

BANCA D'ITALIA

**Summary of the Reports
on economic developments in
the Italian regions in 2004**

Rome 2005

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The Summary of the Reports on economic developments in the Italian regions, fruit of cooperation between the Bank's Economic Research Department and its regional research units, analyzes territorial developments on the basis of the information contained in the regional Reports published by the branches located in the regional capitals, in which interested readers can find more detailed local information. For the Italian and international framework, readers are referred to the Bank's Annual Report.

A – REGIONAL ANALYSIS OF THE YEAR'S RESULTS

Despite the buoyant growth of the world economy, Italian GDP grew by a modest 1.2 per cent in 2004, up from 0.3 per cent in 2003, and there was a renewed gap with respect to the other euro-area countries. Growth was fastest in the Centre (2.6 per cent). Elsewhere, the pace ranged from 0.6 per cent in the South and Islands to 0.8 per cent in the North-East and 1.1 per cent in the North-West. Employment as measured by standard labour units expanded by 0.8 per cent nationwide (0.4 per cent in 2003). For the second consecutive year it contracted in the South and Islands, discouraging people from undertaking job searches.

The service and agricultural sectors contributed 0.8 and 0.3 percentage points respectively to the growth in value added. Industry contributed a bare 0.2 points, mainly from construction. The expansion of services was concentrated in health and other public social and personal services. It was sharper in the Centre than in the other parts of the country. There was a strong increase in agricultural value added, especially in the Centre (20 per cent). In the North-East and in the South and Islands growth exceeded 10 per cent. In the North-West it was 5 per cent.

In industry excluding construction value added increased by 0.3 per cent, most of which was due to growth in the energy segment. In manufacturing, it stagnated. In construction there was a gain of 2.7 per cent. For industry overall, value added rose by 2.3 per cent in the North-West thanks to strong growth in construction and energy and the positive trend in metal products, while production of transport equipment contracted. The North-East, where value added declined by 0.5 per cent, was more greatly affected by the difficulties of traditional manufacturing industry and also suffered weaker construction growth than that recorded nationwide. In the Centre, where value added rose by 1.6 per cent, growth in construction and energy was partly offset by a slowdown in activity in traditional manufacturing industries, notably the fashion sector. In the South and Islands there was a fall of 1.5 per cent, as the growth in building activity was not enough to compensate for the decline

in industry excluding construction. The southern regions, where exports account for a smaller share of output, benefited less from the recovery in foreign demand.

Final consumption expanded by 0.5 per cent in the South and Islands in real terms and by 1.3 per cent in the rest of the country. According to estimates by Svimez, the Association for Industrial Development in Southern Italy, gross fixed capital formation returned to growth of nearly 2 per cent in both parts of the country. GDP per inhabitant in the South and Islands was 60 per cent of that in the Centre and North, compared with 56 per cent in 1995. The narrowing of the gap has been affected by migration from South to North. Between 1995 and 2000 the number of southern residents moving north rose from 100,000 to 150,000 a year before falling to 130,000 in 2001 and 2002.

Even in a context of rapidly expanding world trade, Italian export growth was modest, scarcely half that of the euro area as a whole. At current prices export growth was greater in the South and Islands and the North-East than in the Centre and the North-West. In all parts of the country exports of metal and metal products made a substantial contribution to export growth, thanks to buoyant world demand for steel and the consequent rise in steel prices. The contribution was greatest in the South and Islands and the North-West, least in the Centre. In the South and Islands contributions also came from refined petroleum products, boosted by rising oil prices, and from transport equipment, thanks above all to multinational enterprises and shipbuilding. In the North-East exports were driven not only by shipbuilding but also by machinery and mechanical equipment. The exports of the North-West expanded by less than the national average in almost all sectors; they were curbed by the stagnation of foreign sales of transport equipment. Exports of clothing and textiles and leather and leather products declined in most regions. Most heavily affected was the Centre, but that part of the country benefited from exports of machinery and mechanical equipment and of chemical products.

Between 1996 and 2004 the world market share of the North-West at current prices declined more than those of the North-East or the Centre. That of the South and Islands remained unchanged. Italy specializes in traditional manufactures (clothing and textiles, shoes and leather), which are subject to increasing competition from recently industrialized countries. In medium and high-tech industries (machinery and mechanical, electrical and optical equipment, transport equipment), which account for about a quarter of Italian manufacturing value added, productivity growth was less than in the other leading European

countries or the United States. By comparison with the other industrial countries Italy exports a smaller amount of high-tech products, which have recorded the fastest growth in world export demand. Finally, Italian exports go mostly to the euro area, which has contributed comparatively little to the growth of world exports.

