



BANCA D'ITALIA
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Economic Bulletin

July 2021

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CONTENTS

OVERVIEW	5
1 THE WORLD ECONOMY	7
1.1 The global cycle	7
1.2 The euro area	10
1.3 Global financial markets	14
2 THE ITALIAN ECONOMY	17
2.1 Cyclical developments	17
2.2 Firms	20
2.3 Households	23
2.4 Foreign trade and the balance of payments	24
2.5 The labour market	28
2.6 Price developments	32
2.7 Banks	34
2.8 The financial markets	41
2.9 The public finances	43
2.10 Projections	44
SELECTED STATISTICS	53

LIST OF BOXES

Economic activity in the second quarter of 2021	18
Italian firms' assessments according to the Survey on Inflation and Growth Expectations	21
Credit supply and demand	37
The assumptions underlying the macroeconomic scenario	45
Savings accumulated during the pandemic and consumption projections	48

SYMBOLS AND CONVENTIONS

Unless otherwise specified, Bank of Italy calculations; for Bank of Italy data, the source is omitted.

In the tables:

- the phenomenon does not exist;
- the phenomenon exists but its value is not known;
- .. the value is nil or less than half of the final digit shown;
- :: not statistically significant;
- () provisional.

In the figures with different right- and left-hand scales, the right-hand scale is identified in the notes.

OVERVIEW

The global economy is recovering

With the rapid progress of the vaccination campaigns, global GDP growth has strengthened; the outlook is improving, albeit unevenly across countries. A considerable rise in inflation in the United States reflected supply lagging behind the strong recovery in demand, but to date has not had a significant impact on medium-term inflation expectations. Monetary policy remains expansionary in all the major countries.

The ECB Governing Council continues to support the economy and has reviewed its monetary policy strategy

In the euro area, rising energy prices have led to an increase in inflation, although this should be temporary. Faced with a situation that is generally improving but is still characterized by uncertainty over the course of the pandemic and the re-opening of businesses, the ECB Governing Council confirmed it will maintain extremely expansionary monetary conditions, which are still essential to support the economy and safeguard price stability over the medium term. Under the new monetary policy strategy approved by the Governing Council, especially forceful and persistent expansionary action is required when interest rates are close to their lower bound.

Growth resumes in Italy ...

In Italy, GDP growth was slightly positive in the first quarter, unlike in the other main euro-area countries, where it fell. According to the available indicators, growth gained pace in the second quarter, driven by the stepping up of the vaccination campaign and the gradual easing of restrictions; it is estimated to have expanded by more than 1 per cent compared with the previous quarter. Both a new increase in industrial activity and the beginning of the recovery in services contributed to this.

... driven by investment ...

The recovery was driven above all by investment. In

our surveys, firms indicate that investment conditions have markedly improved and that they expect investment to pick up during the year. Consumption returned to growth in the second quarter, but the propensity to save remains high, still reflecting precautionary motives.

... and by foreign trade

Italian exports rose in an environment of strengthening world trade. Tourism flows declined in the first quarter; however, mobile telephony data point to a gradual recovery in the number of foreign travellers in Italy since the end of April. Foreign investors' appetite for Italian securities has been confirmed in recent months. The positive net international investment position increased further.

After falling again, employment increased

The latest available data indicate that employment improved in the spring, with a partial recovery in jobs for young people and women in May and June. Employment had fallen in the first quarter as a result of the marked reduction in private services associated with the resurgence of new COVID-19 cases.

Inflation rises but the core component remains very low

The increase in commodity prices, boosted by the global recovery, was reflected in consumer prices, with inflation reaching 1.3 per cent in June, its highest level in the last three years; excluding energy and food prices, it nonetheless continued to be very weak (0.3 per cent). There is no evidence of further transmission of energy costs to the consumer prices of final goods and services or of a significant pick up in wage growth.

Financial market and credit conditions are relaxed

The accommodative monetary policy stance of the ECB continues to translate into very relaxed financial market and bank lending conditions. Government bond yields remain moderate: the sovereign risk premium is

still below the levels recorded before the pandemic. Lending to non-financial corporations and households continued to grow. Aside from debt restructuring requirements and precautionary motives, firms' demand for credit, for the most part backed by state guarantees, reflected their intention to finance the recovery of investment.

The NRRP is given the green light by the Council of the EU

The Government introduced new measures to support workers and firms in the second quarter of the year. In mid-July the Council of the European Union approved the National Recovery and Resilience Plan (NRRP) submitted by the Government at the end of April.

Thanks to the improvement in the health situation and to expansionary policies ...

This Bulletin presents the macroeconomic projections for the Italian economy in the three years 2021-23, which update those prepared in June as part of the Eurosystem staff macroeconomic projection exercise. The assumptions underpinning the projections are that the public health situation will continue to improve at both national and global level, that there will be ongoing strong support from fiscal policy – using both national and EU funds – and that favourable monetary and financial conditions will be maintained, as indicated by the Governing Council of the ECB.

... GDP looks set to accelerate from the summer onwards ...

Based on these assumptions, GDP is projected to accelerate significantly starting from the third quarter, with annual average growth currently estimated at 5.1 per cent in 2021, and is forecast to continue to grow in the following two years (at rates of 4.4 per cent in 2022 and 2.3 per cent in 2023). In this scenario, GDP returns to pre-pandemic levels in the second half of 2022.

... with an important contribution from investment

Contrary to what was observed after the two previous recessions, the recovery will

likely be marked by a strong contribution of investment, which is expected to expand rapidly thanks to the outlook for demand, favourable financing conditions, and the support envisaged under the NRRP. In this scenario, at the end of the three-year period, the ratio of investment to GDP regains the levels prevailing before the global financial crisis of 2008-09; after ten years, the ratio of public sector investment to GDP goes back to the European average. Consumption is projected to recover more gradually; inflation is expected to remain low in the next two years, at around 1.3 per cent.

The outlook, however, depends on the effectiveness and timeliness of the measures ...

The scenario presented here is nevertheless heavily dependent on the effectiveness and timeliness of the measures introduced to support and relaunch the economy, which in the projection exercise raise GDP by about 4 percentage points cumulatively over the three-year forecasting horizon. About half of this effect is attributable to interventions under the NRRP. Further stimulus to growth in the years beyond the forecasting horizon could be generated by effects on productivity stemming from the public investment and reforms envisaged under the NRRP.

... and on the course of the pandemic

The main elements of uncertainty surrounding the outlook for growth are linked to the course of the pandemic (which can affect consumption and investment), to how NRRP-related projects are implemented and to their ability to impact potential growth, as well as to how consumers respond to the re-opening of the economy.

Risks to inflation are balanced

The risks surrounding the inflation projections are balanced and also depend on price developments in the euro area. On the one hand, persistently ample margins of spare capacity could delay the recovery in wages. On the other hand, persistent action to support economic activity could favour a more rapid return of inflation expectations and wage growth in Italy and the euro area to levels consistent with the definition of price stability.

1 THE WORLD ECONOMY

1.1 THE GLOBAL CYCLE

The rapid progress of the vaccination campaigns has been matched by a robust recovery of global economic activity – which has spread to the service sector – and of world trade. Prospects are, however, still very uneven across countries. Consumer prices have risen significantly in the United States, reflecting temporary restrictions on supply, while demand is recovering strongly; medium-term inflation expectations are nevertheless still moderate.

Vaccinations proceed and restrictions are being removed

Proceeding with the vaccinations gave rise to a marked decline in the number of cases of COVID-19 at global level, allowing the social distancing measures to be gradually relaxed in the areas where a higher proportion of the population has been vaccinated, such as in the United States, the United Kingdom and the

European Union. Nevertheless, the number of cases has remained high in some of the emerging economies and restrictions on mobility have been tightened in Japan. The emergence of a more contagious variant of the virus has led to an increase in cases in many countries since June, although this has not led to a rise in the number of deaths in places where vaccination coverage is higher.

The global recovery continues and extends to services

In the first quarter of 2021, GDP in the United States and China accelerated strongly, while it fell sharply in Japan and the United Kingdom (Table 1). At the end of March, in the United States, Japan and the United Kingdom, GDP was below pre-pandemic levels, by 0.9, 2.0 and 8.8 per cent respectively. For the second quarter, the purchasing managers' index (PMI) for manufacturing firms confirms the recovery of the US economy and points to a recovery of economic activity in the United Kingdom, extending to the service sector (Figure 1); for Japan, it suggests that growth may be much weaker and limited to the manufacturing sector. In China, where economic activity has already returned to pre-health crisis levels, the purchasing managers' indices are still above the expansion threshold; in the other main emerging economies, on the other hand, they indicate a weakening in more recent months, particularly in India.

World trade is recovering rapidly

The recovery in world trade continued in the first

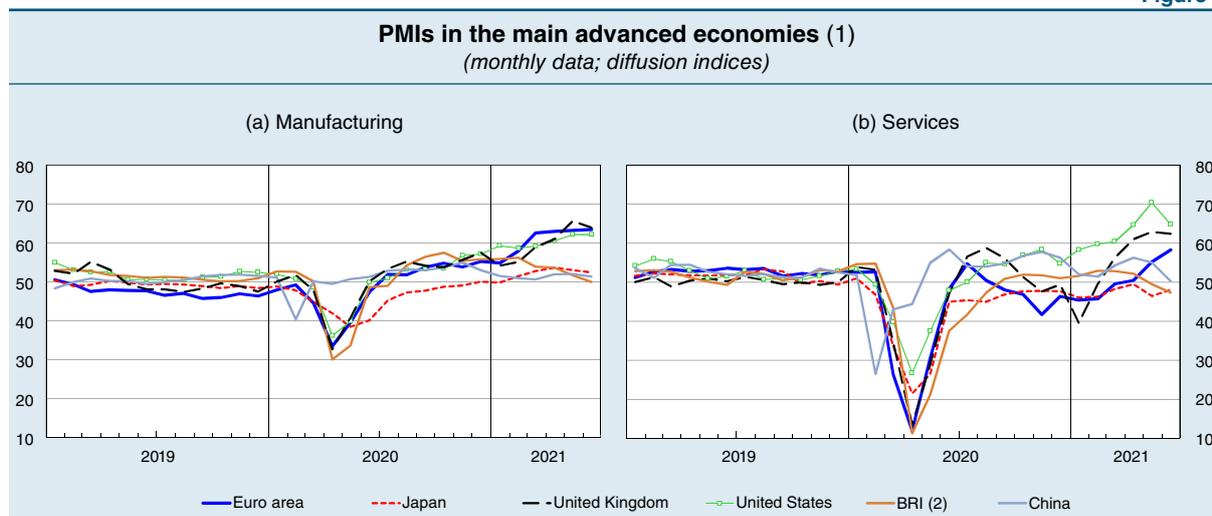
Table 1

	GDP growth and inflation (percentage changes)			
	GDP growth		Inflation (1)	
	2020	2020 Q4 (2)	2021 Q1 (2)	2021 June (3)
Advanced countries				
Japan	-4.7	11.7	-3.9	-0.1
United Kingdom	-9.8	5.2	-6.2	2.5
United States	-3.5	4.3	6.4	5.4
Emerging countries				
Brazil	-4.1	-1.1	1.0	8.4
China	2.3	6.5	18.3	1.1
India	-7.0	0.5	1.6	6.3
Russia	-3.0	-1.8	-0.7	6.5

Source: National statistics.

(1) Consumer price index, year-on-year change. – (2) Quarterly changes, annualized and seasonally adjusted for the advanced countries; year-on-year percentage changes for the emerging countries. – (3) For Japan, May 2021.

Figure 1



Sources: Markit and Refinitiv.

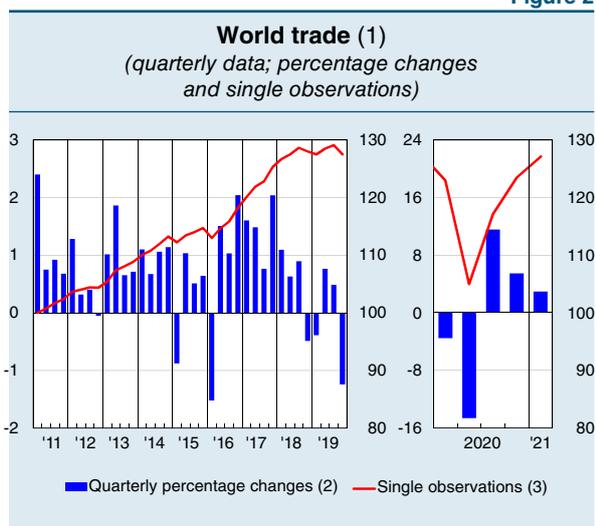
(1) Diffusion indices of economic activity in the manufacturing and service sectors based on purchasing managers' assessments. Each index is obtained by adding half of the percentage of replies of 'stable' economic activity to the percentage of replies of 'increasing' economic activity. The value of 50 is the threshold compatible with expansion in the sector. – (2) Average of the forecasts for Brazil, Russia and India (BRI), weighted on the basis of each country's GDP in 2019.

quarter, in line with the improvement in economic activity (Figure 2). Our estimates show that trade will increase by 11 per cent in 2021, exceeding pre-pandemic levels.

Inflation rises in the United States

The sharp increase in consumer price inflation in the United States continued in June, reaching 5.4 per cent (Figure 3). Some contributory factors were the temporary restrictions on the supply side, such as the reduced production of new vehicles leading to a rise in prices for second-hand ones, and the increase in demand in the sectors hardest hit by the pandemic, such as transportation services. Even so, the rise in prices has not led to a

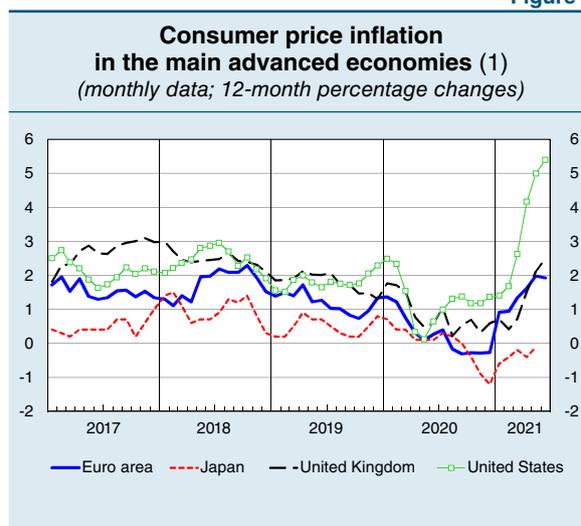
Figure 2



Sources: Based on national accounts and customs data.

(1) Seasonally adjusted data. – (2) For graphic design reasons, quarterly percentage changes are shown, for 2020 and 2021, on a different scale from that used for the preceding years. – (3) Index: Q1 2011=100. Right-hand scale.

Figure 3



Source: Refinitiv.

(1) For the euro area and the United Kingdom, harmonized consumer prices.

significant revision of inflation expectations: the market-based expectations over a five-year horizon were stable at around 2.5 per cent in mid-July. Inflation also rose moderately in the United Kingdom, from 2.1 per cent in May to 2.5 per cent; in Japan, the 12-month change in consumer prices remained negative at -0.1 per cent in May.

Global prospects are revised upwards but vary

According to the projections released by the OECD in May, the world economy will grow by 5.8 per cent in 2021, exceeding pre-pandemic levels, driven by the strong expansion of the economy in the United States and China (Table 2). Compared with the assessments made in March, the projections for global economic activity have been revised upwards by 0.2 percentage points for 2021 and by 0.4 percentage points for 2022. Prospects in the medium-term outlook are still uneven across countries: in some of the emerging economies, such as India, Indonesia and South Africa, the outlook is still weak. Furthermore, the risks linked to the evolution of the pandemic, in particular to the spread of new variants of the virus or to delays in the vaccination campaigns in some areas, continue to weigh on the entire global economy.

Table 2

Macroeconomic projections (changes and percentage points)					
	2020 (1)	Forecasts (2)		Revisions (3)	
		2021	2022	2021	2022
GDP	-3.5	5.8	4.4	0.2	0.4
World					
Advanced countries					
Euro area	-6.5	4.3	4.4	0.4	0.6
Japan	-4.7	2.6	2.0	-0.1	0.2
United Kingdom	-9.8	7.2	5.5	2.1	0.8
United States	-3.5	6.9	3.6	0.4	-0.4
Emerging countries					
Brazil	-4.1	3.7	2.5	0.0	-0.2
China	2.3	8.5	5.8	0.7	0.9
India (4)	-7.7	9.9	8.2	-2.7	2.8
Russia	-3.0	3.5	2.8	0.8	0.2
World trade	-8.4	11.0	-	1.7	-

Sources: OECD, *OECD Economic Outlook*, May 2021 for GDP, and Bank of Italy calculations based on national accounts and customs data for world trade. (1) For the euro area and Russia, national accounts data. – (2) Percentage changes. – (3) Percentage points. Revisions compared with OECD, *OECD Interim Economic Outlook*, March 2021 and, for world trade, compared with the Bank of Italy's *Economic Bulletin*, 2, 2021. – (4) The data refer to the fiscal year that starts in April.

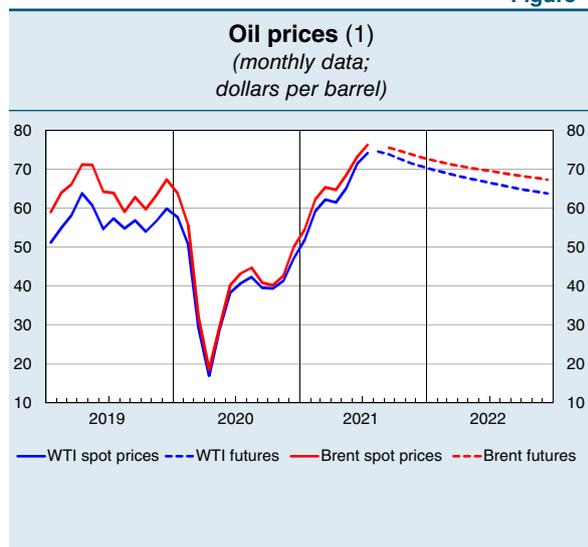
The recovery drives up oil prices

Oil prices have risen to more than \$70/barrel, driven by higher demand. As regards the supply side, at the meeting of the OPEC+ countries at the beginning of July, no agreement was reached on further increasing production. Futures, however, point to a fall in prices in the medium term (Figure 4).

Monetary policy remains expansionary

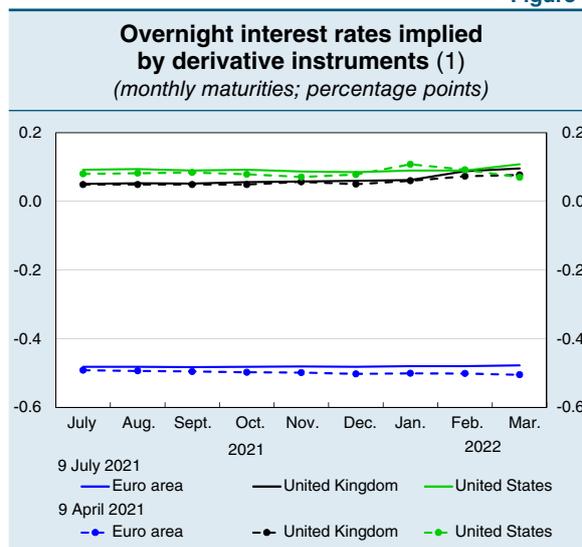
The Federal Reserve confirmed its expansionary monetary policy stance at its mid-June meeting. The new projections made by the members of the Federal Open Market Committee (FOMC) point to growth and inflation higher than predicted in March for 2021 and the first increase in the target range for the federal funds rate in 2023. The monetary policy stance is also still accommodative in Japan and the United Kingdom (Figure 5).

Figure 4



Source: Refinitiv.
 (1) For the spot prices, average monthly data up to June 2021. The latest data refer to the average daily data from 1 to 9 July 2021. For futures, the data refer to the prices on 9 July 2021.

Figure 5



Source: Based on Refinitiv data.
 (1) Expected interest rate implied by overnight indexed swap (OIS) prices.

In China, the central bank lowered its reserve requirement ratio by 50 basis points, while its reference rates remained unchanged.

1.2 THE EURO AREA

Following the contraction observed at the start of 2021, involving all the leading countries except Italy, GDP picked up in the euro area in the second quarter. Significant growth may be possible in the second half of the year, but there is still uncertainty over the path of the pandemic. Rising energy prices led to an increase in inflation, although this should be temporary. The ECB Governing Council confirmed it will maintain extremely accommodative monetary conditions, which are still essential to support the economy and safeguard price stability in the medium term.

After the decline in the early months of the year, the economy is picking up ...

In the first quarter of 2021, economic activity in the euro area declined further by 0.3 per cent (Table 3). GDP fell sharply in Germany and slightly less steeply in Spain and France, while it increased very slightly in Italy. GDP growth made a strong recovery in the second quarter of this year. In June, the €-coin indicator confirmed robust growth in the euro-area's underlying GDP, thanks to higher expectations on the part of households and firms (Figure 6).

... thanks to expansionary policies

The ECB staff projections released in June indicate that GDP will grow by 4.6 per cent in 2021, 4.7 per cent in 2022 and 2.1 per cent in 2023. Compared with last March, these latest projections are 0.6 percentage points higher for both 2021 and 2022, above all following the strong upswing expected for the second half of this year, in turn due to the strong support afforded by expansionary policies and to the improvement in public health.

The energy component leads to a rise in inflation ...

Based on preliminary data, twelve-month harmonized consumer price inflation reached 1.9 per cent in June, continuing to be influenced, above all, by the marked growth in energy prices (Figure 7). Core inflation stood at 0.9 per cent.

Table 3

Euro-area GDP growth and inflation (percentage changes)				
	GDP growth			Inflation
	2020	2020 Q4 (1)	2021 Q1 (1)	2021 June (2)
France	-8.1	-1.5	-0.1	(1.9)
Germany	-4.8	0.5	-1.8	(2.1)
Italy	-8.9	-1.8	0.1	(1.3)
Spain	-10.8	0.0	-0.4	(2.4)
Euro area	-6.5	-0.6	-0.3	(1.9)

Sources: Based on national statistics and Eurostat data.
 (1) Quarterly data adjusted for seasonal and calendar effects; percentage changes on previous period. – (2) Year-on-year percentage changes in the harmonized index of consumer prices (HICP).

... but this should be temporary

Pressure on prices is probably temporary and is not expected to translate into a persistent rise in inflation and, as yet, there has been no sign of transmission to wage growth. Our estimates suggest that the recent increase in producer price inflation will only have a limited impact on consumer price inflation in the euro area.

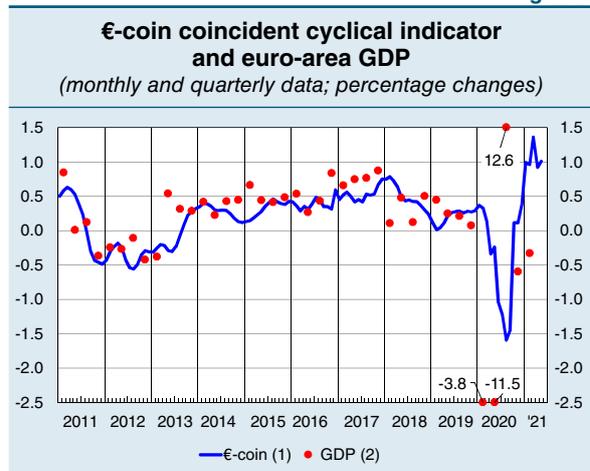
According to the Eurosystem staff projections, harmonized inflation will reach 1.9 per cent in 2021 and 1.5 per cent in 2022, higher values than predicted last March (by 0.4 and 0.3 percentage points respectively). Nevertheless, an inflation rate of 1.4 per cent has been confirmed for 2023, which is well below the ECB’s target.

Inflation expectations derived from inflation swaps rose over the short and medium term, but are still below 2 per cent. They reached 1.5 per cent in the first ten days of July over both the two-year horizon and the five-year horizon, up from 1.1 and 1.3 per cent respectively at the start of April (Figure 8.a). The five-year, five years forward expectations remained broadly stable at 1.6 per cent. Based on options prices, the probability that inflation will rise above 2.5 per cent on average over the next five years remained very low (7 per cent), although it increased slightly (Figure 8.b).

The volume of ECB’s net asset purchases remains significant

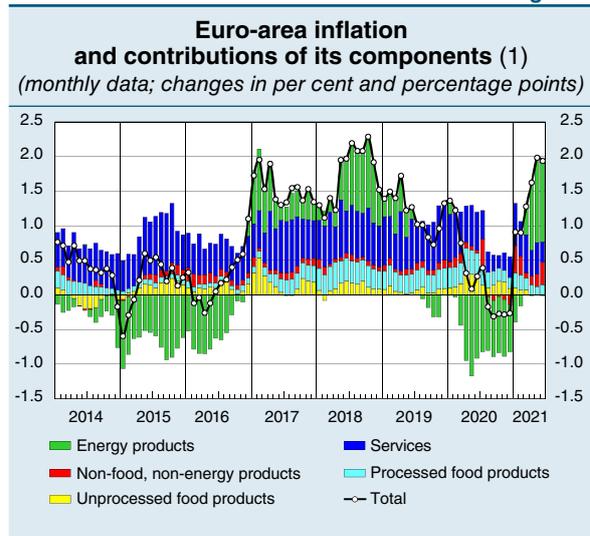
Faced with a situation that is gradually improving but is still characterized by high uncertainty about the pandemic and how the economy will respond to the opening up of activities, the ECB Governing Council confirmed it will maintain extremely expansionary monetary conditions, which are still essential to bolster household and business confidence, support the economy and safeguard price stability in the medium term.

Figure 6



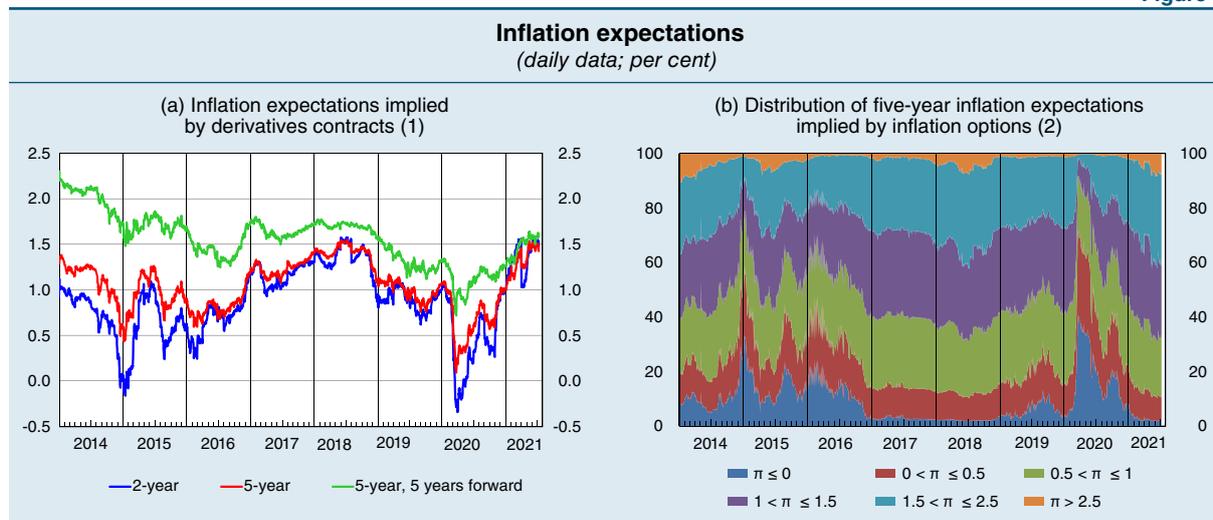
Sources: Bank of Italy and Eurostat.
 (1) For €-coin, monthly estimates of changes in GDP on the previous quarter, net of the most erratic components. For the methodology and construction of the indicator, see the box ‘The €-coin indicator and the economic situation in the euro area’, in *Economic Bulletin*, July, 2009. The indicator underwent some revisions, the details of which are available on the Bank of Italy’s website, ‘€-coin: June 2021’. – (2) For GDP, quarterly data; percentage change on previous quarter.

