3	6.1	0.1	-0.1
India (3)	7.1	7.3	7.5	-0.2	-0.2
Russia	2.3	1.6	1.7	0.0	0.0
World trade (4)	**4.1**	**2.9**		**-0.6**	

Sources: IMF, *World Economic Outlook*, April 2019; and Bank of Italy for the data on world trade.
(1) Revisions compared with the previous forecasting scenario of January 2019. – (2) Forecasts taken from IMF, *World Economic Outlook*, April 2019; revisions compared with *World Economic Outlook Update*, January 2019. – (3) The data relate to the fiscal year starting in April. – (4) Based on national accounts and customs data; the forecasts refer to April 2019; the revisions are calculated on the January 2019 forecasts.

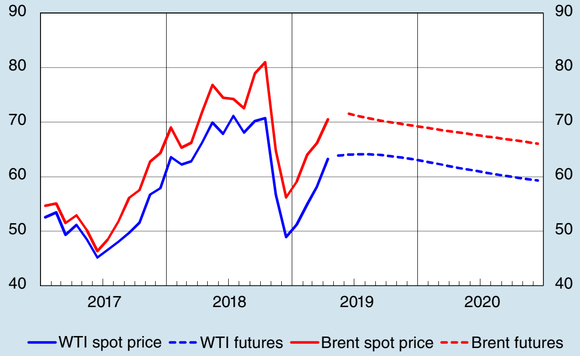
protectionist tendencies, despite recent signs of trade tensions easing between the United States and China; a greater than expected slowdown in China; and the effects and timeframe of Brexit.[1]

Oil prices rise

Oil prices have risen again since the beginning of January, only partly recovering after the sharp drop in the last quarter of 2018. The increase in prices has mainly reflected supply factors, linked to cuts in the production of OPEC+ countries and of Canada, as well as to the geopolitical tensions in Libya and Venezuela.[2] Prices have also benefited from greater optimism among operators about the outcome of the trade negotiations under way between the United States and China, following the extension of their tariff truce. Futures prices for Brent quality oil suggest a decrease in prices in the medium term (Figure 4).

Figure 4

Oil prices (1)
(monthly data; dollars per barrel)



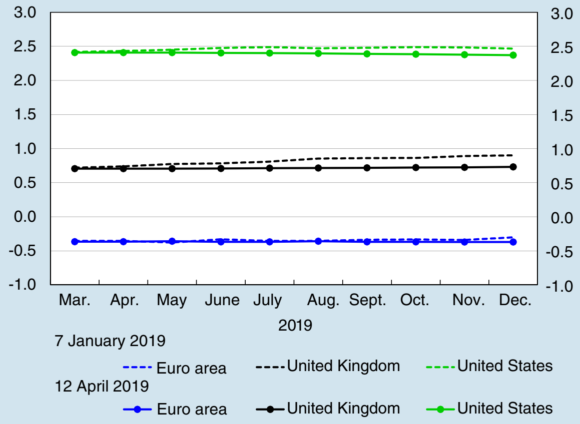
Source: Thomson Reuters Datastream.
(1) For the spot prices, average monthly data up to April 2019; the latest figure is the average of the daily data from 1 to 12 April 2019.

Central banks adopt a more accommodative stance

At its meeting in March, the Federal Reserve made monetary policy conditions more expansionary, adopting a prudent stance regarding possible new increases in the target range for its benchmark funds rates. The prices for federal funds futures contracts and the expectations of the Federal Open Market Committee do not point to further policy rate increases this year (Figure 5). The Federal Reserve also announced that it expects to end its balance-sheet reduction procedure by the end of September. At its meeting in March, the Bank of England kept its reference rates unchanged, against a backdrop of great uncertainty over the outcome of Brexit. In China, the Central Bank expanded the range of assets eligible for use as collateral for refinancing operations for bigger intermediaries, with the aim of stimulating lending to the private sector.

Figure 5

Overnight interest rates implied by derivative instruments (1)
(monthly values; percentage points)



Source: Based on Thomson Reuters Datastream data.
(1) Expected interest rate implied by overnight indexed swap (OIS) prices. The solid line indicates the interest rates forecast on 12 April 2019, the dotted line shows those forecast on 7 January 2019.

1.2 THE EURO AREA

Growth prospects in the euro area have been revised downwards, owing to the deterioration in world trade and in business confidence: the weak cyclical phase has also been reflected in a reduction in inflation expectations.

[1] The extension of the deadline for ratifying the withdrawal agreement granted on 10 April by the European Council has postponed but not eliminated the risk of a no-deal exit.

[2] The OPEC+ group includes, as well as the OPEC countries, those countries that agreed at different times to reduce crude oil production, starting from November 2016 (including Kazakhstan, Mexico and Russia).

The ECB Governing Council has extended at least through the end of 2019 the horizon over which it expects to keep its key interest rates unchanged and has announced a new series of targeted longer-term refinancing operations.

Euro-area growth is modest in the final months of 2018 ...

In the fourth quarter of 2018 euro-area GDP expanded by 0.2 per cent compared with the previous period (Table 3). The support from the main demand components was offset by the negative contribution of inventories, which shaved 0.4 percentage points off GDP growth. Among the major countries, economic activity expanded in Spain and, to a lesser degree, in France; conversely, it stagnated in Germany and decreased very slightly in Italy.

... and appears to remain moderate in the first quarter of 2019

According to the latest cyclical indicators, economic growth also remained modest in the first quarter of 2019. In March the Bank of Italy's €-coin indicator, which estimates the underlying GDP trend in the euro area, fell to its lowest level since the beginning of 2015 (Figure 6), and continues to be affected by the deterioration in world trade and in manufacturing confidence. The weakness of the cyclical situation has been confirmed by qualitative indicators: in the early part of the year purchasing managers' indices (PMI) fell in manufacturing in the euro area as a whole and, for the first time since the summer of 2013, in February they dropped below the threshold compatible with an expansion in activity, mainly owing to the significant reduction recorded in Germany. Firms' expectations of foreign sales worsened.

ECB staff projections released in March indicate that GDP in the euro area will increase by 1.1 per cent in 2019, with a downward revision of 0.6 percentage points compared with the previous projections published in December. The revision concerned the main demand components, especially investment and exports, and the major economies, particularly Germany and Italy.

Inflation decreases, curbed by energy prices

In the first quarter inflation fell to 1.4 per cent (from 1.9 per cent in the fourth quarter of 2018), held back by the performance of energy prices (Figure 7). The core component remained stable overall, at moderate levels (0.8 per cent in March).

Table 3

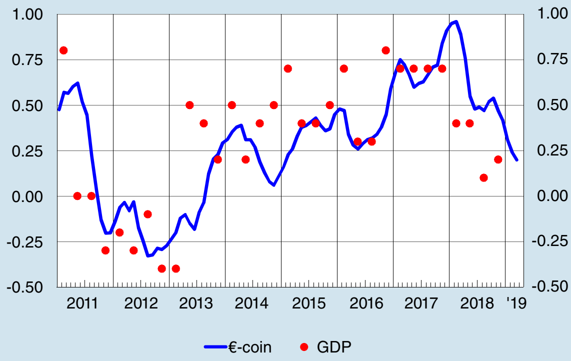
Euro-area GDP growth and inflation
(percentage changes)

	GDP growth			Inflation
	2018	2018 Q3 (1)	2018 Q4 (1)	2019 March (2)
France	1.5	0.3	0.3	1.3
Germany	1.4	-0.2	0.0	1.4
Italy	0.9	-0.2	-0.1	1.1
Spain	2.6	0.5	0.6	1.3
Euro area	1.9	0.1	0.2	1.4

Sources: Based on national statistics and on Eurostat data.
(1) Quarterly series adjusted for seasonal and calendar effects; percentage changes on previous quarter. – (2) Year-on-year change.

Figure 6

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



Source: Bank of Italy and Eurostat.
(1) For the methodology and construction of the indicator, see the box 'The €-coin indicator and the economic situation in the euro area', in *Economic Bulletin*, July, 2009. Further details are available on the Bank of Italy's website: '€-coin: March 2019'. For GDP, quarterly data, changes on the previous quarter. For €-coin, monthly estimates of changes in GDP on the previous quarter net of the most erratic components.

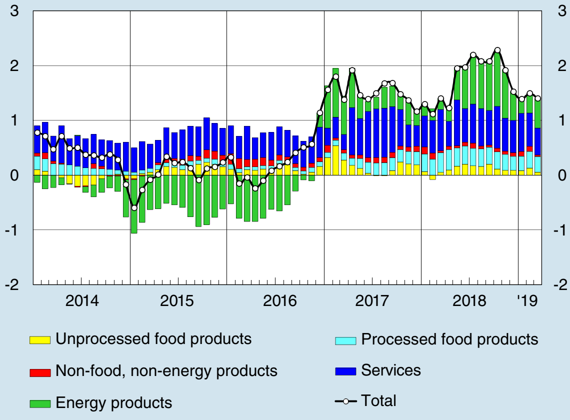
In April inflation expectations as implied by inflation swap yields over the two-year and five-year horizons, which had declined significantly in late 2018, remained at the low levels reached in January (1.0 and 1.1 per cent respectively; Figure 8.a); five years, five-year forward inflation expectations diminished by about 0.1 percentage points, to 1.4 per cent. Based on the prices of inflation options, the probability that prices will grow by less than 1.5 per cent on average over the next five years is about 70 per cent (Figure 8.b).

In the ECB staff projections released in March, inflation forecasts were revised downwards over all time horizons, owing to weaker growth prospects and the updating of the technical assumptions on crude oil prices. According to March's estimates, consumer prices would grow by 1.2 per cent this year, 1.5 per cent in 2020 and 1.6 per cent in 2021.

Figure 7

Euro-area inflation and contributions of its components (1)

(monthly data; 12-month percentage changes and percentage points)



Sources: Based on Eurostat and ECB data.
(1) Harmonized index of consumer prices.

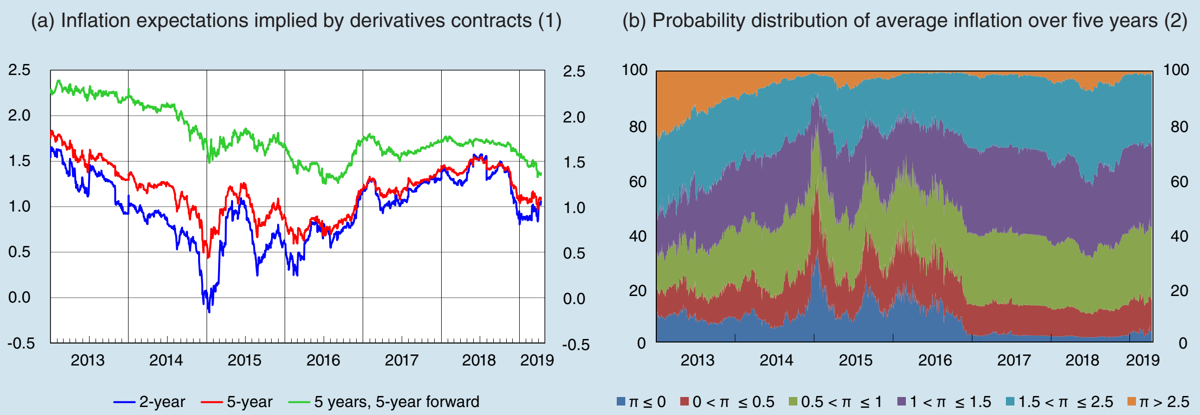
The ECB announces several expansionary measures

At its 7 March meeting the ECB Governing Council announced several expansionary measures. It introduced a new series of targeted longer-term refinancing operations (TLTRO-III) to preserve favourable conditions on the credit market and ensure the orderly transmission of monetary policy. Each operation will have a maturity of two years and will be conducted quarterly beginning in September 2019 and ending in March 2021; counterparties will be entitled to borrow up to 30 per cent of the stock of eligible loans as at the end of February 2019; the interest rate will be indexed to the rate on the main refinancing operations. As with the targeted refinancing

Figure 8

Inflation expectations

(daily data; per cent)



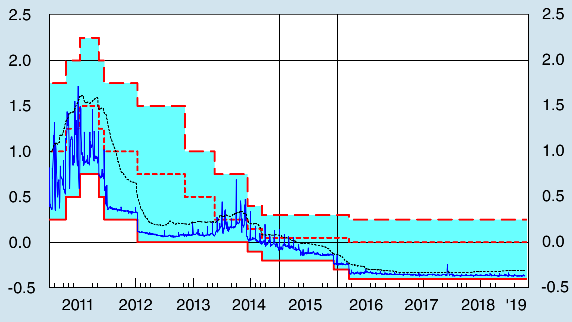
Source: Bloomberg.
(1) Expected inflation rates implied by 2-year, 5-year and 5 years, 5-year forward inflation swaps. – (2) Risk-neutral probability distribution for euro-area inflation in the next 5 years, implied by inflation rate option prices (see S. Cecchetti, F. Natoli and L. Sigalotti, 'Tail comovement in option-implied inflation expectations as an indicator of anchoring', Banca d'Italia, Temi di Discussione (Working Papers), 1025, 2015). The risk-neutral probabilities (π) reflect both expected inflation rates and risk premiums. The figure shows the probability, in the next 5 years, of inflation within different intervals.

operations still under way, TLTRO-III will feature built-in incentives for preserving expansionary credit conditions. Details of the precise terms will be communicated at a later stage.

Moreover, the Council extended at least through the end of 2019, and in any event for as long as necessary, the minimum time horizon over which it expects to keep the key interest rates unchanged (Figure 9). It also confirmed its decision to continue reinvesting in full the principal payments from maturing securities purchased under the expanded asset purchase programme (APP) for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary. The Council has announced that refinancing operations will continue to be conducted as fixed-rate tender procedures with full allotment for as long as necessary, and at least until the end of the reserve maintenance period starting in March 2021.

Figure 9

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



Sources: ECB and Thomson Reuters Datastream.

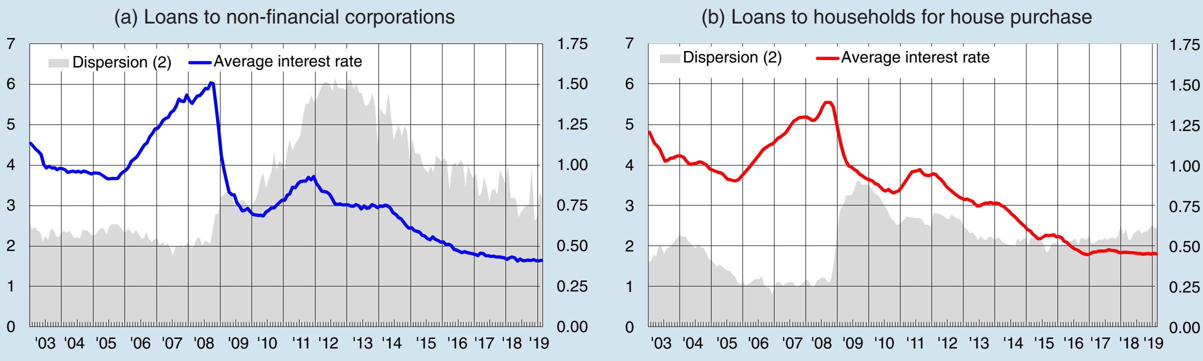
Following these announcements, medium- and long-term rates decreased while the euro depreciated against the dollar. After a temporary reduction in connection with the downward revision of the growth projections, share prices rose, especially those of banks.

Lending in the euro area slows

Adjusted for seasonal factors and the accounting effect of securitizations, in the three months ending in February lending to non-financial firms in the euro area decelerated (to an annualized 2.3 per cent), owing to the slowdown in France and Italy and the more pronounced contraction in Spain. Lending to households continued to expand in almost all the main countries (by a quarterly rate of 3.1 per cent for the euro area on average) except in Spain.

Figure 10

The cost of borrowing in the euro area (1)
(per cent)



Source: ECB.
(1) Average of interest rates on new short- and medium- and long-term loans weighted using the 24-month moving average of new loan disbursements. For non-financial corporations, includes overdrafts. – (2) Standard deviation of the average interest rates for 12 euro-area countries. Right-hand scale.

In February the cost of new loans to households for house purchase and to firms was virtually unchanged compared with November (at 1.8 and 1.6 per cent respectively); the dispersion of interest rates across countries remained limited (Figure 10).

1.3 GLOBAL FINANCIAL MARKETS

The more accommodative monetary policy stance of the main central banks has stimulated share prices, which in the first few months of 2019 recovered the losses of the fourth quarter of last year; the implied volatility has narrowed considerably. The decline, under way since the autumn, in the yields of the ten-year government bonds of the main advanced economies continued; in the euro area, sovereign risk spreads also decreased.

Long-term yields decline

Long-term interest rates in the main economic areas fell further in the first part of this year (Figure 11) as a result of the worsening macroeconomic outlook and the accommodative stance adopted by the main central banks (see Sections 1.1 and 1.2).

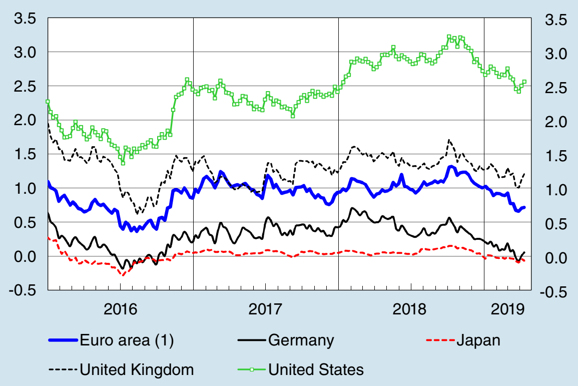
Since the end of December, the yield on German ten-year government bonds has fallen by about 20 basis points (to 0.06 per cent). Sovereign spreads have fallen slightly in the main euro-area countries; the yield spreads between ten-year government bonds and the corresponding German Bund fell by about 35 basis points in Portugal and by about 15 basis points in Belgium, France, Ireland and Spain. In Italy, spreads have remained at end-2018 levels (Figure 12).

Share prices are rising and volatility is decreasing

In the early months of 2019, share prices went up in all the main advanced and emerging economies, recouping the losses incurred in the previous months (Figure 13). The rise in share prices was particularly significant in the United States and in China, where the markets reacted positively to signs of a possible trade deal between the two countries, although this is still surrounded by great uncertainty. The rise in share prices was also helped by the decisions of China's central bank in support of lending and by expectations that the Federal Reserve will not raise its benchmark interest rates in 2019. Share prices in the euro area have benefited from the new expansionary measures adopted by the ECB (see Section 1.2). The implied volatility of share prices and of government securities prices has decreased significantly (Figure 14).

Figure 11

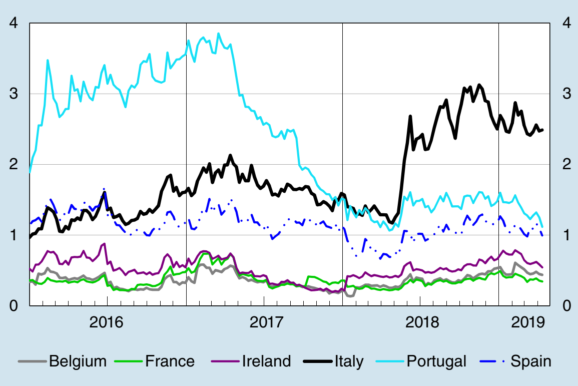
Yields on 10-year government bonds
(end-of-week data; per cent)



Source: Based on Thomson Reuters Datastream data.
(1) Average yields, weighted by 2010 GDP at chain-linked prices, of the 10-year benchmark government securities of the euro-area countries, excluding Cyprus, Estonia, Greece, Latvia, Lithuania, Luxembourg, Malta, Slovakia and Slovenia.

Figure 12

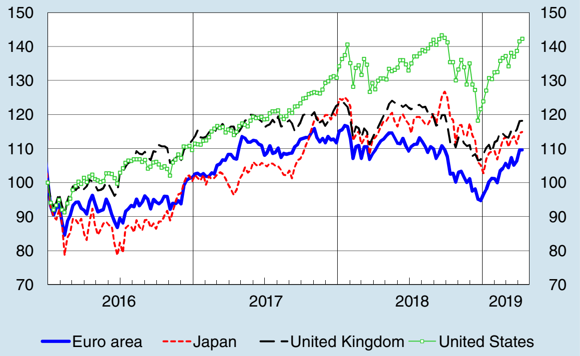
Yield spreads between 10-year government bonds and the corresponding German Bund
(end-of-week data; percentage points)



Source: Based on Bloomberg data.