From 1996 to 2002 (the latest year for which sectoral and country breakdowns are available), the loss in the share of manufacturing exports to the main OECD countries was sharpest for the regions of the North-West, more limited for those of the North-East and the Centre; the share of the regions of the South and Islands rose slightly.

The poor performance of the North-West, which is comparatively specialized in medium and high-tech production, can be blamed on a loss of competitiveness significantly greater than the national average. Between 1996 and 2002 value added in the production of mechanical, electrical and optical machinery and equipment and transport equipment remained practically unchanged (rising just 0.5 per cent, as against an Italian average of 9.1 per cent), and productivity growth was nil (while in Italy as a whole there was a small gain in those sectors). In the fashion industry too the North-West was outperformed by the rest of the country in value added and productivity.

The specialization of the regions of the North-East and the Centre in traditional manufacturing resulted in more severe repercussions. Clothing and textiles and shoes and leather made a negative contribution to the growth of manufacturing value added amounting to 1.3 percentage points in the North-East and 2.4 points in the Centre. The contribution to growth from the machinery and transport equipment sector was largest in the Centre, where productivity rose by 2.1 per cent, compared with 0.1 per cent in the North-East.

The small gain in the OECD market share of the South and Islands was favoured by a modest improvement in price competitiveness, accompanied by positive effects due to specialization and product adaptation. In this part of the country, manufacturing value added rose by 15.5 per cent, more than twice the national average. More than a third of the gain was accounted for by the machinery and transport equipment sector, where productivity gained 2.2 per cent.

The rate of employment growth in Italy last year fell from 1.5 to 0.7 per cent. The rise in the number of persons employed was greatest in the Centre (2.5 per cent), thanks to gains in services and, to a lesser extent, construction. In the North-West employment expansion came to 1.3 per cent, mainly concentrated in the construction industry; in the

service sector employment remained broadly unchanged. In the North-East there was a slight contraction (0.1 per cent), as the growth in persons employed in services and construction was more than offset by declines in industry excluding construction and in agriculture. In the South and Islands employment fell for the second consecutive year, as a gain in construction was accompanied by contraction in all the other sectors, for an overall decline of 0.4 per cent.

The unemployment rate in Italy averaged 8.0 per cent in 2004, 0.4 percentage points lower than in 2003. The decrease in unemployment in the southern regions (from 16.1 to 15.0 per cent) and in the Centre (from 6.9 to 6.5 per cent) was partly offset by an increase in the North. The labour force participation rate for the working-age population declined for the first time in a decade, to 62.5 per cent. Most of the decrease occurred in the southern regions.

The employment rate for the working-age population was 64.4 per cent in the North-West, 65.8 per cent in the North-East, 60.9 per cent in the Centre and 46.1 per cent in the South and Islands. The gap with respect to the euro area as a whole is very wide for the South and Islands, much less so and limited to women only for the Centre. Between 1995 and 2004 the Italian employment rate rose by nearly six percentage points, thanks in part to the spread of more flexible forms of employment and to part-time jobs. Part-time employment is found mainly in the service sector and especially among women. The share of part-time women's employment is higher in the Centre and North than in the South and Islands, although even there it is lower than in the main European countries. The availability of adequate structures permitting one to combine work with care for children is associated with more frequent part-time employment and a higher female participation rate. As a proportion of the working-age population, employment in the service sector, in particular in personal and household services, distribution and business services, is lower in Italy than in the other main European countries.

The lesser development of the private service sector in Italy, and especially in the South and Islands, is accompanied by greater fragmentation of supply and lower productivity. In 2002 labour productivity in private non-financial services was 20 per cent higher in the northern than in the southern part of the country. In the distributive sector the gap was even wider at 26 per cent. In this sector the regional governments have exclusive powers to regulate the opening of large retailers. Most regions have set constraints, including quantitative limits, on the growth of mass retailing, which has higher productivity and lower price mark-ups.

Bank lending expanded by 6 per cent in 2004. As in the previous year, growth was faster in the South and Islands than in the Centre and North. In all parts of the country growth came mostly in the medium and long-term component.