Figure 7



Sources: Based on Eurostat and ECB data.
 (1) 12-month change in the harmonized index of consumer prices (HICP). For June, preliminary estimates.

Figure 8



Source: Based on Bloomberg data.

(1) Expected inflation rates implied by 2-year, 5-year and 5-year, 5 years forward inflation swaps. – (2) The distribution of expected inflation (π) is estimated based on the prices of zero-coupon inflation options in the euro area over a 5-year horizon. The underlying inflation rate is calculated based on the harmonized index of consumer prices (HICP) excluding tobacco.

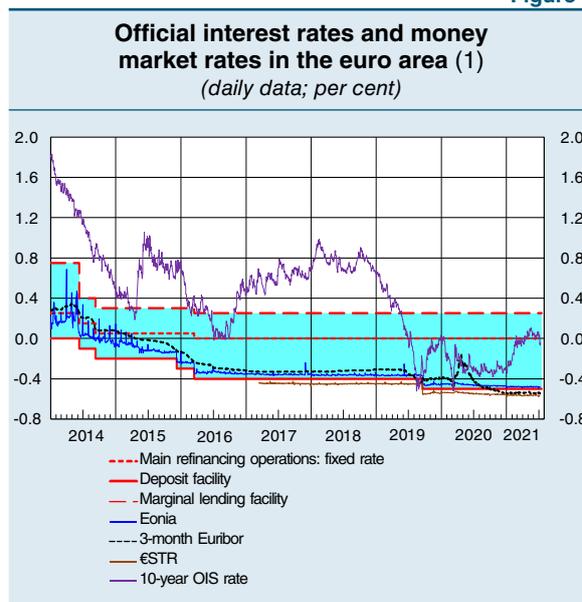
The Governing Council decided to maintain the sustained pace of its monthly asset purchases under the pandemic emergency purchase programme (PEPP) in the current quarter as well. The purchases are still aimed at preventing a premature tightening of financial conditions in the economy (Figure 9), which would conflict with the need to reduce the impact of the pandemic on economic prospects.

The new monetary policy strategy has been defined

The results of the ECB’s review of its monetary policy strategy, begun in January 2020, were published on 8 July.¹ The Governing Council considered that the best way to maintain price stability was to adopt a symmetric inflation target of 2 per cent in the medium term. This is a symmetrical objective that does not represent an upper limit, meaning that negative and positive deviations of inflation from the target are equally undesirable. When the economy is operating close to the effective lower bound on nominal

The results of the ECB’s review of its monetary policy strategy, begun in January 2020, were published on 8 July.¹

Figure 9



Sources: ECB and Refinitiv.

(1) As of 2 October 2019, the €STR is a new overnight benchmark rate for the euro-area money market. For the period prior to 2 October, the figure shows the pre-€STR. Starting on 2 October and until the end of 2021, the Eonia is calculated as the €STR plus a fixed spread of 8.5 basis points.

¹ See ‘The outcome of the strategy review’, 8 July 2021 on the Bank of Italy’s website and in particular, ‘The ECB’s monetary policy strategy statement’. The Council also confirmed that the HICP remains the most appropriate measure for assessing price stability and recommended the future inclusion of the costs related to owner-occupied housing. In addition, it also approved an ambitious plan of action linked to climate change (see the ECB, ‘The ECB presents an action plan to include climate change considerations in its monetary policy strategy’, press release, 8 July 2021). For a more detailed analysis of the new monetary policy strategy, see ECB, ‘An overview of the ECB’s monetary policy strategy’.

Table 4

Securities held under the APP and PEPP (billions of euros)				
	Private sector securities (1)	Public sector securities (1)	of which: Italian public sector securities (2)	of which: Italian government securities purchased by the Bank of Italy (2)
APP				
March 2021	584	2,379	422	378
June 2021	602	2,415	422	379
PEPP				
March 2021	44	894	157	141
May 2021 (3)	40	1,059	183	164

Sources: ECB and Bank of Italy

(1) Book values at amortized cost. – (2) Difference between the acquisition cost of all purchase operations and the redeemed nominal amounts. – (3) PEPP data are published bimonthly.

interest rates, in order to prevent negative deviations from the target from becoming entrenched in the inflation expectations and in behaviour, especially forceful or persistent monetary policy action will be required, which may also imply a transitory period in which inflation is moderately above target.

The Eurosystem's net asset purchases of public and private sector securities under the asset purchase programme (APP) continued regularly. At the end of June, the book value stood at €3,017 billion (Table 4). Net purchases under the PEPP, increasing in the second half of March, compared with the early months of the year, brought the total book value of the portfolio of public and private sector securities purchased under this programme to €1,099 billion at the end of May.

On 24 June, the eighth auction of the third series of targeted longer-term refinancing operations (TLTRO III) was settled, allocating €110 billion to euro-area counterparties, of which €16 billion to Italian counterparties (Table 5). The total value of the funds disbursed under these operations rose to €2,190 billion for the euro area and €443 billion for Italy.

Lending continues to grow

In May, lending to non-financial corporations in the euro area grew by an annualized quarterly rate of 1.0 per cent, adjusted for seasonal factors and the accounting effect of securitizations (Figure 10.a). Lending increased at a rapid pace in Germany and in Italy, by 3.5 and 3.3 per cent respectively (see Section 2.7 for Italy), while it declined in France and Germany, by 4.5 and 4.0 per cent respectively. The growth in lending to

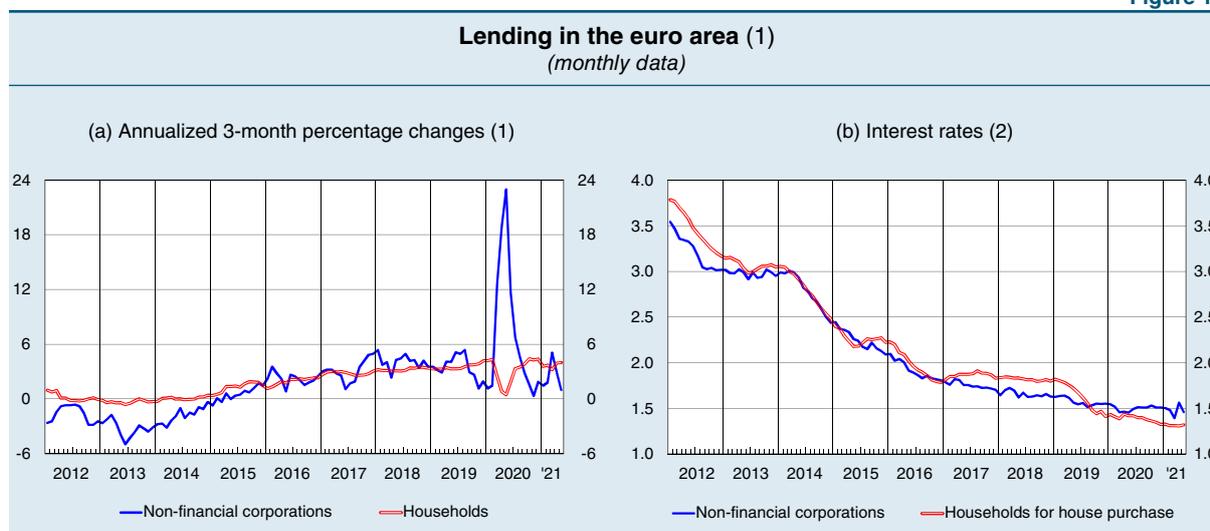
Table 5

Eurosystem refinancing operations (billions of euros)				
	Euro area		Italy	
	Amount	Number of counterparties	Amount	Number of counterparties
Total refinancing at 30 June 2021 (1)	2,217		464	
Refinancing under TLTRO III	2,190		443	
of which: last operation settled in June 2021	110	224	16	26

Sources: ECB and Bank of Italy.

(1) Includes the total amounts of main refinancing operations and longer-term refinancing operations, i.e. 3-month LTROs, TLTRO III, and pandemic emergency longer-term refinancing operations (PELTROs).

Figure 10



Source: ECB.

(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. Percentage changes are calculated net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. The data are seasonally adjusted. – (2) Weighted average of interest rates on new short and medium-long term loans, with weights equal to the 24-month moving average of new loan disbursements; for non-financial corporations, includes overdrafts.

households remained robust (4.0 per cent). Between February and May, the interest rates on new loans to non-financial corporations and to households for house purchase remained stable, at 1.5 and 1.3 per cent respectively (Figure 10.b).

The EU Council has adopted the recovery and resilience plans of 12 countries

So far, 25 Member States have presented to the European Commission their national investment and reform plans under the Recovery and Resilience Facility, the main instrument of the Next Generation EU programme (NGEU).² All these countries intend to use the full amount of accessible transfers while only seven expect to apply for loans,³ with total requests corresponding to almost 45 per cent of the available resources. On 13 July, on the proposal of the European Commission, the EU Council approved the plans of the first 12 countries.⁴ After approval by the Council, the first instalment of funds can be disbursed, for an amount up to a cap equal to 13 per cent of the value of each plan. From June to mid-July, the Commission conducted its first issuances of securities (for a total value of €45 billion), with the aim of raising funds on the markets for the provision of grants and loans under NGEU.

1.3 GLOBAL FINANCIAL MARKETS

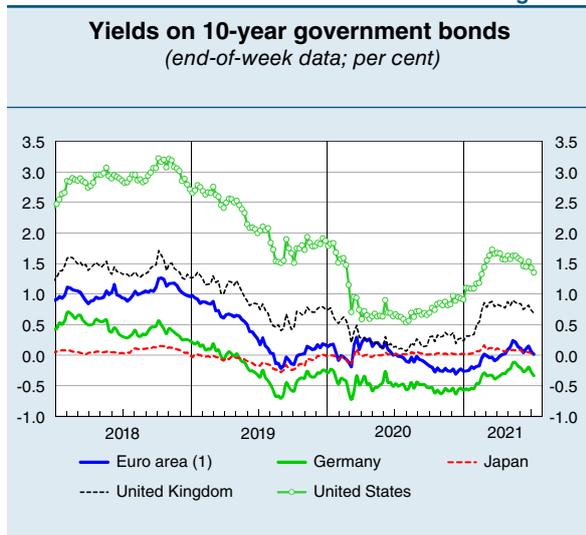
The confirmation of the expansionary monetary policy stance of the Federal Reserve and the ECB contributed to halting the increase in long-term yields under way since the start of the year. Equity prices continued to rise in the main advanced economies, with the exception of Japan, where prices declined.

² Bulgaria and the Netherlands have not presented their plans.

³ Cyprus, Greece, Italy, Poland, Portugal, Romania and Slovenia.

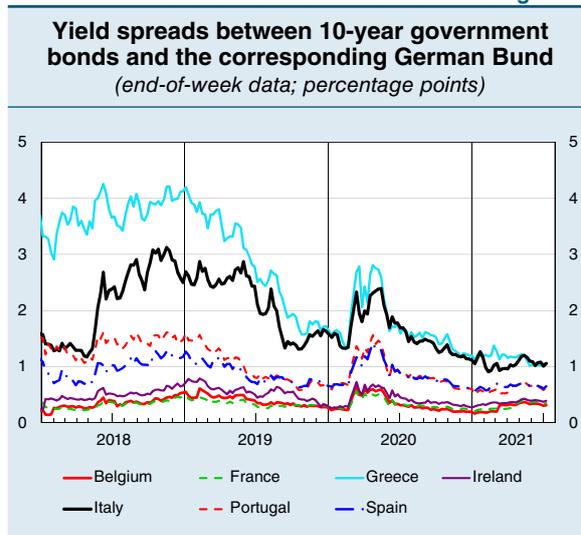
⁴ Austria, Belgium, Denmark, France, Germany, Greece, Italy, Latvia, Luxembourg, Portugal, Slovakia and Spain. The plans presented by the other 4 countries (Cyprus, Croatia, Lithuania and Slovenia) have received a positive assessment from the European Commission and are waiting for final approval from the EU Council.

Figure 11



Source: Based on Refinitiv data.
 (1) Average yields, weighted by 2019 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

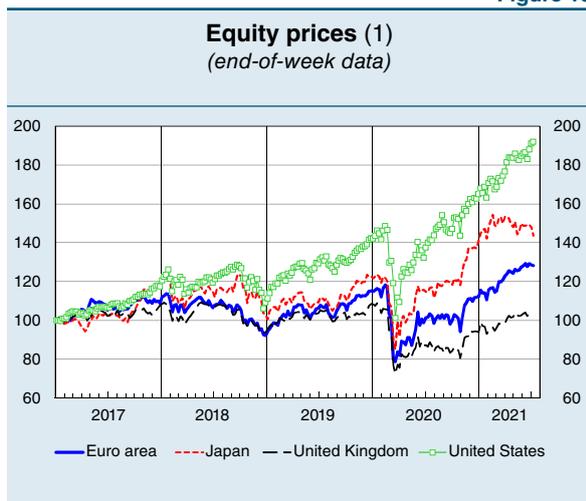


Source: Based on Bloomberg data.

The increase in yields under way since the start of the year comes to a halt

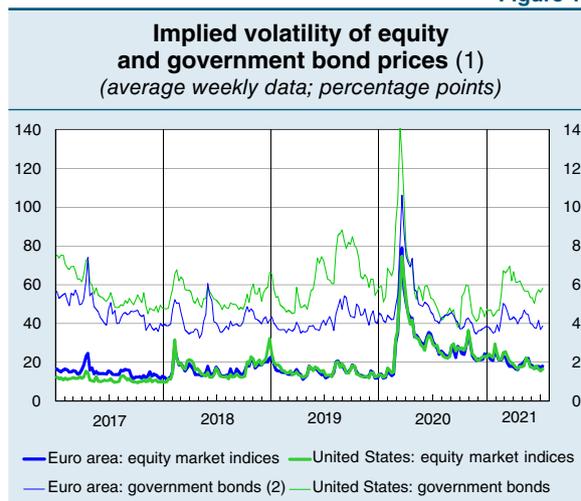
In the United States, confirmation of the expansionary monetary policy stance has given rise to a reduction of 30 basis points in long-term yields since mid-April; in the United Kingdom and Japan, the fall was about 10 basis points, while in the euro area, they have remained broadly stable (Figure 11). At the beginning of July, the yields on ten-year public sector securities stood at around 1.4 per cent in the United States, 0.0 per cent in Japan, 0.7 per cent in the United Kingdom and -0.3 per cent in Germany. In the main euro-area countries, the yield spread with the corresponding German Bund remained essentially unchanged (Figure 12).

Figure 13



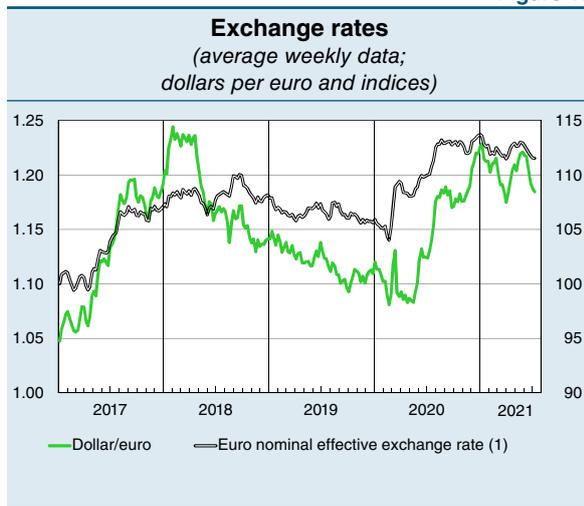
Source: Refinitiv.
 (1) Indices: Dow Jones Euro Stoxx for the euro area, Nikkei 225 for Japan, FTSE All Share for the United Kingdom and Standard & Poor's 500 for the United States. Index: 1st week of January 2017=100.

Figure 14



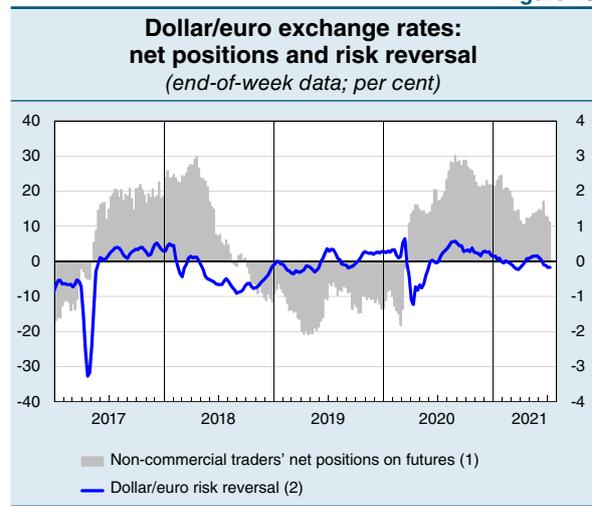
Source: Based on Refinitiv data.
 (1) Equity indices: VSTOXX for the euro area and VIX for the United States. Government bonds: volatility implied by the prices of options on German Bund futures for the euro area and on Treasury Notes for the United States (MOVE index). – (2) Right-hand scale.

Figure 15



Sources: ECB, Bloomberg and Refinitiv.
 (1) An increase in the nominal effective exchange rate indicates an appreciation of the euro. Index: 1st week of January 2017=100. Right-hand scale.

Figure 16



Sources: ECB, Bloomberg and Refinitiv.
 (1) Difference between non-commercial traders' long and short positions in euros on dollar/euro FX futures as a percentage of total outstanding positions. – (2) One-month risk reversal (20-day moving average), which measures the skewness of the distribution of expectations for the dollar/euro exchange rate. Negative (positive) values indicate a greater risk of a depreciation (appreciation) of the euro. Right-hand scale.

The improvement in the outlook for growth influenced the performance of equity prices, which rose in the second quarter in the United States, the euro area and the United Kingdom (Figure 13), while the Japanese stock market index declined. In the government bond market, implied volatility fell slightly (Figure 14).

The euro holds stable against the dollar

After appreciating about 2 per cent against the dollar up to mid-June, the euro began to fall to just below mid-April values, following indications of a more rapid upswing in official interest rates coming from the projections made by the members of the FOMC (see Section 1.1 and Figure 15). In nominal effective terms, the euro has depreciated by about 0.4 per cent since mid-April. Among non-commercial traders, long positions in euros prevail, signalling a possible strengthening of the euro against the dollar (Figure 16).

2 THE ITALIAN ECONOMY

2.1 CYCLICAL DEVELOPMENTS

Growth in Italy, which was barely positive in the first quarter of 2021, picked up in the spring, driven by the stepping up of the vaccination campaign and the gradual easing of restrictions: our assessments based on the high-frequency indicators suggest that, in the second quarter, GDP expanded by well above 1 per cent.

GDP rises slightly at the start of the year ... In the first quarter of 2021, GDP rose 0.1 per cent on the previous period (Figure 17), with a significant upward revision compared with Istat's preliminary estimates, and in line with the basically stable assessment made in April based on our high-frequency indicators (see *Economic Bulletin*, 2, 2021); the positive contribution of national demand, gross of the substantial increase in stocks, more than offset the negative

Figure 17

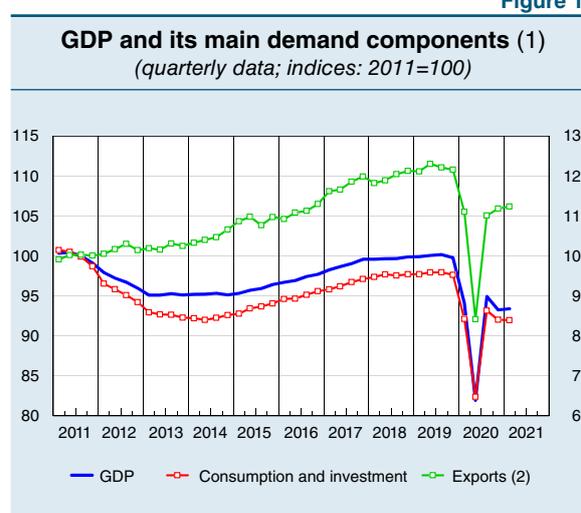


Table 6

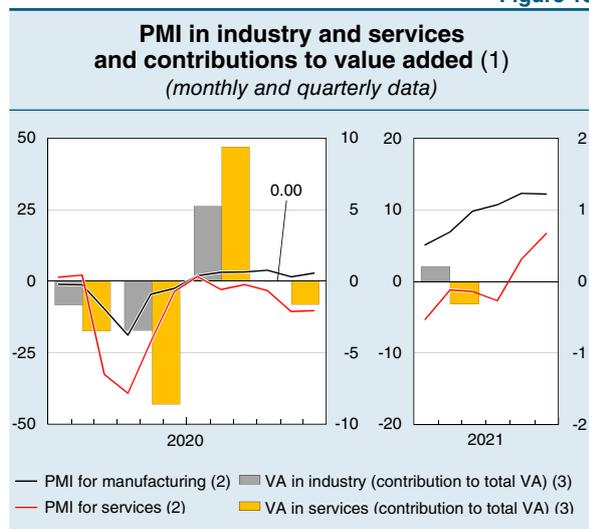
GDP and its main components (1)
(percentage change on previous period and percentage points)

	2020			2021	2020
	Q2	Q3	Q4	Q1	
GDP	-12.9	15.9	-1.8	0.1	-8.9
Total imports	-18.2	14.5	5.7	2.3	-12.6
National demand (2)	-10.9	11.5	-0.8	0.6	-8.4
National consumption	-9.1	9.8	-1.6	-1.0	-7.8
Household spending (3)	-11.8	13.0	-2.7	-1.2	-10.7
General government spending	-1.1	1.5	1.6	-0.2	1.6
Gross fixed investment	-17.3	29.5	0.4	3.7	-9.1
Construction	-21.1	42.2	-1.1	5.0	-6.3
Capital goods (4)	-14.2	19.7	1.7	2.5	-11.4
Change in stocks (5) (6)	-0.3	-1.6	0.4	0.6	-0.3
Total exports	-24.2	30.8	1.5	0.5	-13.8
Net exports (6)	-2.3	4.4	-1.0	-0.5	-0.8

Source: Istat.

(1) Chain-linked volumes; the quarterly data are adjusted for seasonal and calendar effects. – (2) Includes the change in stocks and valuables. – (3) Includes non-profit institutions serving households. – (4) Include, as well as investment in plants, machinery and arms (which also include transport equipment), cultivated biological resources and intellectual property. – (5) Includes valuables. – (6) Contributions to GDP growth on previous period. Percentage points.

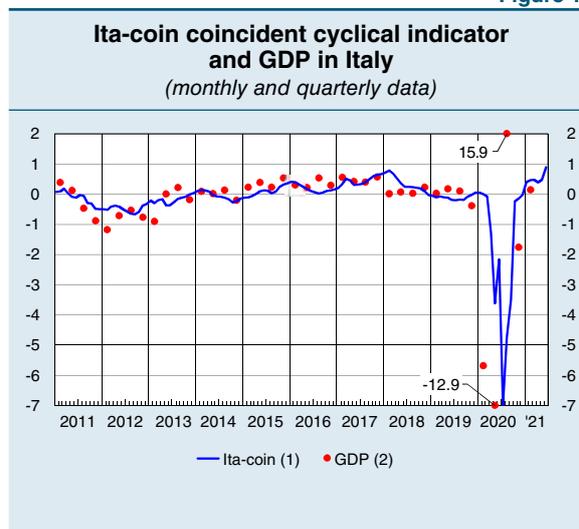
Figure 18



Sources: Based on Istat and Markit data.

(1) For graphic design reasons, the data for the 2021 are shown on a different scale from that used for 2020. – (2) Diffusion indices implied in the purchasing managers' indices (PMIs). Distance from the value of 50, which represents the threshold compatible with expansion for the sector. – (3) Sector's contribution to the quarterly change in value added (VA). Percentage points. Right-hand scale.

Figure 19



Sources: Bank of Italy and Istat.

(1) Monthly estimates of changes in GDP on the previous quarter net of the most erratic components. Further details are available on the Bank of Italy's website: 'Ita-coin coincident cyclical indicator'. Since November 2019, the data sample used for the Ita-coin estimate has been expanded with new data on services, which has meant adjusting the indicator profile. – (2) Quarterly data; percentage change on previous quarter.

contribution of foreign trade owing to the sharp rise in imports (Table 6). Value added decreased in services, but less so than during the previous quarter; it rose in manufacturing and, especially, in construction (Figure 18).

... and more strongly in the second quarter

According to the most recent indicators, GDP growth in the second quarter was above 1 per cent: the fresh increase in industrial activity was accompanied by a partial recovery in services (see the box 'Economic activity in the second quarter of 2021'). The purchasing managers' indices (PMIs; Figure 18) and those measuring household and business confidence rose sharply. In June, the Ita-coin indicator registered a marked increase, owing to the robust improvement in household and business confidence and in foreign trade (Figure 19).

ECONOMIC ACTIVITY IN THE SECOND QUARTER OF 2021

The stepping up of the vaccination campaign and the consequent easing of restrictions (Decree Law 52/2021) contributed to supporting the recovery of the Italian economy. Based on the set of models used by the Bank of Italy, it can be assumed that in the second quarter as a whole, the growth in GDP compared with the previous three months was above 1 per cent, with an increase in value added spread across all the sectors.

Industrial production increased for the fifth straight month in April, to then decline again in May; bearing in mind our estimates for June, we expect it to have risen by around 1.3 per cent in the second quarter, a rate close to that in the first quarter. The high-frequency indicators available, such as consumption of electricity and of gas for industrial use and motorway traffic, are consistent with our forecast (Figure A). Over the quarter as a whole, the business confidence of industrial firms pointed to a widespread improvement in all the components; the PMI reached its highest level since the survey began (June 1997; see Figure 20.b).

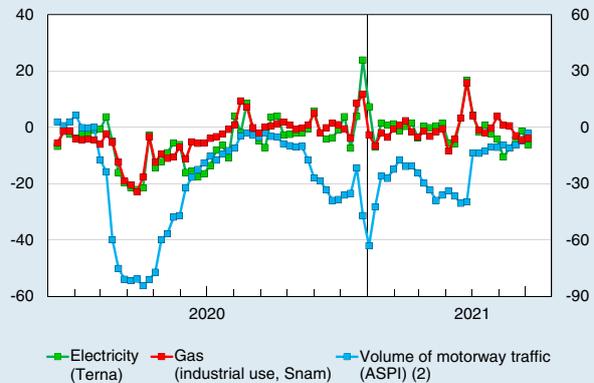
The service sector, hit hardest by the measures to contain the pandemic, increased compared with the first quarter, having benefitted from the improvement in the coronavirus situation, which has gradually become less severe, and from the associated easing of restrictions on business activity. This performance is confirmed by the rise in the relative PMI which exceeded the threshold compatible with expansion in May for the first time since the summer of 2020, and rose even more in June (see Figure 18). The confidence of the sector's firms improved during the quarter.