Figure 13

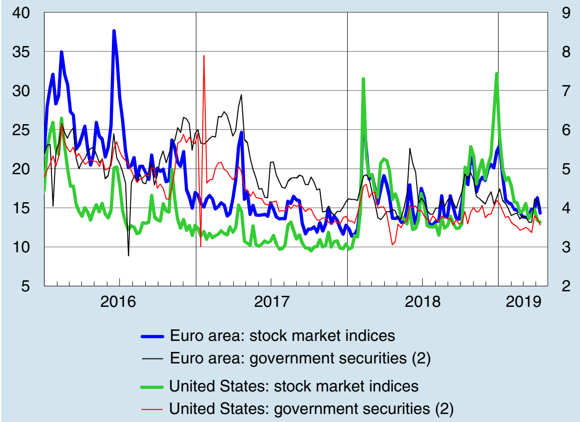
Stock market indices (1)
(end-of-week data;
1st week of January 2016=100)



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 14

Implied volatility of equity and government securities prices (1)
(average weekly data; percentage points)



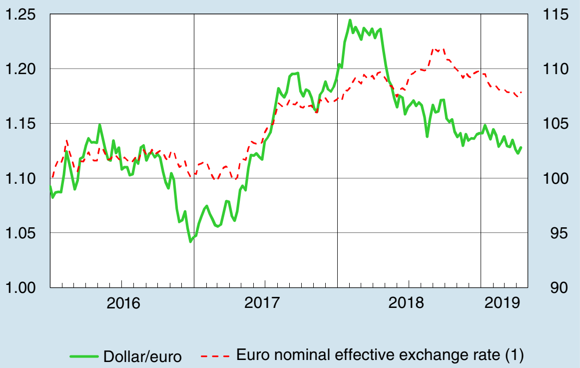
Source: Based on Thomson Reuters Datastream data.
(1) Stock market indices: VSTOXX for the euro area and VIX for the United States. Government bonds: volatility implied by the prices of options on futures on the German Bund for the euro area and on Treasury Notes for the United States. – (2) Right-hand scale.

Risks of a depreciation of the euro prevail

The euro has depreciated since the beginning of the year by about 1 per cent against the dollar and by 2 per cent in nominal effective terms (Figure 15). Signs of a further weakening of the euro prevail: non-commercial operators' speculative positions in euros are negative and the cost of hedging against a significant weakening of the euro vis-à-vis the dollar is greater than that of hedging against a strong appreciation (Figure 16).

Figure 15

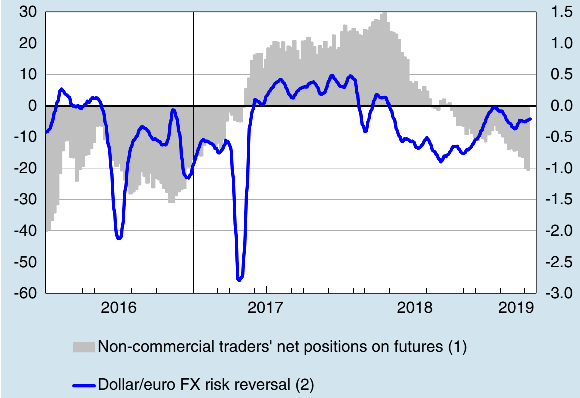
Exchange rates
(average weekly data)



Sources: ECB, Bloomberg and Thomson Reuters Datastream.
(1) Right-hand scale (1st week of January 2016=100). An increase in the nominal effective exchange rate indicates an appreciation of the euro.

Figure 16

Net positions on dollar/euro exchange rate and risk reversal
(per cent)



Sources: ECB, Bloomberg and Thomson Reuters Datastream.
(1) Difference between non-commercial long and short positions in euros on dollar/euro FX futures as a percentage of total outstanding positions (grey band). – (2) Right-hand scale. 1-month risk reversal index (20-day moving average), which measures the asymmetry of the distribution of expectations for the dollar/euro exchange rate. Negative values indicate that the risk of a depreciation of the euro remains prevalent.

2 THE ITALIAN ECONOMY

2.1 THE CYCLICAL SITUATION

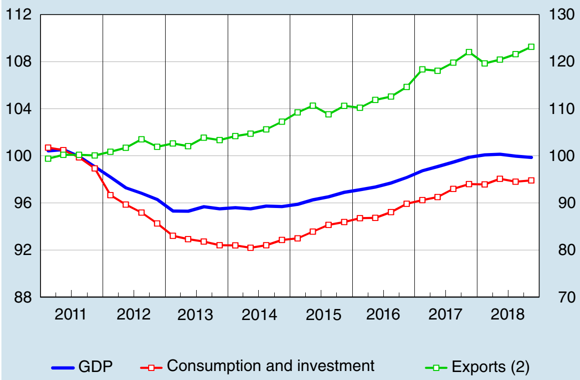
The latest indicators suggest that economic activity in Italy recovered slightly at the start of the year. The weak cyclical conditions in the last few quarters, which were especially pronounced in the industrial sector, mirror conditions in Germany and in the other euro-area countries.

In the fourth quarter of 2018 GDP falls slightly ...

GDP expanded by 0.9 per cent in 2018 as a whole, slowing compared with 2017. The slight decline in the final quarter of the year (-0.1 per cent) is attributable to the change in stocks, which shaved almost half a percentage point off GDP growth (Figure 17 and Table 4). Output was supported by the favourable performance of foreign trade, though world trade contracted (see Section 1.1). Growth in gross fixed investment and household consumption was barely positive.

Figure 17

GDP and its main demand components (1)
(quarterly data; indices: 2011=100)



Source: Based on Istat data.
(1) Chain-linked volumes; the data are adjusted for seasonal and calendar effects. Istat revised the data from 2017 onwards in order to take account of a change in the general government perimeter (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019). – (2) Right-hand scale.

Table 4

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

	2018				2018
	Q1	Q2	Q3	Q4	
GDP	0.2	0.1	-0.2	-0.1	0.9
Total imports	-1.9	1.8	0.4	0.7	2.3
National demand (2)	0.3	0.4	-0.4	-0.3	0.9
National consumption	0.3	0.0	0.0	0.1	0.5
Household spending (3)	0.3	0.0	0.0	0.1	0.6
General government spending	0.2	0.0	-0.2	-0.2	0.2
Gross fixed investment	-1.3	2.5	-1.3	0.3	3.4
Construction	0.0	0.9	0.6	0.0	2.6
Machinery, equipment, sundry products and transport equipment	-2.4	3.9	-2.9	0.6	4.0
Change in stocks (4) (5)	0.3	-0.1	-0.1	-0.4	0.0
Total exports	-2.0	0.7	1.0	1.3	1.9
Net exports (5)	-0.1	-0.3	0.2	0.2	-0.1

Source: Istat.
(1) Chain-linked volumes; the quarterly data are adjusted for seasonal and calendar effects. Istat revised the data from 2017 onwards in order to take account of a change in the general government perimeter (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019). – (2) Includes the change in stocks and valuables. – (3) Includes non-profit institutions serving households. – (4) Includes valuables. – (5) Contributions to GDP growth on previous period; percentage points.

In the fourth quarter of 2018 value added declined in non-construction industry and in construction while it resumed modest growth in services.

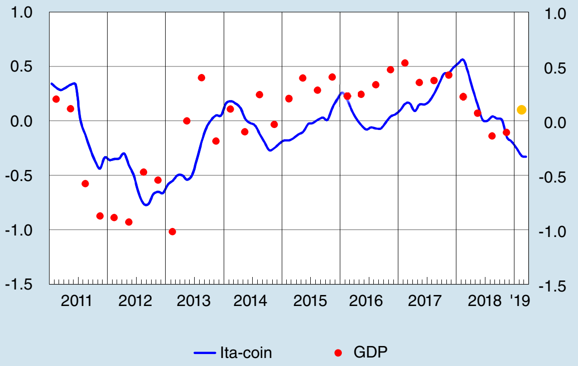
... but appears to rise again moderately in early 2019

According to our estimates, economic activity returned to growth during the winter months (see the box 'Economic activity in the first quarter of 2019'), although the Bank of Italy's Ita-coin indicator, which measures underlying growth in the Italian economy, fell again in March (Figure 18). Part of the fall was ascribable to the cyclical slowdown in the euro area, which was especially pronounced in the German economy, with which Italy has strong industrial and commercial ties (see Section 2.2).

Taking account of the unfavourable trend in economic activity recorded in the last few quarters of 2018 and in view of the cyclical data for the early months of this year, all the private and institutional forecasters have revised down their growth projections for Italy for 2019. The latest survey of the analysts polled by Consensus Economics, which in December forecast GDP growth of 0.7 per cent in 2019 in Italy, now indicates growth of between -0.1 and 0.2 per cent.[1]

Figure 18

Ita-coin coincident cyclical indicator and GDP in Italy (1)
(percentage changes)



Sources: Bank of Italy and Istat.
(1) For the methodology and construction of the indicator, see the box 'Ita-coin: a coincident indicator of the Italian economic cycle', *Economic Bulletin*, 2, 2015. Further details are available on the Bank of Italy's website: 'Ita-coin coincident cyclical indicator'. For GDP, quarterly data; changes on the previous quarter. The yellow dot shows the forecast for GDP growth based on bridge models. Istat revised the data from 2017 onwards in order to take account of a change in the general government perimeter (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019). For Ita-coin, monthly estimates of changes in GDP on the previous quarter net of the most erratic components.

ECONOMIC ACTIVITY IN THE FIRST QUARTER OF 2019

According to the latest data based on the Bank of Italy's forecasting models,[1] Italy's GDP may have increased by around 0.1 per cent in the first three months of 2019 (Figure A). It is estimated that, during the first quarter, economic activity expanded on average in industry excluding construction, but remained weak in the service and construction sectors.

Our estimates for March indicate that industrial activity returned to growth in the first quarter of this year. The number of new vehicle registrations picked up and the decline in electricity consumption slowed (Figure B). Instead, goods transport flows decreased sharply. In manufacturing, the indicator of firms' confidence diminished further (Figure C) as did the purchasing managers' index (PMI), remaining below the threshold compatible with expansion for the second consecutive quarter.

[1] Istat's preliminary estimate of GDP will be released on 30 April. The assessment made in this box is based on a wide range of partial information (such as electricity consumption, goods transport and industrial output), business surveys, and other qualitative assessments, which can all be combined using statistical models. For an overview of the short-term forecasting models see the box 'Economic activity in the fourth quarter of 2016 according to coincident indicators', *Economic Bulletin*, 1, 2017; see also 'Macroeconomic Models' on the Bank of Italy's website.

[1] Corresponding, respectively, to the 25th and 75th percentiles of the distribution of the expectations of the analysts surveyed in April by Consensus Economics.

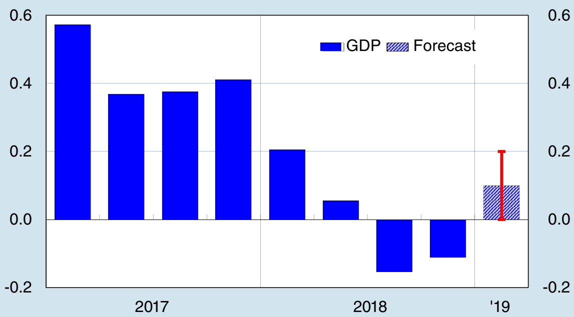
It is estimated that value added in the service sector weakened, in line with signs of a standstill in company start-ups and wind-ups, and that the PMI for the sector was again consistent with a limited expansion in activity (Figure D).

After falling in the last quarter of 2018, activity appears to have stabilized in the construction sector. According to the Bank of Italy's surveys, demand showed a slight improvement (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 April 2019). Istat data indicate that confidence also picked up among construction firms, remaining at a high level (Figure C).

Figure A

GDP growth (1)

(percentage changes)

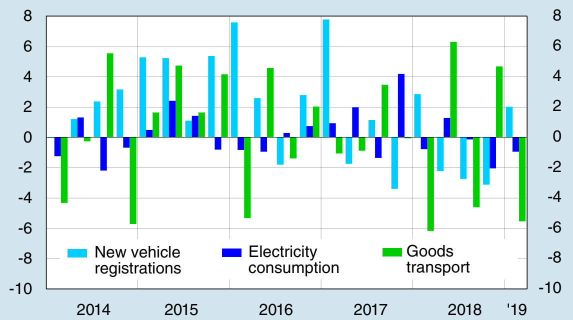


Source: Based on Istat data.
(1) For GDP and estimates, percentage changes on the previous period. Data from 2017 have been revised by Istat to incorporate a change in the perimeter of general government (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019). The red line indicates the uncertainty of the estimates within a range of 0.1 percentage points above or below the central projection and equal in width to twice the forecast root mean square error over the last 3 years.

Figure B

Cyclical indicators (1)

(seasonally adjusted percentage changes)

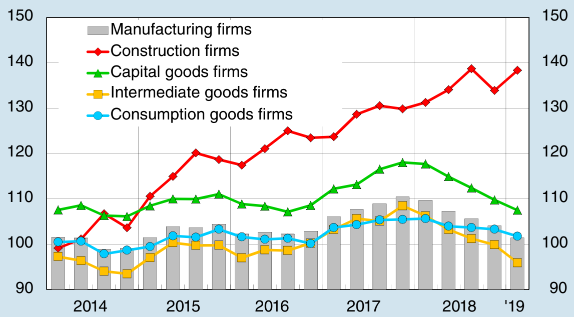


Sources: Based on data from Anfia, Autostrade per l'Italia, Ferrovie dello Stato, Istat and Terna.
(1) Average change in the reference quarter; seasonally adjusted data. For goods flows, the composite indicator is drawn from road and rail transport flows provided respectively by Autostrade per l'Italia and Ferrovie dello Stato. The two companies are not responsible for the estimates and the related conclusions. These indicators are subject to revision.

Figure C

Business confidence indices (1)

(levels; indices: 2010=100)

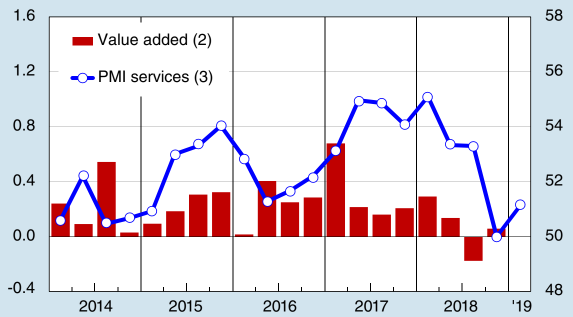


Source: Based on Istat data.
(1) Average level in the reference quarter.

Figure D

PMI and value added in services (1)

(levels and percentage changes)



Sources: Based on Istat and Markit data.
(1) For the PMI index, average level in the reference quarter. For value added in services, percentage change on the previous period, seasonally adjusted. – (2) The figure for value added in the first quarter of 2019 is not yet available. – (3) Right-hand scale.

2.2 FIRMS

According to the available indicators, industrial production returned to growth in the first three months of this year, although business surveys indicate that firms are still cautious in their assessments of demand and of the general state of the economy. Assessments of current demand from Germany and China are negative, even if expectations for the next quarter are slightly more favourable. The first cyclical indicators for 2019 and the business surveys point to weaker investment plans, which could be the result of the uncertain global outlook and reductions in tax incentives.

Industrial production returns to growth in Q1

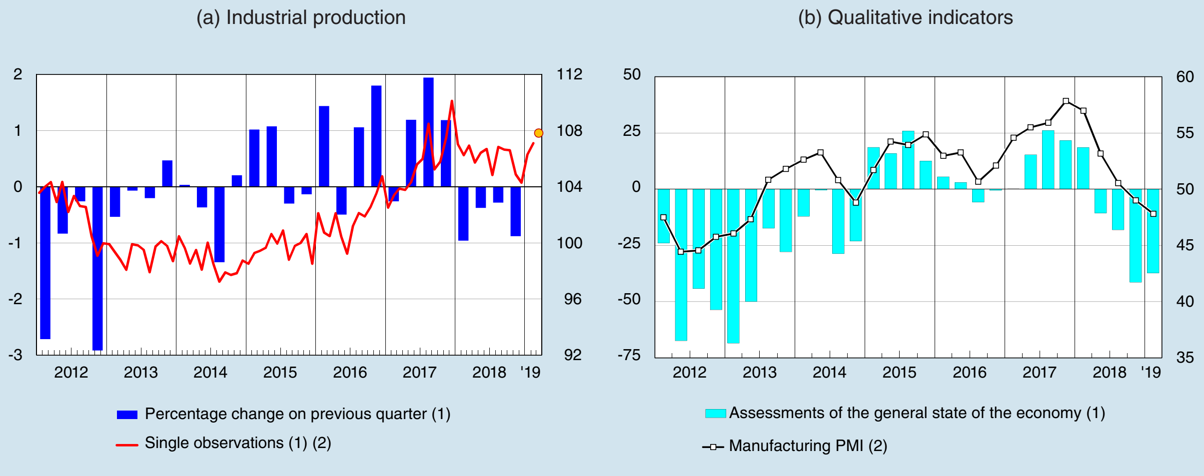
After falling in the last part of 2018, industrial production increased compared with the previous month both in January (by 1.9 per cent) and in February (by 0.8 per cent), mainly owing to growth in the consumer goods sector (Figure 19a). Our estimates indicate that this growth continued in March.

Business confidence in the manufacturing sector worsens

The qualitative indicators are less favourable overall. Business confidence in the manufacturing sector declined in March, reflecting the deterioration in the assessment and expectations for orders and production levels. The purchasing managers' indices (PMI) for manufacturing firms were still below the level indicating an expansion (Figure 19.b); the situation was better for services, for which indices rose above this level in March. The firms interviewed for the Survey on Inflation and Growth Expectations (conducted last month by the Bank of Italy) reported negative assessments of the present economic situation but slightly more positive ones in relation to expected demand for their own products in the next three months, especially foreign demand (see the box 'Italian firms' investment according to the Survey on Inflation and Growth Expectations').

Figure 19

Industrial production and qualitative indicators
(monthly and quarterly data)



Sources: Based on data from the Bank of Italy, Istat, Markit and Terna.
(1) Data adjusted for seasonal and calendar effects. Indices: 2015=100. The dot represents the estimate for March 2019. – (2) Right-hand scale. – (3) Balance, in percentage points, of the responses 'better' and 'worse' to the question on the general state of the economy (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 April 2019).

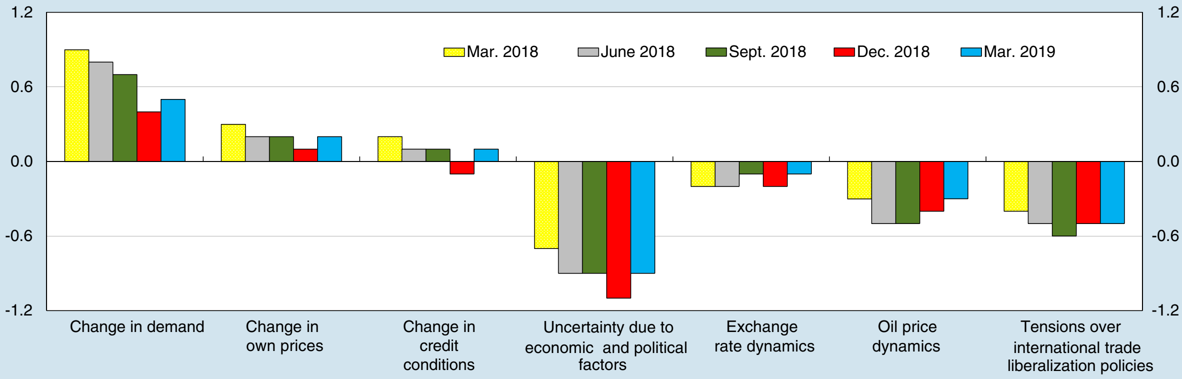
ITALIAN FIRMS' INVESTMENT ACCORDING TO THE SURVEY ON INFLATION AND GROWTH EXPECTATIONS

In March, the Bank of Italy conducted its quarterly survey on a sample of about 1,000 industrial, service and construction firms with 50 or more employees (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 April 2019).