Lending to consumer households increased at a rapid pace, accelerating throughout the country owing mainly to the very sharp rise in mortgage lending. Consumer credit also gained substantially. The volume of bank credit to consumer households has nearly doubled in proportion to GDP since 1998. The proportion is higher in the northern than in the southern regions. In all parts of the country household debt remains lower, in proportion to GDP, than in the other main European countries. Most of this credit is at variable interest rates.

In the South and Islands lending to non-financial firms expanded significantly, faster than in 2003. The acceleration involved all the main sectors of the economy. In the Centre and North lending to non-financial companies grew more slowly than the previous year in the construction and service sectors; in manufacturing, it contracted. The rate of growth in lending to small firms remained higher than that for larger ones, and was highest in the South and Islands.

Banks maintained easy credit terms in all parts of the country. Unutilized credit lines increased. The rate on short-term bank loans to firms was 8 per cent in the South and Islands and 6.1 per cent in the Centre and North. Allowing for size and sectoral structure, the difference came to 1.5 percentage points, 0.2 points more than in 2003.

New bad loans during the year amounted to 0.9 per cent of loans outstanding at the beginning of the year, or 0.1 point less than in 2003, net of the effects of the Parmalat Group's failure. The incidence of new bad debts declined both in northern and in southern Italy (from 1.1 to 0.8 per cent and from 1.7 to 1.4 per cent, respectively). Throughout the country the decline involved all the main non-financial sectors.

Banks' fund-raising picked up. Growth was fastest in the Centre, thanks above all to bond issues and repos. Households' current account deposits continued to expand at a rapid pace, albeit more slowly than in 2003. The average yield on current accounts remained unchanged at 0.6 per cent and was roughly equal in all parts of the country.

B – ECONOMIC ACTIVITY

Agriculture

The return to growth in the total output of agriculture, forestry and fisheries at constant prices in 2004 (7.9 per cent) was mainly attributable to the 14 per cent increase in farm crops. The primary sector's value added, which contributes around 3 per cent to national economy, grew by 10.8 per cent; the expansion was sharpest in the regions of the Centre (20 per cent) and moderate in the North-West (5 per cent; Table B1).

Good weather conditions led to a substantial increase in the output of cereals (27.3 per cent), wine and grapes (19.3 per cent) and fruit (19.6 per cent). By contrast the growth in output was smaller for olive crops (11.8 per cent), nearly 85 per cent of which are produced in the South and Islands.

Table B1

PRODUCTION AND VALUE ADDED OF THE PRIMARY SECTOR IN 2004 *(1995 prices; percentage changes on 2003)*

	North-West	North-East	Centre	South and Islands	Italy
Production	3.1	8.8	14.5	8.0	7.9
Farming	3.2	9.5	15.5	8.5	8.3
<i>Farm crops</i>	7.2	17.6	24.5	11.5	14.0
<i>Livestock raising</i>	0.2	0.4	0.4	-0.2	0.2
<i>Related services</i>	0.8	0.6	0.8	0.5	0.6
Forestry	-7.4	-20.3	-1.7	-11.9	-10.4
Fishing	4.1	2.5	2.5	0.8	2.0
Total value added	5.0	12.0	20.0	10.3	10.8

Source: Istat. Provisional data.

Between 1992 and 2004 the number of Italian food products designated Protected Denomination of Origin or Protected Geographical Origin increased

significantly, so that last year Italy, with 136 Protected Denomination of Origin products, ranked first in Europe alongside France. Moreover, 330 Italian wines were registered DOC, including 28 DOCG, accounting for 30 per cent of total output, or more than double the share in 1992. According to a sample survey conducted among grape and wine producers in the hilly Franciacorta area to the west of Brescia (see the Report on Lombardy) consumers are strongly drawn to high quality food products, offering potentially substantial profits for innovative firms.

Industry excluding construction

In Italy as whole, value added at factor cost in industry excluding construction increased by 0.3 per cent at constant prices in 2004. This can be ascribed to a growth of 4.1 per cent in the energy sector, while manufacturing value added stagnated, falling by 0.1 per cent compared with 1.4 per cent in 2003.