According to the estimates based on data for April and May, Confcommercio's consumption indicator pointed to a slight increase in the second quarter, thanks to the goods component, while that for services instead suggested that there was a small decline. Payment flows also indicate an overall expansion in household spending in the quarter (Figure B).

Value added in construction is expected to have risen in the second quarter. This trend is indicated by the improvement in the confidence of construction firms and by the production of the sector, which is assumed to have risen during the period; the sector's growth has benefited from tax incentives for its activity.

Figure A

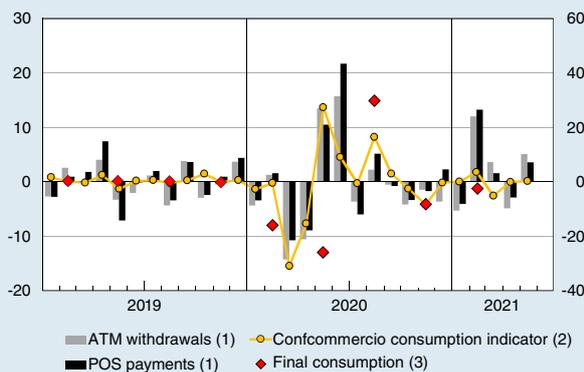
High-frequency cyclical indicators (1)
(weekly data; percentage changes)



Sources: Based on ASPI, Snam and Terna data.
(1) Changes compared with the same week of the previous year. Starting from the 9th week of 2021, the changes are calculated using 2019 as the base year, owing to the anomalous developments caused by the pandemic in the corresponding weeks of 2020. The changes for the weeks of 20 April 2020 and 4 April 2021 are affected by Easter falling in those weeks. – (2) Right-hand scale.

Figure B

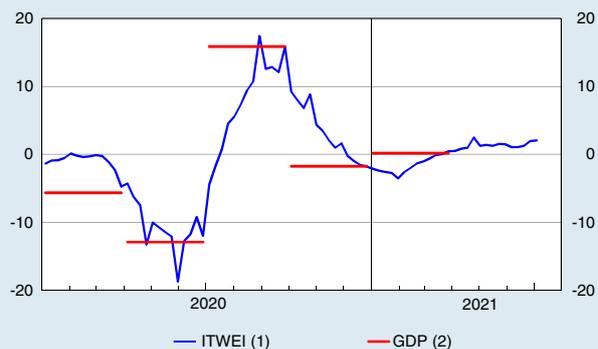
Consumption expenditure, ATM withdrawals and POS payment amounts
(monthly and quarterly data; percentage changes on the previous period)



Sources: Based on data from the Bank of Italy, Istat and Confcommercio.
(1) Data from the BI-Comp multilateral clearing system, seasonally adjusted. For more details, see the Bank of Italy's website, 'BI-Comp and CABI: retail payment systems'. Right-hand scale. – (2) Data seasonally adjusted; the figure for June 2021 is not yet available. Right-hand scale. – (3) Final consumption expenditure of resident and non-resident households throughout the economic territory; current prices; the series are calendar adjusted. The figure for the second quarter of 2021 is not yet available.

Figure C

Italian Weekly Economic Index (ITWEI)
(weekly and quarterly data; percentage changes)



Sources: Bank of Italy and Istat.
(1) The indicator reports the change obtained by considering the average for the last 13 weeks (corresponding to approximately one quarter) compared with the average for the previous 13 weeks. For further details, see D. Delle Monache, S. Emiliozzi and A. Nobili, 'Tracking economic growth during Covid-19: a weekly indicator for Italy', Banca d'Italia, Note Covid-19, 27 January 2021. – (2) Quarterly data; change on previous quarter.

The Italian Weekly Economic Index (ITWEI; Figure C), which monitors GDP growth¹ by including high-frequency data on payment flows, on consumption of electricity and of gas for industrial use, and on Google searches regarding the wage supplementation scheme, is consistent with a recovery in activity in the second quarter that is well above 1 percentage point higher on average than in the preceding period.

¹ For further details, see D. Delle Monache, S. Emiliozzi and A. Nobili, 2021, 'Tracking economic growth during Covid-19: a weekly indicator for Italy', Banca d'Italia, *Note Covid-19*, 27 January 2021.

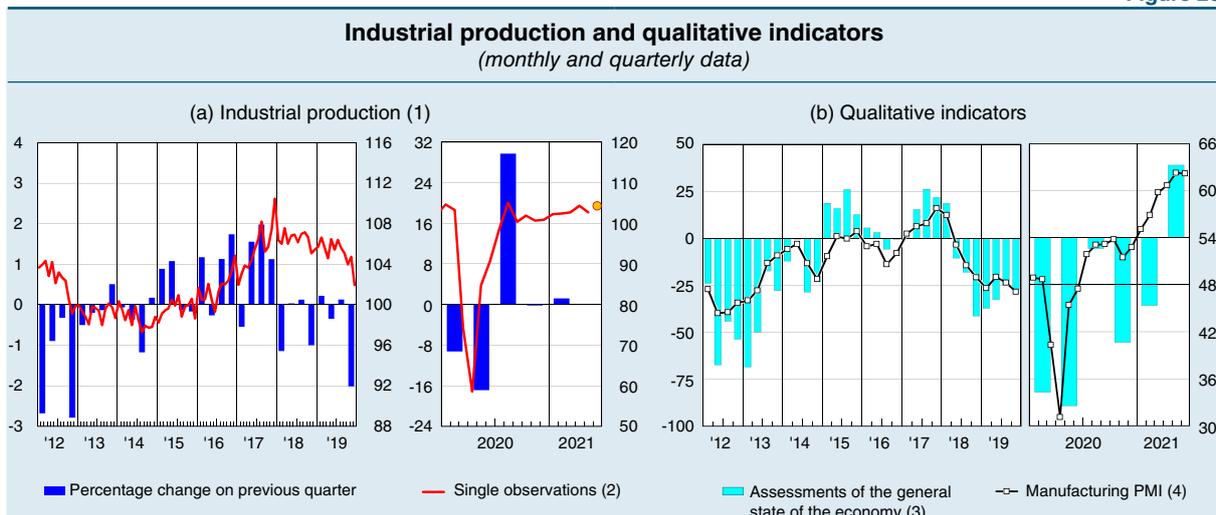
2.2 FIRMS

Based on the available data, it is estimated that industrial activity continued to increase in the second quarter to pre-pandemic levels. Firms indicated in the survey conducted between May and June that they expect planned investment to pick up during the year, buoyed by the abating of uncertainty about the course of the epidemic and by the stimulus provided under the National Recovery and Resilience Plan (NRRP).

Industrial production continues to expand Industrial production, which rose substantially in April (1.5 per cent over the previous month), fell by the same amount in May. According to our estimates, it continued to expand in the second quarter to 1.3 per cent, a rate analogous to that registered in the first quarter (Figure 20.a; see the box 'Economic activity in the second quarter of 2021'), reaching pre-pandemic levels. The latest qualitative indicators are consistent with a further expansion in manufacturing activity (Figure 20.b).

Firms continue to invest In the first quarter of 2021, spending on capital goods rose for the third consecutive time (2.5 per cent compared with the previous period). Based on the value of leasing contracts obtained from Assilea, the Italian leasing association, which make it possible to anticipate investment trends, the recovery continued into the spring quarter (17.9 per cent

Figure 20



Sources: Based on data from the Bank of Italy, Istat, Markit and Terna.

(1) Data adjusted for seasonal and calendar effects. For graphic design reasons, the scale used for plotting the 2020 and 2021 data is different from that used for the preceding years. – (2) Monthly data. Index: 2015=100. The yellow dot represents the estimate for June 2021. Right-hand scale. – (3) Quarterly data. 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, 12 July 2021). – (4) Average quarterly data (left-hand panel) and monthly data (right-hand panel). Diffusion indices of economic activity in the manufacturing sector based on purchasing managers' assessments (PMI). The index is obtained by adding half of the percentage of replies of 'stable' to the percentage of replies of 'increasing'. Right-hand scale.

in the two months April-May compared with the preceding three months). In our surveys conducted between May and June, firms indicated that they expected investment to increase considerably in the second half of the year. Investment conditions were deemed to have improved markedly across all sectors (see the box ‘Italian firms’ assessments according to the Survey on Inflation and Growth Expectations’), owing to less uncertainty due to the stepping up of the vaccination campaign and the potential increase in the profitability of private capital as a result of the programmes to be launched under the NRRP.

ITALIAN FIRMS’ ASSESSMENTS ACCORDING TO THE SURVEY ON INFLATION AND GROWTH EXPECTATIONS

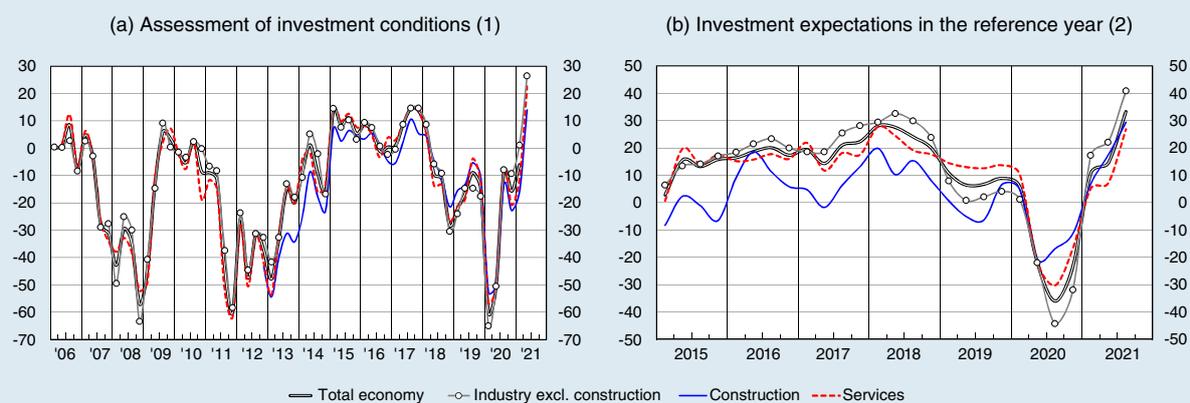
Between 24 May and 15 June, the Bank of Italy conducted its quarterly survey on inflation and growth expectations, based on a sample of about 1,500 firms with 50 or more employees in services, construction and industry excluding construction (see ‘Survey on Inflation and Growth Expectations’, Banca d’Italia, Statistics Series, 12 July 2021).

After the improvement observed in the edition of the survey conducted between February and March, the firms interviewed report that the general economic situation has strengthened considerably once again, in conjunction with the progress made in the vaccination campaign and the gradual easing of restrictions. The balance between favourable and unfavourable assessments of the state of the economy has turned positive for the first time since 2018, reaching the highest level recorded since the survey began (38 percentage points); the balance was higher for industry excluding construction (45 percentage points) than for services and construction (33 and 25 points respectively).

Firms’ opinions regarding demand for their own products further improved. The balance between assessments of increases and those of reductions in current sales rose by around 30 percentage points in industry excluding construction (to 46 percentage points) and in construction (to 32 percentage points) and by more than 40 percentage points in services, where it turned positive for the first time since the start of the pandemic (30 percentage points). The share of firms that expect an increase in sales in the next three months is rising, standing at almost 60 per cent compared with just over 40 per cent in the previous survey. In all sectors, the pickup in demand, both domestic and foreign, was behind the markedly more positive assessments of the short-term outlook for their business activities.

Figure

Assessments and expectations regarding investment (quarterly data; percentage points)



Source: ‘Survey on Inflation and Growth Expectations’, Banca d’Italia, Statistics Series, 12 July 2021.
(1) Balance of opinion between positive and negative assessments compared with the previous quarter. Construction firms are included in ‘Total Economy’ starting from 2013 Q1. – (2) Balance of opinion between positive and negative assessments compared with the previous year. The first expectations for the reference year are surveyed in the last quarter of the preceding year.

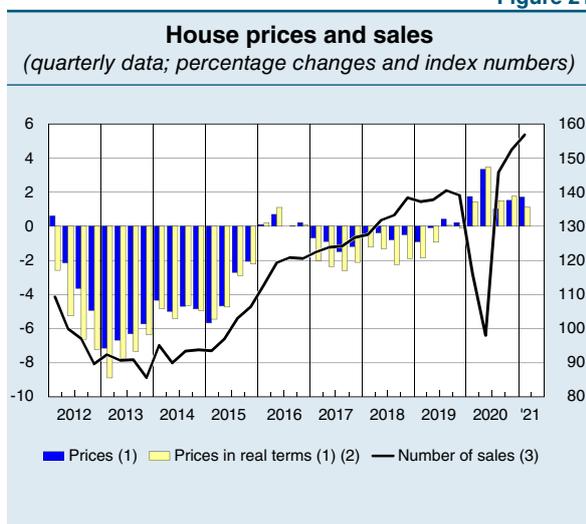
Around one third of the firms indicate that they have returned to or have exceeded their pre-pandemic production levels; half of them think they will be able to return to those levels within 15 months on average. However, 15 per cent of firms do not expect to be able to regain their pre-pandemic production levels in the future.

Investment is expected to gain pace in 2021. The balance of assessments pointing to an improvement rather than a deterioration in investment conditions rose sharply, turning positive in all sectors (24 percentage points on average, up from -6 points in the previous survey; see panel (a) of the figure). Almost 45 per cent of the firms say that they will increase their investment spending in the second half of 2021 compared with the first, while around 10 per cent expect it to decrease; investment projections improved in all sectors for the year as a whole (see panel (b) of the figure).

The outlook for the real estate market improves

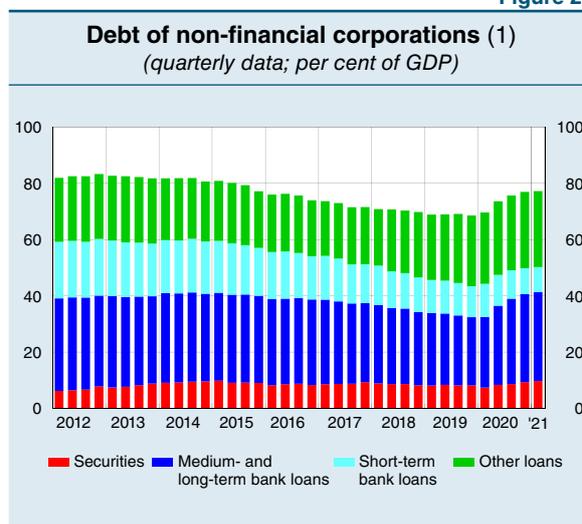
In the first quarter, investment in construction rose by 5 per cent in both the residential and commercial components; the volume of residential property sales increased (2.8 per cent). Building industry output continued to go up in the second quarter. Based on the listings on the Immobiliare.it online platform, in the spring, demand for residential properties remained very strong. House prices continued to increase in the first three months of 2021 (by 1.7 per cent compared with the corresponding period; Figure 21). According to the Italian Housing Market Survey conducted in March and April, the estate agents' outlook has improved; in their view, the features sought by potential buyers over the next three years will be very different from those desired prior to the pandemic, with higher demand for independent units and those with outdoor space.¹

Figure 21



Sources: Based on data from Osservatorio del Mercato Immobiliare, Bank of Italy, Istat and Consulente Immobiliare.
 (1) Year-on-year percentage changes. – (2) House prices deflated by the consumer price index. – (3) Adjusted for seasonal and calendar effects.
 Indices: 2015=100. Right-hand scale.

Figure 22



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

¹ For more details, see E. Guglielminetti, M. Loberto, G. Zevi and R. Zizza, 'Living on my own: the impact of the Covid-19 pandemic on housing preferences', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 627, 2021, and the box 'The pandemic and households' preferences: indications from the real estate market', Chapter 5, *Annual Report for 2020, 2021*.

Firms' debt rises slightly and deposits remain at high levels

Compared with the previous period, Italian non-financial corporations' debt increased slightly in the first quarter of 2021, reaching 77.2 per cent of GDP (Figure 22), compared with 115.5 per cent in the euro area. The amount of liquidity held by firms in their deposit and current accounts continues to be high (see Section 2.7) and the financial balance therefore remains positive.

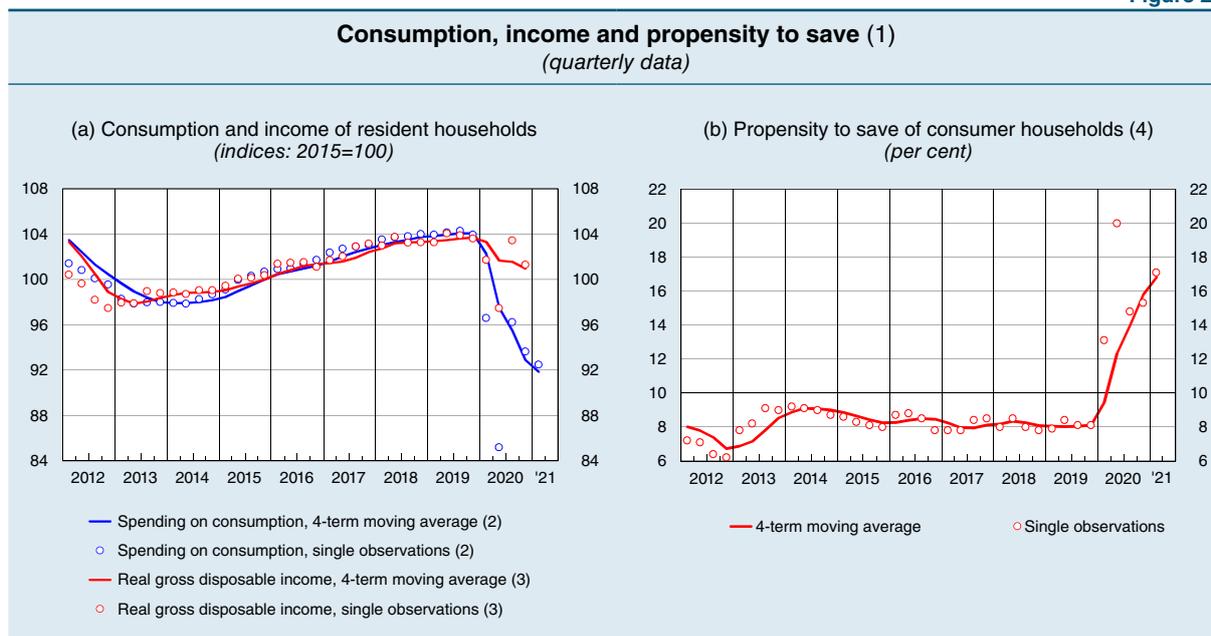
2.3 HOUSEHOLDS

After falling in the first quarter, consumption returned to growth in the second, boosted by the rapid progress made in the vaccination campaign and by the gradual easing of restrictions on mobility. The propensity to save has remained much higher than it was before the pandemic. According to the Bank of Italy's survey, at the end of April, spending intent was still dependent on developments in the number of new COVID-19 cases.

Consumption falls in the first quarter

In the first quarter, household consumption fell by 1.2 per cent (-2.7 per cent in the fourth quarter of 2020), owing in particular to the contraction in spending on services due to containment measures and the fear of infection. Disposable income in real terms, which continued to benefit from support measures, rose by 0.9 per cent (Figure 23.a). The propensity to save rose yet again, remaining well above pre-pandemic levels (at 17.1 per cent; Figure 23.b).

Figure 23

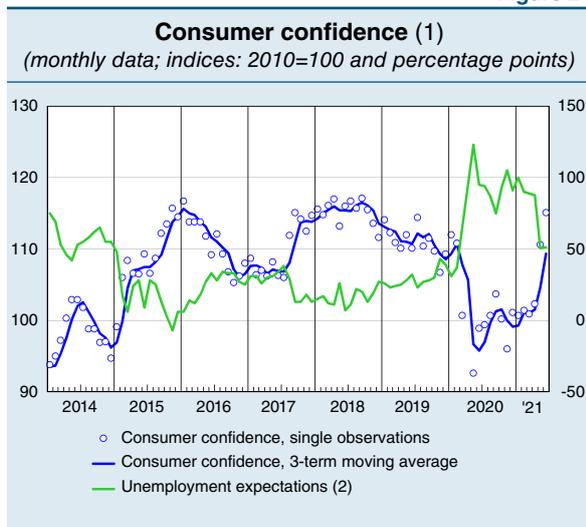


Source: Based on Istat data.
(1) Seasonally adjusted data. – (2) Chain-linked volumes. – (3) Net of the variation in the final consumption expenditure deflator for resident households. – (4) Consumer households' savings as a percentage of real gross disposable income.

Household expenditure appears to have increased in the second quarter

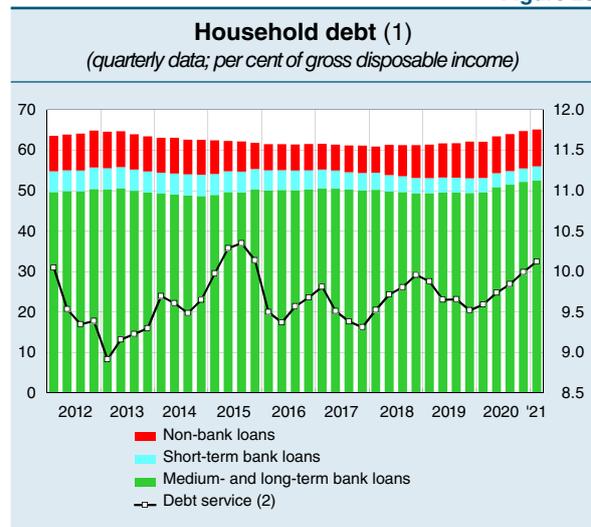
The latest cyclical indicators point to a recovery in consumption in the second quarter, encouraged by the progress made in vaccinating the public and the consequent reduction in new cases and in restrictions on mobility. In the spring, Confcommercio's indicator rose very slightly in April and May, based on the data available, compared with the previous quarter. The high-frequency data on

Figure 24



Source: Based on Istat data.
 (1) Seasonally adjusted data. In the absence of the figure for April, the moving average for April, May and June 2020 is constructed on the basis of the only two observations available. – (2) Balance between the percentages of replies indicating ‘an increase’ and those indicating ‘a decrease’. A rise in the balance signals a deterioration in the expectations regarding the unemployment rate. Right-hand scale.

Figure 25



Sources: Based on Bank of Italy and Istat data.
 (1) End-of-quarter stocks for debt; 4-quarter cumulative flows for income. The data for the last quarter are provisional. Debt includes securitized loans. – (2) Estimated cost of debt service (interest plus repayment of principal) for consumer households only. Right-hand scale.

withdrawals and electronic payments are consistent with the progressive improvement in spending in the spring months (see the box ‘Economic activity in the second quarter of 2021’). In some of the sectors hit hardest by the pandemic (such as restaurants and catering, tourism, clothing and hotels) consumption has gradually begun to return to pre-pandemic levels. Consumer confidence improved markedly in June, thanks to very favourable assessments of the general state of the economy and of the conditions for durable goods purchases (Figure 24).

In the Special Survey of Italian Households, conducted at the end of April (prior to the easing of the measures taken to contain the spread of the virus), expectations concerning the general state of the economy and the labour market continued to improve compared with those reported at the end of February and the beginning of March; however, a cautious attitude regarding future expenditure remained prevalent (see the box ‘Savings accumulated during the pandemic and consumption projections’).

Household debt increases slightly

In the first quarter of 2021, household debt as a percentage of disposable income rose to 65.1 per cent (Figure 25), although it was still below the euro-area average (97.6 per cent). As a share of GDP, household debt stood at 45.4 per cent (62.9 per cent in the euro area). Debt servicing costs (interest plus repayment of principal) as a share of disposable income was stable compared with the previous quarter, at around 10 per cent.

2.4 FOREIGN TRADE AND THE BALANCE OF PAYMENTS

Italian exports rose in the first quarter. The number of tourists in Italy, after contracting in the first part of the year, has shown signs of recovery since the end of April. Foreign investors have continued to purchase Italian portfolio securities. The positive net international investment position has further increased.

The recovery in exports continues ...

In the first quarter, the volume of exports of goods and services continued to grow (Table 7), albeit at a more moderate pace than at the end of 2020. The slowdown is attributable to the goods component, which has, nevertheless, returned to near pre-pandemic levels.

Sales of goods to euro-area countries rose, unlike those to the rest of the world, which were affected by the sharp drop in trade with the United Kingdom as a result of the entry into force of its new trade and cooperation agreement with the EU. Of the main sectors, transport equipment, metals and metal products, and the fashion industry made a negative contribution to the growth in exports. Service exports decreased, especially tourism and business services.

Imports rose against a backdrop of recovering national demand (see Section 2.1), in particular for investment and inventories.

... and picks up in the spring

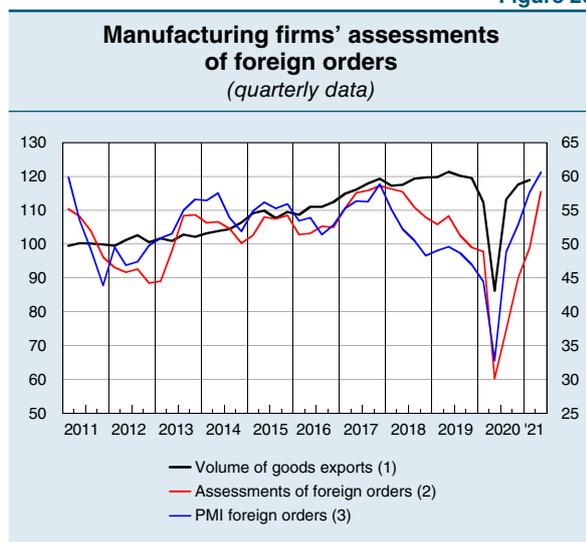
According to the latest indicators, goods exports continued to increase in the spring. These exports, valued at current prices, increased in April and May, driven

Table 7

Italy's imports and exports (1)		
(percentage change on previous period)		
	2020	2021
	Q4	Q1
Exports	1.5	0.5
Goods	3.9	1.2
to euro-area markets	3.7	3.3
to non-euro area markets (2)	4.0	-0.3
Services	-11.0	-3.9
Imports	5.7	2.3
Goods	4.3	2.1
from euro-area markets	5.8	2.6
from non-euro area markets (2)	3.1	1.7
Services	13.1	3.6

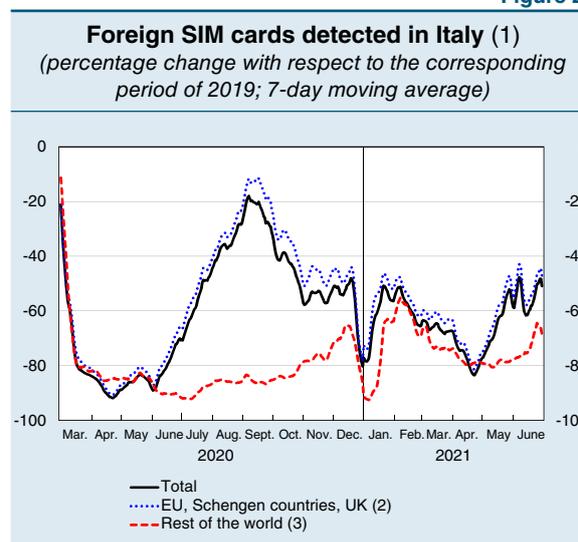
Source: Based on Istat's national accounts and foreign trade data.
 (1) Chain-linked volumes; quarterly data adjusted for seasonal and calendar effects. – (2) Includes unallocated countries and territories and, for exports, goods procured in Italian ports by foreign carriers.