Industrial and service firms are slightly more confident about the general economic situation, even if their assessments are still negative (see Figure 19.b). However, their views on the current trend in

Figure A

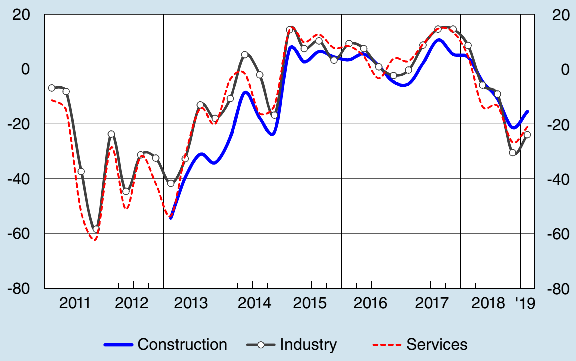
Firms' assessments of the factors that will influence their business in the short term (1)
(quarterly data)



(1) Firms were asked to provide their assessment of how each factor will influence their business in the next 3 months. The responses in terms of direction (increase or decrease) or intensity (strong/medium/modest) are coded on a scale ranging from -3 to 3 (where 0 indicates a neutral assessment) and then weighted by the number of firms.

Figure B

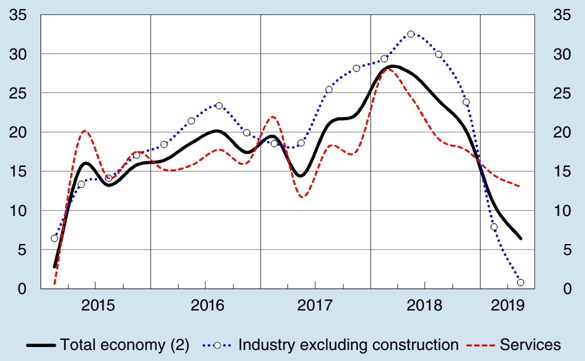
Firms' assessments of conditions for investing compared with the previous quarter (1)
(quarterly data; percentage points)



(1) Balance between assessments of improvement and deterioration by comparison with the previous quarter, as reported in the quarterly survey conducted by the Bank of Italy on a sample of firms with 50 or more employees (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 April 2019).

Figure C

Firms' expectations of investment trends by reference year (1)
(quarterly data; percentage points)



(1) Balance between assessments of improvement and deterioration by comparison with the previous year, as reported in the quarterly survey conducted by the Bank of Italy on a sample of firms with 50 or more employees (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 April 2019). The initial indications of the expectations for the reference year are surveyed in the fourth quarter of the preceding year. – (2) The total includes construction firms.

demand for their own products have worsened. Specifically, firms reported a decrease in demand from the German and Chinese markets compared with the previous three months.

Expectations for demand for their own products over the next three months are slightly better, especially regarding foreign demand, with an expected recovery in demand from Germany. Business activity has mainly been held back by the uncertainty arising from economic and political factors and international trade tensions (Figure A); these tensions are important especially for non-construction industry (with an index of -0.6; -0.3 for services).

As regards investment conditions, the balance between the opinions indicating an improvement and those indicating a deterioration, while remaining negative, improved slightly in all sectors, halting the decline under way since mid-2017 (Figure B). In the economy as a whole, there is a slightly greater share, although smaller than last December, of companies planning to expand investment in 2019 compared with those that intend to reduce it (the difference between the two shares is 6 percentage points). The balance is practically nil in industry excluding construction (Figure C).

Planned investment is slowing

Investment increased by 0.3 per cent in the fourth quarter, after declining last summer, buoyed by the recovery in investment in capital goods. Uncertainty over the renewal and size of tax incentives for this year may have induced firms to bring forward their investment spending to before the end of 2018. The reduction in the incentives for this year and the growing uncertainty about the economy appear to have put a brake on investment in the winter months, as suggested by the indicators currently available (the trend in capital goods investment and weakening confidence on the part of manufacturing firms). The quarterly survey conducted in March by the Bank of Italy points to weak growth of planned investment in 2019 (see the box 'Italian firms' investment according to the Survey on Inflation and Growth Expectations').

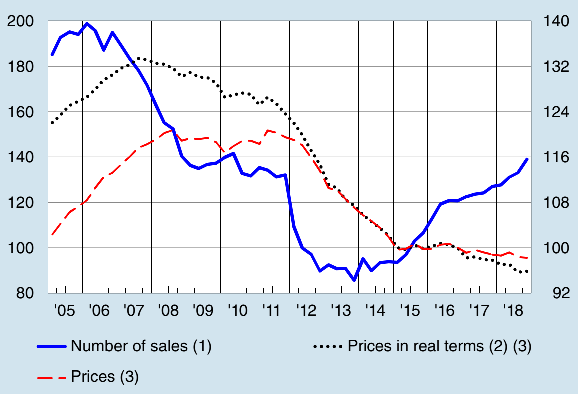
The construction sector stabilizes

House sales continued to recover in the autumn months, returning to the levels observed in the autumn months of 2008. Nevertheless, house prices continued to decline (Figure 20). The Italian Housing Market Survey, conducted in January, showed that most of the respondents expected a drop in sales prices. Short-term expectations for the housing market were less favourable than those observed three months previously. In the first quarter of 2019, however, the construction sector seems to have stabilized, in line with the slight improvement in confidence in relation to the demand prospects observed in the Survey on Inflation and Growth Expectations conducted in March by the Bank of Italy.

Figure 20

House prices and sales

(quarterly data; indices: 2015=100)



Sources: Based on data from the Osservatorio del Mercato Immobiliare, Bank of Italy, Istat and *Consulente Immobiliare*.
(1) Adjusted for seasonal and calendar effects. – (2) House prices deflated by the consumer price index. – (3) Right-hand scale.

Corporate debt declines

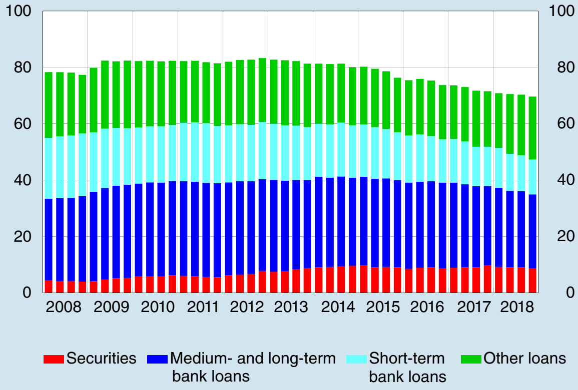
Based on Istat data, in the fourth quarter of 2018 the profit share of non-financial corporations (defined as the ratio of gross operating surplus to value added, both annualized by summing the last four quarters) decreased compared with the previous period, reflecting the increase in labour costs. There was virtually no change in self-financing capacity (defined as the ratio of gross saving to value added), given the reduction in spending on current transfers; the ratio of the financial balance to value added, in surplus since the end of 2012, increased slightly, owing to the reduction in capital account expenditure. In the last quarter of 2018, non-financial corporate debt decreased further, to 69.6 per cent of GDP (Figure 21).

According to the Italian bank lending survey (see the box 'Credit supply and demand'), in the first quarter there was greater recourse to alternative sources of funding, which offset the expansionary contribution provided by low interest rates.

Figure 21

Non-financial corporate debt (1)

(quarterly data; as a percentage of GDP)



Sources: Based on Bank of Italy and Istat data.
(1) End-of-quarter stocks and 4-quarter cumulative flows. The data for the last quarter are provisional. Debt includes securitized loans.

2.3 HOUSEHOLDS

Households' expenditure increased slightly during the autumn months despite the decline in purchasing power. The latest indicators suggest that consumption stabilized overall in the first few months of 2019.

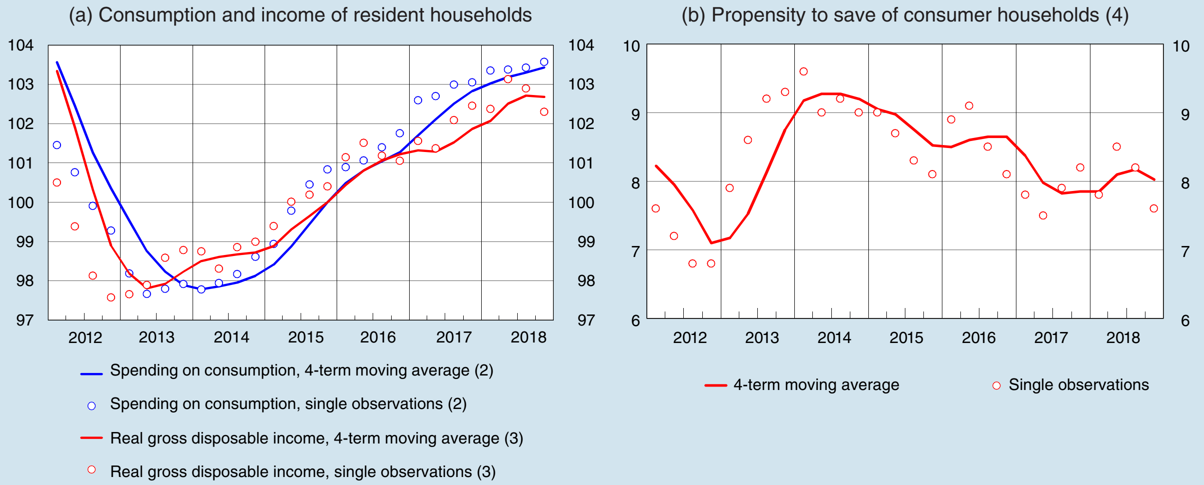
Consumption increases slightly at the end of 2018 ....

In the fourth quarter of 2018 household consumption, which had remained unchanged in the previous six months, returned to growth, albeit weakly (0.1 per cent compared with the summer months; Figure 22.a), with a rise in spending

Figure 22

Consumption, income and propensity to save (1)

(index numbers and percentage changes)

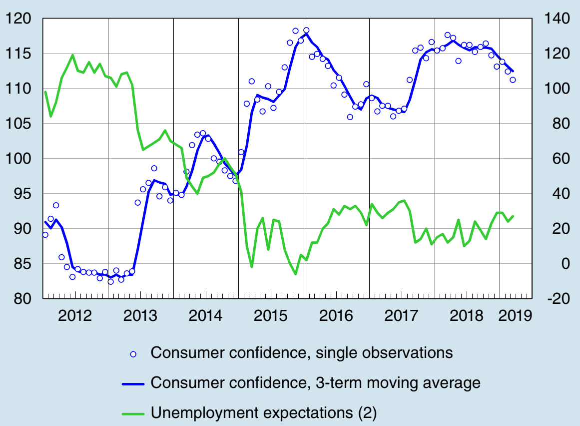


Source: Based on Istat data.
(1) Istat revised the data from 2017 onwards in order to take account of a change in the perimeter of general government (see Istat, 'GDP and General Government Net Borrowing: Updating,' Note, 9 April 2019). (2) Seasonally adjusted chain-linked volumes. Indices: 2015=100. – (3) Net of the variation in the final consumption expenditure deflator for resident households. Indices: 2015=100. Seasonally adjusted data. – (4) Consumer households' savings as a percentage of gross disposable income. Seasonally adjusted data.

Figure 23

Consumer confidence (1)

(index numbers)

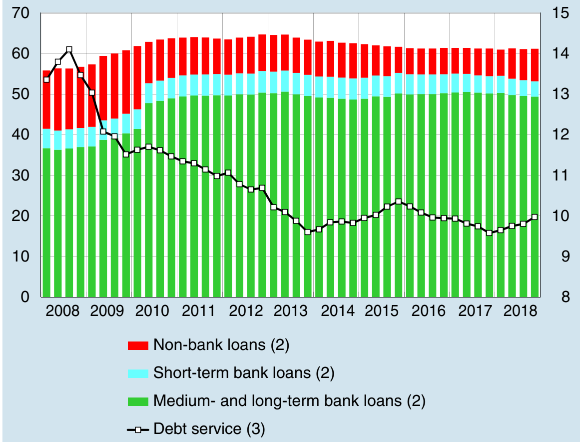


Source: Based on Istat data.
(1) Seasonally adjusted monthly data. Indices: 2010=100. In June 2013 methodological changes were introduced that make the data since then not directly comparable with the earlier data. – (2) Balance between the percentages of replies indicating an 'increase' and those indicating a 'decrease'. A rise in the balance signals a worsening in the expectations regarding the unemployment rate. Right-hand scale.

Figure 24

Household debt (1)

(quarterly data; as a percentage of gross disposable income)



Sources: Based on Bank of Italy and Istat data.
(1) End-of-quarter stocks and 4-quarter cumulative flows. The data for the last quarter are provisional. Debt includes securitized loans. – (2) In the second quarter of 2010 there was 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', in *Supplements to the Statistical Bulletin*, 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (interest plus repayment of capital) for consumer households only.

on durable goods and, to a lesser extent, services. The increase in consumption was held back by the drop in real disposable income net of inflation (-0.6 per cent compared with the previous quarter; Figure 22.a); the propensity to save fell to 7.6 per cent (Figure 22.b).

... and appears to remain weak at the start of the year

The latest cyclical indicators suggest that the trend in consumption was again weak in the first quarter of 2019. New car registrations picked up, but were still below the levels reported prior to the entry into force of new emissions regulations in September of last year. In March the consumer confidence index, while still relatively high, fell to its lowest level in about a year and a half, reflecting the deterioration in assessments of the current and expected general economic situation, as well as the worsening in the outlook for the labour market (Figure 23).

Household debt remains stable

In the fourth quarter of 2018, the ratio of Italian household debt to disposable income remained basically unchanged at 61.2 per cent (Figure 24), well below the euro-area average of 94.5 per cent. As a share of GDP, household debt held stable at 41.1 per cent (57.6 per cent in the euro area). In 2018 debt servicing costs (interest plus repayment of principal) rose slightly to 10 per cent of disposable income.

In the early months of this year the average cost of new loans to households for house purchase remained at low levels (1.9 per cent in February; see Section 2.7).

2.4 FOREIGN DEMAND AND THE BALANCE OF PAYMENTS

Italian exports rose at a steady pace in the fourth quarter of 2018, despite the drop in international trade; nevertheless, uncertainty stemming from global conditions weighs on the outlook. During last year, the gradual improvement in exports and international tourism inflows helped Italy maintain a large current account surplus despite the increase in the energy deficit. In the first two months of 2019 as a whole, foreign investors started purchasing Italian portfolio securities again.

Exports record rapid growth in the autumn months ...

In the fourth quarter of 2018, the volume of exports of goods and services grew by 1.3 per cent quarter on quarter (Table 5). Exports of goods (up by 1.0 per cent) were stronger outside the European Union, owing in part to the improvement in price competitiveness under way since last spring; exports within the EU instead recorded weaker growth. The expansion in exports was driven mainly by the pharmaceutical sector and by some of the traditional 'made in Italy' sectors (food, clothing and leather products); by contrast, exports of transport equipment and electrical machinery fell significantly. Exports of goods and services grew by 1.9 per cent in 2018.

In the autumn, imports rose by 0.7 per cent in volume, mainly reflecting purchases of services, transport equipment and pharmaceutical products. Imports grew by 2.3 per cent in 2018.

... but the outlook is uncertain

In the first two months of 2019 as a whole, goods exports, valued at current prices and seasonally adjusted, rose by 1.0 per cent compared with the previous two months, driven by sales in non-EU markets. The qualitative data on manufacturing firms' foreign orders point to an uncertain outlook: in the first few months of 2019 firms' assessments as recorded by Istat worsened and the corresponding purchasing managers' index (PMI) remained just below the threshold compatible with an expansion in foreign sales (Figure 25).

Table 5

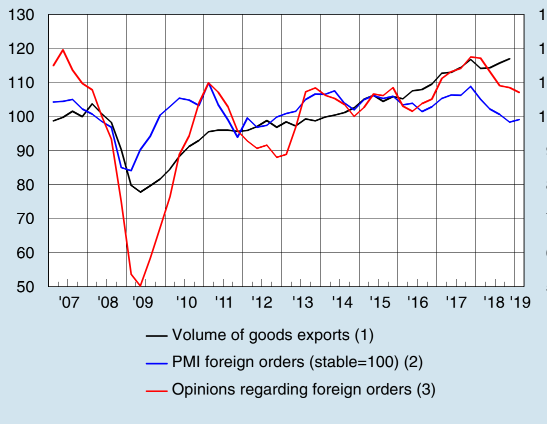
Italy's exports and imports (1)
(percentage change on previous period)

	2018	
	Q3	Q4
Exports	**1.0**	**1.3**
Goods	1.2	1.0
EU countries	1.6	0.3
non-EU countries	0.7	2.0
Services	-0.1	2.3
Imports	**0.4**	**0.7**
Goods	0.9	0.3
EU countries	-0.3	0.4
non-EU countries	2.7	0.1
Services	-1.6	2.0

Source: Based on Istat data.
(1) Chain-linked volumes; the quarterly data are adjusted for seasonal and calendar effects.

Figure 25

Manufacturing firms' assessments of foreign orders
(seasonally adjusted quarterly data; index numbers)



Source: Istat, Markit and Thomson Reuters Datastream.
(1) Index: 2007=100 (national accounts data). – (2) Quarterly average of the PMI plus 50. – (3) Quarterly average based on Istat's monthly survey of firms; percentage balance of replies of 'increasing' and 'decreasing', minus the average, plus 100.

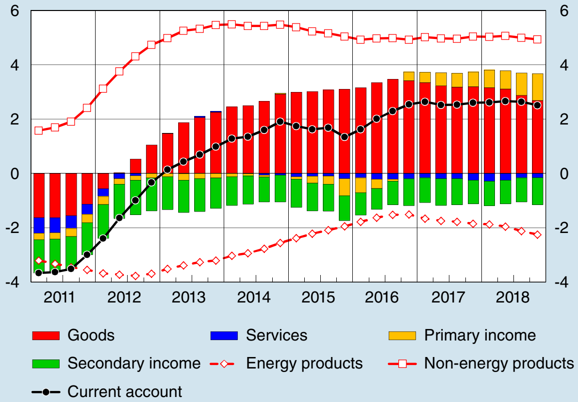
The current account surplus remains large

In 2018 the current account surplus remained sizeable at €44 billion (2.5 per cent of GDP; Figure 26 and Table 6). The decline in the merchandise trade surplus, linked above all to increased spending on energy, was offset by the greater primary income surplus and the improvement in the services balance, mainly owing to the favourable trend in expenditure by foreign tourists in Italy.

Figure 26

Current account balance and main components

(per cent of GDP; 4-quarter moving average)



Source: For GDP, Istat; for the breakdown between energy and non-energy products, based on Istat foreign trade data.

Table 6

Italy's balance of payments (1)

(billions of euros)

	2017	2018	Jan.-Feb. 2018	Jan.-Feb. 2019
Current account	**44.9**	**44.0**	**1.1**	**3.1**
Memorandum item: % of GDP	2.6	2.5		
Goods	55.0	47.1	4.2	5.5
non-energy products (2)	87.0	86.6	10.0	12.0
energy products (2)	-32.0	-39.5	-5.8	-6.5
Services	-4.3	-2.7	-2.0	-2.1
Primary income	9.3	17.3	1.9	2.5
Secondary income	-15.1	-17.6	-3.0	-2.8
Capital account	**0.6**	**-0.6**	**-0.2**	**-0.2**
Financial account	**51.4**	**30.0**	**5.2**	**5.9**
Direct investment	3.3	-3.1	-4.1	0.8
Portfolio investment	87.5	121.7	12.5	-15.5
Financial derivatives	-7.3	-2.8	-0.3	0.2
Other investment (3)	-34.7	-88.5	-2.6	20.5
Changes in official reserves	2.7	2.6	-0.3	-0.2
Errors and omissions	**5.9**	**-13.5**	**4.3**	**3.0**

(1) Based on the international standards in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6), 2009. For January and February 2019, provisional data. – (2) Based on Istat foreign trade data. – (3) Includes change in the TARGET2 balance.

Foreign investors resume purchases of Italian government securities

Overall in the first two months of this year, the stock of Italian government securities held by non-resident investors returned to growth, reflecting in part the profile of net issues by the Treasury (see the box 'Recent trends in the Bank of Italy's TARGET2 position' in *Economic Bulletin*, 4, 2018). Non-resident investors made total net sales of €51 billion in 2018.

On the asset side, in 2018 residents' net purchases of foreign portfolio securities more than halved compared with the previous year; the decrease involved mainly investment in foreign funds and, to a lesser extent, foreign bonds. For the year as a whole, these capital outflows were partly offset by the increase in banks' foreign funding (see the box 'Recent trends in the TARGET2 balance and its determinants').