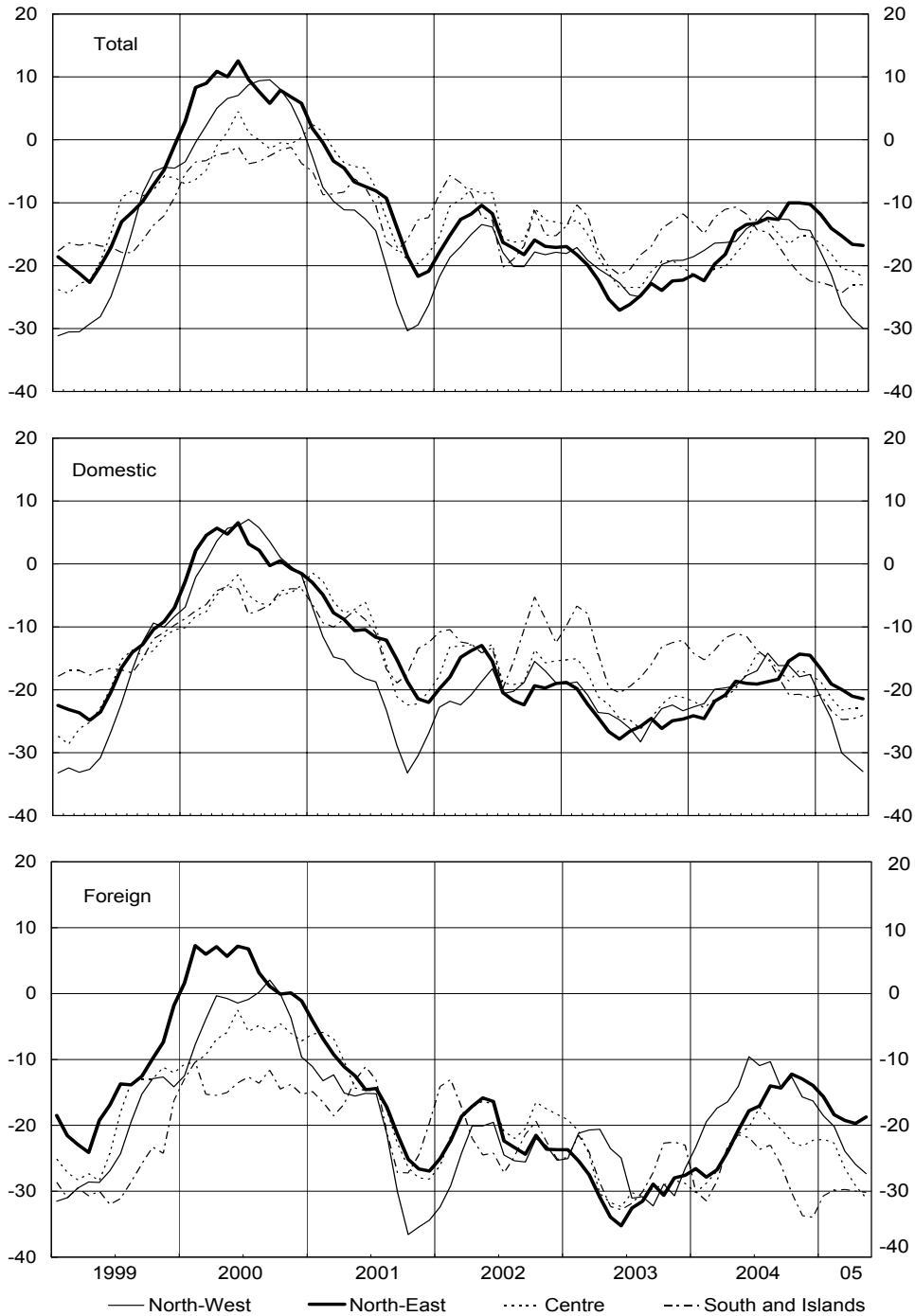
Industrial production fell by 0.7 per cent on a calendar-adjusted basis. The contraction was more pronounced in the fashion sector (textiles, clothing, leather and footwear) and in electrical equipment and precision and optical instruments, less so in the food industry and in transport equipment. In mechanical engineering, production declined for the second year running, after increasing steadily in the previous three years.