Figure 26



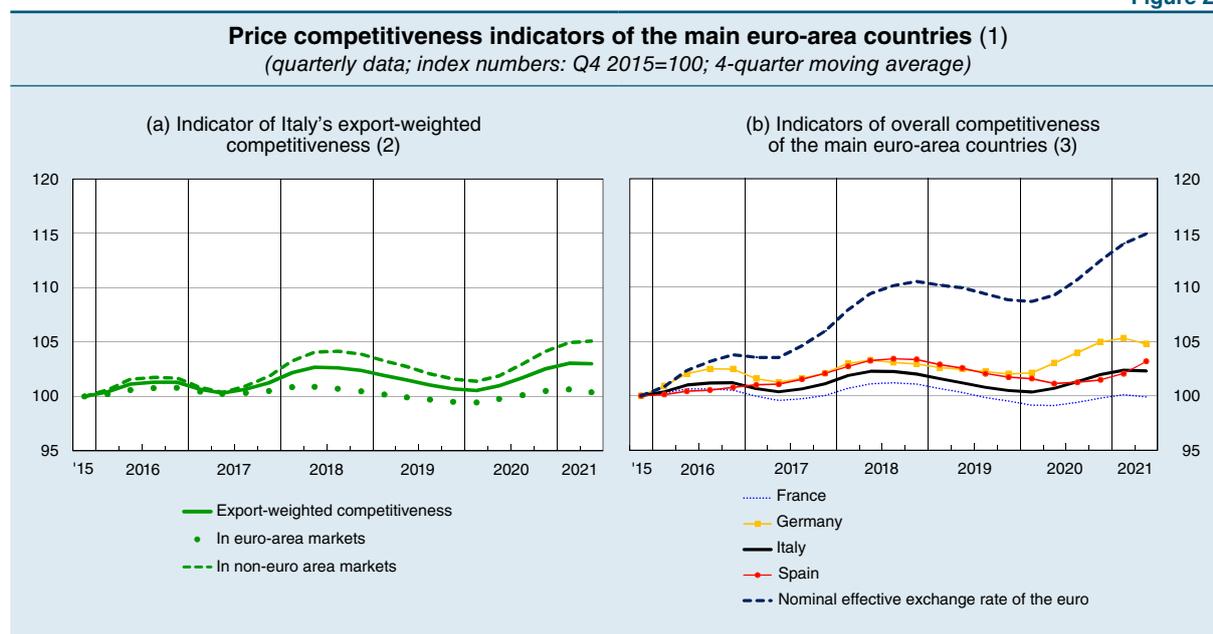
Source: Istat, Markit and Refinitiv.
 (1) National accounts data. Chain-linked volumes; the data are adjusted for seasonal and calendar effects. Indices: 2011=100. – (2) Quarterly average based on Istat's monthly survey of firms; percentage balance of replies of 'increasing' or 'decreasing' foreign orders, minus the average since the start of the time series (January 2002) plus 100. Q2 2020 is the average of two months; no data was gathered in April due to the pandemic emergency. Seasonally adjusted data. – (3) Diffusion indices, quarterly averages. The index is obtained by adding half of the percentage of replies of 'stable' foreign orders to the percentage of replies of 'increasing' foreign orders. Seasonally adjusted data. Right-hand scale.

Figure 27



Source: Based on mobile telephony data.
 (1) Foreign SIM cards detected daily in Italian territory, based on the top 40 countries in terms of the number of visitors to Italy in the three years 2017-19. Countries with large communities of nationals resident in Italy are not included, nor are foreign SIM cards detected in Italy for at least 60 days over a 75-day period. – (2) The aggregate includes the EU Member States (with the exception of Bulgaria, Cyprus, Estonia and Romania), two Schengen-area countries (Norway and Switzerland) and the United Kingdom. – (3) Rest of the world includes: Argentina, Australia, Brazil, Canada, Chile, Colombia, India, Israel, Japan, Mexico, New Zealand, Northern Macedonia, Russia, Turkey, the United Arab Emirates and the United States.

Figure 28



Sources: For the real effective exchange rate of the euro, ECB. For the other indicators, Bank of Italy (for the calculation method, see A. Felettigh and C. Giordano, 'A novel three-market view of price competitiveness', *Journal of Economic and Social Measurement*, 44, 2-3, 2019, 89-116, also published in Banca d'Italia, *Questioni di Economia e Finanza (Occasional Papers)*, 447, 2018).

(1) An increase signals a loss of competitiveness. Last quarter's data are partly estimates. – (2) The export-weighted price competitiveness indicator measures the capacity to compete with another 60 exporters and with domestic producers in the international outlet markets. All the indicators are calculated using producer prices of manufactures and weighted by trade flows of manufactures. – (3) Indicators of overall competitiveness: weighted average of import competitiveness, which measures the capacity to compete in the domestic market with imported goods, and of export competitiveness. The nominal effective exchange rate of the euro is calculated vis-à-vis 42 non-euro area countries and weighted by trade flows of manufactures and services.

by exports to non-EU markets. The manufacturing firms' assessments of foreign orders, as recorded by Istat, and the corresponding PMI indicator, point to a rise in sales on average in the second quarter (Figure 26).

In the tourism sector, the number of foreign travellers in Italy – measured based on mobile telephony data – points to a gradual recovery since the end of April, although it remains well below the 2019 level (Figure 27).

Based on the four-quarter average for the period ending in June 2021, overall and export-weighted price competitiveness remained unchanged (Figure 28). The slight improvement in euro-area markets offset the marginal deterioration in non-euro area markets, caused by the appreciation in the nominal effective exchange rate of the euro.

The current account surplus expands

The current account surplus of the balance of payments, amounting to

Table 8

Balance of payments (1) (balances; billions of euros)				
	2019	2020	Jan.-Apr. 2020	Jan.-Apr. 2021
Current account	57.4	58.6	5.2	13.8
<i>Memorandum item:</i>				
% of GDP	3.2	3.5		
Goods	60.2	67.6	13.1	21.5
Non-energy products (2)	95.9	88.4	21.6	30.8
Energy products (2)	-35.7	-20.8	-8.5	-9.3
Services	-0.8	-6.8	-5.8	-4.7
Primary income	15.2	17.0	4.9	5.9
Secondary income	-17.1	-19.3	-6.9	-8.9
Capital account	-1.8	-0.4	-0.5	-1.1
Financial account	46.5	49.1	-9.0	13.5
Direct investment	1.5	9.4	-7.1	0.5
Portfolio investment	-52.8	109.7	63.1	-0.8
Financial derivatives	2.5	-2.9	-1.8	-0.8
Other investment (3)	92.2	-71.1	-63.8	14.7
Change in official reserves	3.2	4.0	0.5	..
Errors and omissions	-9.1	-9.1	-13.8	0.8

(1) Based on the international standards set out in the IMF's *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6), 2009. For April 2021, provisional data. – (2) Based on Istat's foreign trade data. – (3) Includes the change in TARGET2 balance.

Figure 29

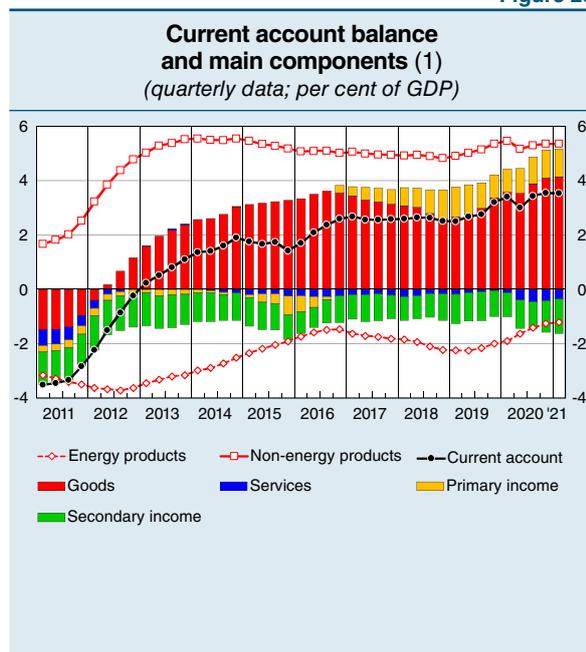
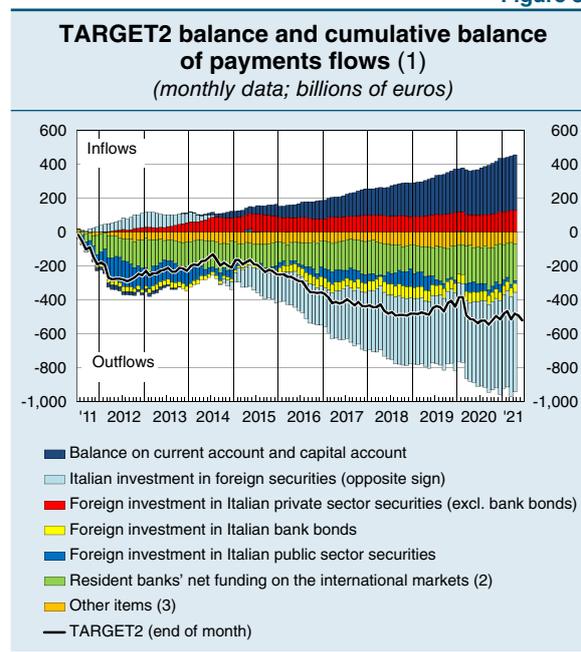


Figure 30



€13.8 billion in the first four months of 2021 (Table 8), widened by almost €9 billion compared with the same period a year earlier, largely thanks to the increase in the goods surplus. However, the deficit recorded in April 2020 because of the lockdown should be taken into account in order to understand the comparison. The current account balance stood at 3.5 per cent of GDP, calculated based on the average for the four quarters ending in March (Figure 29).

Foreign investors purchase Italian public sector securities

In the first four months of this year, foreign investors made net purchases of Italian securities totalling €34.8 billion, of which €29.8 billion were public sector securities, almost one third of the net issues by the Treasury during that period. According to data from Emerging Portfolio Fund Research (EPFR) for a sample of international funds, the inflow of foreign savings directed towards Italian financial assets continued in May and June.

Purchases of foreign portfolio securities by Italian residents continued at a fast pace: they equalled €33.9 billion (three fourths of which in investment fund units) between January and April. During the same period, Italian banks' net funding on international markets via loans and deposits increased by €20.4 billion. The public sector received inflows from abroad, classified among 'other investments', totalling €10.4 billion, mainly from the disbursement of additional loans from the European Commission under its instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE).

The TARGET2 negative balance remains unchanged

At the end of June, the Bank of Italy's debit balance on the TARGET2 European payment system stood at €522 billion, basically unchanged compared with December 2020 (Table 9). The improvement in the first months of the

Table 9

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

	TARGET2 balance (end of period)	Change in TARGET2 balance (in relation to the end of the previous period)	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 banks (D)		Current account and capital account balance (E)	Other items (2) (F)	Italian portfolio investment in foreign securities (G)
							of which: managed by resident central counterparties			
		(A) + (B) + (C) + (D) + (E) + (F) – (G)								
2019	-439	43	85	26	11	-58	-48	56	-8	69
2020 – Q1	-492	-52	-25	-12	..	-24	15	7	2	..
Q2	-537	-45	-4	-4	-1	5	5	5	-7	39
Q3	-546	-10	17	2	2	-31	-19	24	-5	19
Q4	-516	30	-15	19	4	13	4	22	21	34
2021 – Q1	-516	..	24	7	-3	-9	5	6	10	34
2021 – Jan.	-482	34	13	-1	-2	29	16	..	-3	2
Feb.	-467	15	9	4	-3	8	8	3	7	14
Mar.	-516	-49	2	4	2	-47	-18	3	6	18
Apr.	-481	35	6	1	..	30	13	7	-8	..
May	-493	-13	....	....	....	....	....	....	....	....
June	-522	-28	....	....	....	....	....	....	....	....

(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 \(BDS\)](#), in particular in Table TBP60200. For April 2021, provisional data. – (2) Direct investment, financial derivatives, residual items in other investment, official reserves, errors and omissions.

year, owing in part to capital inflows and the current account surplus, was followed by an increase in the negative balance in June, likely due to the drop in resident banks' net funding abroad connected with the settlement of the eighth auction of TLTRO III (see Section 1.2) and with the end-of-quarter effects (Figure 30).

The positive net international investment position improves

At the end of last March, Italy's net international investment position was positive by €34.3 billion (2.1 per cent of GDP), up from the €3.8 billion recorded at the end of December 2020. The increase was entirely due to the current account surplus, which more than offset the negative value adjustments.

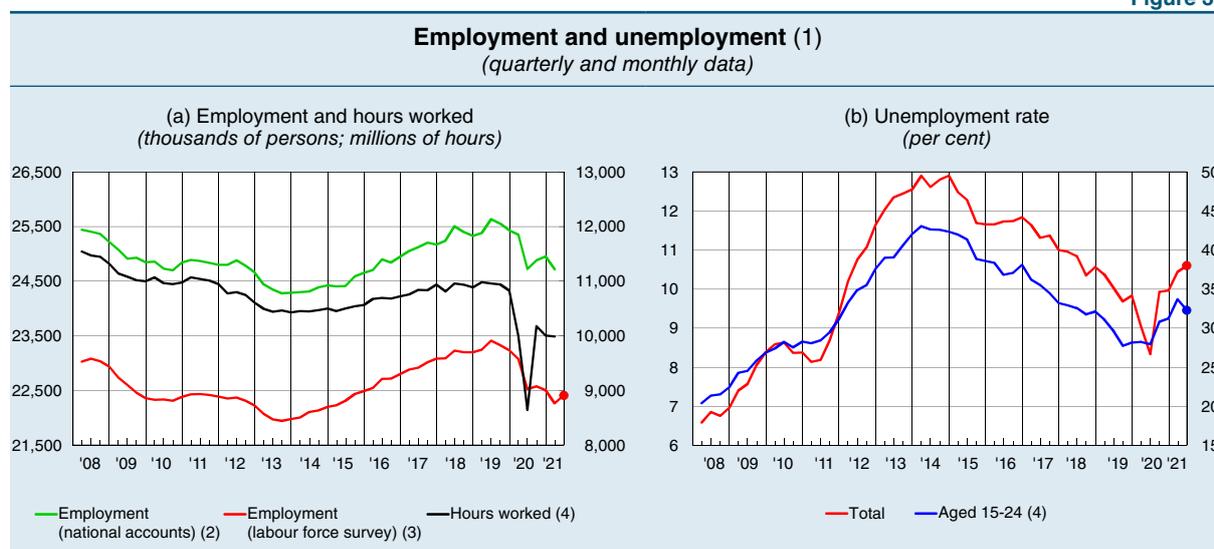
2.5 THE LABOUR MARKET

Employment declined in the early months of 2021, with a new and marked reduction in private services, while manufacturing held up and there was strong growth in construction. The latest available data for the spring months in any case show signs of improvement.

Employment and hours worked decline in the first quarter ...

In the first quarter of 2021, the number of persons employed fell by 0.9 per cent compared with the previous quarter (Figure 31.a and Table 10). The decline was concentrated in self-employment (-2.1 per cent) and was less marked for payroll workers (-0.6 per cent). Total hours worked fell just barely (-0.2 per cent); consequently, hours worked per capita increased slightly (0.8 per cent, from -1.9 in the fourth quarter of last year), in part because of the lower recourse to wage supplementation schemes.

Figure 31



Sources: Istat's quarterly national accounts for domestic employment and hours worked and Istat's labour force survey for employment and for the unemployment rate. (1) Seasonally adjusted data. The dot indicates the average for the two-month period April-May. – (2) Includes all persons engaged in production activity in the economic territory of the country (source: Istat's quarterly national accounts). – (3) Includes all resident employed persons, excluding workers living permanently in an institution and military personnel (source: Istat's labour force survey). – (4) Right-hand scale.

Table 10

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

	Stocks	Changes			
	Q1 2021	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Persons employed	24,720	-2.5	0.6	0.3	-0.9
<i>of whom:</i> industry excluding construction	4,251	-0.7	0.1	0.4	-0.3
private services (1)	10,683	-3.8	0.5	0.7	-2.0
construction	1,610	-0.2	1.8	0.1	3.1
Employees	19,053	-2.4	1.1	0.3	-0.6
Self-employed	5,667	-2.6	-0.8	0.4	-2.1
Total hours worked	9,990	-13.6	17.7	-1.7	-0.2
<i>of which:</i> industry excluding construction	1,764	-13.7	23.4	-1.6	0.9
private services (1)	4,356	-16.9	18.9	-1.4	-1.8
construction	743	-17.9	37.4	-2.6	7.2
Employees	7,102	-11.9	14.2	-1.0	-0.2
Self-employed	2,888	-17.7	27.2	-3.4	-0.1

Source: Istat's quarterly national accounts.

(1) Not including services to households and individuals (arts, entertainment and recreational activities; domestic work; other personal and household services).

On average in the first quarter of 2021, the use of the wage supplementation fund (CIG) and solidarity funds declined by 3.4 per cent, compared with the last three months of last year, though remaining at extremely high levels with more than one billion hours authorized, mostly in March, when restrictions were once again placed on mobility (Figure 32).

... but there is positive growth in industry

The fall in employment mainly involved private services, where the number of workers fell by 2.0 per cent and hours worked by 1.8 per cent compared with the previous quarter. The adverse effects of the virus and of the tightening of measures restricting mobility were felt above all by the retail trade, hotel and restaurant sectors. Labour input in construction grew considerably with an increase of 7.2 per cent in hours worked (Table 10) and, to a lesser extent, in non-construction industry, where the sharp increase in hours per capita more than compensated for the slight fall in the number of persons employed (-0.3 per cent).

There are still many fewer jobs because of the pandemic ...

Our estimates, based on data from the mandatory reporting system, indicate that, at the end of June there were still about 270,000 jobs fewer among employees than there would have been without the pandemic (Figure 33).²

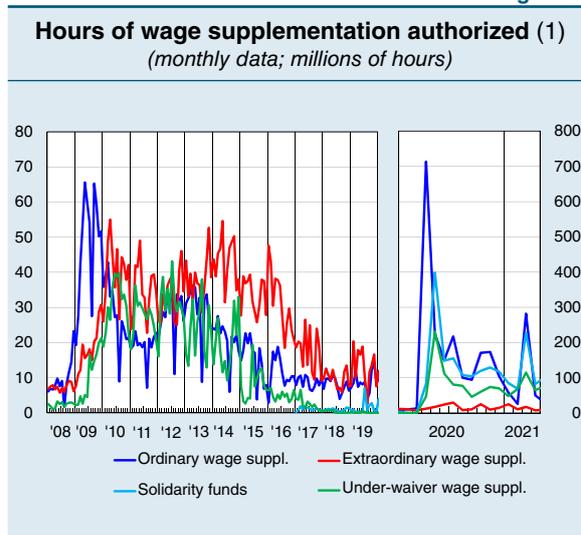
... but signs of improvement are emerging

Following the slowdown observed since the second half of February this year, in connection with the increase in new cases, net hires accelerated noticeably in the two-month period May-June, thanks to the resumption of services, which supported a partial recovery in jobs for young people and women (Figure 34; see Chapter 8, 'The labour market', *Annual Report for 2020, 2021*, only in Italian, forthcoming in English). Preliminary data from Istat's labour force survey, in reference to April and May, confirm signs of improvement in the second quarter, above all due to the marked growth of fixed-term contracts.

The unemployment rate and labor supply rise

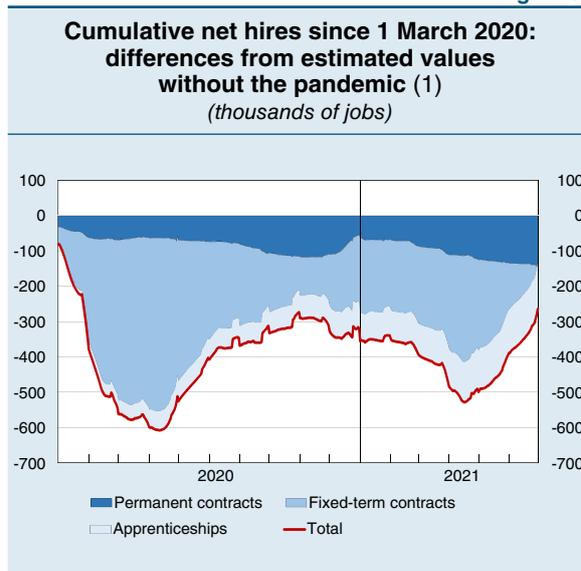
In the two months April-May, despite the recovery in labour demand, the unemployment rate rose slightly, to 10.6 per cent

Figure 32



Source: Based on INPS data. (1) For graphic design reasons, the data for the two years 2020-21 are shown on a different scale from that used for the preceding years.

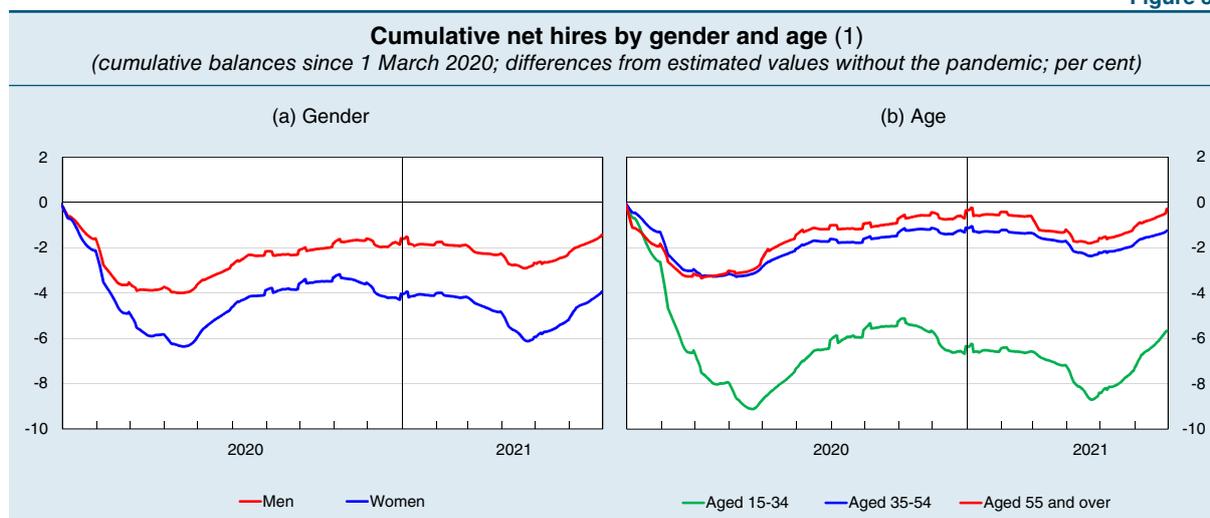
Figure 33



Source: Based on data from the mandatory reporting of the Ministry of Labour and Social Policies. (1) 7-day moving averages. Calculated in relation to a counterfactual scenario without the pandemic that hypothesizes that the net hires (balance of hires and terminations) would have recorded the same trends as 2019, a year of moderate employment growth.

² See Banca d'Italia and Ministry of Labour and Social Policies, 'Il mercato del lavoro: dati e analisi. Le Comunicazioni obbligatorie' ('Labour market data and analyses. Mandatory Reporting'), 4 July 2021 (only in Italian). It is hypothesized that, without the pandemic, net hires in 2020 and 2021 would have followed the same trend as in 2019, in line with the macroeconomic projections formulated in January 2020 (see *Economic Bulletin*, 1, 2020).

Figure 34

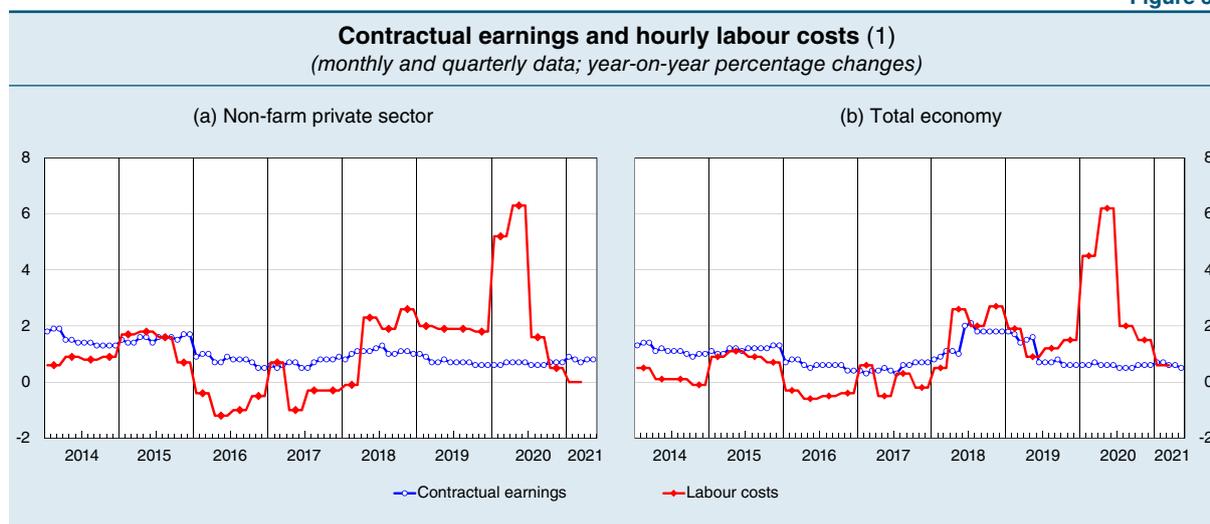


Source: Based on data from the mandatory reporting of the Ministry of Labour and Social Policies.

(1) 7-day moving averages. Balances are expressed in relation to the number of employees in 2019 in each category. Differences calculated in relation to a counterfactual scenario without the pandemic that hypothesizes that the net hires (balance of hires and terminations) would have recorded the same trend as 2019, a year of moderate employment growth.

from 10.4 per cent in the first quarter (Figure 31.b).³ This trend reflects the net recovery in labour supply, linked to the improvement in employment prospects: the participation rate, which had declined in the winter months, actually rose to 64.0 per cent (from 63.3 per cent in the first quarter).

Figure 35



Source: Istat's quarterly national accounts and survey of contractual wages.

(1) Raw monthly data for contractual wages; seasonally adjusted quarterly data for labour costs.

³ These figures may be affected by the revision of the criteria for employment definitions in Istat's labour force survey, introduced in January to include Regulation (EU) 2019/1700 (see Istat, *Occupati e disoccupati. Dati provvisori, Statistiche flash*, 6 April 2021, only in Italian). Specifically, those who, at the time of the survey had been absent from work for at least three months (e.g. because they come under the wage supplementation scheme - CIG) or are expected to be absent for more than three months (with some exceptions, such as workers on paid parental leave), were no longer considered to be employed. The time series were reconstructed.