RECENT TRENDS IN THE TARGET2 BALANCE AND ITS DETERMINANTS

The Bank of Italy's liabilities on the TARGET2 European payment system rose by €43 billion in 2018. The increase in the balance, which is the accounting counterpart to all transactions between residents and non-residents in Italy, reflected net sales of Italian (public and private sector) securities by non-residents and net purchases of foreign portfolio assets by residents. The outflows of capital were in part offset by inflows connected with the current account and the capital account surpluses, as well as by the large increase in Italian banks' net foreign funding on the interbank market.

Banks' foreign funding on the interbank market includes direct funding on the money market through bilateral transactions with foreign counterparties, which is recorded in the financial account of the balance of payments as an increase in the liabilities ('Other investment') of the sector 'Banks', as well as funding on the MTS Repo market, where repurchase agreements in

Changes in the TARGET2 balance and relation with the other balance of payments items (1)
(billions of euros)

		TARGET2 balance (end of month)	Change in TARGET2 balance (A) + (B) + (C) + D) + (E) + (F) – (G)	Foreign portfolio investment in Italian public sector securities (A)	Foreign portfolio investment in Italian private sector securities (excl. bank bonds) (B)	Foreign portfolio investment in Italian bank bonds (C)	Net foreign funding of resident monetary financial institutions (excluding central bank) in loans and deposits (D)	*of which:* cleared by resident central counterparties	Current account and capital account balance (E)	Other items (2) (F)	Italian portfolio investment in foreign securities (G)
2018		-482	-43	-51	-13	-12	53	43	43	-17	46
2018	Q1	-442	-3	32	-2	-2	-1	2	4	-4	30
	Q2	-481	-38	-48	-8	-11	31	33	10	-11	2
	Q3	-489	-8	-11	5	-2	16	-4	16	-4	29
	Q4	-482	7	-24	-8	3	7	12	13	2	-15
2019	Jan.	-482	0	22	1	1	-28	-32	0	0	-5
	Feb.	-483	-1	-5	1	-2	16	16	3	-7	6
	Mar.	-475	8	….	….	….	….	….	….	….	….

(1) A negative change in the TARGET2 balance indicates an increase in the Bank of Italy's liabilities in TARGET2. The data are available on the Bank of Italy's website in the Statistical database (BDS), especially Table TBP60200. For January and February 2019 the data are provisional. – (2) Direct investment, derivatives, residual items in other investment, official reserves, errors and omissions.

government securities are traded (see *Financial Stability Report,* 2, 2018).[1] A large share of trading on this market is cleared by the central counterparty Cassa di compensazione e garanzia SpA which, because it is classified as a non-bank financial intermediary, all foreign transactions conducted on behalf of banks resident in Italy (often for extremely large values) are entered in the balance of payments under the non-bank private sector ('Other investment' in the section 'Other sectors'). In the analysis of trends in the TARGET2 position contained in the table below, these operations are reclassified under net foreign funding of the Italian banking sector (€43 billion in 2018).[2]

The TARGET2 balance held virtually stable in the first two months of 2019 as a whole. Net inflows from investments in government securities by non-residents were offset by a reduction in Italian banks' funding on the MTS Repo market.

[1] In a repurchase agreement securities are sold ('spot' transaction) with an agreement to repurchase them at a given date ('forward' transaction) at a specific price. Repos are normally used to obtain liquidity (against collateral) or to have temporary possession of a security.

[2] For details of the methodology see the Bank of Italy's website, 'TARGET2 balances and capital flows: an update' and Table 7 in 'Balance of Payments and International Investment Position', Banca d'Italia, Statistics Series.

The TARGET2 liabilities remain stable in the early months of the year

The Bank of Italy's liabilities on the TARGET2 payment system, which had expanded by €66 billion between April and August 2018 following sales of government securities by non-residents (see *Economic Bulletin*, 3, 2018), declined slightly in the final quarter of last year, and then stabilized at around €480 billion. On 31 March 2019 the negative balance stood at €475 billion (Figure 27).

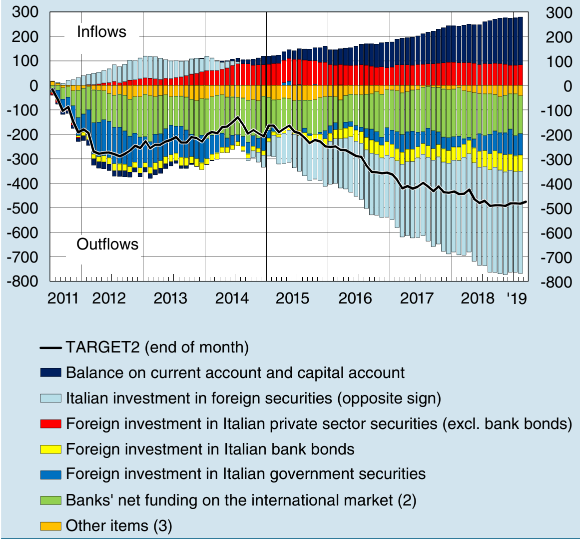
The net international investment position is near to balance

At the end of 2018, Italy's net international investment position was negative by €69 billion (3.9 per cent of GDP), €17 billion higher than in the previous quarter. The slight increase is attributable in large part to the fall in share prices worldwide, which led to negative portfolio valuation adjustments. Italy's negative net international investment position has improved by about 20 percentage points of GDP over the last five years.

Figure 27

TARGET2 balance and cumulative balance of payments flows (1)

(monthly data; billions of euros)



(1) Using the balance of payments accounting identity, an increase in the Bank of Italy's negative balance vis-à-vis the ECB in the TARGET2 payment system may reflect investment in Italy by non-residents (greater liabilities), residents' disposals of foreign assets (fewer assets) or a current account and capital account surplus. Cumulative flows since July 2011. – (2) Net bank funding in the form of loans, deposits and other investments by the banking sector, including those intermediated by resident central counterparties. – (3) Direct investments, derivatives, other investments, official reserves, errors and omissions.

2.5 THE LABOUR MARKET

In the fourth quarter of 2018 the number of persons employed declined slightly, reflecting the cyclical weakness of the economy, and the unemployment rate turned upward again. According to the latest indicators, overall in January and February employment appears to have stabilized. Wages continued to rise.

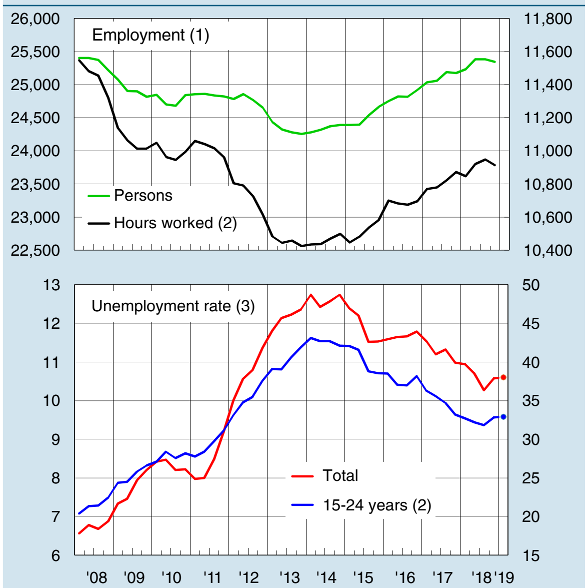
Employment decreases in the fourth quarter

The number of persons in employment increased by 0.9 per cent on average in 2018; after rising in the first half of the year, it stabilized in the summer months and declined slightly in the autumn (-0.2 per cent on the previous period; Figure 28 and Table 7). The contraction recorded in the last quarter of the year is mainly ascribable to the reduction in the personal and household services sector; employment instead remained practically unchanged in industry excluding construction and continued to grow in other private services. The number of hours worked fell in all the main sectors except construction.

Figure 28

Employment and unemployment

(seasonally adjusted quarterly data)



Source: Istat's quarterly national accounts for employment data and Istat's labour force survey for the unemployment rate.
(1) Thousands of persons and millions of hours. – (2) Right-hand scale. – (3) The dot indicates the average for the two-month period January-February.

Table 7

Employment and hours worked

(seasonally adjusted quarterly data; thousands of persons, millions of hours and percentage changes on the previous quarter)

	Stocks	Changes			
	Q4 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Persons employed	**25,346**	**0.2**	**0.6**	**..**	**-0.2**
of which: industry excl. construction	4,278	0.4	0.9	..	-0.1
private services (1)	11,182	0.4	0.1	0.4	0.3
Employees	19,307	0.5	0.5	-0.1	-0.1
Self-employed	6,039	-0.8	1.0	0.4	-0.2
Hours worked	**10,912**	**-0.2**	**0.7**	**0.3**	**-0.3**
of which: industry excl. construction	1,884	-0.4	0.6	0.4	-0.2
private services (1)	5,026	..	0.2	0.5	-0.1
Employees	7,665	0.4	0.4	0.2	-0.1
Self-employed	3,247	-1.7	1.4	0.4	-0.9

Source: Istat's quarterly national accounts.
(1) Does not include services to households and individuals (arts, entertainment and recreational activities; domestic work; other personal and household services).

Preliminary data from Istat's labour force survey suggest that in January and February as a whole, the number of persons employed was essentially unchanged compared with the preceding two months.

Permanent contracts increase in 2018

According to administrative data from INPS on payroll employment contracts in the private sector, the growth in fixed-term contracts slowed in 2018 as a whole compared with the previous twelve months. Permanent contracts began to increase again after the reduction recorded in 2017. The increase, which was spread over the whole year, was driven by the conversion of the large number of fixed-term contracts signed in 2017. Another contributing factor appears to have been the introduction, in January of last year, of incentives for converting fixed-term contracts to new permanent contracts for workers under the age of 35. These trends continued into January 2019.

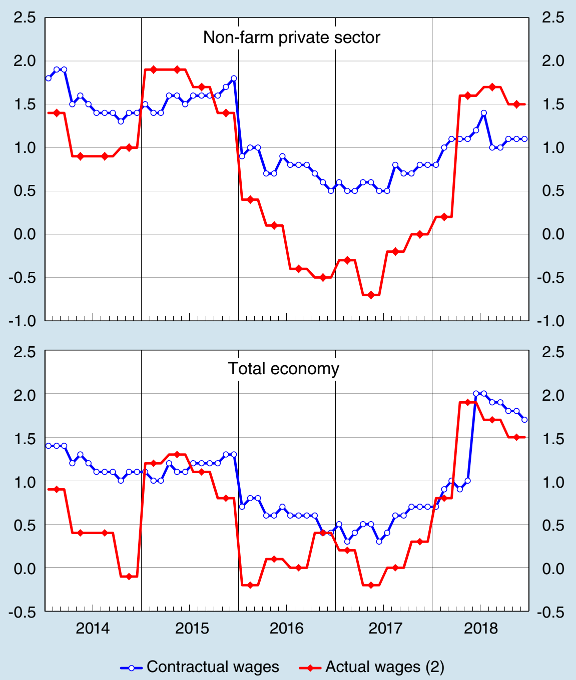
The unemployment rate rises again at the end of 2018

In the fourth quarter the unemployment rate grew by 0.3 percentage points, to 10.6 per cent (Figure 28). The increase in the participation rate (to 65.7 per cent, from 65.5 per cent in the third quarter) and the decline in employment contributed to interrupting the downward trend under way since early 2017. The increase in the unemployment rate was greater for the 15-24 age group, rising from 31.8 to 32.8 per cent.

Figure 29

Hourly wages (1)

(year-on-year percentage changes)



Sources: Istat's quarterly national accounts and survey of contractual wages.
(1) Raw monthly data for contractual wages; seasonally adjusted quarterly data for actual wages. – (2) Gross wages.

According to preliminary data from Istat's labour force survey, in the first two months of 2019 the participation rate and the unemployment rate held stable compared with the previous two months.

Wages continue to grow

In the fourth quarter of 2018 both contractual and actual wages continued to grow on an annual basis, albeit at a slightly slower pace than in the summer (Figure 29). In the non-farm private sector, however, the share of payroll employees covered by expired collective bargaining agreements, which was already high, rose further (to 42.4 per cent in the first quarter of 2019, from 40.1 per cent in late 2018). If collective bargaining agreements are not renewed, this could translate into a slowdown in wages in the coming months.

2.6 PRICE DEVELOPMENTS

Inflation declined in the first quarter of 2019. Contributory factors included the weak cyclical conditions and the slowdown in the prices of energy products recorded between the end of 2018 and January of this year. Firms, households and analysts revised down their inflation expectations.

Consumer price inflation is low ...

The twelve-month change in the harmonized index of consumer prices (HICP) stood at 1.1 per cent in March (Figure 30). The seasonally adjusted annualized three-month inflation rate rose to 1.5 per cent (Figure 31).

... and the core component is weak

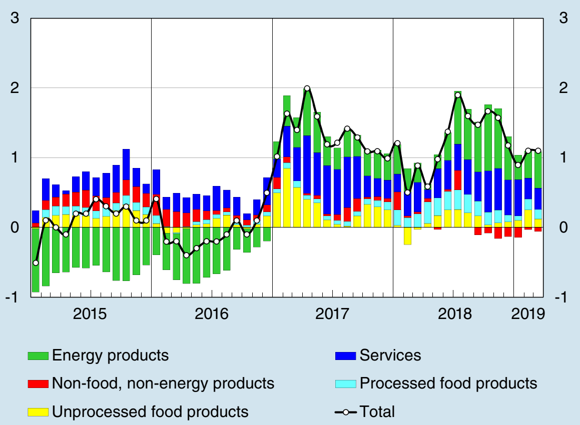
Again in March, inflation net of the food and energy components was practically nil (0.3 per cent; Table 8). The low levels of core inflation, which are consistent with the weak economic cycle, reflect both the small decline in the prices of non-energy industrial goods and slowing service prices (which rose by 0.7 per cent in the same month).

Producer prices slow

In February growth in the producer prices of industrial products sold on the domestic market declined to 3.9 per cent, mainly reflecting price developments in the energy component. Inflation of non-food final consumption goods rose slightly (to 1.3 per cent). In the fourth quarter of 2018, hourly unit labour costs slowed in the economy as a whole, owing to the lower

Figure 30

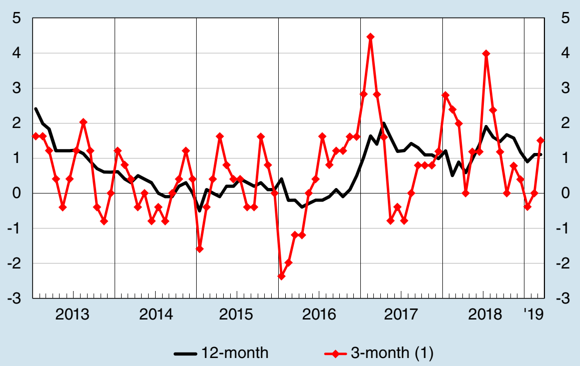
Consumer price inflation in Italy and the contribution of its components (1)
(monthly data; 12-month percentage changes and percentage points)



Source: Based on Eurostat data.
(1) Harmonized index of consumer prices.

Figure 31

Consumer price inflation
(monthly data; percentage changes)



Source: Based on Eurostat data.
(1) Annualized and seasonally adjusted.

Table 8

Indicators of inflation in Italy

(year-on-year percentage changes)

	HICP (1)			CPI (2)			PPI (3)	GDP deflator
	Overall index	Excl. food and energy	Overall index at constant taxation (4)	Overall index		Excl. food and energy	Overall index	
					at 1 month (5)			
2013	1.2	1.2	1.1	1.2	–	1.1	-1.2	1.2
2014	0.2	0.7	-0.1	0.2	–	0.7	-1.8	1.0
2015	0.1	0.7	0.0	0.0	–	0.5	-3.4	0.9
2016	-0.1	0.5	-0.1	-0.1	–	0.5	-2.2	1.2
2017	1.3	0.8	1.3	1.2	–	0.7	2.6	0.5
2018	1.2	0.6	1.2	1.1	–	0.5	3.9	0.8
2018 – Jan.	1.2	0.7	1.1	0.9	0.3	0.4	1.8	–
Feb.	0.5	0.5	0.6	0.5	-0.1	0.5	1.8	–
Mar.	0.9	0.7	0.9	0.8	0.2	0.5	2.2	–
Apr.	0.6	0.2	0.6	0.5	-0.1	0.2	1.4	–
May	1.0	0.6	1.0	1.0	0.3	0.5	2.7	–
June	1.4	0.7	1.3	1.3	0.2	0.5	3.2	–
July	1.9	0.9	1.9	1.5	0.3	0.5	5.1	–
Aug.	1.6	0.6	1.6	1.6	0.1	0.7	5.2	–
Sept.	1.5	0.5	1.4	1.4	-0.1	0.6	5.6	–
Oct.	1.7	0.7	1.7	1.6	0.3	0.7	7.1	–
Nov.	1.6	0.7	1.6	1.6	0.0	0.6	5.8	–
Dec.	1.2	0.5	1.2	1.1	-0.2	0.5	5.2	–
2019 – Jan.	0.9	0.6	0.9	0.9	0.2	0.5	4.4	–
Feb.	1.1	0.4	1.0	1.0	0.0	0.3	3.9	–
Mar.	1.1	0.3	1.0	1.0	0.2	0.3	….	–

Sources: Based on Istat and Eurostat data. The figures in brackets are preliminary estimates.
(1) Harmonized index of consumer prices. – (2) Consumer price index for the entire resident population; this differs from the HICP principally owing to 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.

growth of hourly wages and the less pronounced decline in hourly productivity.

Firms' price competitiveness improves

According to our estimates, in the first quarter of this year price competitiveness, as measured by the producer prices of manufactured goods and taking account of Italy's trade structure, recorded a slight improvement, as did the other leading euro-area countries, thanks to the depreciation of the nominal exchange rate of the euro (Figure 32).

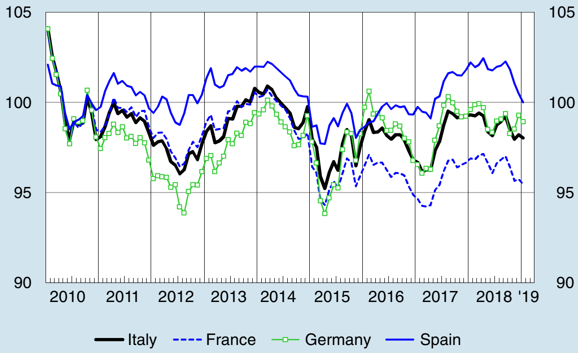
Firms and households lower their inflation expectations

According to the quarterly survey conducted in March by the Bank of Italy, firms expect to raise their list prices by a small amount over the next twelve months (around 0.8 per cent).

Figure 32

Indicators of competitiveness (1)

(monthly data; indices: 2010=100)

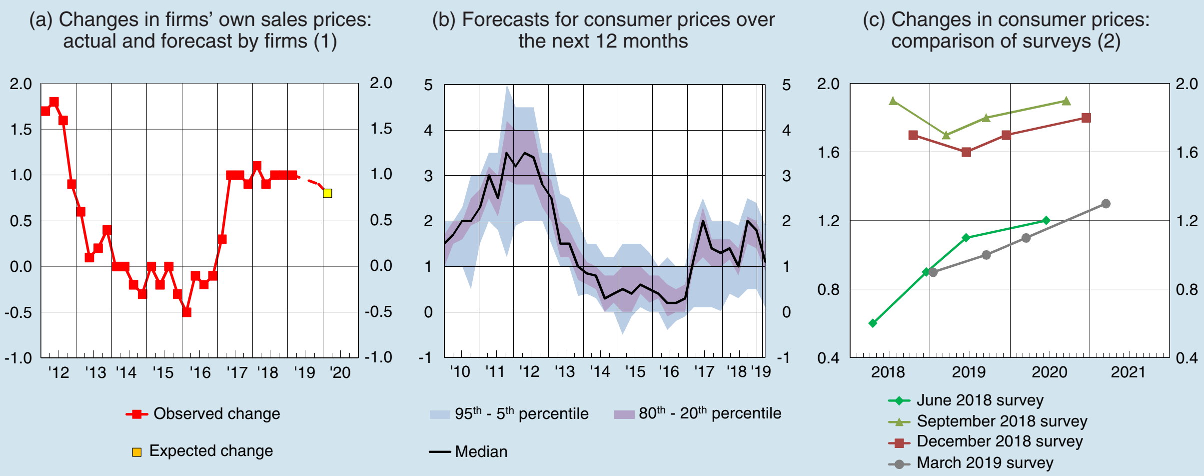


Sources: Based on data from the ECB, CEPII, Eurostat, IMF, OECD, UN and national statistics.
(1) Vis-à-vis 60 competitor countries; based on producer prices of manufactures. An increase in the index indicates a loss of competitiveness; the latest data refer to January 2019. For the method of calculation, see A. Felettigh and C. Giordano, 'Rethinking prices and markets underlying price competitiveness indicators', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 447, 2018.