Wage growth remains modest

The increase in contractual wages remained modest both for the economy as a whole and for the non-farm private sector (0.6 and 0.8 per cent respectively in the first quarter, compared with a year earlier; Figure 35). In the coming months, contractual wages will be affected by the renewal of some important collective agreements (metalworkers in February,⁴ logistics in May and postal services in June); however the planned increases are still anchored to modest inflation expectations. Our estimates show that the percentage of employees in the non-farm private sector waiting for a contract renewal fell to 54 per cent in June, from 80 per cent on average in 2020.

In the first quarter, actual hourly wages in the non-farm private sector rose by 0.7 per cent, in line with contractual earnings. However, the hourly wage costs borne by firms, which include social security contributions, remained unchanged (Figure 35), presumably as a result of the introduction of contribution relief linked to new hires of young people and women and to private sector payroll employment in the South and Islands (see Chapter 8, 'The labour market', *Annual Report for 2020, 2021*, only in Italian, forthcoming in English).

2.6 PRICE DEVELOPMENTS

The increase in commodity prices pushed inflation upwards, but primarily affected the initial stages in the market price formation process, with only limited pass-through to consumer service and non-energy goods price inflation. There have been no signs of upward pressure on wages to date; firms' inflation expectations, while rising, remain at low levels.

Energy prices drive inflation upwards ...

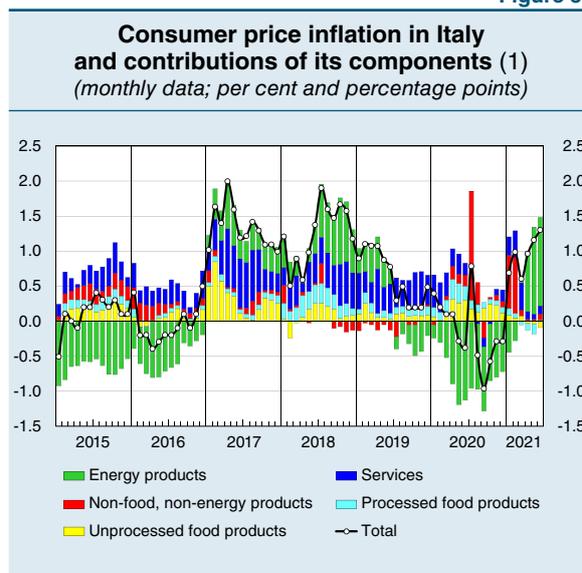
Based on preliminary data, the twelve-month increase in consumer prices was 1.3 per cent in June (Figure 36 and Table 11). The increase in inflation reflected the sharp rise in the prices of energy products (14.4 per cent), while the core component remained very weak (0.3 per cent).

... but core inflation and wage growth remain moderate ...

During the first half of the year, supply constraints in commodity markets, transport restrictions and

the consequent delays in delivery times, partly reflecting ongoing measures to curb the pandemic across the globe, led to growing pressures in the initial stages of price formation. The purchasing managers' index (PMI) of input costs in manufacturing hit a record high in June; the twelve-month increase in producer prices was 10.0 per cent in May (Table 11), primarily owing to the strong

Figure 36



Source: Based on Eurostat data.
(1) Twelve-month percentage change in the harmonized index of consumer prices (HICP). For June, preliminary estimates.

⁴ For this contract, the social partners agreed on an amendment to the ex-post wage indexation mechanism, based on the annual recovery of differences between realized and expected inflation. With the new contract, this recovery will only take place if the planned wage increases are lower than those of the harmonized index of consumer prices (see Chapter 8, 'The labour market', *Annual Report for 2020, 2021*, only in Italian, forthcoming in English).

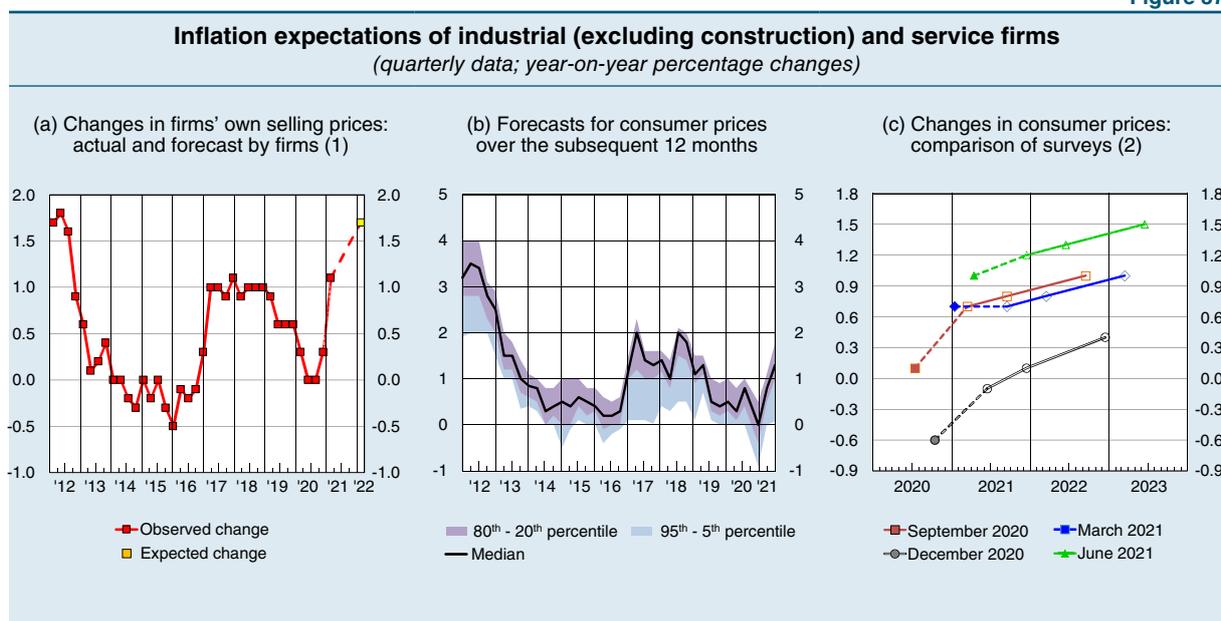
Table 11

Indicators of inflation in Italy (year-on-year percentage changes, unless otherwise specified)								
	HICP (1)			CPI (2)		PPI (3)	GDP deflator	
	Overall index	Excl. energy and food	Overall index at constant taxation (4)	Overall index at 1 month (5)		Excl. energy and food	Overall index	
2014	0.2	0.7	-0.1	0.2	–	0.7	-1.8	0.9
2015	0.1	0.7	0.0	0.1	–	0.5	-3.4	0.9
2016	-0.1	0.5	-0.1	-0.1	–	0.5	-2.2	1.1
2017	1.3	0.8	1.3	1.3	–	0.7	2.6	0.7
2018	1.2	0.6	1.2	1.1	–	0.5	3.9	1.1
2019	0.6	0.5	0.6	0.6	–	0.5	0.0	0.8
2020	-0.1	0.5	-0.2	-0.2	–	0.4	-4.4	1.2
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	0.1	0.3	3.9	–
Mar.	1.1	0.3	1.0	1.0	0.2	0.3	3.6	–
Apr.	1.1	0.7	1.0	1.1	-0.3	0.7	2.8	–
May	0.9	0.5	0.8	0.8	0.1	0.4	1.9	–
June	0.8	0.4	0.7	0.7	0.0	0.5	1.1	–
July	0.3	0.4	0.2	0.4	0.0	0.5	-1.0	–
Aug.	0.5	0.6	0.4	0.4	0.1	0.5	-2.1	–
Sept.	0.2	0.5	0.2	0.3	-0.2	0.5	-2.4	–
Oct.	0.2	0.7	0.1	0.2	0.3	0.6	-4.1	–
Nov.	0.2	0.7	0.1	0.2	0.0	0.7	-3.6	–
Dec.	0.5	0.6	0.4	0.5	0.0	0.6	-3.1	–
2020 – Jan.	0.4	0.5	0.3	0.5	0.2	0.7	-3.4	–
Feb.	0.2	0.5	0.1	0.3	-0.2	0.7	-3.8	–
Mar.	0.1	0.6	0.0	0.1	0.1	0.6	-4.9	–
Apr.	0.1	0.6	0.0	0.0	-0.3	0.5	-6.7	–
May	-0.3	0.6	-0.4	-0.2	-0.3	0.6	-7.2	–
June	-0.4	0.5	-0.5	-0.2	0.0	0.5	-6.1	–
July	0.8	2.1	0.7	-0.4	1.2	0.3	-4.5	–
Aug.	-0.5	0.3	-0.6	-0.5	-1.3	0.1	-4.0	–
Sept.	-1.0	-0.5	-1.1	-0.6	-0.7	0.0	-3.8	–
Oct.	-0.6	-0.1	-0.7	-0.3	0.7	0.3	-2.9	–
Nov.	-0.3	0.3	-0.4	-0.2	0.2	0.4	-2.8	–
Dec.	-0.3	0.4	-0.4	-0.2	0.1	0.6	-2.3	–
2021 – Jan.	0.7	1.3	0.7	0.4	1.3	0.8	-0.4	–
Feb.	1.0	1.5	1.0	0.6	0.1	1.0	0.7	–
Mar.	0.6	0.7	0.7	0.8	0.2	0.9	3.0	–
Apr.	1.0	0.3	1.0	1.1	0.0	0.5	8.2	–
May	1.2	0.2	1.3	1.3	0.0	0.4	10.0	–
June	(1.3)	(0.3)	....	(1.3)	....	0.4	....	–

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 because of the different method for recording the prices of pharmaceutical products and promotional sales. – (3) Producer price index for 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) One-month percentage change, seasonally adjusted.

Figure 37



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 prices over the past 12 months and the change expected over the subsequent 12 months. – (2) The key below indicates the month in which the survey was carried out. The first point of each curve is the definitive figure for inflation available at the time of the survey, which is provided to respondents in the questionnaire to use as the basis for formulating their expectations; the second point is the average of the forecasts (for the 12-month change in prices) for the 6 months following the survey date; the third point is the average of the forecasts for the subsequent 12 months; and the fourth point is the average of the forecasts for the subsequent 24 months.

positive contribution of energy goods prices (26.2 per cent). Overall, however, the data indicate limited transmission to the consumer prices of non-energy goods.

Wage growth remains moderate, held back by still ample margins of spare labour capacity: unit labour costs rose slightly (0.9 per cent compared with the same period last year) owing to a limited increase in hourly wages and exiguous decline in productivity. Including with reference to the subsequent months, no signs of strong upward pressure on wages appear to have emerged, despite the recent renewals of collective bargaining agreements in some industrial sectors (see Section 2.5).

... and inflation expectations stay low

In the Bank of Italy's quarterly Survey on Inflation and Growth Expectations conducted in June, firms indicated that they expected their selling prices to increase by around 1.7 per cent in the subsequent twelve months. They also revised their consumer inflation expectations upward across all time horizons, though to levels that are still low by historical standards (Figure 37). According to the Special Survey of Italian Households, conducted by the Bank of Italy at the end of April, the share of households that expected prices to accelerate over the next twelve months remained small, and was unchanged from the previous survey conducted between the end of February and beginning of March. Similar indications come from Istat's business and household confidence survey carried out in June. The professional forecasters surveyed in June by Consensus Economics expect inflation to average 1.2 per cent in 2021, in line with the previous survey.

2.7 BANKS

Lending to firms has continued to expand, while demand for state-guaranteed loans remains strong. In the bank lending survey (BLS), Italian intermediaries reported a further increase in demand for

funds by firms, both for debt consolidation and renegotiation purposes, and for fixed investment, whose contribution turned positive for the first time since the start of the pandemic.

Loans to firms and households increase

In May, lending to the non-financial private sector grew at a three-month rate of 3.2 per cent (on a seasonally adjusted and annualized basis; Table 12 and Figure 38.a). Loans to non-financial corporations continued to expand at a robust pace (3.3 per cent), and demand for loans backed by public guarantees remained strong. The twelve-month growth rate in lending to manufacturing and service firms slowed compared with February (Figure 38.b); lending to construction firms was basically unchanged. Loans to households increased (by 3.8 per cent over the three months), driven in particular by those for house purchase; consumer credit also expanded, recording net flows of around €1 billion in the three months ending in May.

Banks' funding continues to expand

Italian banks' funding rose between February and May, reflecting both the growth in deposits of residents and in liabilities toward the Eurosystem (Table 13); the latter recorded a significant expansion following strong participation by Bank of Italy counterparties in the seventh auction of TLTRO III, settled on 24

Table 12

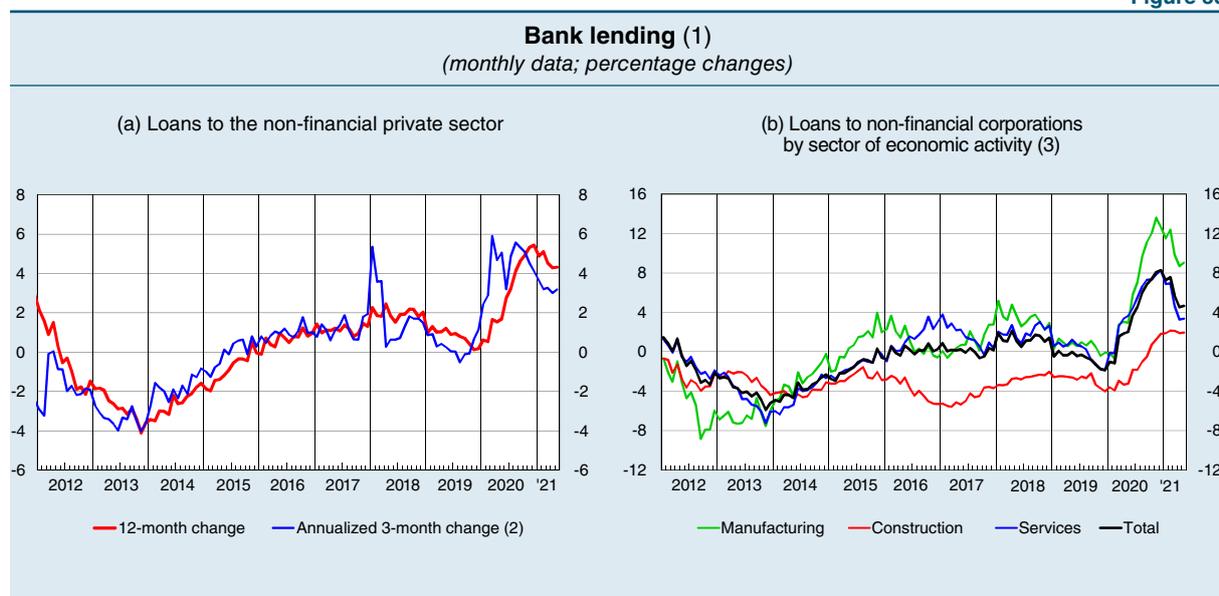
Bank lending as at May 2021 (1) (percentage changes)

	12-month change	3-month change (2)
Non-financial private sector	4.3	3.2
Households	3.9	3.8
<i>of which: loans for house purchase</i>	3.8	....
consumer credit	2.1	....
other loans (3)	5.5	....
Non-financial corporations	4.6	3.3
<i>of which: manufacturing</i>	9.0	....
services	3.4	....
construction	1.9	....

Source: Supervisory reports.

(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage changes are net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) Annualized and seasonally adjusted data. – (3) Includes all loans to households (consumer and producer) and to non-profit institutions other than loans for house purchase and consumer credit.

Figure 38



Source: Supervisory reports.

(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. Percentage changes are calculated net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. – (2) The data are seasonally adjusted using a methodology that conforms with the guidelines of the European Statistical System. – (3) Twelve-month changes; until December 2013, the data for each sector are not corrected for value adjustments.

Table 13

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

	End-of-month stocks		12-month percentage changes (2)	
	February 2021	May 2021	February 2021	May 2021
Assets				
Loans to Italian residents (3)	1,711	1,719	3.2	2.3
<i>of which:</i> to firms (4)	668	668	7.6	4.6
to households (5)	642	648	2.4	3.9
Claims on central counterparties (6)	53	40	-34.9	-58.4
Debt securities excluding bonds of resident MFIs (7)	581	577	7.9	-2.1
<i>of which:</i> securities of Italian general government entities	435	430	10.3	-4.8
Claims on the Eurosystem (8)	314	403	150.8	217.3
External assets (9)	439	462	0.9	-0.8
Other assets (10)	757	732	4.1	2.0
Total assets	3,855	3,933	8.0	6.9
Liabilities				
Deposits of Italian residents (3) (11) (12)	1,781	1,805	10.2	9.2
Deposits of non-residents (9)	298	300	-12.9	-8.0
Liabilities towards central counterparties (6)	108	96	-11.6	-30.3
Bonds (12)	215	210	-6.0	-4.9
Liabilities towards the Eurosystem (8)	374	448	73.5	54.0
Liabilities connected with transfers of claims	124	125	-2.1	3.5
Capital and reserves	351	347	-0.4	0.1
Other liabilities (13)	604	603	6.1	3.1
Total liabilities	3,855	3,933	8.0	6.9

Source: Supervisory reports.

(1) The data for May 2021 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) Includes 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; other minor items. – (11) Excludes liabilities connected with transfers of claims. – (12) Excludes liabilities towards resident MFIs. – (13) Includes bonds held by resident MFIs, deposits of resident MFIs, derivatives, other minor items.

March. The pace of growth in household deposits slowed in May (to 6.4 per cent over the twelve months, from 8 per cent in February).

The cost of funding for Italian banks remains very low by historical standards. In Italy, in the first ten days of July, yields on bank bonds in the secondary market were virtually unchanged from the beginning of April (1.1 per cent), as was the yield spread with respect to the euro-area average (around 70 basis points).

The cost of loans to firms and households remains limited

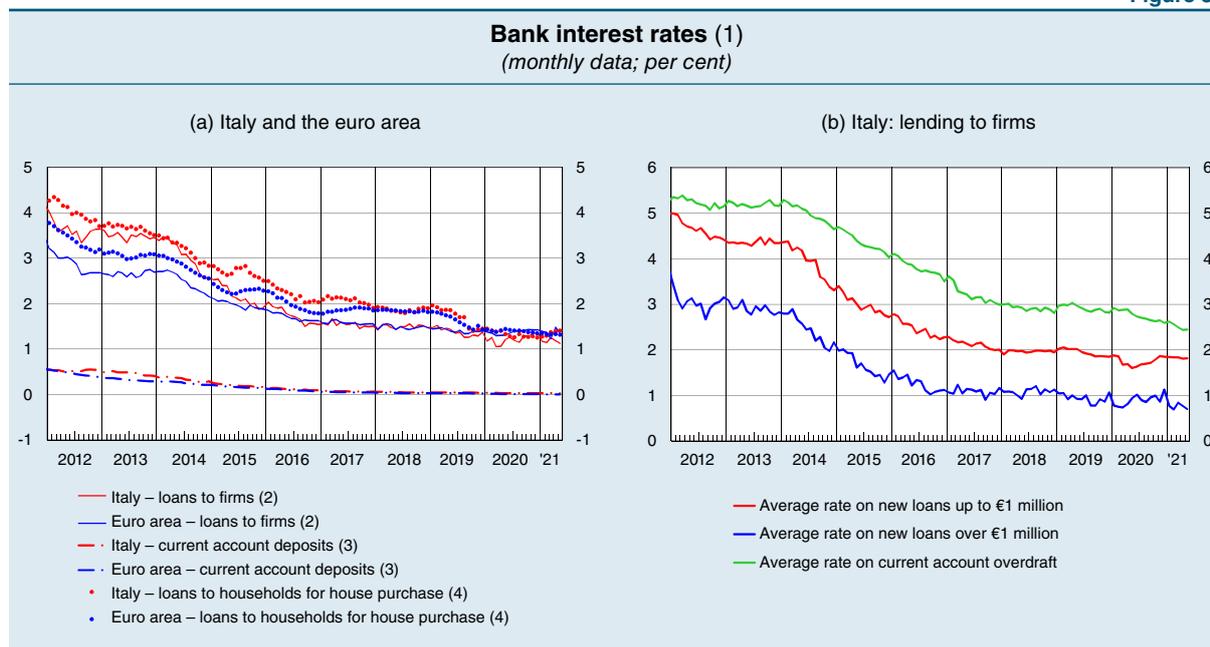
The interest rate on new bank loans to firms continues to be very low

Table 14

Bank interest rates (1)
(per cent)

	February 2021	May 2021
Loans to firms	1.1	1.1
<i>of which:</i> up to €1 million	1.8	1.8
over €1 million	0.7	0.7
Loans to households for house purchase	1.3	1.4
<i>of which:</i> fixed rate (2)	1.3	1.4
variable rate (3)	1.2	1.4

(1) Averages. 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.



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 house purchase.

(1.1 per cent; Table 14 and Figure 39). The average interest rate on new loans to households for house purchase is also still low.

Supply conditions stay favourable

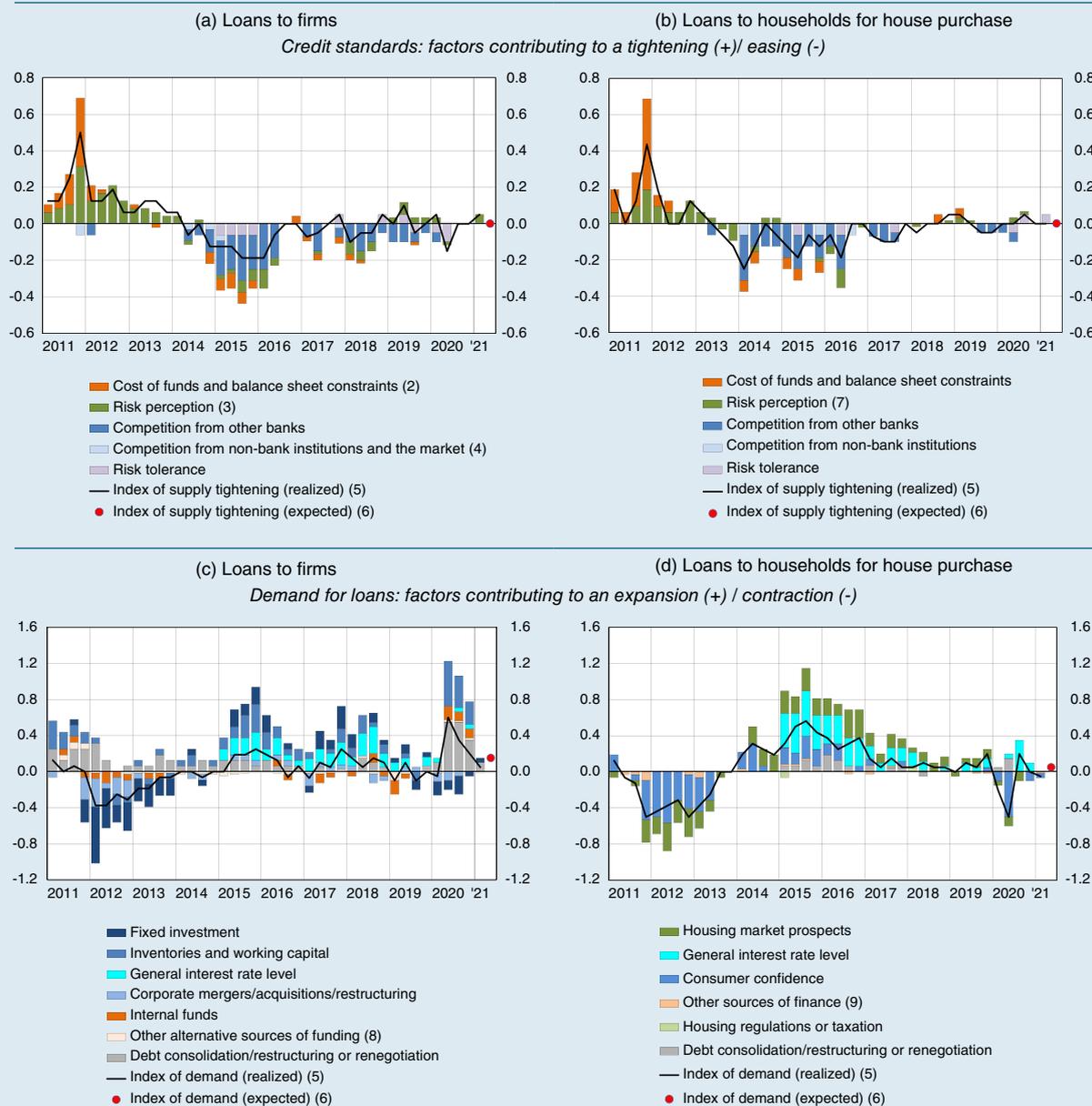
Based on the responses of the Italian banks to the euro-area bank lending survey, in the first quarter of 2021, supply policies for lending to households and firms remained relaxed overall, partly thanks to the effects of the monetary policy measures (see the box 'Credit supply and demand').

CREDIT SUPPLY AND DEMAND

The Italian banks that took part in the euro area bank lending survey (BLS),¹ referring to the first quarter of 2021, continued to report generally relaxed credit supply policies. For business loans, banks indicated a slight tightening of credit standards (Figure A), attributable to greater risk perceptions, and a slight easing of the terms and conditions for their disbursement, in particular via the extension of maturities. In March, when the interviews were conducted, banks expected supply policies to remain unchanged in the second quarter. Regarding loans to households, credit standards for house purchase loans were unchanged, while those for consumer credit were made slightly more favourable; in both segments, the terms and conditions for loans remained stable. For the second quarter, banks expected unchanged supply policies for mortgage and consumer credit loans.

¹ Ten of the main Italian banking groups took part in the survey. The results for Italy are available on the Bank of Italy's website, 'Bank Lending Survey (BLS)'; for those relating to the euro area, see the ECB's website, 'July 2021 Euro area bank lending survey', press release, 20 April 2021.

Credit standards and demand for loans in Italy (1) (quarterly data; diffusion indices)



Source: BLS.

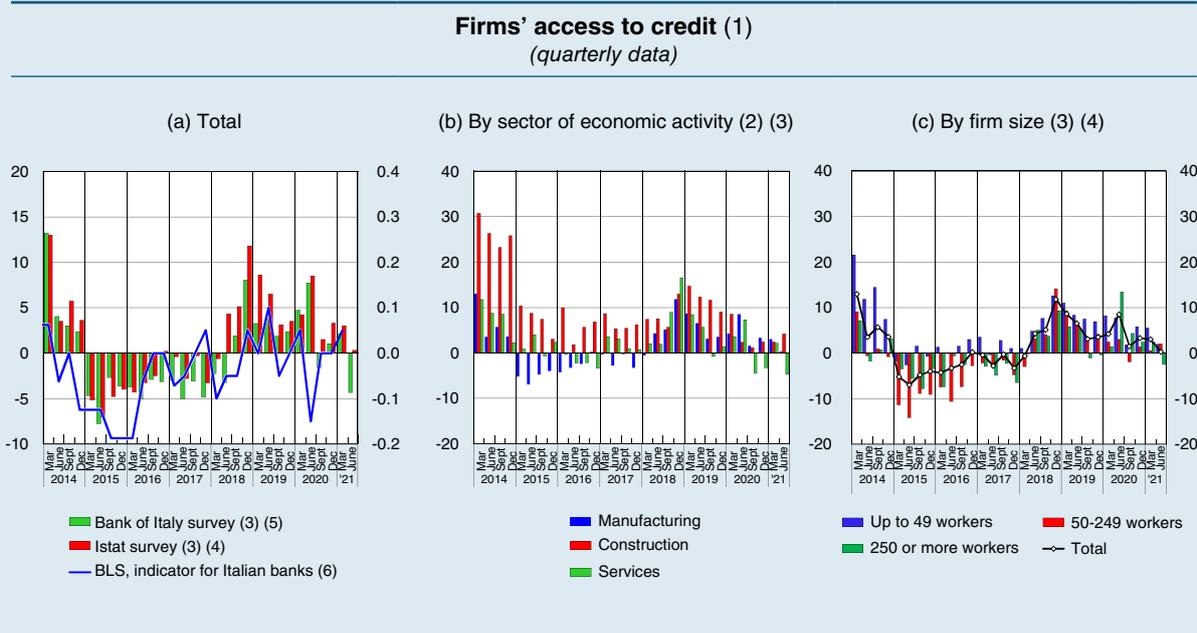
(1) Positive values indicate supply tightening/demand expansion compared with the previous quarter. The diffusion indices are constructed on the basis of the following weighting scheme: for supply conditions, 1=tightened considerably, 0.5=tightened moderately, 0=basically stable, -0.5=eased moderately, -1=eased considerably; for demand, 1=increased considerably, 0.5=increased moderately, 0=basically stable, -0.5=decreased moderately, -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 capacity to obtain funds on the market; 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 borrower's creditworthiness. – (8) Average of the following factors: loans from other banks; loans from non-banks; issuance/redemptions of debt securities; issuance/redemptions of equity. – (9) Average of the following factors: self-financing of house purchase with savings; loans from other banks; and other sources of external funding.

Demand for funds by firms rose again, both in connection with debt refinancing, restructuring and renegotiation, and with fixed investment, whose contribution turned positive for the first time since the start of the pandemic. Based on the responses provided in March, banks expected demand for business loans to increase again in the second quarter. Households' credit demand fell slightly, for both mortgage loans and consumer credit, above all reflecting the decline in consumer confidence. With reference to the second quarter, banks signalled expectations of a rise in demand for both segments, and for consumer credit in particular.

Banks were asked to assess the impact of the monetary policy measures adopted by the ECB. In the six months ending in March 2021, the asset purchase programme (APP), the pandemic emergency purchase programme (PEPP) and the third series of targeted longer-term refinancing operations (TLTRO III), helped to ease the credit standards applied to households and firms and to increase the volume of loans disbursed. For the six months ending in September 2021, banks expect the TLTRO III operations to continue to exert a positive influence on their loan supply policies, unlike the security purchase programmes, whose impact is expected to be basically nil.

According to the results of the surveys of firms carried out by Istat and the Bank of Italy, in the second quarter of 2021, credit access conditions (Figure B) became more relaxed for service firms and for the largest companies operating in manufacturing.

Figure B



(1) The Bank of Italy survey (in collaboration with *Il Sole 24 Ore* until 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, 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's latest business confidence survey of the manufacturing sector. – (5) 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series. – (6) Right-hand scale.

The flow of new NPLs has remained moderate so far ...

In the first quarter of 2021, the flow of new non-performing loans in proportion to total loans held stable at 1.1 per cent, on a seasonally adjusted and annualized basis (Figure 40). The indicator declined for loans to non-financial corporations (from

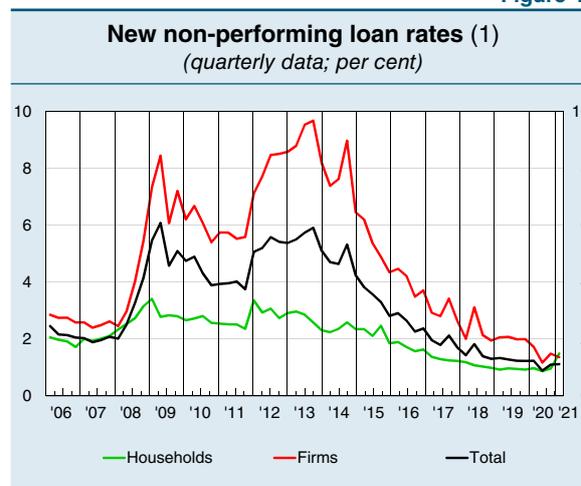
1.5 to 1.4 per cent), reflecting the reduction for companies operating in the service sector. Loans to consumer households instead rose by 1.5 per cent (from 1.0 per cent at the end of 2020). In the same period, the share of non-performing loans to total loans of the significant banking groups remained stable, both gross and net of loan loss provisions (Table 15). The coverage ratio (i.e. the ratio of loan loss provisions to the stock of NPLs) was basically unchanged.

... and profitability improves

In the first three months of 2021, the annualized return on equity for the significant banking groups was especially high and recorded strong growth compared with the same period of last year. The lasting decline in interest income was more than offset by high revenues from trading activities; both operating costs and loan loss provisions fell markedly (each of these aggregates was particularly high in the first quarter of 2020).⁵ The emergence of new losses on loans and the end of conditions that favoured trading revenues could lead to a fall in ROE during the year.

The capitalization of the significant groups was unchanged in the first quarter: the slight reduction in capital was offset by that in weighted assets.

Figure 40



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.

Table 15

Main indicators for the significant Italian banks (1)
(values and percentage changes)

	December 2020	March 2021
Non-performing loans (NPLs) (2)		
Gross NPL ratio	4.1	4.1
Net NPL ratio	2.0	2.0
Coverage ratio (3)	53.5	53.3
Regulatory capital		
Common equity tier 1 (CET1) ratio	15.5	15.5
	Q1 2020	Q1 2021
Profitability		
ROE (4)	1.7	9.0
Net interest income (5)	-5.6	-6.1
Gross income (5)	0.2	3.3
Operating expenses (5)	10.1	-10.0
Operating profit (5)	-19.8	40.6
Loan loss provisions (5)	79.7	-41.2

Source: Consolidated supervisory reports.

(1) Provisional data. Significant banks are those directly supervised by the ECB. – (2) End-of-month data. Includes loans to customers, credit institutions and central banks. The NPL ratio is reported gross and net of loan loss provisions. – (3) The coverage ratio is measured as the ratio of loan loss provisions to the corresponding gross exposure. – (4) Net of extraordinary components. – (5) Percentage changes on previous year.

⁵ In the first quarter of last year, operating costs included non-recurring outlays relating to the early termination of employment contracts and loan loss provisions had been affected by the significant deterioration in the macroeconomic outlook.

2.8 THE FINANCIAL MARKETS

Expectations of a recovery in economic activity exerted a positive influence on financial market conditions in Italy. Yields on government securities, which rose briefly in April and May, remained low overall, in part due to the ECB's confirmation of its accommodative monetary policy stance.

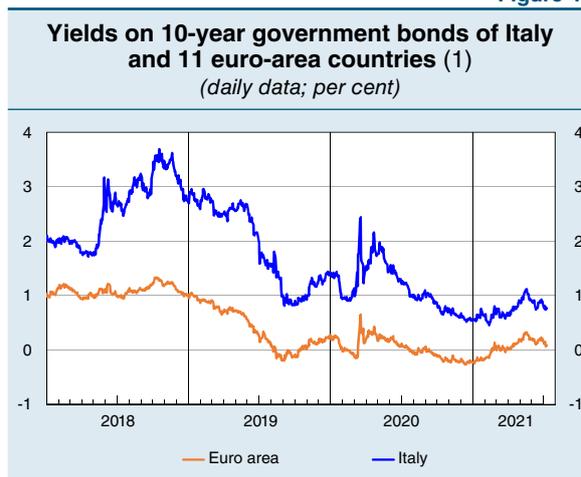
Government bond yields stay low

The upward trend in the yields on Italian government securities, under way since April, was interrupted in mid-May, following declarations by members of the ECB's Governing Council reiterating their intention to maintain favourable financial conditions (Figure 41; see Section 1.2). The yield spread between Italian and German ten-year government bonds remains below pre-pandemic levels (Figure 42). The implied volatility of derivatives on Italian ten-year bonds is very low (Figure 43).

Equity prices rise

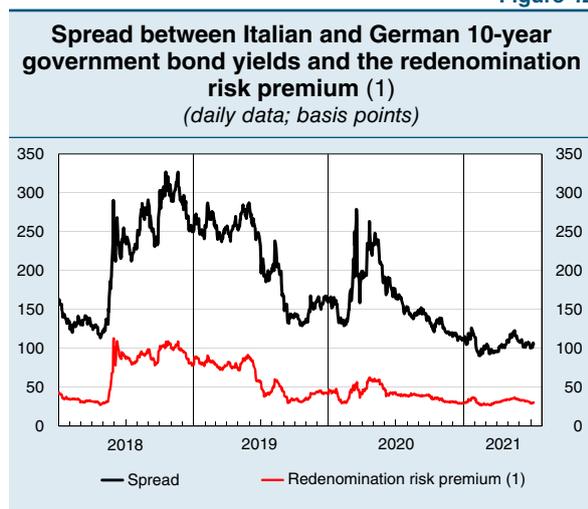
Since mid-April, equity prices in Italy have risen in line with those of the euro area, (2.8 and 4.0 per cent respectively; Figure 44.a), thanks to the brighter outlook for company profits generated by expectations of a marked recovery in economic activity. The index for the banking sector rose more sharply in Italy than in the euro area (5.3 and 3.5 per cent respectively), benefiting above all from higher current and expected profitability and from prospects of consolidations in the sector. The volatility of equity prices remained substantially unchanged (Figure 44.b).

Figure 41



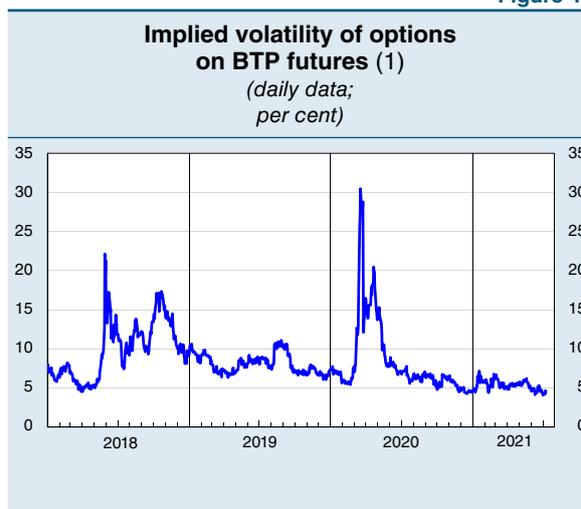
Sources: Based on Refinitiv and Bloomberg data.
(1) Average yields, weighted by 2020 GDP at constant prices, of the 10-year benchmark government bonds of 11 euro-area countries. (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal and Spain) and yields on 10-year BTPs.

Figure 42



Sources: Based on Bloomberg and ICE CMA data.
(1) 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 43



Source: Based on Refinitiv data.
(1) Implied volatility of at-the-money options with a 1-month maturity on 10-year BTP futures traded on the Eurex.

Figure 44

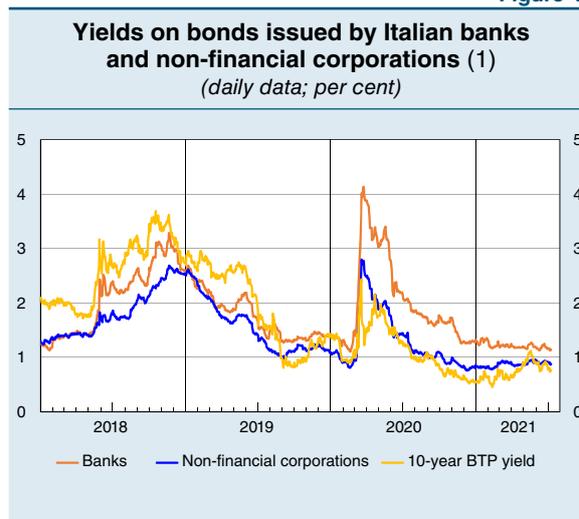


Source: Based on Refinitiv data.

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

Since mid-April, secondary market yields on bonds issued by Italian banks and non-financial corporations stayed practically the same, recording a variation of -4 and 2 basis points, respectively (Figure 45). The yields on bonds issued by banks and non-financial corporations also remained unchanged on average in the euro area.

Figure 45



Sources: Based on ICE BofAML and Bloomberg data.

(1) The data refer to the average yields (to maturity) of a basket of euro-denominated bonds issued by Italian banks and non-financial corporations and traded on the secondary market. Even if the basket contains bonds with different maturities, selected on the basis of an adequate level of liquidity, the figure shows, for comparison purposes, the 10-year BTP yields, which are especially representative of the yields offered on Italian government bonds.

Net corporate bond issues decline

In the first quarter of 2021, net bond issues by non-financial corporations were equal to €6.3 billion (from €7 billion in the fourth quarter of 2020); banks instead made net redemptions worth €5.2 billion (from €12.4 billion in the previous quarter), confirming the trend under way in recent years towards more limited recourse to the bond market. Preliminary data released by Bloomberg indicate that on average in the second quarter, gross issues fell for non-financial corporations and for banks (they had been €12.3 billion and €17.8 billion, respectively, in the first).

Net subscriptions to investment funds are positive

According to Assogestioni data, the net inflow of savings towards open-end investment funds was positive in the first quarter (€18.7 billion), a result that was wholly attributable to foreign investment funds. Investors purchased equity funds (with net subscriptions amounting to €13.1 billion), balanced funds (€4.3 billion), bond funds (€2.8 billion) and money market funds (€1.4 billion). Hedge funds and flexible funds recorded net negative subscriptions of -€0.1 billion and -€2.8 billion respectively. The positive performance of net subscriptions to open-end investment funds continued in April and May, reaching €4.1 billion and €4.9 billion respectively, against €7.5 billion in March.

2.9 THE PUBLIC FINANCES

The Government approved new measures to support firms and workers in the second quarter. On 13 July, the Council of the European Union approved Italy's National Recovery and Resilience Plan (NRRP), submitted at the end of April.

New support measures are approved in the spring Decree Law 41/2021 ('Support Decree'), issued by the Government in March, was followed in May by Decree Law 73/2021 ('Support-*bis*'),⁶ which utilized almost all of the higher deficit (€40 billion for 2021) authorized in April by the Parliament.⁷ The decree allocates most of the resources (around €32 billion) to

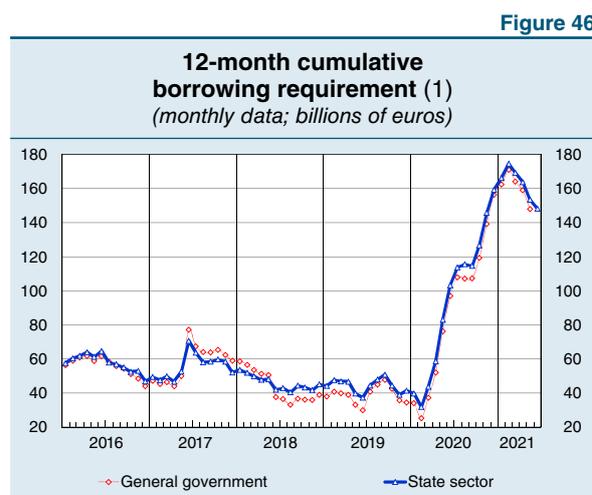
firms, envisaging measures designed to support the companies hit hardest by the pandemic and favouring investment and capital strengthening.⁸

Overall, based on official assessments, the interventions approved in the first half of 2021 raise net borrowing for this year by more than €70 billion (around 4 percentage points of GDP) compared to what was planned at end-2020.

In the early months of the year, the borrowing requirement remains at high levels In addition to the weak macroeconomic outlook, developments in the public finances in the early part of the year also continued to

be affected by the impact of the emergency measures. In the first half of 2021, the state sector borrowing requirement remained at high levels (€84.8 billion), falling by €10.4 billion compared with the corresponding period of 2020. With reference to the totality of general government, for which the data on the first five months of the year are available, the borrowing requirement came to €62.9 billion, €8.5 billion less than in the corresponding period of 2020 (Figure 46).

In May, general government debt reached €2,687 billion;⁹ compared with the end of 2020, it rose by a little more than €113 billion, reflecting, in addition to the borrowing requirement, the increase



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

⁶ For further details, see 'Conversion into law of Decree Law 73/2020 (urgent measures related to the COVID-19 emergency for firms, employment, young people, health and local services)', hearing of the Head of the Structural Economic Analysis Directorate, F. Balassone, Chamber of Deputies, Rome, 7 June 2021 ([only in Italian](#)).

⁷ Parliament's authorization also envisages a multi-year budget variance for subsequent years (around €5.8 billion on average per year between 2022 and 2034), mostly utilized under Decree Law 59/2021 (converted by Law 101/2021), which was approved last May. It establishes the Complementary Fund for NRRP-related investments, and replenishes the Recovery and Cohesion Fund along with resources for high-speed railways. The Complementary Fund concerns projects which, while in line with the guidelines of the Recovery and Resilience Facility, are not financed by the latter because they exceed the total amount of European funds allocated to Italy. The decree determines an increase in net borrowing of around €0.9 billion in 2021 and of €4.5 billion on average in each of the subsequent three years.

⁸ At the end of June, Decree Law 99/2021 was also launched, containing temporary measures to support workers and firms, and fiscal measures, mostly funded by expenditure savings stemming from previous measures; the impact of the decree on the deficit is accordingly virtually nil.

⁹ With the last disbursement at the end of May, Italy obtained the entire sum of €27.4 billion in loans under the instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). The average maturity of the loans is around 15 years, with a slightly negative interest expense.

in the Treasury's liquid balance. The average residual maturity of the debt lengthened slightly with respect to the end of last year, reaching 7.5 years at the end of May (Figure 47). The average cost of the debt came to 2.42 per cent at the end of March, from 2.38 per cent at the end of 2020. In the Government's plans published in April, which already take account of the effects of the 'Support-*bis*' decree, the general government deficit will amount to 11.8 per cent of GDP this year (9.5 per cent in 2020) and the ratio of debt to GDP will reach 159.8 per cent (from 155.8 per cent in 2020).

In its assessments of the Stability Programmes published on 2 June, the Commission confirmed that the general escape clause¹⁰ will continue to be applied until the end of 2022 and called for budgetary policies to subsequently become more differentiated among countries, in accordance with domestic conditions. It recommended that Italy pay particular attention to limiting the rise in current spending.

The Council of the EU approves the NRRP

On 13 July, the Council of the European Union approved the NRRP submitted by the Government at the end of April. The plan envisages interventions amounting to €191.5 billion in the period 2021-26, of which €68.9 billion in the form of grants and €122.6 billion in loans.¹¹ The disbursement of a first tranche of resources is envisaged by the summer, equal to 13 per cent of the total amount (around €25 billion) made available in the form of pre-financing (see Section 1.2).

2.10 PROJECTIONS

The projections for the Italian economy presented in this *Economic Bulletin* update those prepared as part of the Eurosystem coordinated exercise and published on 11 June.¹²

Demand is buoyed by the progress in vaccinations ...

The scenario outlined here assumes that the public health situation will continue to improve at both national and global level, also thanks to the vaccination campaigns, and that this will confirm the easing of the restrictions on mobility, which would be lifted at the beginning of 2022.

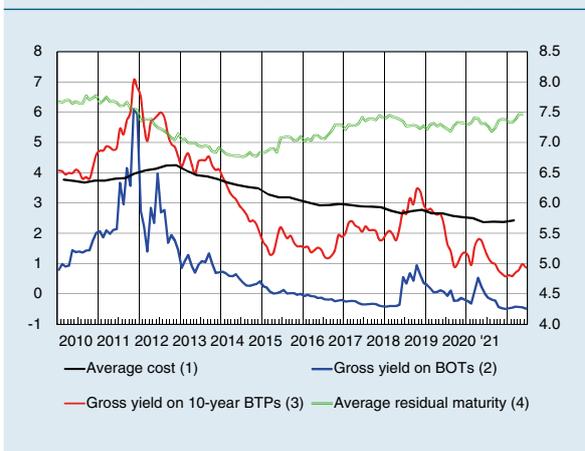
¹⁰ While not suspending the actual functioning of the Stability and Growth Pact, the clause permits deviations from the customary adjustment path toward the medium-term budgetary objective and a redefinition of the deadlines recommended by the European Council for correcting situations of excessive deficit or debt.

¹¹ The NRRP includes the resources from REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe; €13.5 billion) and those of the Complementary Fund for NRRP-related investments (€30.6 billion), for a total amount of €235.6 billion, of which around €82 billion in transfers.

¹² See the Bank of Italy's website, 'Macroeconomic projections for the Italian economy', 11 June 2021.

Figure 47

Gross yields on BOTs and 10-year BTPs, average cost and average residual maturity of debt (monthly and quarterly data; per cent and years)



Source: Istat, for interest expense.

(1) Ratio between interest expense in the 4 quarters ending in the reference quarter and the stock of the debt at the end of the corresponding year-earlier quarter. – (2) The yield at issue is the average, weighted by the issue amounts allotted, of the compound allotment rates at the auctions settled during the month. – (3) Average monthly yield at maturity of the benchmark traded on the online government securities market. – (4) Right-hand scale.

... economic policies ...

It is also assumed that there will be strong support from fiscal policy, with the use of both national and EU funds, and that favourable monetary and financial conditions will be maintained. Under the technical assumptions, Italian ten-year government securities will remain stable at 0.9 per cent this year and increase only gradually in the subsequent two years, in line with the expectations implied in market prices, which reflect the intention expressed by the Eurosystem to maintain a very expansionary monetary stance for a prolonged period of time.

Credit conditions are assumed to remain relaxed: thanks to the recovery in economic activity and to the very gradual withdrawal of the support measures, the repercussions of the pandemic crisis on firms' indebtedness and on the quality of bank credit have remained limited and are not translating into a significant tightening of financial conditions. The cost of borrowing for firms is assumed to be 1.5 per cent in 2021 on average and to rise only slightly afterwards.

... and the recovery in world trade

The projections also incorporate favourable developments in global trade, in line with the most recent assessments of international institutions (see Section 1.1). After falling by about 10 percentage points in 2020, Italy's foreign demand, weighted by the outlet markets, is forecast to increase by 8.8 per cent in 2021 and by 4.7 per cent on average in each of the next two years (see the box 'The assumptions underlying the macroeconomic scenario').

THE ASSUMPTIONS UNDERLYING THE MACROECONOMIC SCENARIO

The forecasting scenario for the Italian economy prepared by the Bank of Italy experts as part of the Eurosystem staff macroeconomic projection exercise is published each June and December, following the release of the euro-area projections¹ by the European Central Bank. The macroeconomic projections for Italy presented here update those released on 11 June and are based on the information available at 9 July.

The main assumptions underlying the scenario are as follows (see the table):

- a) foreign demand, weighted by the outlet markets for Italian exports, which decreased by 10 per cent in 2020, expands by 8.8 per cent this year and by 4.7 per cent on average in the two years 2022-23;
- b) the euro/dollar exchange rate, equal to 1.14 in 2020, rises to 1.20 in 2021 and settles at 1.19 in the two years 2022-23;²
- c) the price of a barrel of Brent crude oil, fixed on the basis of the prices of futures contracts, averages \$69.2 this year (\$42.3 in 2020), remains at similar levels in 2022, and declines slightly afterwards, to around \$65 in 2023;

Table

Assumptions for the main exogenous variables

	2020	2021	2022	2023
Potential foreign demand (1)	-10.0	8.8	5.9	3.4
Dollar/euro (2)	1.14	1.20	1.19	1.19
Nominal effective exchange rate (1) (3)	-1.5	-1.0	0.2	0.0
Crude oil prices (2) (4)	42.3	69.2	69.0	64.8
3-month Euribor (2)	-0.4	-0.5	-0.5	-0.4
1-year BOTs (2)	-0.1	-0.5	-0.4	-0.3
10-year BTPs (2)	1.1	0.9	1.1	1.4

Sources: Based on Bank of Italy and Istat data.

(1) Percentage changes. – (2) Annual averages. – (3) Positive changes indicate a depreciation. – (4) Dollars per barrel of Brent crude oil.

¹ See the Bank of Italy's website, 'Macroeconomic projections for Italy', containing the projections published to date as part of the Eurosystem coordinated exercise.

² The technical assumptions on interest rates, exchange rates and oil prices are calculated on the basis of the spot and forward prices observed in the markets in the ten working days to 12 July.

- d) the three-month interest rates on the interbank market (Euribor) averages -0.5 per cent in the two years 2021-22 and is equal to -0.4 per cent in 2023;
- e) the yield on ten-year BTPs, equal to 1.1 per cent on average in 2020, falls to 0.9 per cent in 2021, and then increases gradually to 1.4 per cent in 2023, in line with the values of forward rates implied by the term structure of interest rates on government bond yields.
- f) the scenario incorporates the measures included in the 2021 Budget Law and in Decree Laws 41/2021 ('Support Decree'), 59/2021 ('Complementary Fund to the National Recovery and Resilience Plan'),³ and 73/2021 ('Support-*bis*' decree), as well as an assumption on the use of EU funds under the Next Generation EU programme, based on the guidance provided by the NRRP.

³ Containing urgent measures relating to the Complementary Fund to the National Recovery and Resilience Plan and other urgent measures regarding investment.

GDP is set to accelerate markedly starting from the summer ...

Based on these assumptions, following the recovery in the first half of 2021, GDP is projected to accelerate significantly starting from the third quarter. Looking at the year as a whole, GDP growth is currently estimated at 5.1 per cent in 2021 and is forecast to remain high in the following two years (with point estimates of 4.4 per cent in 2022 and 2.3 per cent in 2023). Starting from the second half of 2022, GDP is expected to return to pre-pandemic levels (Table 16; Figures 48 and 49).

Table 16

Macroeconomic scenario				
<i>(percentage changes on previous year unless otherwise indicated)</i>				
	2020	2021	2022	2023
GDP (1)	-8.9	5.1	4.4	2.3
Household consumption	-10.7	3.3	5.6	2.2
Government consumption	1.6	2.2	-1.9	0.6
Gross fixed investment	-9.6	15.2	8.7	5.0
<i>of which: in capital goods</i>	-11.5	11.6	8.2	7.6
Total exports	-14.7	11.0	6.5	3.2
Total imports	-13.2	12.9	7.7	3.7
Changes in stocks (2)	-0.1	0.3	0.0	0.0
<i>Memorandum item: GDP, raw data (3)</i>	-8.9	5.1	4.3	2.2
Prices (HICP)	-0.1	1.5	1.3	1.3
HICP net of food and energy	0.5	0.5	0.6	1.1
GDP deflator	1.2	1.3	1.6	1.4
Employment (hours worked)	-11.2	5.0	4.1	2.5
Employment (persons employed)	-2.8	-0.7	1.6	1.8
Unemployment rate (4)	9.3	10.5	10.3	9.9
Export competitiveness (5)	-2.2	0.4	0.3	-0.7
Current account balance of the balance of payments (6)	3.5	3.3	2.9	2.9

Sources: Based on Bank of Italy and Istat data.

(1) For GDP and its components: chain-linked volumes; changes estimated on the basis of quarterly data adjusted for seasonal and calendar effects. – (2) Includes valuables. Contributions to GDP growth; per cent. – (3) Not calendar adjusted. – (4) Annual averages; per cent. – (5) Calculated by comparing the price of foreign manufactures with the deflator of Italian merchandise exports (excluding energy and agricultural products); a positive value indicates a gain in competitiveness. – (6) Per cent of GDP.