Figure 33

Inflation expectations of industrial (excluding construction) and service firms

(12-month percentage changes)



Source: Based on the findings of the Bank of Italy's quarterly Survey on Inflation and Growth Expectations. Up to October 2018 the survey was conducted jointly with *Il Sole 24 Ore*.
(1) Robust average of responses to questions on the observed percentage change in firms' own sales prices over the past 12 months and the change expected over the next 12 months. – (2) The first point of each curve is the definitive figure available at the time of the survey, which is provided to interviewees in the questionnaire as the basis for formulating their expectations; the second point represents the average of the forecasts for the subsequent 6 months; the third point is the average of the forecasts for the subsequent 12 months; the fourth point is the average of the forecasts for the subsequent 24 months.

Compared with the December survey, firms lowered their inflation expectations across all time horizons (Figure 33). Similar indications emerge from Istat surveys: on average in the first quarter the balance between the share of manufacturing firms expecting to raise their prices and the share of those planning to reduce them narrowed, though it remained positive, while the percentage of consumers expecting prices to remain unchanged or to decline over the next twelve months increased slightly compared with the last quarter of 2018 (reaching 56.4 per cent). Since the end of last year the inflation expectations for 2019 of the professional forecasters polled by Consensus Economics have declined gradually to 0.9 per cent in April, 0.4 percentage points below the projections for the euro area as a whole.

2.7 BANKS

The growth in lending to firms remains modest. The increase in bond yields registered last year on the Italian financial markets is only gradually being transmitted to credit conditions, thanks to banks' high level of liquidity and good capital conditions. However, qualitative surveys show some signs of tightening owing to both the deterioration in the macroeconomic outlook and the increase in funding costs. Non-performing loans decreased and profitability improved.

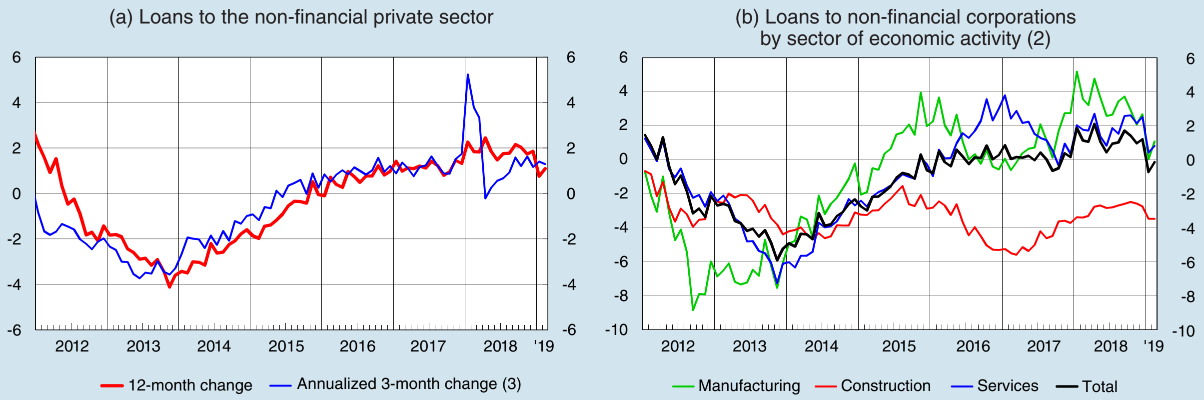
Lending continues to expand slightly

In the three months ending in February, loans to the non-financial private sector increased by 1.3 per cent on a seasonally adjusted and annualized basis (Figure 34.a and Table 9). The weak growth was mainly attributable to lending to non-financial corporations, while lending to households was more robust both for mortgage loans and consumer credit.

The growth in loans to firms was virtually nil over the preceding twelve months (Figure 34.b): the abrupt slowdown compared with the end of last year was mainly due to a base effect related to the

Figure 34

Bank lending (1)
(monthly data; percentage changes)



Source: Supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage change is net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) Twelve-month changes; until December 2013, the data for each sector are not adjusted for value adjustments. – (3) Seasonally adjusted. As a consequence of the models used to make seasonal adjustments, which are in accordance with the guidelines of the European Statistical System, direct comparison between the series shown in the graph and the series presented in previous issues of the Economic Bulletin may not be possible.

large flow of loans recorded in January 2018.[2] The deterioration was seen across all sectors of activity and was more marked for small firms.

Table 9

Bank lending as at February 2019 (1)
(percentage changes)

	12-month change	3-month change (2)
Non-financial private sector	**1.1**	**1.3**
Households	**2.6**	**2.4**
of which: Loans for house purchase	2.5	….
Consumer credit and other loans	2.7	….
Non-financial corporations	**-0.1**	**0.5**
of which: Manufacturing	1.1	….
Services	0.8	….
Construction	-3.5	….

Source: Supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage change is net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) Annualized and seasonally adjusted.

Deposits increase

Residents' deposits increased by about €20 billion between November and February (Table 10), while wholesale funding remained substantially unchanged: the decline in funding in the form of repos handled by central counterparties (see the box 'Recent trends in the TARGET2 balance and its determinants') was offset by the increase in non-resident deposits and, to a lesser extent, by net bond issues. Overall, the funding gap, i.e. the share of loans not covered by retail funding, remained at historically low levels.

Higher yields on government securities continue to have a limited effect on the cost of credit

Overall, the yields on bank bonds remained high in comparison with other euro-area countries as a result of the high interest rates applied to Italian government securities. However, the higher wholesale funding costs continue to be only gradually transmitted to the interest rates applied to loans to households and firms (see *Economic Bulletin*, 1, 2019). In February, the average cost of new loans to firms and of new mortgage loans to households stood at 1.5 per cent and 1.9 per cent respectively, substantially unchanged compared with the levels recorded in November and about 10 basis points higher than the levels recorded before tensions emerged on the government

[2] January 2018 marked the close of the reference period for calculating credit to firms and households, on the basis of which the final cost of the second series of targeted longer-term refinancing operations (TLTRO-II) for each bank was defined.

Table 10

Main assets and liabilities of Italian banks (1)
(billions of euros; percentage changes)

	End-of-month stocks		12-month percentage changes (2)	
	November 2018	February 2019	November 2018	February 2019
Assets				
Loans to Italian residents (3)	1,727	1,711	-1.7	-2.4
of which: firms (4)	697	677	1.0	-0.1
households (5)	631	627	2.7	2.6
Claims on central counterparties (6)	74	82	-32.9	20.6
Debt securities excluding bonds of resident MFIs (7)	514	527	17.3	15.1
of which: securities of Italian general government entities	386	394	18.9	18.0
Claims on the Eurosystem (8)	89	73	-35.1	-38.9
External assets (9)	398	402	9.9	6.4
Other assets (10)	887	895	1.0	4.8
Total assets	**3,688**	**3,689**	**0.2**	**1.7**
Liabilities				
Deposits of Italian residents (3) (11) (12)	1,505	1,524	3.5	2.6
Deposits of non-residents (9)	317	328	4.2	8.7
Liabilities towards central counterparties (6)	144	139	4.3	33.5
Bonds (12)	236	240	-17.1	-10.3
Liabilities towards the Eurosystem (8)	244	243	-3.3	-3.2
Liabilities connected with transfers of claims	115	117	4.1	-3.0
Capital and reserves	392	379	-9.4	-11.8
Other liabilities (13)	736	720	5.5	7.1
Total liabilities	**3,688**	**3,689**	**0.2**	**1.7**

Source: Supervisory reports.
(1) The data for February 2019 are provisional. – (2) Adjusted for reclassifications, value adjustments and exchange rate movements. Changes in loans to firms and households are adjusted for securitizations. – (3) Excludes transactions with central counterparties. – (4) Harmonized definition, excludes producer households. – (5) Harmonized definition, includes producer households, non-profit institutions serving households, and households not classified elsewhere. – (6) Only repos. – (7) Excludes bonds of resident MFIs, i.e. banks and money market funds. – (8) Includes the accounts with the Eurosystem for monetary policy operations; see Tables 3.3a and 3.3b in 'Banks and Money: National Data', Banca d'Italia, Statistics Series. – (9) In the period considered these refer mainly to interbank transactions. – (10) 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 some minor items. – (11) Excludes liabilities connected with transfers of claims. – (12) Excludes liabilities towards resident MFIs. – (13) Bonds held by resident MFIs, deposits of resident MFIs, derivatives, and some minor items.

securities market in the spring of 2018 (Table 11 and Figure 35).

Surveys indicate a tightening in credit access conditions

According to the Italian banks that took part in the euro-area bank lending survey, in the first quarter of 2019 the credit standards applied to new business loans remained overall accommodative. The higher funding costs translated into a slight tightening of the overall terms and conditions applied to loan agreements (see the box 'Credit supply and demand'). The business surveys carried out in March by Istat and the Bank of Italy confirm that credit access conditions appear to have tightened further in the same period.

Table 11

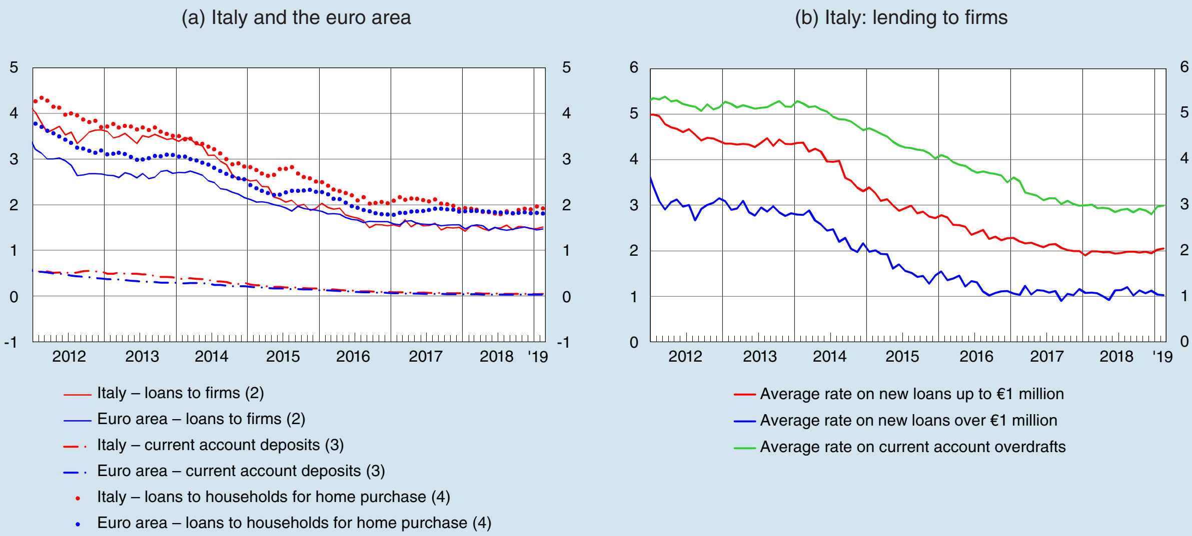
Bank interest rates (1)
(per cent)

	May 2018	November 2018	February 2019
Loans to firms	**1.4**	**1.5**	**1.5**
of which: up to €1 million	2.0	2.0	2.0
over €1 million	0.9	1.1	1.0
Loans to households for house purchase	**1.8**	**1.9**	**1.9**
of which: fixed rate (2)	2.0	2.0	2.1
variable rate (3)	1.5	1.6	1.5

(1) Average rates on new euro-denominated loans. The data are collected and processed using the Eurosystem's harmonized method. – (2) Initial rate fixation period of more than one year. – (3) Initial rate fixation period of less than one year.

Figure 35

Bank interest rates (1)
(monthly data; per cent)



Sources: Bank of Italy and ECB.
(1) Averages. The data on lending and deposit rates refer to transactions in euros and are collected and processed using the Eurosystem's harmonized method. – (2) Rate on new loans to firms. – (3) Rate on current account deposits of households and firms. – (4) Rate on new loans to households for home purchase.

CREDIT SUPPLY AND DEMAND

Based on the responses of the Italian banks interviewed for the euro-area bank lending survey, credit standards for new loans to firms remained unchanged in the first quarter of 2019: the tightening caused by uncertainties surrounding the economic outlook was offset by the effects of competitive pressures from other banks. In contrast, credit standards for loans to households for house purchase tightened moderately owing to both higher funding costs and balance sheet constraints and the deterioration in the macroeconomic outlook (Figure A).[1]

The higher funding costs translated into a tightening in the terms and conditions applied to business and mortgage loans; the cost of lending to firms was also affected by a higher risk perception.

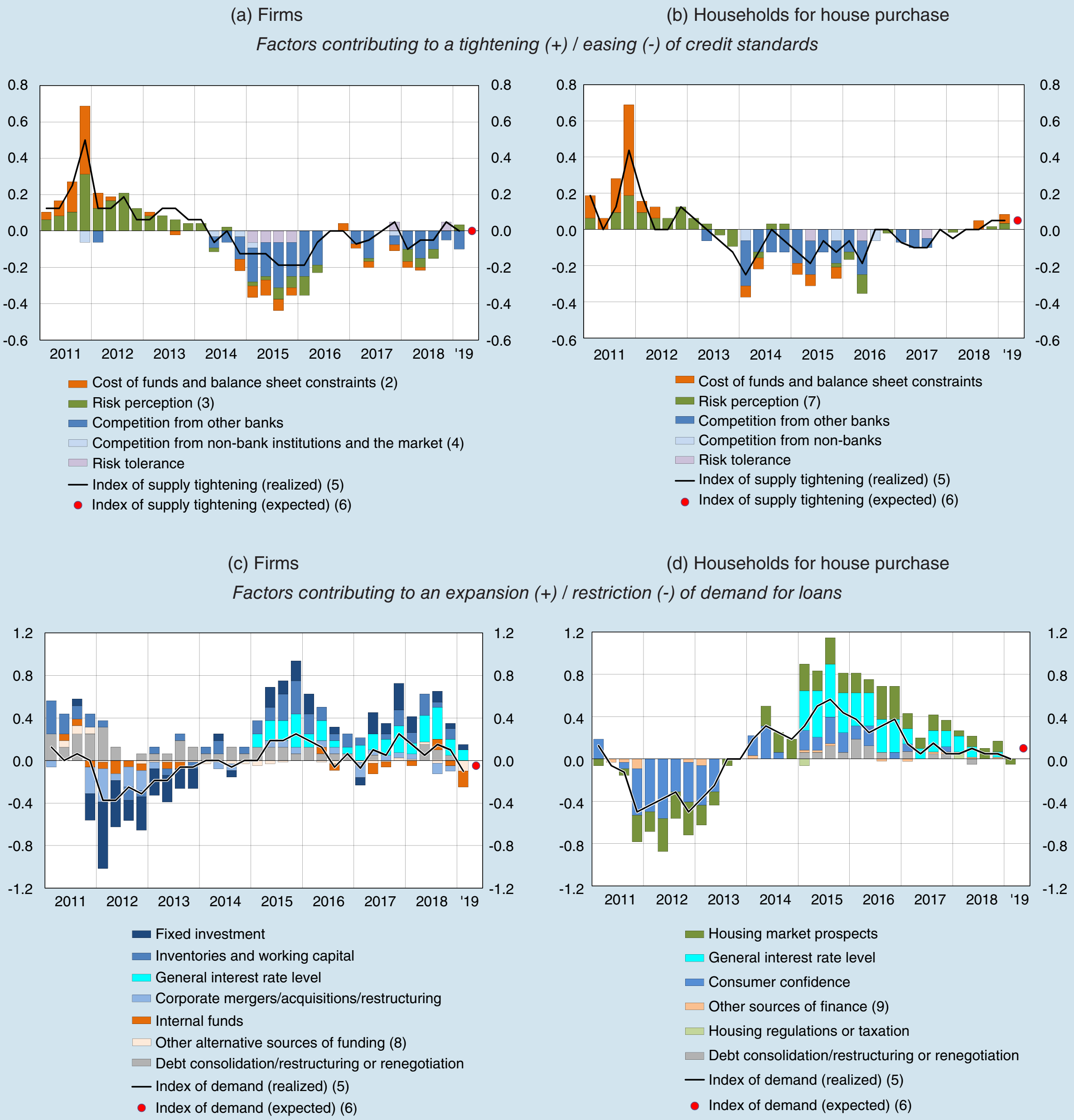
The banks interviewed reported that the growth in the demand for loans by firms and households had come to a halt. For firms, greater recourse to alternative sources of funding offset the expansionary contribution provided by fixed investment and, above all, by low interest rates. Banks expect demand on the part of firms to continue to weaken in the quarter, albeit to a modest extent.

The survey included specific questions relating to the effect on credit conditions in the six months ending in March 2019 of some measures implemented by the ECB Governing Council. According to the banks' responses, the Eurosystem's expanded asset purchase programme (APP) seems to have had a

[1] Ten of the main Italian banking groups took part in the survey, which ended on 19 March 2019. The results for Italy are available at www.bancaditalia.it, those for the euro area are available at www.ecb.int.

Figure A

Credit standards and demand for loans in Italy (1)



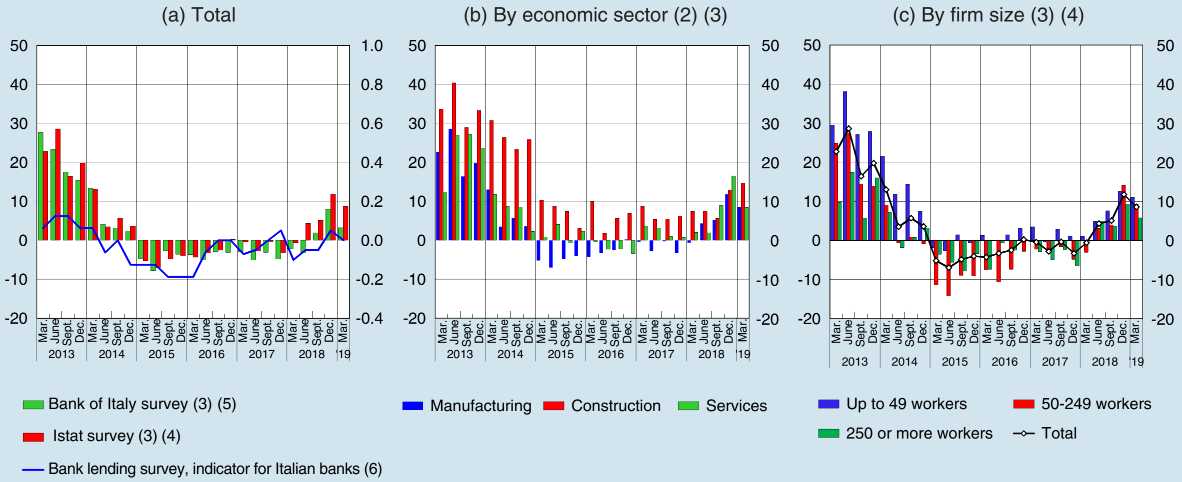
Source: Euro-area bank lending survey.
(1) Positive values indicate supply restriction/demand expansion compared with the previous quarter. The diffusion indices are constructed on the basis of the following weighting scheme: for supply conditions, 1=tightened considerably, 0.5=tightened somewhat, 0=basically 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) Average of the following factors: bank's capital position; bank's ability to access market financing; and bank's liquidity position. – (3) Average of the following factors: general economic situation and outlook; industry or firm-specific situation and outlook; and risks associated with collateral. – (4) Average of the following factors: competition from non-banks and competition from other financing sources. – (5) For the quarter ending at the time of the survey. – (6) Forecasts prepared in the previous quarter. – (7) Average of the following factors: general economic situation and outlook; housing market prospects; and borrowers' creditworthiness. – (8) Average of the following factors: loans granted by other banks; loans granted by non-banks; issues/redemptions of debt securities; and issues/redemptions of equity. – (9) Average of the following factors: self-financing of house purchase with savings; loans granted by other banks; and other sources of external funding.

negligible effect on their assets, on the state of their balance sheets, on the volume of credit and on credit supply conditions. Instead, the negative rate applied to deposits held with the Eurosystem continued to reduce the cost of bank lending for firms and households and to increase the volume of new loans.