... thanks to the key role played by the NRRP

The scenario presented here is heavily dependent on the effectiveness and timeliness of the measures introduced to support and relaunch the economy. In the projections, the interventions financed by the national budget and by EU funding, including those set out in the NRRP,¹³ provide a significant boost to economic activity, raising GDP by about 4 percentage points cumulatively over the three-year forecasting horizon. About half of this effect is attributable to interventions under the NRRP, with the assumption that they will be carried out effectively and without significant delays.

These assessments incorporate the demand effects of the interventions carried out under the NRRP, which are associated with an average multiplier of just over one, in keeping with the assumptions that such interventions are to a large extent concentrated in public investments. Further effects playing out in the years beyond the forecasting horizon could be obtained if the execution of public investments were done in such a way as to raise the profitability of private capital, through the reforms laid out in the NRRP and the plans to incentivize research and innovation.¹⁴

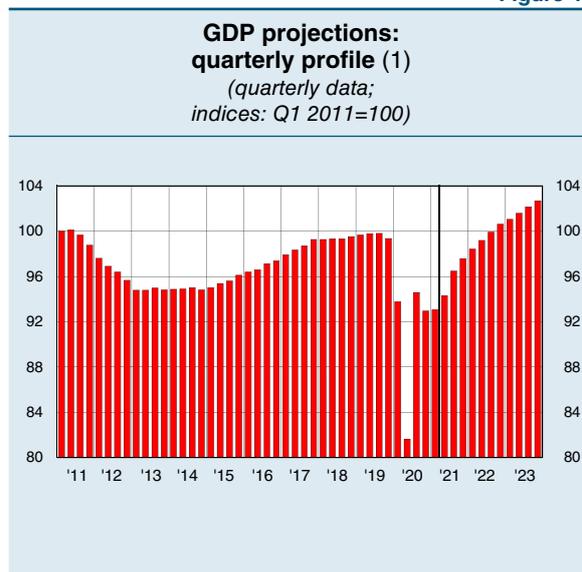
In the projection scenario, employment picks up again ...

Over the next three years, the number of hours worked is projected to increase by over 11 per cent, returning to pre-pandemic levels at the end of 2022. The number of people in employment is also expected to expand further in the coming quarters, exceeding pre-crisis levels by the first half of 2023. In the projections, the impact on total employment of the lifting of the freeze on dismissals is largely offset by new hires. The unemployment rate is expected to rise in 2021, to 10.5 per cent, and to subsequently fall, to 9.9 per cent in 2023.

¹³ The projections take into account the interventions provided for in the 2021 Budget Law and in Decree Laws 41/2021 ('Support Decree'), 59/2021 ('Complementary Fund to the National Recovery and Resilience Plan'), and 73/2021 ('Support-bis' decree). They also assume that the EU funding under the NGEU programme will be used in a way that is consistent with the indications of the NRRP.

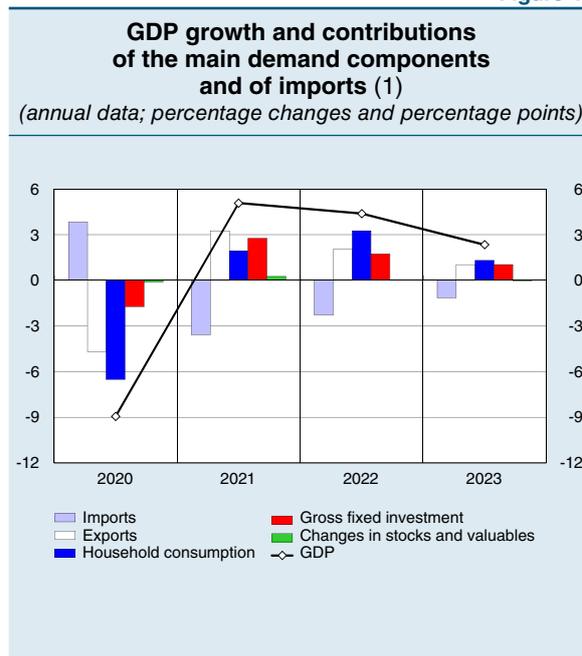
¹⁴ See the box 'The National Recovery and Resilience Plan', Chapter 4, *Annual Report for 2020*, 2021.

Figure 48



Sources: Based on Bank of Italy and Istat data.
(1) Data seasonally and calendar adjusted. Observed data up to Q1 2021. Projections for the subsequent quarters.

Figure 49

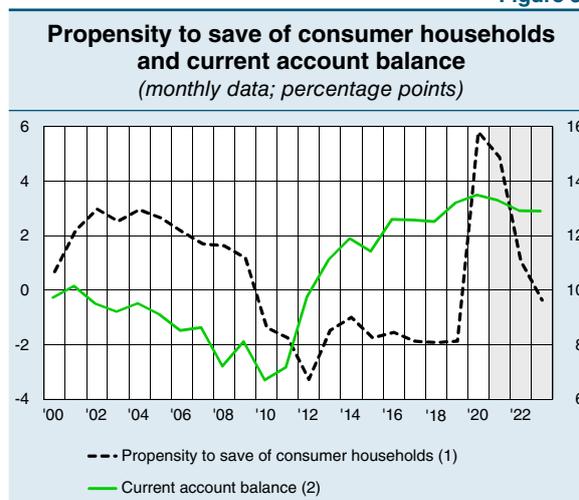


Sources: Based on Bank of Italy and Istat data.
(1) Data seasonally and calendar adjusted.

... consumption grows gradually ...

Consumption, which at the beginning of 2021 was affected by the restrictions on mobility and the fears of contagion, is projected to return to growth in the summer months (see Section 2.3), with a partial recovery in purchases that were not made in 2020 (see the box ‘Savings accumulated during the pandemic and consumption projections’). The saving rate is expected to decrease in the next two years, as the health-related crisis is overcome and the uncertainty around the outlook for income is gradually dispelled, but will likely remain above pre-crisis levels (Figure 50). Household spending is projected to grow by 3.3 per cent on average this year, by 5.6 per cent in 2022 and by 2.2 per cent in 2023.

Figure 50



Sources: Based on Bank of Italy and Istat data.
(1) Right-hand scale. – (2) Per cent of GDP.

SAVINGS ACCUMULATED DURING THE PANDEMIC AND CONSUMPTION PROJECTIONS

In 2020, the fall in household consumption, equal to 10.7 per cent in real terms, was much more pronounced than that in disposable income, which decreased by only 2.6 per cent thanks to the mostly temporary public support measures. This resulted in an exceptional increase in households' aggregate saving rate, which – though concentrated among the wealthiest households – rose to 15.8 per cent,¹ almost twice the average level recorded in the previous decade.

Therefore, in the formulation of macroeconomic projections for the next three years, a key role is played by the assumptions on the share of savings accumulated in 2020 that households could use for consumption purposes in the current year. The plausibility and implications of these assumptions are to be assessed.

According to the Bank of Italy's Special Survey of Italian Households, the increase in savings in 2020 was attributable in almost equal measure to the restrictions on mobility and on access to certain services (e.g. leisure and restaurants), to fears of contagion, and to precautionary motives of a financial nature.² Going forward, based on the surveys available so far, and even assuming a progressive lifting of the restrictions, households expect that they will use part of their greater wealth for future spending, but will still exercise considerable caution. In particular, the respondent households indicated that this year they plan to use about one third of the savings accumulated in 2020 for consumption purposes.

These findings suggest that, also taking account of cyclical conditions, this year the response of consumption to the increase in financial wealth, held above all in the form of deposits,

¹ Adjusted to take account of changes in the net equity of households in pension fund technical reserves; net of that component, the saving rate rose to 15.3 per cent.

² C. Rondinelli and F. Zanichelli, ‘The main results of the fourth wave of the Special Survey of Italian Households’, Banca d’Italia, Note Covid-19, 21 May 2021.

could be stronger than what was observed on average for the Italian economy based on past patterns.³

A stronger response of consumption to the increase in wealth could be motivated by the desire to make purchases in 2021 that had been postponed owing to the pandemic. As observed in past recessions,⁴ it is likely that at least part of the spending on durable and semi-durable goods not made in 2020 was postponed to 2021.⁵ It is instead less plausible that this is also true of services and non-durable goods. In 2020 on average, lower purchases of durable and semi-durable goods contributed less than 20 per cent (about €25 billion) to the fall in domestic consumption (down by 11.8 per cent, or almost €125 billion). The remaining portion of the fall in consumption (about 80 per cent, or just under €100 billion) was instead ascribable to spending on services and non-durable goods (see the figure).

Figure

Breakdown of the contraction in the final consumption of households in 2020
(changes on 2019; millions of euros)



Source: Based on Istat data.

These considerations are incorporated in the macroeconomic projections, where household consumption includes an upward revision compared with the estimate that would be obtained by considering the elasticities by which consumption typically reacts to increases in income and wealth in the Bank of Italy's quarterly econometric model. The assumption is that this revision, amounting to about €20 billion by the first half of 2022, will lead to a full recovery in non-durable goods purchases that were not made in 2020 (about €8 billion) and a partial recovery in the purchases of semi-durable goods that were put off in that same period.

³ R. De Bonis, D. Liberati, J. Muellbauer and C. Rondinelli, 'Consumption and wealth: new evidence from Italy', Banca d'Italia, Temi di Discussione (Working Papers), 1304, 2020; R. De Bonis and A. Silvestrini, 'The effects of financial and real wealth on consumption: new evidence from OECD countries', Banca d'Italia, Temi di Discussione (Working Papers), 837, 2011; M. Paiella, 'Does wealth affect consumption? Evidence for Italy', Banca d'Italia, Temi di Discussione (Working Papers), 510, 2004. These authors estimate that for Italy an increase in financial wealth equal to one euro would generate greater consumption ranging between 4 and 9 euro cents. These estimates are in line with those implied by the Bank of Italy's quarterly econometric model; see G. Bulligan, F. Busetti, M. Caivano, P. Cova, D. Fantino, A. Locarno and L. Rodano, 'The Bank of Italy econometric model: an update of the main equations and model elasticities', Banca d'Italia, Temi di Discussione (Working Papers), 1130, 2017.

⁴ A. Bassanetti, M. Cecioni, A. Nobili and G. Zevi, 'The main recessions in Italy: a retrospective comparison', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 46, 2009.

⁵ Durable goods include, in particular, cars, motorcycles, boats, furnishings, household appliances, jewellery, and clocks and watches. Semi-durable goods include above all clothing, footwear, glasses, books and various household items (linen, furnishing fabrics, glassware, crockery, etc.).

While the growth in household consumption in 2021 exceeds that which may be inferred from the standard elasticities of the model, the saving rate declines only gradually in the three-year forecasting horizon, remaining above pre-pandemic levels. This is due to consumers' tendency to smooth over time the impact on consumption of one-off increases in the financial resources at their disposal, such as those associated with the greater savings accumulated during the health-related crisis. Moreover, a gradual fall in the saving rate is consistent with the indications of cautious spending that our surveys found.

However, this assessment is marked by considerable uncertainty, given the unprecedented contraction in consumption during the pandemic and its determinants.

In a more pessimistic scenario, households' fears regarding the outlook for employment and income could be more persistent. This would result in a slower recovery in consumption compared with that presented in the forecasting scenario. To quantify the consequences of this eventuality, it may be assumed that households will decide to postpone further the purchases of non-durable goods not made so far.⁶ Should this occur, the growth in GDP in 2021 would decline by around half a percentage point, to 4.6 per cent. In the subsequent two-year period, both GDP and consumption would make up practically in full for the slower growth (see the table).

Table

Effects of possible alternative assumptions on consumption
(differences in the rates of change compared with the forecasting scenario; percentage points)

	Recovery in consumption occurs later			Recovery in consumption occurs earlier		
	2021	2022	2023	2021	2022	2023
Final domestic consumption of households	-0.9	0.5	0.4	1.3	-0.3	0.0
Gross domestic product (GDP)	-0.5	0.2	0.2	0.7	-0.1	0.0

Source: Based on Istat data.

A more favourable scenario, stemming from a rapid improvement in the COVID-19 situation and a recovery in confidence, could lead households to increase spending by more than what is hypothesized in the forecasting scenario. Assuming that the saving rate will return to the average levels recorded in the decade before the pandemic crisis by 2023, this would result in higher consumption spending of about €10 billion starting from this year. This, in turn, would entail higher GDP growth of more than half a percentage point compared with the central projection in 2021, and only slightly lower than that in 2022 (see the table).

⁶ The upward revision included in the forecasting scenario would therefore be reduced over the course of this year for the part attributable to durable goods (about €8 billion), and correspondingly increased in the following two-year period.

**... capital
accumulation
is very rapid ...**

The recovery will likely be marked by a strong contribution of investment, contrary to what was observed after the two previous recessions.¹⁵ Capital accumulation, which already in the first quarter of the year had surpassed the average levels recorded in 2019, will continue to expand thanks to the improved outlook for demand, the favourable financing conditions, and the support envisaged

¹⁵ See Chapter 6, 'Firms', *Annual Report for 2020*, 2021.

under the NRRP. Investment is expected to rise by 15.2 per cent on average in 2021, by 8.7 per cent in 2022 per cent and by 5 per cent in 2023. At the end of the three-year period, the ratio of investment to GDP is projected to regain, after more than a decade, the levels prevailing before the global financial crisis of 2008-09 (Figure 51). The public component looks set to play a key part in this, returning, as a share of GDP, to levels in line with the European average after more than a decade.

... and exports are in line with developments in world trade

Foreign sales, especially of goods, are projected to be driven by the recovery in world trade. Those of services will likely be affected by the more gradual recovery in tourist flows, which are assumed to regain pre-crisis levels only in 2023. Exports are expected to grow by 11 per cent this year and by about 5 per cent on average in each of the next two years, in line with foreign demand.

Imports, also in part activated by investments, are projected to grow at a higher rate. The current account surplus of the balance of payments should decline slightly over the forecasting horizon, to just under 3 per cent (Figure 50).

The rise in inflation reflects the increases in energy prices

Consumer price inflation, driven above all by the impact of the increase in commodity prices, is

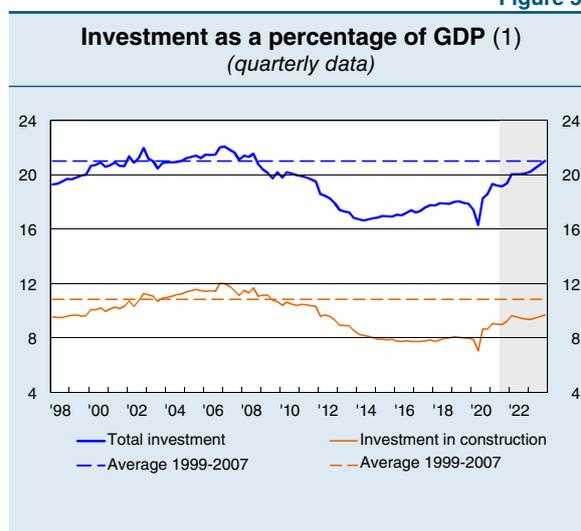
projected to reach 1.5 per cent this year and to slow to 1.3 per cent in the next two years (Figure 52). Also considering the low level of inflation expectations reported so far by households and firms (see Section 2.6), at the moment there are no signs of a stronger transmission to domestic prices or of an acceleration in wages, a necessary condition for a more persistent rise in inflation. The core component is expected to rise from 0.5 per cent in 2021 to up to 1.1 per cent in 2023. This would be supported by a reduction in spare capacity margins and an only gradual acceleration in wages: in the private sector, they are assumed to rise by about 0.7 per cent this year and by around 1.2 per cent on average in each of the next two years. Domestic inflation, measured by the GDP deflator, is projected to average 1.4 per cent over the three-year period.

GDP projections are revised upwards ...

Compared with the projections published in January's *Economic*

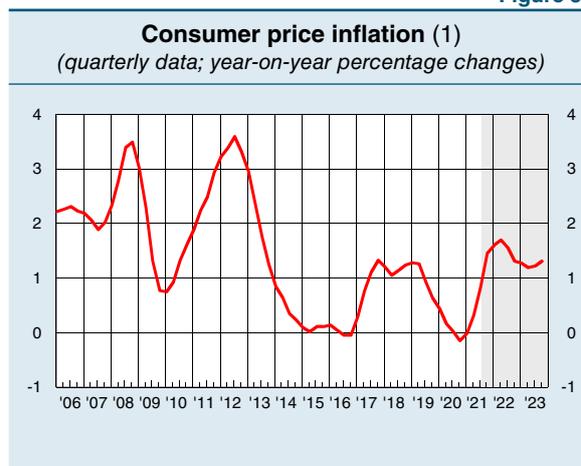
Bulletin, GDP growth was revised upwards by 1.6 percentage points for 2021 and 0.6 points for 2022. The revision is due above all to the impact of the additional support measures introduced by the Government and new information on the time frame and implementation of the interventions set out in the NRRP. The inflation forecasts were revised

Figure 51



Sources: Based on Bank of Italy and Istat data.
(1) Data seasonally and calendar adjusted.

Figure 52



Sources: Based on Bank of Italy and Istat data.
(1) HICP; 4-term moving averages.

upwards by about 0.8 percentage points this year and around 0.3 points on average in the two-year period 2022-23, reflecting the higher commodity prices.¹⁶

Our growth projections for the two-year period 2021-22 are in line with those released by the European Commission in July. They are instead slightly more favourable than those formulated in May by the OECD and in June by the IMF and by Consensus Economics (Table 17), which were prepared before the release of the upward revision regarding the GDP estimate for the first quarter. The inflation forecasts for this year and the next do not deviate significantly from those formulated by the European Commission, the OECD and Consensus Economics, while they are higher than those prepared by the IMF.

The pandemic and the effectiveness of the policies adopted are factors of uncertainty

The main elements of uncertainty surrounding the outlook for growth are linked to the course of the pandemic and the effectiveness of the support policies. Over the course of this year, trends in the number of COVID-19 cases may affect confidence as well as consumption and investment decisions. In the following years, the intensity of the recovery will mostly depend on how the projects connected with the NRRP will be implemented. A delayed or less effective execution of those projects and, more broadly, a premature lifting of economic policy support could weaken the recovery. Conversely, growth could benefit from a swifter execution of the intervention – which could positively affect confidence, capital accumulation and the propensity to spend – as well from an impact of the NRRP projects and reforms on potential growth even before the end of the three-year forecasting horizon. The pace of the recovery in economic activity will also depend on how consumption behaviour responds to the re-opening of the economy.

Risks to inflation are balanced. The persistence of ample margins of spare capacity could delay the recovery in wages compared with the projection scenario. Conversely, targeted and lasting support to the economy could translate into a more rapid return of inflation expectations and wage growth in Italy and in the euro area towards levels consistent with the definition of price stability.

Table 17

Other organizations' forecasts for Italy
(percentage changes on previous period)

	GDP (1)		Inflation (2)	
	2021	2022	2021	2022
IMF (June)	4.3	4.0	0.8	1.0
OECD (May)	4.5	4.4	1.3	1.0
European Commission (July)	5.0	4.2	1.4	1.2
Consensus Economics (June)	4.5	4.2	1.2	1.1

Sources: IMF, *Italy, 2021 Article IV consultation-press release; staff report; and statement by the Executive Director for Italy*, IMF Country Report, 21/101, June 2021; OECD, *OECD Economic Outlook*, May 2021; European Commission, *European Economic Forecast Summer 2021*, July 2021; Consensus Economics, *Consensus Forecasts*, June 2021.

(1) The growth rate forecasts of the OECD are adjusted for calendar effects; those of the European Commission and IMF are not. – (2) HICP.

¹⁶ Compared with the projections published on 11 June as part of the Eurosystem staff macroeconomic projections, GDP growth was revised upwards by 0.7 percentage points in 2021, above all owing to the revision of the GDP estimate for the first quarter that was released by Istat on 1 June.

SELECTED STATISTICS

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

CONTENTS

A1	Price competitiveness indicators based on producer prices in manufacturing	57
A2	Unit labour costs, per capita compensation and productivity: Italy	59
A3	Unit labour costs, per capita compensation and productivity: euro area	60
A4	Consumer prices: Italy, euro area and main economies	61
A5	Italy's international investment position: stocks and reconciliation with the flows of the financial account in the balance of payments	62
A6	Balance of payments of Italy: current account and capital account	63
A7	MFI loans adjusted for the accounting effect of securitizations: Italy and euro area	64
A8	Net bond issues: Italy and euro area	65
A9	Financing of the general government borrowing requirement: Italy	66
A10	General government debt: Italy	67

Table A1

Price competitiveness indicators based on producer prices in manufacturing (1)
(period averages; indices: 1999=100)

	Belgium	Canada	China	South Korea	France	Germany
2015	106.0	105.1	132.3	93.6	90.9	87.4
2016	105.7	103.8	126.2	90.3	91.4	89.6
2017	111.9	105.3	126.6	93.4	91.0	89.2
2018	117.2	104.6	128.5	93.6	91.9	90.0
2019	116.1	103.1	125.1	89.8	90.5	89.2
2020	115.5	103.6	125.6	87.7	90.7	91.8
2020 – Q1	115.0	102.7	124.4	87.9	89.5	89.7
Q2	112.4	101.2	125.4	86.5	90.4	92.2
Q3	117.2	104.5	124.3	86.5	91.6	92.7
Q4	117.4	105.9	128.1	90.1	91.5	92.4
2021 – Q1	119.6	110.5	129.1	90.5	90.6	91.0
2020 – Jan.	115.9	104.4	123.8	89.4	89.4	88.8
Feb.	114.9	103.9	123.9	88.0	89.1	88.8
Mar.	114.2	99.8	125.4	86.3	89.8	91.5
Apr.	112.2	100.2	127.1	86.7	89.8	92.4
May	109.9	100.8	125.7	86.1	90.5	92.2
June	115.0	102.6	123.5	86.5	91.0	92.1
July	116.4	102.9	123.4	86.5	91.3	92.2
Aug.	117.9	105.1	123.5	86.5	91.8	93.0
Sept.	117.4	105.6	126.1	86.7	91.6	92.9
Oct.	117.0	105.3	127.9	88.7	91.5	92.7
Nov.	116.8	105.1	128.5	90.2	91.2	92.2
Dec.	118.4	107.3	127.9	91.3	91.8	92.2
2021 – Jan.	118.5	108.8	128.9	90.8	91.0	91.8
Feb.	119.7	110.6	128.9	90.2	90.7	90.9
Mar.	120.7	112.2	129.5	90.5	90.1	90.3
Apr.	121.4	113.7	129.5	92.2	90.0	90.5

(1) The indicators of overall competitiveness shown in the table are based on producer prices of manufactures of 61 countries. For the method of calculation see A. Felettigh, C. Giordano, 'A novel three-market view of price competitiveness', *Journal of Economic and Social Measurement*, 44, 2019, 86-116, also published in Banca d'Italia, *Questioni di Economia e Finanza (Occasional Papers)*, 447, 2018 and 'Balance of Payments and International Investment Position', Banca d'Italia, Statistics Series, Methods and Sources: Methodological Notes, 19 November 2019. 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
2015	60.3	96.2	107.7	91.5	105.9	102.6
2016	67.9	97.3	109.5	83.3	106.7	104.7
2017	64.0	97.2	111.3	78.5	108.1	103.5
2018	63.2	98.1	112.8	79.5	109.4	103.4
2019	66.1	96.6	113.7	79.8	107.7	105.9
2020	68.4	98.0	115.2	80.2	107.4	105.8
2020 – Q1	67.9	96.4	114.8	81.2	107.1	106.5
Q2	69.6	97.8	114.1	80.4	106.2	108.2
Q3	68.4	99.0	115.9	79.7	108.1	105.5
Q4	67.6	98.9	116.0	79.6	108.3	103.0
2021 – Q1	65.2	97.9	118.7	81.3	109.6	103.0
2020 – Jan.	66.7	96.2	114.8	81.7	107.4	105.2
Feb.	67.1	95.7	114.3	82.4	106.9	105.9
Mar.	69.9	97.4	115.2	79.4	107.1	108.5
Apr.	70.1	97.6	113.8	81.3	106.2	108.1
May	70.0	97.6	113.8	80.3	105.8	109.3
June	68.7	98.2	114.7	79.6	106.7	107.1
July	68.7	98.4	115.5	79.4	107.7	106.8
Aug.	68.3	99.4	116.1	80.3	108.4	105.2
Sept.	68.2	99.2	116.1	79.3	108.1	104.5
Oct.	68.1	99.1	115.9	79.3	108.1	104.2
Nov.	67.7	98.6	115.6	80.2	107.9	103.1
Dec.	66.9	99.1	116.5	79.3	108.9	101.7
2021 – Jan.	66.5	98.5	118.1	80.2	109.1	101.5
Feb.	65.3	97.8	118.6	81.4	109.5	102.5
Mar.	63.7	97.5	119.4	82.3	110.1	104.9
Apr.	63.3	97.5	120.9	81.4	110.4	104.2

(1) The indicators of overall competitiveness shown in the table are based on producer prices of manufactures of 61 countries. For the method of calculation see A. Felettigh, C. Giordano, 'A novel three-market view of price competitiveness', *Journal of Economic and Social Measurement*, 44, 2019, 86-116, also published in Banca d'Italia, *Questioni di Economia e Finanza (Occasional Papers)*, 447, 2018 and 'Balance of Payments and International Investment Position', Banca d'Italia, Statistics Series, Methods and Sources: Methodological Notes, 19 November 2019. 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					
2018	1.1	0.6	2.0	1.4	0.4
2019	2.4	-0.2	-0.5	-0.4	2.5
2020	2.4	-0.2	-11.1	-11.0	2.6
2018 – Q1	-0.2	2.2	3.5	1.3	-2.3
Q2	2.4	1.4	2.5	1.1	1.0
Q3	1.3	-0.2	0.7	1.0	1.5
Q4	2.2	-0.6	-0.8	-0.1	2.8
2019 – Q1	3.0	-1.7	-0.3	1.5	4.7
Q2	2.0	-0.3	-0.3	0.1	2.3
Q3	1.7	1.0	0.0	-1.0	0.7
Q4	2.6	0.1	-1.7	-1.8	2.6
2020 – Q1	6.1	1.9	-9.9	-11.6	4.1
Q2	4.2	-4.8	-26.9	-23.2	9.5
Q3	-0.9	-0.7	-5.2	-4.5	-0.2
Q4	0.3	2.0	-3.3	-5.1	-1.6
2021 – Q1	-0.6	1.0	7.0	5.9	-1.6
Services					
2018	1.9	-0.2	0.6	0.8	2.1
2019	1.0	0.0	0.4	0.4	1.0
2020	4.0	4.2	-8.1	-11.8	-0.1
2018 – Q1	0.5	0.1	0.9	0.8	0.4
Q2	2.8	-0.3	0.6	1.0	3.1
Q3	2.4	0.0	0.4	0.5	2.4
Q4	3.3	1.0	0.5	-0.5	2.3
2019 – Q1	1.6	-1.2	0.2	1.4	2.9
Q2	0.4	0.0	0.5	0.5	0.4
Q3	1.0	0.2	0.6	0.5	0.8
Q4	1.2	1.0	0.4	-0.7	0.1
2020 – Q1	4.5	4.8	-4.4	-8.7	-0.2
Q2	7.8	7.2	-15.5	-21.2	0.5
Q3	3.2	3.9	-5.2	-8.8	-0.7
Q4	1.8	1.8	-7.4	-9.0	0.0
2021 – Q1	1.5	0.3	-3.2	-3.5	1.2
Total economy					
2018	1.6	0.0	1.0	0.9	1.6
2019	1.4	0.0	0.2	0.2	1.4
2020	3.3	2.7	-8.6	-11.0	0.6
2018 – Q1	0.5	0.8	1.4	0.5	-0.4
Q2	2.6	0.0	1.0	1.1	2.6
Q3	2.0	-0.3	0.6	0.9	2.3
Q4	2.7	0.7	0.3	-0.4	2.0
2019 – Q1	1.9	-1.3	0.2	1.5	3.2
Q2	0.9	0.4	0.4	0.0	0.5
Q3	1.2	0.4	0.4	0.0	0.8
Q4	1.5	0.4	-0.1	-0.5	1.0
2020 – Q1	4.5	3.7	-5.6	-8.9	0.8
Q2	6.2	3.8	-18.1	-21.1	2.2
Q3	2.0	2.4	-4.8	-7.0	-0.4
Q4	1.5	1.6	-6.1	-7.6	-0.1
2021 – Q1	0.6	-0.3	-0.4	-0.1	0.9

Source: Based on Istat 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 2015.