Business surveys indicate that the conditions applied to loans have generally and progressively tightened since the spring of 2018. Credit access conditions tightened further in the first quarter of 2019, more markedly for construction firms and small manufacturing companies (Figure B).

Figure B

Firms' access to credit (1)



(1) The Bank of Italy survey (in collaboration with *Il Sole 24 Ore* up to October 2018) is conducted quarterly on a sample of medium-sized and large firms (with at least 50 employees) in industry (excluding construction) and services; the Istat business confidence surveys are conducted on samples of manufacturing and service firms (excluding retail and wholesale trade) and construction companies. The data for the Istat survey are taken from the end-of-quarter observations; in June 2013 some methodological changes involving the sample and data observation techniques were made that preclude direct comparison with previous periods. For the bank lending survey, see Figure A. – (2) Istat, business confidence surveys. – (3) Net percentage of firms reporting difficulty in obtaining credit. The net percentage is calculated as the difference between the percentage of replies indicating a worsening of credit access conditions and the percentage of those indicating an improvement. – (4) Istat business confidence survey in the manufacturing sector. – (5) 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series. – (6) Right-hand scale.

The flow new non-performing loans diminishes

In the fourth quarter of 2018 the ratio of new non-performing loans to outstanding loans started to fall again, declining to 1.4 per cent on a seasonally adjusted, annualized basis (Figure 36).

Credit quality continued to improve for the significant banks. The ratio of NPLs to total outstanding loans declined further, both net and gross of loan loss provisions, partly as a result of the plans implemented to reduce the stock of bad loans (Table 12).

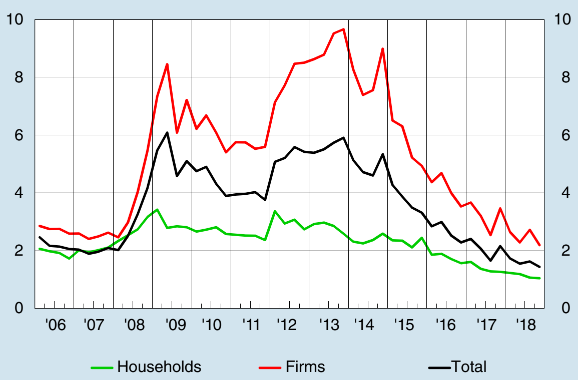
Profitability improves

The profitability of the significant groups, net of extraordinary revenue, increased in 2018 compared with the previous year. The

Figure 36

New non-performing loan rates (1)

(per cent)



Source: Central Credit Register.
(1) Annualized quarterly flows of adjusted NPLs in relation to the stock of loans at the end of the previous quarter net of adjusted NPLs. Data seasonally adjusted where necessary.

pronounced decline in loan loss provisions, another indicator of improved asset quality, provided a sizeable contribution to the increase in profitability. Operational efficiency also increased thanks to the growth in income and, above all, to the reduction in costs, which partly benefitted from the lack of one-off expenses recorded for previous aggregation operations.

Capital ratios remain stable

In the last quarter of 2018, the average level of capitalization of the significant banks remained stable. The slight increase was offset by the growth in risk-weighted assets.

Table 12

Main indicators for significant Italian banks (1)
(per cent)

	Sept. 2018	Dec. 2018
Non-performing loans (NPLs) (2)		
Gross NPL ratio	9.4	8.3
Net NPL ratio	4.5	4.1
Coverage ratio (3)	54.5	53.4
Regulatory capital		
Common equity tier 1 (CET1) ratio	12.7	12.7
	2017	2018
Profitability		
Return on equity (ROE) (4)	4.7	6.2
Net interest income (5)	-1.6	5.7
Gross income (5)	0.6	1.5
Operating expenses (5)	-6.6	-7.0
Operating profit (5)	22.4	21.8
Loan loss provisions (5)	-46.3	-32.8

Source: Consolidated supervisory reports.
(1) Provisional data. Significant banks are those directly supervised by the ECB. – (2) Include loans to customers, credit institutions and central banks. – (3) The coverage ratio is measured as the ratio of loan loss provisions to the corresponding gross exposure. – (4) Net of extraordinary income. – (5) Percentage change on previous year.

2.8 THE FINANCIAL MARKETS

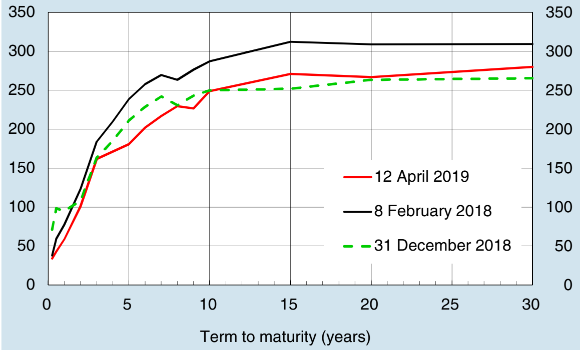
Since the start of the year conditions on Italy's financial markets have improved in line with international developments, buoyed by the easing of monetary conditions in the euro area. Tensions in the market for Italian government securities have abated; sovereign spreads nonetheless remain above the levels prevailing one year ago.

Sovereign spreads remain at high levels

In the early part of February the release of poorer than expected macroeconomic data had sparked tensions in the Italian government securities market, leading to a temporary increase in sovereign risk premiums: the spread between Italian and German ten-year bonds had risen by around 40 basis points compared with the levels recorded at the end of December (Figure 37). These tensions subsequently subsided, in part owing to the decision taken by Fitch to keep Italy's credit rating unchanged and to the easing of monetary conditions; the yield spread with the corresponding German securities gradually returned to the levels recorded at the end of last year (to around 250 basis points). In mid-April the yields on ten-year bonds stood at 2.54 per cent.

Figure 37

Term structure of sovereign spreads (1)
(basis points)



Source: Based on Bloomberg data.
(1) Term structure of the yield spreads between Italian and German government securities.

The component of the spread linked to the debt redenomination risk perceived by investors stayed at the levels prevailing at the end of 2018; this component is calculated as the difference between the premiums on credit default swaps (CDS) on Italian government securities governed by the new ISDA 2014 rules and those on CDS contracts governed by the old rules (Figure 38).

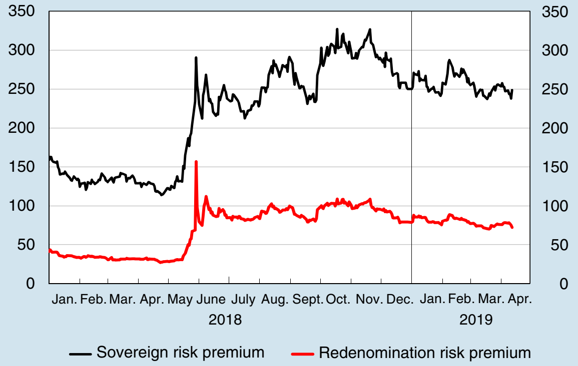
Share prices rise

Since the start of the year the general index of the Italian stock market has gained 19.3 per cent, recouping the sharp decline recorded in the autumn, while that of the main euro-area companies rose by 15.2 per cent (Figure 39.a). Prices were buoyed by the reduction in long-term interest rates on the securities with the highest credit rating and the lowering of the risk premiums demanded by investors in return for holding equity, in line with the developments observed in the international financial markets. The increase, in part facilitated by the Eurosystem's decision to ease monetary conditions in March, extended to the share prices of credit institutions, which rose by 20 per cent on average compared with end-December. The volatility of share prices as implied by the options prices on the stock index declined to below average long-term levels (Figure 39.b).

Figure 38

Risk premiums on Italian government securities (1)

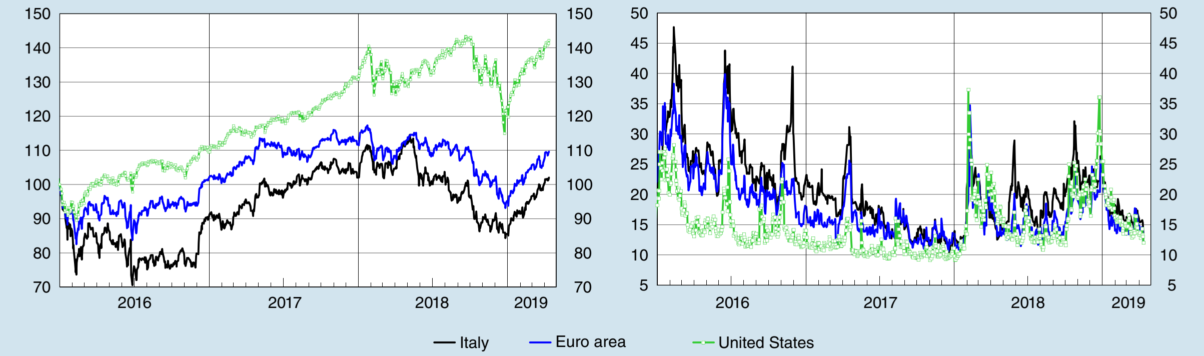
(basis points)



Sources: Based on data from Bloomberg and Thomson Reuters.
(1) Sovereign risk premiums: spread between Italian and German ten-year government securities. Redenomination risk premium: spread between the premiums on Italian sovereign CDS ISDA-2014 and ISDA-2003 contracts with 5-year maturities. Compared with ISDA-2003, ISDA-2014 contracts offer greater protection against a redenomination of the underlying debt.

Figure 39

Share prices



Source: Thomson Reuters Datastream.
(1) Indices: for Italy, FTSE MIB; for the euro area, Dow Jones Euro Stoxx; for the United States, Standard & Poor's 500. – (2) Indices: for the euro area, VSTOXX; for Italy, volatility implied by the prices of options on the FTSE MIB; for the United States, VIX.

Net bond issuance by banks and firms is modest ...

In the last quarter of 2018, Italian non-financial corporations made net bond redemptions, confirming the trend under way since the beginning of last year to make limited recourse to the bond market (see Table A.8 in the Statistical Appendix). Banks continued to make modest net issues both towards the end of 2018 and in the early months of 2019 (see Section 2.7). According to preliminary data from Dealogic on gross issues only, in the first quarter of this year bond issuance by non-financial corporations was estimated to have increased (from €1.1 billion to €7.9 billion).

... and net outflows from investment funds increase

In the fourth quarter of last year, international investors rebalanced their portfolios, reducing their exposure to the riskiest assets in favour of those considered to be safer; in Italy this appeared to strengthen the net outflow of savings from Italian and foreign open-end equity, bond and flexible investment funds (€11.8 billion compared with €2 billion in the third quarter of 2018, based on Assogestioni data). The outflow was only partly offset by net subscriptions of €3.1 billion in money market and balanced funds.

2.9 THE PUBLIC FINANCES

In 2018 general government net borrowing fell to 2.1 per cent of GDP, compared with 2.4 per cent in 2017. The debt-to-GDP ratio increased by 0.8 percentage points to 132.2 per cent of GDP. In the 2019 Economic and Financial Document (DEF) approved on 9 April 2019, the Government revised the net borrowing estimate for the year from 2.0 per cent to 2.4 per cent; the debt-to-GDP ratio is expected to continue to rise in 2019. In the planning scenario, both the deficit and the debt are expected to decrease over the next three years partly thanks to the expected revenue from the safeguard clauses.

Table 13

Main indicators of the general government accounts (1)
(per cent of GDP)

	2015	2016	2017	2018
Net borrowing	2.6	2.5	2.4	2.1
Primary surplus	1.5	1.4	1.4	1.6
Interest payments	4.1	3.9	3.8	3.7
Tax burden	43.0	42.4	42.1	42.1
Borrowing requirement	3.1	2.6	3.4	2.3
Net borrowing requirement (2)	3.4	2.6	3.4	2.3
Debt	131.6	131.4	131.4	132.2

Source: For the general government national accounts, based on Istat data.
(1) Following the revision of the estimates for 2017 and 2018, the series present a statistical break between 2016 and 2017 (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019). Rounding of decimal points may cause discrepancies in totals. – (2) Excludes state privatization receipts.

Net borrowing declines in 2018

In 2018 general government net borrowing fell to 2.1 per cent of GDP, compared with 2.4 per cent in 2017 (Table 13),[3] 0.2 points higher than the estimate published by the Government in December (Table 14). The decline largely reflects the increase in the primary surplus, which rose from 1.4 per cent to 1.6 per cent of GDP; interest payments fell marginally.

General government expenditure net of interest payments increased by 1.2 per cent in 2018 (€9.3 billion; Table 15): the increase in primary current expenditure more than offset the decline in capital account expenditure, largely owing to the absence of operations in support of the banking sector. Among the items included in primary current expenditure, social benefits in cash increased, partly as a result of the cost-of-living revaluation of pension benefits, as did earnings from payroll employment partly owing to the renewal of public sector contracts.

The tax burden remains stable

Total revenue increased by 1.6 per cent (€12.5 billion); the expansion in current revenue was only partly offset by the decline in capital account revenue. Among the items included in current revenue, social security contributions increased, partly as a result of contract renewals in the public sector, as did indirect taxes, buoyed by VAT and IRAP revenue. In contrast, direct taxes declined, partially as a result of lower revenue from the substitute taxes and from IRES (partly owing to the reduction in the tax rate provided for in the 2016 Stability

[3] On 9 April 2019 Istat revised its estimates for the general government account and GDP for the years 2017-18. The revisions take account of the extension of the perimeter of general government as defined by Istat in agreement with Eurostat based on criteria established by the ESA 2010 system of accounts. While they marginally affect net borrowing, the revisions significantly affect some items in the general government's profit and loss account thereby creating a break in the data between 2016 and 2017 that will be remedied in the autumn with a revision of the estimates for the preceding years (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019).

Table 14

Public finance objectives and estimates for 2018
(per cent of GDP)

	General government			*Memorandum item:*	
	Net borrowing	Primary surplus	Change in debt (1)	Real GDP growth rate	Nominal GDP growth rate
Objectives					
April 2017 (2)	1.2	2.5	-1.5	1.0	2.7
September 2017 (3)	1.6	2.0	-1.6	1.5	3.1
October 2017 (4)	1.6	2.0	-1.6	1.5	3.1
April 2018 (5)	–	–	–	–	–
September 2018 (6)	1.8	1.8	-0.3	1.2	2.5
December 2018 (7)	1.9	1.8	0.5	1.0	2.1
Estimates					
April 2018 (5)	1.6	1.9	-1.0	1.5	2.9
September 2018 (6)	1.8	1.8	-0.3	1.2	2.5
Outturns (8)	**2.1**	**1.6**	**0.8**	**0.9**	**1.7**

(1) Change in the debt-to-GDP ratio compared with the previous year. – (2) 2017 Economic and Financial Document. – (3) Update to the 2017 Economic and Financial Document. – (4) Italy's 2018 Draft Budgetary Plan. – (5) The 2018 Economic and Financial Document does not contain the planning scenario. – (6) Update to the 2018 Economic and Financial Document. – (7) Update to the macroeconomic outlook and the public finances, December 2018 (in Italian only). – (8) For GDP, net borrowing and primary surplus, Istat data (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019).

Law). The tax burden remained unchanged at 42.1 per cent.

The debt-to-GDP ratio increases

The debt-to-GDP ratio increased to 132.2 per cent from 131.4 per cent in 2017 (Figure 40).[4] The increase is 0.3 percentage points higher than that estimated by the Government in December, largely because nominal GDP growth fell below the official forecasts.

[4] Istat's revision of the perimeter of general government resulted in an increase of 0.1 percentage points in the debt-to-GDP ratio for 2017 and 2018; in the autumn the estimates for the preceding years will be revised (see the Bank of Italy's press release of 9 April 2019, 'Revised estimates of general government debt for 2015-18').

Table 15

General government expenditure and revenue
(billions of euros and percentage changes)

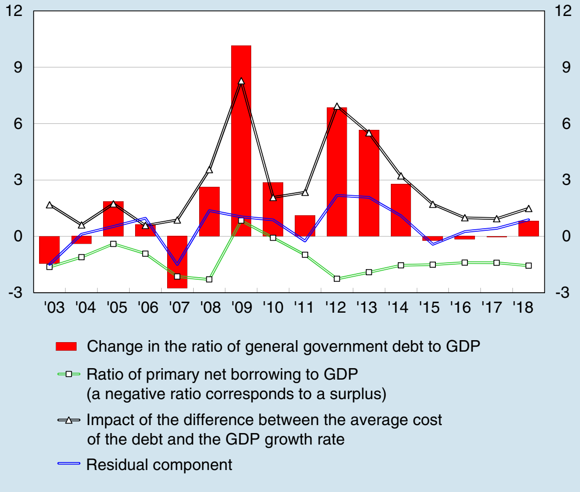
	2017	2018	% change on previous year 2018
EXPENDITURE			
Final consumption expenditure	323.2	330.7	2.3
of which: Compensation of employees	166.7	171.8	3.1
Intermediate consumption	96.8	98.0	1.2
Social benefits in kind	44.9	45.9	2.2
Social benefits in cash	341.3	348.9	2.2
Interest expense	65.6	65.0	-0.9
Other expenditure	62.4	65.7	5.3
Current expenditure	**777.7**	**795.3**	**2.3**
% of GDP	45.0	45.3	
Current expenditure net of interest expense	**712.1**	**730.3**	**2.6**
% of GDP	41.2	41.6	
Investments (1)	38.8	37.1	-4.3
Investment grants	9.6	13.9	44.0
Other capital expenditure	18.8	7.4	-60.7
Capital expenditure	**67.2**	**58.4**	**-13.1**
Total expenditure net of interest expense	**779.3**	**788.6**	**1.2**
% of GDP	45.1	44.9	
TOTAL EXPENDITURE	**844.9**	**853.6**	**1.0**
% of GDP	48.9	48.6	
REVENUE			
Direct taxes	250.6	248.9	-0.7
Indirect taxes	248.4	253.6	2.1
Social security contributions	225.6	235.0	4.2
Production for market and for own use	41.0	41.8	1.9
Other current revenue	31.4	33.1	5.7
Current revenue	**797.0**	**812.4**	**1.9**
% of GDP	46.1	46.2	
Capital revenue	**6.6**	**3.7**	**-44.2**
of which: capital taxes	2.3	1.5	-36.2
TOTAL REVENUE	**803.6**	**816.1**	**1.6**
% of GDP	46.5	46.4	
of which: tax burden	42.1	42.1	
NET BORROWING	**41.3**	**37.5**	
% of GDP	2.4	2.1	
Primary balance	**24.3**	**27.5**	
% of GDP	1.4	1.6	
Memorandum item:			
GDP	1,727.4	1,757.0	1.7

Source: Based on Istat data (see Istat, 'GDP and General Government Net Borrowing: Updating', Note, 9 April 2019).
(1) Includes proceeds of property sales, which are entered with a negative sign.

Figure 40

General government debt: trend and determinants of the changes (1)

(annual data; per cent of GDP)



Source: For the items of the general government account and for GDP, based on Istat data.
(1) Following the revision of the estimates of the public accounts and of GDP in connection with the revision of the perimeter of general government, the series present a statistical break especially between 2016 and 2017 (see the Bank of Italy's press release of 9 April 2019, 'Revised estimates of general government debt for 2015-18').

Table 16

Change in general government debt and its main components (1)

(billions of euros)

	2015	2016	2017	2018
Change in the debt = (a)+(b)+(c)+(d)	**36.1**	**46.9**	**48.6**	**52.9**
(a) Total borrowing requirement	50.4	43.6	59.2	40.4
of which: support to EMU countries	-2.1	0.0	0.0	0.0
(b) Change in Treasury's liquid balances	-10.7	7.4	-13.8	5.8
(c) Issue discounts and premiums/redemptions (2)	-4.0	-4.1	3.5	6.7
(d) Euro equivalent of foreign currency liabilities	0.4	0.0	-0.4	0.1

(1) Following the revision of the estimates in connection with the revision of the perimeter of general government, the series present a statistical break especially between 2016 and 2017 (see the Bank of Italy's press release of 9 April 2019, 'Revised estimates of general government debt for 2015-18'). – (2) Includes the effect of the revaluation of inflation-indexed securities.

The increase in the debt in 2018 (€52.9 billion; Table 16) largely reflected the general government borrowing requirement, as well as the positive change in the Treasury's liquid balances and the overall effect of the revaluation of inflation-indexed securities and the discounts and premiums at issue and at redemption.

The increase in yields at issue observed since May 2018 has not yet resulted in an increase in the average cost of the public debt, which declined to 2.9 per cent from 3.0 per cent in 2017. The average residual maturity decreased slightly to 7.3 years at the end of 2018, from 7.4 year at end-2017.

In the first quarter of 2019, the state sector borrowing requirement amounted to €28.6 billion (Figure 41), €1.6 billion higher than that for the corresponding period of 2018.

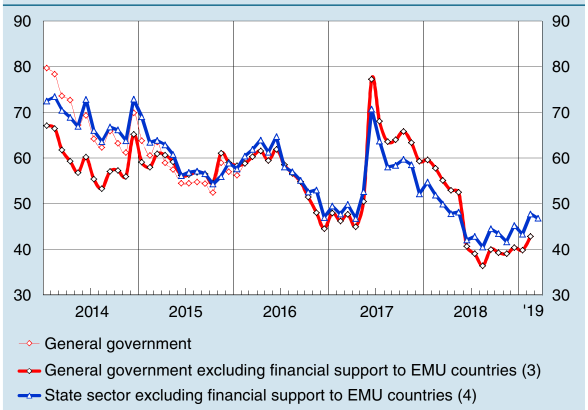
The Government approves the 2019 Economic and Financial Document

On 9 April 2019 the Government approved the DEF. For 2019, the net borrowing estimate was revised from 2.0 to

Figure 41

12-month cumulative borrowing requirement (1) (2)

(monthly data; billions of euros)



Source: For the state sector, Ministry of Economy and Finance.
(1) Following the revision of the estimates in connection with the revision of the perimeter of general government, the series relating to the general government borrowing requirement present a statistical break especially between 2016 and 2017 (see the Bank of Italy's press release of 9 April 2019, 'Revised estimates of general government debt for 2015-18'). – (2) Excludes state privatization receipts. – (3) Excludes liabilities in connection with loans to EMU countries, disbursed both bilaterally and via the EFSF, and with Italy's capital contribution to the ESM. – (4) Excludes liabilities in connection with bilateral loans to EMU countries and Italy's capital contribution to the ESM; loans disbursed through the EFSF are not included in the state sector borrowing requirement.

2.4 per cent of GDP, mainly owing to lower than expected GDP growth; the debt-to-GDP ratio is expected to increase to 132.6 per cent, notwithstanding expected revenue from privatizations amounting to 1.0 per cent of GDP.

For the coming years, the Government has set net borrowing objectives of 2.1 per cent in 2020, 1.8 per cent in 2021 and 1.5 per cent in 2022. In the planning scenario, the debt-to-GDP ratio is expected to fall by more than 1 percentage point per year in the three years 2020-22, to stand at 128.9 per cent at the end of the forecasting period. The reduction would reflect the growth in both the primary surplus (from 1.5 per cent in 2020 to 2.3 per cent in 2022) and nominal GDP, which is projected to grow by an average of 2.5 per cent in the three-year period. The planning scenario laid out in the DEF provides for the triggering of the safeguard clauses, whose revenue is expected to amount to 1.3 per cent of GDP in 2020 and 1.5 per cent starting in 2021.[5]

[5] For further details, see 'Preliminary Hearing on the 2019 Economic and Financial Document', testimony of E. Gaiotti, Director General for Economics, Statistics and Research, before the Senate of the Republic, Rome, 16 April 2019.

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

Price competitiveness indicators based on producer prices in manufacturing (1)

(period averages; indices: 1999=100)

	Belgium	Canada	China	South Korea	France	Germany
2013	118.0	118.9	95.9	95.1	95.5	89.9
2014	116.4	113.8	95.7	99.0	95.6	91.0
2015	107.2	106.3	101.9	97.6	92.0	88.7
2016	106.8	105.0	97.1	94.1	92.4	90.8
2017	113.0	106.4	97.3	97.4	91.9	90.4
2018	118.4	105.7	98.6	97.7	92.8	91.2
2018 – Q1	117.4	106.8	100.7	97.6	93.2	91.8
Q2	118.0	106.2	100.7	97.9	92.9	90.9
Q3	119.1	105.4	96.5	97.7	93.1	91.2
Q4	119.1	104.4	96.5	97.4	92.2	90.8
2018 – Jan.	117.3	108.7	100.2	98.7	93.1	91.6
Feb.	117.4	106.9	101.1	96.9	93.1	91.9
Mar.	117.4	104.8	100.7	97.3	93.3	91.9
Apr.	117.9	106.6	100.7	97.6	93.4	91.7
May	117.9	106.7	101.1	98.4	92.9	90.6
June	118.2	105.4	100.3	97.7	92.3	90.5
July	118.6	105.1	97.1	96.8	92.8	91.0
Aug.	118.8	105.6	96.1	98.0	93.1	91.1
Sept.	119.9	105.5	96.4	98.2	93.3	91.4
Oct.	119.8	105.7	96.0	97.3	92.7	90.4
Nov.	119.2	104.5	96.3	97.6	91.9	90.6
Dec.	118.2	103.0	97.1	97.4	92.0	91.3
2019 – Jan.	117.3	103.4	98.2	95.7	91.8	91.0

(1) Based on the producer prices of manufactures of 61 countries. For the method of calculation see A. Felettigh, C. Giordano, 'Rethinking prices and markets underlying price competitiveness indicators', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 447, July 2018 and 'Balance of Payments and International Investment Position', Banca d'Italia, Statistics Series, Methods and Sources: Methodological Notes, 20 December 2018. Rounding may cause discrepancies between monthly, quarterly and annual data.

cont.

Table A1 cont.

Price competitiveness indicators based on producer prices in manufacturing (1)

(period averages; indices: 1999=100)

	Japan	Italy	Netherlands	United Kingdom	Spain	United States
2013	68.2	99.6	115.1	82.7	110.1	93.2
2014	65.7	100.2	115.5	87.2	109.9	96.1
2015	63.1	97.4	109.4	91.2	107.0	105.3
2016	71.1	98.5	111.1	82.8	107.8	107.3
2017	66.9	98.4	112.9	78.9	109.1	106.1
2018	66.0	99.2	114.4	80.6	110.4	105.9
2018 – Q1	65.7	99.8	114.2	80.6	110.7	102.0
Q2	65.7	99.0	114.3	81.2	110.6	104.9
Q3	66.3	99.4	115.1	80.2	110.7	107.8
Q4	66.3	98.6	113.9	80.6	109.6	108.9
2018 – Jan.	64.5	99.7	114.0	80.4	110.8	102.1
Feb.	65.8	99.7	114.2	80.6	110.5	101.8
Mar.	66.9	99.8	114.5	80.8	110.7	102.2
Apr.	65.9	99.7	114.9	81.9	111.1	102.4
May	65.5	98.8	114.0	80.9	110.4	105.5
June	65.8	98.6	114.0	80.7	110.3	106.9
July	66.0	99.2	114.8	80.3	110.5	107.4
Aug.	66.8	99.4	114.9	79.6	110.6	108.1
Sept.	66.1	99.7	115.6	80.6	110.9	108.0
Oct.	66.0	98.9	115.1	81.2	110.4	109.0
Nov.	66.1	98.4	113.6	81.0	109.5	109.1
Dec.	66.9	98.6	113.0	79.4	108.9	108.4
2019 – Jan.	68.3	98.5	114.8	80.0	108.4	106.4

(1) Based on the producer prices of manufactures of 61 countries. For the method of calculation see A. Felettigh, C. Giordano, 'Rethinking prices and markets underlying price competitiveness indicators', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 447, July 2018 and 'Balance of Payments and International Investment Position', Banca d'Italia, Statistics Series, Methods and Sources: Methodological Notes, 20 December 2018. Rounding may cause discrepancies between monthly, quarterly and annual data.

Table A2

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

(year-on-year percentage changes)

	Hourly compensation	Hourly productivity			Unit labour costs
			Value added (2)	Hours worked	
			Total industry excluding construction		
2016	-0.3	0.4	2.1	1.7	-0.8
2017	-0.1	1.9	3.5	1.6	-1.9
2018	1.4	0.4	1.8	1.4	1.0
2016 – Q1	-0.5	0.4	3.2	2.8	-0.8
Q2	-0.3	-0.7	1.5	2.1	0.3
Q3	-0.9	0.6	2.2	1.6	-1.5
Q4	-0.6	2.3	3.7	1.3	-2.8
2017 – Q1	0.0	1.6	2.2	0.6	-1.6
Q2	-0.7	2.5	4.1	1.5	-3.2
Q3	0.0	2.2	4.7	2.5	-2.1
Q4	0.0	1.5	4.2	2.6	-1.5
2018 – Q1	0.8	2.4	3.7	1.3	-1.6
Q2	2.4	0.8	2.2	1.4	1.6
Q3	2.4	-0.7	0.4	1.1	3.1
Q4	1.4	-1.5	-1.1	0.4	3.0
			Services		
2016	-0.1	-0.6	0.9	1.5	0.6
2017	0.3	0.4	1.4	1.0	-0.1
2018	1.8	-0.5	0.6	1.1	2.3
2016 – Q1	-0.6	-1.4	0.8	2.3	0.8
Q2	0.0	-0.9	1.1	2.0	0.9
Q3	0.0	-0.1	1.0	1.1	0.1
Q4	0.7	-0.1	1.0	1.1	0.8
2017 – Q1	0.6	1.0	1.6	0.6	-0.4
Q2	-0.2	0.5	1.4	0.9	-0.7
Q3	0.0	-0.2	1.3	1.6	0.2
Q4	0.4	-0.1	1.3	1.4	0.5
2018 – Q1	0.9	-0.2	0.9	1.1	1.1
Q2	2.3	-0.7	0.8	1.5	3.0
Q3	2.0	-0.5	0.5	1.0	2.6
Q4	2.1	-0.2	0.3	0.5	2.3
			Total economy		
2016	-0.2	-0.4	1.1	1.6	0.2
2017	0.1	0.7	1.7	1.0	-0.5
2018	1.7	-0.2	0.9	1.1	1.8
2016 – Q1	-0.7	-1.1	1.3	2.4	0.4
Q2	-0.2	-0.7	1.2	1.9	0.5
Q3	-0.3	-0.1	1.2	1.3	-0.2
Q4	0.3	0.2	1.3	1.1	0.1
2017 – Q1	0.3	1.0	1.6	0.6	-0.7
Q2	-0.3	0.9	1.8	0.9	-1.2
Q3	-0.1	0.4	1.8	1.4	-0.5
Q4	0.3	0.1	1.8	1.7	0.2
2018 – Q1	0.9	0.7	1.4	0.7	0.2
Q2	2.2	-0.2	1.1	1.3	2.4
Q3	2.1	-0.6	0.6	1.2	2.7
Q4	1.8	-0.3	0.0	0.4	2.2

Source: Based on Istat data.
(1) Based on hours effectively worked. Annual figures are unadjusted; quarterly data are adjusted for seasonal and calendar effects. For Italy, Istat revised the data from 2017 onwards in order to take account of a change in the general government perimeter (see Istat 'GDP and General Government Net Borrowing: Updating', Note 9 April 2019). – (2) Value added at base prices; volumes at chain-linked prices. Reference year 2010.

Table A3

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

(year-on-year percentage changes)

	Hourly compensation	Hourly productivity			Unit labour costs
			Value added (2)	Hours worked	
		Total industry excluding construction			
2016	1.2	2.5	3.5	0.9	-1.3
2017	1.4	1.9	3.1	1.2	-0.5
2018	1.8	-0.2	1.3	1.5	2.0
2016 – Q1	1.3	2.2	3.2	1.0	-0.8
Q2	0.8	2.0	3.0	1.0	-1.2
Q3	1.3	2.0	2.7	0.7	-0.6
Q4	1.2	3.6	4.6	0.9	-2.3
2017 – Q1	1.2	1.2	2.2	1.0	0.0
Q2	1.1	1.9	3.2	1.3	-0.7
Q3	0.8	2.5	4.4	1.8	-1.7
Q4	1.1	1.9	3.9	2.0	-0.8
2018 – Q1	1.5	1.7	3.2	1.5	-0.1
Q2	2.0	0.7	2.4	1.7	1.3
Q3	2.1	-0.4	0.8	1.3	2.6
Q4	1.6	-2.3	-1.1	1.2	4.0
		Services			
2016	0.9	-0.2	1.5	1.8	1.1
2017	1.8	0.7	2.2	1.5	1.1
2018	2.1	0.3	2.0	1.6	1.7
2016 – Q1	0.8	-0.6	1.5	2.1	1.4
Q2	0.8	-0.3	1.5	1.8	1.1
Q3	1.0	0.0	1.5	1.5	1.0
Q4	1.4	0.2	1.5	1.4	1.2
2017 – Q1	1.6	0.6	2.0	1.4	1.0
Q2	1.8	0.6	2.2	1.6	1.2
Q3	1.6	0.5	2.4	1.9	1.1
Q4	1.6	0.6	2.4	1.8	1.0
2018 – Q1	2.0	0.7	2.3	1.6	1.3
Q2	1.8	0.2	2.1	1.8	1.6
Q3	2.2	0.1	1.8	1.7	2.1
Q4	2.2	0.2	1.7	1.5	2.0
		Total economy			
2016	1.0	0.4	1.9	1.5	0.6
2017	1.7	1.0	2.4	1.4	0.7
2018	1.9	0.2	1.9	1.7	1.7
2016 – Q1	0.9	0.1	1.8	1.8	0.8
Q2	0.8	0.3	1.8	1.5	0.5
Q3	1.1	0.5	1.7	1.2	0.7
Q4	1.3	0.9	2.1	1.1	0.4
2017 – Q1	1.4	0.7	2.0	1.3	0.7
Q2	1.6	1.0	2.4	1.4	0.6
Q3	1.3	1.1	2.8	1.8	0.3
Q4	1.5	0.9	2.8	1.8	0.5
2018 – Q1	1.8	1.0	2.5	1.5	0.9
Q2	1.8	0.4	2.2	1.8	1.4
Q3	2.1	-0.1	1.6	1.7	2.2
Q4	2.0	-0.4	1.2	1.5	2.3

Source: Based on Eurostat data.
(1) Based on hours effectively worked. Annual figures are unadjusted; quarterly data are adjusted for seasonal and calendar effects. – (2) Value added at base prices; volumes at chain-linked prices. Reference year 2010.

Consumer prices: Italy, euro area and main economies

(indices: 2015=100; year-on-year percentage changes)

	Italy		France		Germany		Euro area (1)	
	Total	Total excl. food and energy	Total	Total excl. food and energy	Total	Total excl. food and energy	Total	Total excl. food and energy
2016	-0,1	0,5	0,3	0,6	0,4	1,1	0,2	0,9
2017	1,3	0,8	1,2	0,5	1,7	1,3	1,5	1,0
2018	1,2	0,6	2,1	0,9	1,9	1,3	1,8	1,0
2016 – Jan.	0,4	0,9	0,3	0,9	0,4	1,1	0,3	1,0
Feb.	-0,2	0,5	-0,1	0,7	-0,2	0,8	-0,2	0,8
Mar.	-0,2	0,8	-0,1	0,7	0,1	1,3	-0,0	1,0
Apr.	-0,4	0,6	-0,1	0,6	-0,3	0,7	-0,2	0,7
May	-0,3	0,6	0,1	0,6	0,0	1,1	-0,1	0,8
June	-0,2	0,5	0,3	0,6	0,2	1,2	0,1	0,9
July	-0,2	0,5	0,4	0,6	0,4	1,3	0,2	0,9
Aug.	-0,1	0,4	0,4	0,5	0,3	1,0	0,2	0,8
Sept.	0,1	0,4	0,5	0,7	0,5	1,1	0,4	0,8
Oct.	-0,1	0,2	0,5	0,6	0,7	1,1	0,5	0,8
Nov.	0,1	0,4	0,7	0,6	0,7	1,0	0,6	0,8
Dec.	0,5	0,7	0,8	0,4	1,7	1,4	1,1	0,9
2017 – Jan.	1,0	0,5	1,6	0,7	1,1	0,1	1,6	0,6
Feb.	1,6	0,7	1,4	0,3	1,5	0,2	1,8	0,6
Mar.	1,4	0,6	1,4	0,5	1,0	0,1	1,4	0,5
Apr.	2,0	1,3	1,4	0,6	2,1	1,7	1,9	1,3
May	1,6	0,9	0,9	0,5	1,6	1,4	1,5	1,0
June	1,2	1,0	0,8	0,6	2,0	2,2	1,4	1,3
July	1,2	0,9	0,8	0,6	2,2	2,4	1,5	1,4
Aug.	1,4	1,2	1,0	0,6	2,4	2,4	1,7	1,4
Sept.	1,3	1,1	1,1	0,6	2,4	2,2	1,7	1,3
Oct.	1,1	0,5	1,2	0,6	1,9	1,6	1,5	1,0
Nov.	1,1	0,4	1,2	0,6	1,2	0,5	1,4	0,7
Dec.	1,0	0,5	1,2	0,6	0,9	0,4	1,2	0,7
2018 – Jan.	1,2	0,7	1,5	1,0	1,5	1,2	1,3	1,0
Feb.	0,5	0,5	1,3	0,8	1,2	1,3	1,1	1,0
Mar.	0,9	0,7	1,7	1,0	1,7	1,6	1,4	1,1
Apr.	0,6	0,2	1,8	0,9	1,3	0,9	1,2	0,7
May	1,0	0,6	2,3	1,1	2,5	1,9	2,0	1,2
June	1,4	0,7	2,3	0,8	2,1	1,1	2,0	1,0
July	1,9	0,9	2,6	1,0	2,2	1,4	2,2	1,1
Aug.	1,6	0,6	2,6	1,0	2,1	1,3	2,1	1,0
Sept.	1,5	0,5	2,5	0,7	2,2	1,4	2,1	1,0
Oct.	1,7	0,7	2,5	0,8	2,6	1,8	2,3	1,2
Nov.	1,6	0,7	2,2	0,7	2,2	1,1	1,9	0,9
Dec.	1,2	0,5	1,9	0,6	1,7	1,2	1,5	0,9
2019 – Jan.	0,9	0,6	1,4	0,6	1,7	1,8	1,4	1,1
Feb.	1,1	0,4	1,6	0,6	1,7	1,6	1,5	1,0
Mar.	1,1	0,3	1,3	0,3	1,4	1,0	1,4	0,8

Source: Based on Eurostat data.
(1) Weighted average of the indices of the countries belonging to the euro area at the date shown.

Table A5

Italy's net international investment position: stocks and reconciliation with the flows of the financial account in the balance of payments (1)

(billions of euros; per cent)

	Stocks									Stock-flow reconciliation		
	Direct investment	Portfolio investment			Financial derivatives	Other investment	Official reserves	Total	Total as a percentage of GDP	Change in total stocks	Valuation adjustments (2)	Financial account balance
		Total	Equity and investment funds	Debt securities						(a)=(b)+(c)	(b)	(c)
							Assets					
2014	521	1,059	613	446	126	493	117	2,315	142.7	211	81	130
2015	540	1,184	708	476	99	480	120	2,424	146.7	109	-8	117
2016	555	1,288	769	519	92	489	129	2,552	151.0	128	28	100
2017	564	1,414	875	539	75	506	126	2,685	155.7	133	-16	148
2018	583	1,378	833	545	72	530	133	2,696	153.7	11	-80	91
2017 – Q1	560	1,346	816	530	85	509	134	2,634	155.0	82	11	72
Q2	566	1,363	836	526	80	499	128	2,635	154.5	1	-24	25
Q3	567	1,395	861	534	78	500	127	2,667	155.5	32	5	27
Q4	564	1,414	875	539	75	506	126	2,685	155.7	18	-7	25
2018 – Q1	566	1,419	871	549	72	516	125	2,698	155.7	12	-34	46
Q2	577	1,423	874	549	74	532	127	2,732	156.8	35	12	23
Q3	576	1,453	895	559	71	536	124	2,760	157.9	28	-7	34
Q4	583	1,378	833	545	72	530	133	2,696	153.7	-64	-52	-12
							Liabilities					
2014	407	1,324	198	1,127	188	736	..	2,656	163.8	189	110	79
2015	423	1,387	247	1,140	150	787	..	2,747	166.3	91	9	82
2016	445	1,259	207	1,052	148	873	..	2,725	161.3	-22	-62	41
2017	456	1,295	250	1,045	119	925	..	2,795	162.1	70	-27	97
2018	480	1,135	203	932	113	1,037	..	2,765	157.7	-30	-91	61
2017 – Q1	451	1,259	231	1,027	136	938	..	2,783	163.8	58	-13	71
Q2	457	1,278	238	1,040	125	917	..	2,776	162.7	-7	-13	6
Q3	459	1,282	257	1,025	122	933	..	2,797	163.1	21	19	2
Q4	456	1,295	250	1,045	119	925	..	2,795	162.1	-2	-20	18
2018 – Q1	457	1,335	258	1,077	114	938	..	2,843	164.1	48	3	45
Q2	461	1,215	243	971	115	1,025	..	2,815	161.5	-28	-50	22
Q3	468	1,189	242	948	108	1,046	..	2,812	160.8	-3	-20	17
Q4	480	1,135	203	932	113	1,037	..	2,765	157.7	-47	-24	-23
							Net position					
2014	114	-266	415	-681	-62	-244	117	-341	-21.0	22	-29	52
2015	117	-203	461	-664	-51	-307	120	-323	-19.5	18	-17	35
2016	110	29	562	-533	-56	-385	129	-173	-10.2	150	90	60
2017	108	120	625	-505	-44	-419	126	-110	-6.4	63	11	51
2018	103	243	630	-387	-40	-508	133	-69	-3.9	41	11	30
2017 – Q1	109	87	585	-498	-51	-428	134	-148	-8.7	24	23	1
Q2	109	85	599	-514	-46	-418	128	-141	-8.3	7	-11	19
Q3	107	112	604	-491	-44	-433	127	-130	-7.6	11	-14	25
Q4	108	120	625	-505	-44	-419	126	-110	-6.4	20	13	7
2018 – Q1	109	84	613	-528	-42	-422	125	-146	-8.4	-36	-37	1
Q2	116	208	630	-422	-41	-494	127	-83	-4.8	63	62	1
Q3	108	264	653	-389	-38	-510	124	-52	-3.0	31	14	17
Q4	103	243	630	-387	-40	-508	133	-69	-3.9	-17	-28	11

(1) Based on the international standards in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*, 2009. – (2) Adjustments of exchange rates, prices and other changes in volume.