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						
2018	2.0	0.3	1.6	1.4	1.7	
2019	2.1	-1.1	-0.9	0.2	3.3	
2020	3.0	0.0	-7.6	-7.6	3.0	
2018 – Q1	1.9	2.1	3.3	1.1	-0.2	
Q2	2.3	1.3	2.8	1.5	1.0	
Q3	2.2	-0.2	1.0	1.2	2.4	
Q4	2.0	-1.6	-0.7	1.0	3.7	
2019 – Q1	1.9	-1.7	-0.2	1.5	3.6	
Q2	2.1	-1.2	-1.0	0.2	3.3	
Q3	2.6	-0.9	-0.8	0.1	3.5	
Q4	1.8	-0.6	-1.3	-0.7	2.4	
2020 – Q1	3.5	-0.3	-4.9	-4.6	3.9	
Q2	6.9	-3.2	-19.1	-16.4	10.4	
Q3	1.4	0.2	-5.6	-5.8	1.2	
Q4	2.9	3.4	-2.3	-5.5	-0.5	
2021 – Q1	1.0	4.7	3.2	-1.5	-3.6	
Services						
2018	2.0	0.3	2.0	1.7	1.7	
2019	2.2	0.6	1.7	1.1	1.6	
2020	6.1	1.9	-6.3	-8.1	4.0	
2018 – Q1	2.2	1.1	2.5	1.3	1.1	
Q2	1.9	0.3	2.2	1.9	1.5	
Q3	2.3	0.0	1.7	1.7	2.3	
Q4	2.3	0.2	1.6	1.4	2.0	
2019 – Q1	1.7	-0.1	1.8	1.9	1.7	
Q2	2.4	0.8	1.8	1.1	1.6	
Q3	2.3	1.0	1.8	0.8	1.3	
Q4	2.2	0.7	1.5	0.8	1.5	
2020 – Q1	5.0	1.4	-2.5	-3.8	3.5	
Q2	10.9	4.8	-13.7	-17.6	5.8	
Q3	4.2	1.3	-3.9	-5.1	2.9	
Q4	6.0	1.4	-5.7	-7.0	4.6	
2021 – Q1	4.1	2.1	-2.5	-4.5	2.1	
Total economy						
2018	1.9	0.2	1.9	1.7	1.7	
2019	2.2	0.4	1.3	0.9	1.8	
2020	5.3	1.4	-6.4	-7.7	3.8	
2018 – Q1	2.1	1.3	2.6	1.3	0.8	
Q2	1.8	0.4	2.3	1.8	1.4	
Q3	2.2	-0.2	1.6	1.7	2.4	
Q4	2.1	-0.2	1.2	1.4	2.3	
2019 – Q1	1.7	-0.3	1.6	1.9	2.0	
Q2	2.4	0.5	1.3	0.8	1.8	
Q3	2.4	0.8	1.3	0.5	1.6	
Q4	2.1	0.5	0.9	0.4	1.6	
2020 – Q1	4.6	1.0	-3.0	-4.0	3.5	
Q2	9.9	3.0	-14.6	-17.0	6.7	
Q3	3.5	0.7	-4.1	-4.8	2.7	
Q4	5.2	1.6	-4.7	-6.2	3.5	
2021 – Q1	3.2	2.0	-1.2	-3.2	1.1	

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 2015.

Table A4

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
2018	1.2	0.6	2.1	0.9	1.9	1.3	1.8	1.0
2019	0.6	0.5	1.3	0.6	1.4	1.3	1.2	1.0
2020	-0.1	0.5	0.5	0.6	0.4	0.7	0.3	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
Apr.	1.1	0.7	1.5	0.5	2.1	2.0	1.7	1.3
May	0.9	0.5	1.1	0.3	1.3	0.9	1.2	0.8
June	0.8	0.4	1.4	0.7	1.5	1.5	1.3	1.1
July	0.3	0.4	1.3	0.7	1.1	0.9	1.0	0.9
Aug.	0.5	0.6	1.3	0.6	1.0	0.8	1.0	0.9
Sept.	0.2	0.5	1.1	0.8	0.9	1.0	0.8	1.0
Oct.	0.2	0.7	0.9	0.8	0.9	1.1	0.7	1.1
Nov.	0.2	0.7	1.2	0.8	1.2	1.8	1.0	1.3
Dec.	0.5	0.6	1.6	1.0	1.5	1.7	1.3	1.3
2020 – Jan.	0.4	0.5	1.7	0.9	1.6	1.3	1.4	1.1
Feb.	0.2	0.5	1.6	1.2	1.7	1.4	1.2	1.2
Mar.	0.1	0.6	0.8	0.7	1.3	1.3	0.7	1.0
Apr.	0.1	0.6	0.4	0.3	0.8	1.0	0.3	0.9
May	-0.3	0.6	0.4	0.7	0.5	1.1	0.1	0.9
June	-0.4	0.5	0.2	0.4	0.8	1.1	0.3	0.8
July	0.8	2.1	0.9	1.4	0.0	0.7	0.4	1.2
Aug.	-0.5	0.3	0.2	0.6	-0.1	0.6	-0.2	0.4
Sept.	-1.0	-0.5	0.0	0.4	-0.4	0.3	-0.3	0.2
Oct.	-0.6	-0.1	0.1	0.3	-0.5	0.1	-0.3	0.2
Nov.	-0.3	0.3	0.2	0.4	-0.7	-0.1	-0.3	0.2
Dec.	-0.3	0.4	0.0	0.2	-0.7	-0.1	-0.3	0.2
2021 – Jan.	0.7	1.3	0.8	1.1	1.6	2.0	0.9	1.4
Feb.	1.0	1.5	0.8	0.6	1.6	1.7	0.9	1.1
Mar.	0.6	0.7	1.4	1.0	2.0	1.6	1.3	0.9
Apr.	1.0	0.3	1.6	1.1	2.1	1.1	1.6	0.7
May	1.2	0.2	1.8	1.1	2.4	1.6	2.0	1.0
June	(1.3)	(0.3)	(1.9)	....	(2.1)	....	(1.9)	(0.9)

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 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 flows
		Total	Equity and investment funds	Debt securities									(a)=(b)+(c)	(b)	(c)
Assets												
2017	558	1,391	864	527	76	523	126	2,675	154.0	141	-7	148
2018	594	1,356	822	534	76	551	133	2,710	153.0	36	-68	104
2019	619	1,547	940	607	75	564	156	2,962	165.4	251	132	119
2020	614	1,656	1,011	645	81	564	172	3,086	186.9	125	11	114
2020 – Q1	616	1,412	826	586	85	596	167	2,876	162.9	-86	-120	34
Q2	613	1,528	905	623	83	574	175	2,973	175.6	97	82	16
Q3	617	1,575	940	634	85	565	178	3,020	180.4	46	14	33
Q4	614	1,656	1,011	645	81	564	172	3,086	186.9	67	35	31
2021 – Q1	623	1,702	1,057	645	75	562	164	3,126	188.6	40	5	35
Liabilities												
2017	456	1,308	263	1,045	107	938	–	2,808	161.7	72	-28	101
2018	488	1,146	216	930	107	1,055	–	2,796	157.8	-12	-90	77
2019	519	1,365	282	1,082	116	978	–	2,978	166.3	182	109	72
2020	524	1,342	252	1,090	130	1,061	–	3,056	185.0	78	13	65
2020 – Q1	522	1,228	206	1,022	133	1,048	–	2,930	165.9	-48	-85	37
Q2	523	1,263	231	1,032	132	1,075	–	2,993	176.7	62	45	17
Q3	525	1,293	222	1,071	135	1,052	–	3,004	179.5	12	9	2
Q4	524	1,342	252	1,090	130	1,061	–	3,056	185.0	51	43	8
2021 – Q1	531	1,387	274	1,113	116	1,058	–	3,092	186.6	36	8	28
Net position												
2017	102	83	601	-518	-31	-415	126	-134	-7.7	68	21	48
2018	106	210	606	-396	-31	-504	133	-86	-4.8	48	21	27
2019	100	182	657	-475	-41	-414	156	-16	-0.9	69	23	47
2020	90	314	759	-445	-49	-496	172	30	1.8	47	-2	49
2020 – Q1	94	184	620	-436	-48	-452	167	-54	-3.1	-38	-36	-2
Q2	90	265	674	-409	-49	-501	175	-19	-1.1	35	37	-2
Q3	92	282	718	-437	-50	-487	178	15	0.9	35	4	30
Q4	90	314	759	-445	-49	-496	172	30	1.8	15	-8	23
2021 – Q1	91	315	783	-468	-41	-497	164	34	2.1	4	-3	7

(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.

Table A6

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
2015	23,529	54,144	-4,245	-11,413	-14,956	6,110	-1,183	7,294
2016	43,997	59,963	-4,082	4,794	-16,678	-2,645	-1,973	-673
2017	44,763	54,372	-3,787	9,277	-15,098	1,243	-1,188	2,431
2018	44,487	45,926	-2,920	18,880	-17,399	-322	-1,482	1,160
2019	57,413	60,222	-849	15,167	-17,128	-1,761	-2,603	842
2020	58,585	67,612	-6,797	17,032	-19,263	-362	-1,106	744
2020 – Q1	7,205	13,193	-4,842	4,448	-5,594	-430	-713	283
Q2	4,864	12,288	-3,055	-75	-4,294	117	48	69
Q3	24,341	20,686	2,930	4,583	-3,858	-193	-384	191
Q4	22,175	21,446	-1,830	8,077	-5,518	143	-58	201
2021 – Q1	7,117	14,150	-4,035	4,381	-7,380	-986	-515	-471
2020 – Jan.	-1,037	951	-1,325	647	-1,309	-149	-271	122
Feb.	4,830	6,395	-1,557	1,843	-1,851	-116	-235	119
Mar.	3,412	5,846	-1,959	1,959	-2,433	-164	-207	42
Apr.	-1,992	-85	-1,006	418	-1,319	-37	-9	-28
May	2,983	5,869	-1,209	-496	-1,180	-6	28	-33
June	3,873	6,504	-839	3	-1,794	160	29	130
July	10,017	9,771	662	791	-1,207	-41	-128	87
Aug.	6,627	4,627	1,413	1,895	-1,308	-25	-104	79
Sept.	7,696	6,288	854	1,898	-1,343	-127	-152	26
Oct.	8,111	7,834	-704	2,403	-1,422	184	-19	203
Nov.	6,835	6,910	-863	2,323	-1,534	116	-18	134
Dec.	7,229	6,702	-263	3,351	-2,562	-157	-20	-137
2021 – Jan.	648	2,289	-843	1,025	-1,823	-255	-160	-95
Feb.	3,508	5,661	-1,354	1,621	-2,420	-299	-159	-140
Mar.	2,961	6,200	-1,839	1,736	-3,136	-432	-196	-236
Apr.	(6,654)	(7,338)	(-652)	(1,475)	(-1,506)	(-76)	(-68)	(-9)

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

Table A7

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
2013	-3.7	-3.6	-5.2	-1.3	-2.4	-1.6	-3.2	-0.3
2014	-1.6	-1.6	-2.3	-0.6	-0.3	-0.6	-1.5	0.1
2015	-0.3	-0.0	-0.6	0.7	0.7	1.0	0.6	1.3
2016	1.1	1.0	0.3	1.9	2.4	2.2	2.4	2.0
2017	1.8	1.3	0.1	2.8	2.9	3.0	3.2	2.9
2018	2.1	2.0	1.4	2.8	3.4	3.6	4.1	3.2
2019	0.2	0.2	-1.9	2.6	3.7	3.5	3.2	3.6
2020	4.7	5.4	8.3	2.3	4.7	4.8	7.1	3.1
2019 – Jan.	1.1	1.0	-0.5	2.7	3.1	3.4	3.5	3.2
Feb.	1.4	1.3	0.1	2.8	3.3	3.6	3.9	3.3
Mar.	1.0	1.0	-0.4	2.7	3.3	3.5	3.7	3.3
Apr.	1.0	1.0	-0.4	2.7	3.5	3.6	4.0	3.3
May	1.1	1.2	-0.0	2.7	3.3	3.6	3.9	3.4
June	0.6	0.9	-0.5	2.5	3.5	3.6	3.9	3.3
July	0.8	1.0	-0.3	2.5	3.6	3.6	4.0	3.4
Aug.	0.6	0.8	-0.6	2.4	3.8	3.7	4.2	3.4
Sept.	0.6	0.7	-0.8	2.5	3.6	3.5	3.6	3.4
Oct.	0.4	0.4	-1.3	2.4	3.7	3.6	3.8	3.4
Nov.	0.2	0.1	-1.8	2.4	3.6	3.5	3.4	3.5
Dec.	0.2	0.2	-1.9	2.6	3.7	3.5	3.2	3.6
2020 – Jan.	0.6	0.6	-1.0	2.6	3.8	3.5	3.2	3.7
Feb.	0.4	0.5	-1.2	2.5	3.7	3.4	3.0	3.7
Mar.	1.5	1.7	1.5	1.8	5.0	4.3	5.5	3.4
Apr.	1.5	1.5	1.8	1.2	5.0	4.6	6.7	3.0
May	1.6	1.7	2.0	1.3	5.3	4.9	7.4	3.0
June	2.3	2.8	3.7	1.7	4.9	4.8	7.2	3.1
July	2.9	3.2	4.5	1.8	4.8	4.8	7.1	3.0
Aug.	3.7	4.1	6.0	2.0	4.7	4.8	7.2	3.0
Sept.	3.9	4.6	6.8	2.2	4.7	4.8	7.1	3.1
Oct.	4.3	4.9	7.4	2.2	4.6	4.7	6.8	3.2
Nov.	4.6	5.3	8.1	2.3	4.8	4.8	7.0	3.1
Dec.	4.7	5.4	8.3	2.3	4.7	4.8	7.1	3.1
2021 – Jan.	4.3	4.9	7.3	2.2	4.5	4.7	6.9	3.0
Feb.	4.5	5.1	7.6	2.4	4.5	4.7	7.0	3.0
Mar.	3.9	4.5	5.7	3.2	3.5	4.2	5.3	3.3
Apr.	3.7	4.3	4.5	4.0	3.1	3.5	3.2	3.8
May	3.8	4.3	4.6	3.9	2.7	3.0	1.9	3.9

(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).

Table A8

Net bond issues: Italy and euro area (1) (billions of euros)				
	Banks	Other financial corporations (2)	Non-financial corporations	Total
Italy				
2019	-2.0	25.8	-3.6	20.1
2020	-19.4	7.6	7.8	-4.0
2019 – Q1	-4.9	-0.3	-1.5	-6.8
Q2	1.4	-2.1	2.3	1.5
Q3	3.2	-1.1	-5.4	-3.3
Q4	-1.7	29.3	1.1	28.8
2020 – Q1	-14.5	-7.6	-3.6	-25.7
Q2	7.6	4.2	1.6	13.4
Q3	..	-4.1	2.7	-1.4
Q4	-12.4	13.4	7.0	7.9
2021 – Q1	-5.2	-4.4	6.3	-3.2
Euro area				
2019	119.7	165.6	62.2	347.5
2020	134.3	111.0	165.4	410.6
2019 – Q1	58.6	21.6	15.8	95.9
Q2	17.1	27.6	16.5	61.1
Q3	22.1	38.0	20.2	80.4
Q4	22.0	78.4	9.7	110.0
2020 – Q1	33.0	4.4	10.6	47.9
Q2	136.2	45.2	105.6	287.0
Q3	0.9	39.0	37.5	77.4
Q4	-34.9	19.9	12.7	-2.3
2021 – Q1	51.4	45.1	25.0	121.4

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. –

(2) Includes insurance companies, other financial intermediaries, financial auxiliaries, lenders and captive financial institutions.

Table A9

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

	Currency and deposits		Short-term securities	Medium- and long-term securities	MFI loans	European institutions loans	Other liabilities	Transactions in debt instruments	Change in Treasury's liquid balances (2)		Borrowing requirement	
	of which: PO funds								of which: investment of liquidity		of which: in connection with financial support to EMU countries (3)	
2015	5.5	-1.1	-9.5	43.6	1.5	-	-1.1	40.0	10.7	8.0	50.7	-2.1
2016	-4.8	0.4	-8.0	63.3	0.5	-	-0.3	50.6	-7.4	-3.0	43.2	0.0
2017	-0.6	-2.4	-0.5	41.1	3.7	-	1.6	45.3	13.8	10.5	59.1	0.0
2018	5.2	-2.1	0.8	42.4	-4.6	-	0.9	44.7	-5.8	19.5	39.0	0.0
2019	-10.3	-4.7	6.4	43.0	-7.4	-	0.7	32.4	2.2	-18.0	34.6	-0.4
2020	1.6	-2.5	11.5	134.8	0.6	16.6	0.9	166.0	-9.6	13.0	156.5	-0.1
2019 – Jan.	4.0	-1.0	8.0	29.4	-0.5	-	-0.5	40.4	-44.0	-14.0	-3.6	0.0
Feb.	-3.9	-0.4	-0.1	4.0	-0.3	-	0.1	-0.2	9.8	-2.0	9.6	0.0
Mar.	0.2	-2.1	0.6	-3.2	-0.2	-	0.3	-2.4	22.4	1.4	20.0	0.0
Apr.	0.9	1.3	0.7	12.7	-0.2	-	-0.1	13.9	-11.6	-1.4	2.4	0.0
May	-1.0	-0.6	0.3	-10.1	1.0	-	-0.2	-10.0	11.3	3.0	1.3	0.0
June	-1.8	-1.1	-0.4	23.1	-0.5	-	0.7	21.0	-20.5	-3.0	0.5	0.0
July	5.8	1.6	-0.1	19.1	-2.3	-	1.2	23.7	-27.1	3.0	-3.3	0.0
Aug.	-0.1	-1.3	1.8	-4.5	0.1	-	-0.3	-3.0	5.3	-3.0	2.3	0.0
Sept.	1.8	-0.3	1.0	-23.0	0.0	-	-0.5	-20.6	43.7	-10.0	23.1	0.0
Oct.	-0.2	1.2	1.2	6.5	-0.1	-	0.2	7.6	-9.8	-3.4	-2.1	-0.2
Nov.	-5.2	-1.8	-0.0	3.6	0.4	-	-0.2	-1.5	0.1	2.0	-1.4	-0.2
Dec.	-10.8	-0.2	-6.6	-14.5	-4.7	-	0.0	-36.6	22.5	9.4	-14.1	0.0
2020 – Jan.	2.7	-1.7	5.8	25.1	1.1	-	-0.1	34.6	-38.6	-6.0	-4.0	0.0
Feb.	-2.2	-0.3	-1.1	6.2	-0.0	-	-0.4	2.5	-1.8	-0.5	0.7	0.0
Mar.	10.8	1.3	-0.2	-23.1	1.3	-	0.1	-11.2	43.2	15.5	32.1	0.0
Apr.	-1.9	-0.0	10.1	25.7	0.6	-	-0.4	34.0	-16.8	11.5	17.2	0.0
May	-4.2	0.2	10.9	32.7	0.6	-	-0.1	39.9	-14.5	-2.5	25.4	0.0
June	-0.7	-0.3	1.4	20.4	-1.5	-	0.7	20.4	0.8	0.0	21.2	-0.0
July	-0.8	-0.4	-3.0	34.7	0.2	-	-0.2	30.8	-23.3	-1.0	7.6	0.0
Aug.	0.3	-0.1	1.3	18.4	-1.5	-	-0.2	18.4	-16.8	1.5	1.6	0.0
Sept.	-1.6	-0.3	-0.3	7.4	0.9	-	0.5	7.0	16.3	-6.0	23.3	-0.0
Oct.	-1.0	-0.3	-4.1	-1.8	0.5	10.1	0.0	3.7	6.1	-1.0	9.8	0.0
Nov.	3.5	-0.5	-0.6	-7.3	-0.4	6.6	-0.2	1.6	16.9	0.5	18.4	0.0
Dec.	-3.3	-0.1	-8.7	-3.5	-1.4	0.0	1.1	-15.8	19.1	1.0	3.3	-0.0
2021 – Jan.	3.6	-1.6	5.6	25.5	-0.0	0.0	-0.2	34.5	-32.6	0.0	1.9	0.0
Feb.	-1.5	-1.1	-3.4	37.2	0.6	4.6	-0.3	37.2	-27.8	0.0	9.3	0.0
Mar.	0.2	-0.7	-2.9	5.0	-1.4	5.7	0.3	6.9	18.3	1.0	25.2	-0.1
Apr.	-0.2	-0.6	-1.5	28.1	3.4	0.0	-0.6	29.3	-17.1	-5.0	12.1	0.0
May	-1.2	-0.4	-0.2	3.4	1.3	0.7	-0.1	3.9	10.5	0.0	14.4	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 investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution to the capital of the European Stability Mechanism.

Table A10

General government debt: Italy (1)
(billions of euros)

	Currency and deposits		Short-term securities	Medium- and long-term securities	MFI loans	European institutions loans	Other liabilities		General government debt	Memorandum item:			
	<i>of which:</i> PO funds						<i>of which:</i> in connection with EFSF loans			Treasury's liquid balances (2)	<i>of which:</i> investment of liquidity		Deposits with resident MFIs net of liquidity transactions	Financial support to EMU countries (3)
2015	237.8	76.4	115.0	1,708.5	132.4	-	45.6	33.9	2,239.4	35.7	30.0	26.9	58.2
2016	232.9	76.8	107.0	1,767.3	133.1	-	45.3	33.9	2,285.6	43.1	33.0	29.9	58.2
2017	232.4	74.4	106.6	1,806.8	136.7	-	46.9	33.9	2,329.4	29.3	22.5	32.2	58.2
2018	237.6	72.3	107.4	1,856.0	132.2	-	47.8	33.9	2,381.0	35.1	3.0	31.5	58.2
2019	227.3	67.6	113.8	1,895.5	124.9	-	48.5	33.5	2,409.9	32.9	21.0	35.1	57.8
2020	228.9	65.1	125.3	2,027.9	125.5	16.5	49.4	33.5	2,573.4	42.5	8.0	38.5	57.7
2019 – Jan.	241.6	71.3	115.4	1,885.2	131.7	-	47.3	33.9	2,421.1	79.1	17.0	32.7	58.2
Feb.	237.7	70.9	115.3	1,889.0	131.4	-	47.4	33.9	2,420.8	69.3	19.0	33.6	58.2
Mar.	237.8	68.8	115.9	1,883.5	131.3	-	47.7	33.9	2,416.1	46.9	17.6	32.2	58.2
Apr.	238.7	70.1	116.6	1,896.5	131.1	-	47.6	33.9	2,430.5	58.5	19.0	32.3	58.2
May	237.7	69.4	116.9	1,888.0	132.0	-	47.3	33.9	2,422.0	47.2	16.0	34.3	58.2
June	235.9	68.3	116.5	1,912.1	131.5	-	48.0	33.9	2,444.0	67.7	19.0	34.5	58.2
July	241.8	69.9	116.4	1,931.0	129.2	-	49.2	33.9	2,467.6	94.8	16.0	35.6	58.2
Aug.	241.7	68.6	118.2	1,926.2	129.3	-	49.0	33.9	2,464.2	89.5	19.0	35.9	58.2
Sept.	243.5	68.4	119.2	1,900.9	129.3	-	48.4	33.9	2,441.3	45.8	29.0	36.5	58.2
Oct.	243.3	69.6	120.4	1,906.8	129.2	-	48.6	33.7	2,448.4	55.5	32.4	37.4	58.0
Nov.	238.1	67.7	120.4	1,909.9	129.6	-	48.4	33.5	2,446.4	55.4	30.4	38.7	57.8
Dec.	227.3	67.6	113.8	1,895.5	124.9	-	48.5	33.5	2,409.9	32.9	21.0	35.1	57.8
2020 – Jan.	230.0	65.8	119.6	1,920.0	126.0	-	48.4	33.5	2,444.0	71.5	27.0	36.4	57.8
Feb.	227.8	65.5	118.5	1,926.4	126.0	-	48.0	33.5	2,446.7	73.4	27.5	36.6	57.8
Mar.	238.5	66.9	118.3	1,901.4	127.3	-	48.1	33.5	2,433.6	30.1	12.0	36.4	57.8
Apr.	236.6	66.9	128.5	1,928.4	127.9	-	47.7	33.5	2,469.1	46.9	0.5	35.7	57.8
May	232.4	67.0	139.3	1,962.1	128.5	-	47.6	33.5	2,510.0	61.4	3.0	36.8	57.8
June	231.8	66.8	140.7	1,983.2	127.0	-	48.3	33.5	2,531.1	60.7	3.0	36.5	57.8
July	230.9	66.4	137.7	2,016.6	127.3	-	48.1	33.5	2,560.6	83.9	4.0	36.9	57.8
Aug.	231.3	66.2	139.0	2,034.9	125.8	-	47.9	33.5	2,578.9	100.7	2.5	36.6	57.8
Sept.	229.7	66.0	138.7	2,041.5	126.7	-	48.4	33.5	2,585.1	84.5	8.5	36.4	57.8
Oct.	228.7	65.7	134.6	2,039.2	127.2	10.0	48.5	33.5	2,588.2	78.4	9.5	36.8	57.8
Nov.	232.2	65.1	134.0	2,031.5	126.8	16.5	48.3	33.5	2,589.3	61.5	9.0	39.7	57.8
Dec.	228.9	65.1	125.3	2,027.9	125.5	16.5	49.4	33.5	2,573.4	42.5	8.0	38.5	57.7
2021 – Jan.	232.6	63.4	130.9	2,052.5	125.4	16.5	49.1	33.5	2,607.0	75.1	8.0	39.3	57.7
Feb.	231.1	62.3	127.4	2,089.7	126.0	21.0	48.8	33.5	2,644.0	102.9	8.0	39.3	57.7
Mar.	231.3	61.6	124.5	2,095.0	124.7	26.7	49.1	33.5	2,651.2	84.6	7.0	37.8	57.7
Apr.	231.1	61.0	123.0	2,123.5	128.0	26.7	48.6	33.5	2,680.8	101.8	12.0	38.8	57.7
May	229.9	60.6	122.8	2,128.9	129.3	27.4	48.4	33.5	2,686.8	91.3	12.0	39.7	57.7

(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 investment of liquidity with the banking system. – (3) Includes loans to other EMU countries, disbursed both bilaterally and via the European Financial Stability Facility, and the contribution to the capital of the European Stability Mechanism.