Balance of payments of Italy: current account and capital account (1)

(millions of euros)

	Current account					Capital account		
	Total	Goods	Services	Primary income	Secondary income	Total	Intangible assets	Capital transfers
2013	15,847	36,099	430	-2,610	-18,072	-744	-3,142	2,398
2014	30,960	47,407	-1,075	533	-15,905	2,682	-942	3,624
2015	22,200	51,105	-3,159	-10,423	-15,324	6,247	-1,183	7,431
2016	42,920	57,662	-3,414	5,432	-16,759	-3,069	-1,973	-1,097
2017	44,864	54,987	-4,347	9,292	-15,068	614	-1,188	1,801
2018	44,042	47,085	-2,729	17,273	-17,588	-611	-1,482	871
2018 – Q1	4,344	9,491	-3,351	3,401	-5,197	-347	-363	16
Q2	10,577	13,388	594	-372	-3,033	-222	-372	151
Q3	15,686	11,050	3,033	5,889	-4,287	-50	-324	274
Q4	13,435	13,156	-3,005	8,355	-5,070	7	-423	430
2018 – Jan.	-1,149	472	-980	607	-1,248	-98	-123	26
Feb.	2,282	3,731	-1,070	1,332	-1,711	-97	-113	17
Mar.	3,211	5,289	-1,302	1,462	-2,238	-153	-126	-26
Apr.	3,134	3,694	-233	659	-987	-136	-116	-20
May	1,860	3,953	148	-1,526	-715	-158	-132	-26
June	5,583	5,741	679	495	-1,332	72	-124	196
July	7,281	6,099	1,063	1,415	-1,295	3	-112	115
Aug.	5,319	3,154	1,269	2,348	-1,452	17	-90	106
Sept.	3,086	1,797	701	2,126	-1,539	-70	-123	53
Oct.	5,456	4,470	-647	3,010	-1,377	56	-150	207
Nov.	3,858	4,445	-1,570	2,404	-1,422	27	-141	169
Dec.	4,122	4,241	-788	2,941	-2,272	-76	-131	55
2019 – Jan.	(-122)	(1,277)	(-1,021)	(701)	(-1,079)	(-118)	(-103)	(-15)
Feb.	(3,253)	(4,209)	(-1,125)	(1,842)	(-1,673)	(-113)	(-88)	(-25)

(1) Based on the international standards in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*, 2009.

MFI loans adjusted for the accounting effect of securitizations: Italy and euro area (1)

(12-month percentage changes)

	Italy (2)				Euro area (3)			
	Private sector (4)	Non-financial private sector	Non-financial corporations	Households	Private sector (4)	Non-financial private sector	Non-financial corporations	Households
2012	-0.8	-1.4	-2.1	-0.5	-0.5	-0.7	-1.5	0.1
2013	-3.7	-3.6	-5.2	-1.3	-2.4	-1.7	-3.2	-0.3
2014	-1.6	-1.6	-2.3	-0.5	-0.3	-0.7	-1.6	0.1
2015	-0.3	0.0	-0.6	0.7	0.7	1.0	0.6	1.4
2016	1.1	0.9	0.2	1.9	2.4	2.2	2.3	2.0
2017	1.8	1.4	0.2	2.8	2.9	3.1	3.1	2.9
2016 – Jan.	-0.1	-0.1	-0.8	0.8	1.0	1.3	1.1	1.4
Feb.	0.7	0.7	0.5	1.0	1.3	1.6	1.5	1.5
Mar.	0.3	0.4	-0.1	1.1	1.1	1.5	1.3	1.6
Apr.	0.4	0.3	-0.4	1.1	1.2	1.6	1.5	1.5
May	0.9	1.0	0.6	1.5	1.3	1.7	1.7	1.6
June	0.7	0.7	0.2	1.5	1.6	1.9	1.9	1.8
July	0.5	0.5	-0.3	1.5	1.9	1.9	2.0	1.8
Aug.	0.8	0.8	0.1	1.6	1.9	2.0	2.1	1.8
Sept.	1.0	0.8	0.1	1.7	2.1	2.0	2.1	1.8
Oct.	1.2	1.2	0.8	1.7	2.2	2.1	2.2	1.9
Nov.	0.5	0.8	0.0	1.8	2.2	2.1	2.1	1.9
Dec.	1.1	1.0	0.3	1.9	2.4	2.2	2.4	2.0
2017 – Jan.	1.2	1.4	0.8	2.2	2.5	2.3	2.3	2.2
Feb.	0.8	1.0	0.0	2.2	2.3	2.2	2.0	2.3
Mar.	0.9	1.1	0.2	2.4	2.7	2.5	2.4	2.4
Apr.	0.7	1.1	0.1	2.3	2.6	2.6	2.5	2.5
May	1.0	1.2	0.2	2.5	2.7	2.6	2.4	2.6
June	1.1	1.1	0.0	2.6	2.5	2.4	2.0	2.6
July	1.4	1.4	0.4	2.7	2.6	2.6	2.3	2.6
Aug.	1.1	1.2	0.0	2.7	2.6	2.6	2.4	2.7
Sept.	0.7	0.8	-0.7	2.6	2.7	2.7	2.5	2.7
Oct.	1.0	0.9	-0.5	2.8	2.8	2.9	2.8	2.7
Nov.	1.4	1.5	0.4	2.8	2.9	3.0	3.1	2.8
Dec.	1.8	1.3	0.1	2.8	2.9	3.1	3.1	2.9
2018 – Jan.	2.7	2.3	1.9	2.8	3.3	3.2	3.4	2.9
Feb.	2.3	1.8	1.1	2.8	3.1	3.1	3.2	2.9
Mar.	2.3	1.8	1.1	2.8	3.0	3.2	3.3	2.9
Apr.	2.9	2.5	2.1	2.9	3.1	3.2	3.3	2.9
May	2.4	1.9	1.1	2.8	3.3	3.3	3.7	2.9
June	2.4	1.5	0.4	2.7	3.5	3.5	4.1	3.0
July	2.4	1.8	0.9	2.8	3.4	3.6	4.1	3.0
Aug.	2.5	1.8	1.0	2.7	3.4	3.7	4.1	3.1
Sept.	2.8	2.1	1.7	2.7	3.4	3.7	4.3	3.1
Oct.	2.6	2.0	1.4	2.8	3.2	3.6	3.9	3.2
Nov.	2.2	1.7	1.0	2.7	3.2	3.7	4.0	3.3
Dec.	1.9	1.9	1.2	2.6	3.4	3.6	3.9	3.2
2019 – Jan.	0.9	0.8	-0.7	2.6	3.0	3.4	3.4	3.2
Feb.	1.2	1.1	-0.1	2.6	3.2	3.6	3.7	3.3

(1) Loans include bad loans and repos, as well as the securitized component of these not recognized in banks' balance sheets. The percentage changes are calculated net of reclassifications, changes in exchange rates, valuation adjustments and other changes not associated with transactions. For more information on the euro-area data, see 'Monetary Developments in the Euro Area' on the ECB website. – (2) Loans to Italian residents. – (3) Loans to euro-area residents. – (4) The series are based on the new definitions for monetary aggregates and counterparties adopted by the ECB in September 2012, which exclude repo transactions with central counterparties (for the euro area, starting with the June 2010 data).

Net bond issues: Italy and euro area (1)

(billions of euros)

	Banks	Other financial corporations	Non-financial corporations	Total
		Italy		
2017	-64.9	15.6	21.6	-27.7
2018	-29.5	11.0	-3.9	-22.5
2017 – Q1	-13.8	0.6	4.6	-8.5
Q2	-12.5	-5.0	2.8	-14.7
Q3	-15.2	1.9	3.4	-9.8
Q4	-23.5	18.1	10.7	5.3
2018 – Q1	-15.8	-5.6	-2.9	-24.3
Q2	-16.9	1.2	-0.1	-15.8
Q3	1.1	3.8	1.8	6.8
Q4	2.0	11.6	-2.7	10.9
		Euro area		
2017	-46.9	1.9	63.0	17.9
2018	85.6	81.7	43.0	210.2
2017 – Q1	6.7	-11.6	10.7	5.8
Q2	5.0	41.1	17.3	63.4
Q3	-36.3	-14.5	19.9	-30.8
Q4	-22.3	-13.2	15.0	-20.5
2018 – Q1	31.1	17.7	22.9	71.6
Q2	-18.2	32.8	3.2	17.8
Q3	47.1	10.5	16.6	74.1
Q4	25.7	20.7	0.3	46.7

Sources: Bank of Italy and ECB.
(1) Bonds with an original maturity of more than one year, at face value, issued by companies resident in Italy (top panel) or the euro area (bottom panel) 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.

Financing of the general government borrowing requirement: Italy (1)

(billions of euros)

	Currency and deposits	*of which:* PO funds	Short-term securities	Medium- and long-term securities	MFI loans	Other liabilities	Transactions in debt instruments	Change in Treasury's liquid balances (2)	*of which:* liquidity operations	Borrowing requirement	*of which:* in connection with financial support to EMU countries (3)
2013	-1.8	-2.2	-11.0	91.7	-3.6	4.9	80.3	-3.2	-10.0	77.0	13.0
2014	14.7	-1.1	-16.0	82.1	-4.3	-1.2	75.3	-8.8	-28.0	66.5	4.7
2015	5.1	-1.5	-9.5	43.4	1.7	-1.0	39.7	10.7	8.0	50.4	-2.1
2016	-4.9	0.1	-8.0	63.4	0.8	-0.3	51.0	-7.4	-3.0	43.6	0.0
2017	-0.0	-1.9	-0.5	41.1	3.6	1.2	45.5	13.8	10.5	59.2	0.0
2018	7.1	-0.2	0.8	42.4	-4.6	0.3	46.1	-5.8	19.5	40.4	0.0
2017 – Jan.	2.4	-1.4	7.3	24.0	-1.3	0.1	32.4	-34.3	-2.9	-2.0	0.0
Feb.	-1.9	0.5	0.2	-10.9	1.1	-0.2	-11.7	20.7	-0.1	9.0	0.0
Mar.	2.4	0.2	-0.2	18.5	0.8	-0.1	21.5	2.2	-0.2	23.7	0.0
Apr.	1.1	-0.0	0.5	7.4	0.1	0.2	9.4	-3.9	0.8	5.5	0.0
May	1.3	0.5	0.7	5.8	-0.3	0.7	8.1	-0.5	5.0	7.6	0.0
June	3.6	-1.0	0.2	-0.5	5.4	0.7	9.4	6.3	-5.8	15.7	0.0
July	-0.1	0.1	0.3	21.5	-1.9	0.2	19.9	-32.9	0.3	-13.0	0.0
Aug.	1.9	-0.0	-0.1	-22.9	0.0	-0.1	-21.2	22.2	-0.2	1.0	0.0
Sept.	2.2	-0.4	-0.8	3.3	0.8	-0.2	5.2	11.3	0.0	16.6	0.0
Oct.	-0.9	0.4	-0.9	9.3	-1.7	-0.7	5.1	-1.3	0.8	3.8	0.0
Nov.	-0.4	-0.5	-1.0	-13.4	0.6	-0.1	-14.4	20.2	17.4	5.9	0.0
Dec.	-11.5	-0.1	-6.8	-0.9	-0.0	0.9	-18.2	3.8	-4.6	-14.4	0.0
2018 – Jan.	6.8	0.4	6.3	12.6	-2.2	0.0	23.5	-25.2	-9.1	-1.7	0.0
Feb.	-0.9	-0.3	-0.0	1.6	0.6	-0.4	0.9	6.2	16.0	7.1	0.0
Mar.	2.4	-0.2	0.0	15.2	0.0	-0.1	17.6	3.5	5.5	21.0	0.0
Apr.	-2.3	-0.1	-0.0	12.4	0.4	0.1	10.6	-7.3	2.0	3.3	0.0
May	-0.8	-0.5	-0.1	13.3	0.1	0.1	12.6	-5.4	0.0	7.2	0.0
June	-2.4	0.3	0.7	-5.7	1.3	0.8	-5.2	9.2	-4.8	3.9	0.0
July	5.6	-0.2	-0.2	17.0	-4.2	-1.2	17.0	-31.6	-2.5	-14.6	0.0
Aug.	-2.4	0.4	-0.6	-13.8	0.2	0.0	-16.6	14.9	-1.0	-1.7	0.0
Sept.	-1.1	-0.6	0.2	5.5	0.3	-0.1	4.7	15.4	-5.6	20.2	0.0
Oct.	-1.2	0.2	-0.0	4.6	-0.6	-0.7	2.1	1.0	-1.4	3.1	0.0
Nov.	0.2	-0.5	0.5	6.4	0.8	1.0	8.9	-3.3	2.1	5.6	0.0
Dec.	3.1	1.1	-5.9	-26.6	-1.2	0.7	-29.9	16.9	18.4	-13.1	0.0
2019 – Jan.	5.4	0.3	8.0	29.4	-0.5	-0.6	41.8	-44.0	-14.0	-2.2	0.0
Feb.	-3.6	-0.0	-0.1	4.4	-0.3	-0.1	0.3	9.8	-2.0	10.1	0.0

(1) For more information, see the Methodological Appendix in 'The Public Finances: Borrowing Requirement and Debt' in *Supplements to the Statistical Bulletin* for data up to December 2016 and for subsequent months 'The Public Finances: Borrowing Requirement and Debt' in the Statistics Series. – (2) Treasury deposits held at the Bank of Italy and liquidity operations with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution to the capital of the European Stability Mechanism.

Table A10

General government debt: Italy (1)

(billions of euros)

	Currency and deposits	Currency and deposits – *of which:* PO funds	Short-term securities	Medium- and long-term securities	MFI loans	Other liabilities	Other liabilities – *of which:* in connection with EFSF loans	General government debt	Memorandum item: Treasury's liquid balances (2)	Memorandum item: Treasury's liquid balances – *of which:* liquidity operations	Memorandum item: Deposits with resident MFIs net of liquidity transactions	Memorandum item: Financial support to EMU countries (3)
2013	158.5	18.6	140.6	1,593.9	131.1	46.2	34.1	2,070.3	37.6	10.0	24.7	55.6
2014	173.2	17.5	124.5	1,667.7	126.8	45.0	36.0	2,137.3	46.4	38.0	25.7	60.3
2015	178.3	16.0	115.0	1,707.2	128.9	44.0	33.9	2,173.4	35.7	30.0	26.9	58.2
2016	173.4	16.2	107.0	1,766.1	130.1	43.7	33.9	2,220.4	43.1	33.0	29.9	58.2
2017	172.3	14.3	106.6	1,806.8	136.1	47.3	33.9	2,269.0	29.3	22.5	32.2	58.2
2018	179.4	14.1	107.4	1,856.0	131.6	47.6	33.9	2,322.0	35.1	3.0	31.4	58.2
2017 – Jan.	174.7	14.8	114.3	1,790.9	131.1	46.1	33.9	2,257.1	77.4	35.9	29.9	58.2
Feb.	172.8	15.2	114.5	1,781.0	132.3	45.9	33.9	2,246.4	56.8	36.0	31.4	58.2
Mar.	175.2	15.5	114.3	1,798.4	133.1	45.8	33.9	2,266.8	54.6	36.2	32.6	58.2
Apr.	176.3	15.5	114.8	1,806.8	133.2	46.0	33.9	2,277.2	58.5	35.4	33.9	58.2
May	177.6	16.0	115.5	1,813.4	133.0	46.7	33.9	2,286.1	58.9	30.3	35.3	58.2
June	181.1	15.0	115.7	1,813.0	138.4	47.4	33.9	2,295.6	52.6	36.2	35.3	58.2
July	181.0	15.1	116.0	1,833.4	136.5	47.6	33.9	2,314.5	85.6	35.9	37.0	58.2
Aug.	182.9	15.1	115.9	1,810.4	136.5	47.4	33.9	2,293.2	63.4	36.1	36.7	58.2
Sept.	185.1	14.6	115.2	1,813.0	137.3	47.2	33.9	2,297.8	52.1	36.1	35.2	58.2
Oct.	184.1	15.0	114.3	1,822.2	135.6	46.5	33.9	2,302.6	53.3	35.3	34.7	58.2
Nov.	183.7	14.5	113.3	1,808.3	136.1	46.4	33.9	2,287.9	33.1	17.9	35.3	58.2
Dec.	172.3	14.3	106.6	1,806.8	136.1	47.3	33.9	2,269.0	29.3	22.5	32.2	58.2
2018 – Jan.	179.1	14.7	112.9	1,819.2	133.9	47.3	33.9	2,292.4	54.5	31.6	33.5	58.2
Feb.	178.2	14.4	112.8	1,821.1	134.5	46.9	33.9	2,293.6	48.3	15.6	34.4	58.2
Mar.	180.7	14.2	112.8	1,835.1	134.5	46.8	33.9	2,309.9	44.8	10.1	33.2	58.2
Apr.	178.4	14.1	112.8	1,847.1	134.9	46.9	33.9	2,320.1	52.1	8.1	34.8	58.2
May	177.5	13.6	112.7	1,862.0	135.0	47.0	33.9	2,334.3	57.6	8.1	35.9	58.2
June	175.2	13.8	113.4	1,857.6	136.3	47.8	33.9	2,330.4	48.4	12.9	33.8	58.2
July	180.8	13.6	113.2	1,876.5	132.1	46.7	33.9	2,349.3	80.0	15.4	35.1	58.2
Aug.	178.4	14.0	112.6	1,863.4	132.3	46.7	33.9	2,333.4	65.1	16.4	34.8	58.2
Sept.	177.3	13.4	112.8	1,869.0	132.5	46.6	33.9	2,338.2	49.6	22.0	33.6	58.2
Oct.	176.1	13.6	112.8	1,874.5	132.0	45.9	33.9	2,341.3	48.7	23.4	33.7	58.2
Nov.	176.3	13.0	113.3	1,882.1	132.8	46.9	33.9	2,351.3	51.9	21.4	33.1	58.2
Dec.	179.4	14.1	107.4	1,856.0	131.6	47.6	33.9	2,322.0	35.1	3.0	31.4	58.2
2019 – Jan.	184.8	14.5	115.4	1,885.2	131.1	47.0	33.9	2,363.5	79.1	17.0	32.6	58.2
Feb.	181.2	14.4	115.3	1,889.5	130.8	46.9	33.9	2,363.7	69.3	19.0	33.4	58.2

(1) For more information, see the Methodological Appendix in 'The Public Finances: Borrowing Requirement and Debt' in *Supplements to the Statistical Bulletin* for data up to December 2016 and for subsequent months 'The Public Finances: Borrowing Requirement and Debt' in the Statistics Series. – (2) Treasury deposits held at the Bank of Italy and liquidity operations with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution to the capital of the European Stability Mechanism.