According to the survey conducted at the beginning of 2005 by the Bank of Italy's branches on a sample of firms with at least 20 workers in industry excluding construction, in 2004 sales revenues increased in real terms by 4 per cent (Table aB8). In the Centre this growth was sustained by the energy sector. In manufacturing industry sales revenues increased by a modest 1.6 per cent at the national level and by almost nil in the South (0.3 per cent), compared with 1.8 per cent in the North-West, 1.6 per cent in the North-East and 1.3 per cent in the Centre.

According to ISAE business surveys, in all the macro-regions orders remained below the level businessmen deem normal. The slight upturn in demand at the beginning of the year came to a halt in the summer. At the end of 2004 and in early 2005 opinions regarding the trend of orders worsened, particularly in the North-West (Figure B1).

Figure B1

LEVEL OF ORDERS (1)
(seasonally adjusted data; percentages)



Source: Based on ISAE data.

(1) Balance between positive responses ("high") and negative responses ("low") in ISAE business surveys.

The plant capacity utilization rate remained at the low levels recorded in 2003. From summer onwards an increasingly large proportion of firms once more began to judge their capacity utilization rate satisfactory in relation to expected demand.

According to the Bank of Italy's survey, gross fixed investment in industry contracted by 2.4 per cent, after falling by 16.9 per cent in 2003. In terms of the localization of production units, the drop in investment in the regions of the North-West and Centre was offset by a slight increase in the South and virtually no change in the North-East (Table aB8).

Competitive difficulties of manufacturing industry. – Between 2000 and 2004 value added in manufacturing industry decreased annually by an average of 0.8 per cent.

The decline in activity reflected the poor performance of the medium and high-technology sectors, which had contributed significantly in the previous four years. Between 2000 and 2004 value added fell by 16.3 per cent at constant prices in electrical equipment and precision instruments, by 9.5 per cent in transport equipment and by 2.7 per cent in the mechanical engineering sector.

The loss of competitiveness of Italy's high-technology sectors is due to the productive system's delay in introducing innovation, the relative lack of expenditure on research and development and the lower educational levels of the labour force compared with the other main industrial countries.

In 2001 investment in research and development by Italian firms represented about half the European average in proportion to GDP, while public investment was up to European standards. In 2002 aggregate spending on R&D was higher in the regions of the North-West and Centre (respectively 1.4 and 1.5 per cent of GDP) than in the North-East and South (1 and 0.8 per cent; Table B2). R&D also tends to be concentrated in specific areas: 64 per cent of spending by firms is concentrated in three regions, Lombardy, Piedmont and Emilia-Romagna, while around 50 per cent of local government spending is in Lazio. Spending by the universities tends to be somewhat more evenly distributed. According to Istat, a third of R&D spending is made by foreign-controlled companies, which account for about 12 per cent of value added and gross fixed investment.

Table B2

**SPENDING ON R&D IN RELATION TO GDP
BY GEOGRAPHICAL AREA IN 2002**

(percentages)

	General government (1)	Universities	Firms	Total
North-West	0.1	0.3	1.0	1.4
North-East	0.1	0.4	0.5	1.0
Centre	0.6	0.5	0.4	1.5
South and Islands	0.1	0.4	0.2	0.8
Italy	0.2	0.4	0.6	1.2

Sources: Based on Istat data, Statistics on Scientific Research and Regional Accounts. (1) Research bodies (CNR, ENEA, etc.), central government and other public bodies.

In 2002 the educational level of the population aged 25 to 64 was among the lowest in Europe. The average number of years of schooling was 9.2, compared with almost 12 years for the EU-15. Young people aged 25 with at least a three-year university degree represented 22.7 per cent of the total, 10 points less than the average for the euro-area countries. According to the population Census, in 2001 about 32 per cent of 19 year-olds in the North and South and 36 per cent in the Centre held a senior school-leaving diploma. The percentage of university graduates among the population aged 24 or more was also highest in the Centre (about 9 per cent), compared with just over 7 per cent in the other areas of the country.

During the last decade the presence of universities increased throughout the country. In 1990 there were 365 university faculties offering 898 degree courses. By 2000 those numbers had risen to 474 and 1,321; furthermore 956 university diploma courses had been instituted, a qualification not available at the start of the decade. Most of the demand for university education is met by local institutions. According to the Ministry of Education, University and Research, in the academic year 2002-03, 88.2 per cent of undergraduates in the Centre attended university in their region of residence, 83.9 per cent in the North and 76.5 per cent in the South. The Reports on Piedmont and Veneto compare the two regions with European regions that have reached a similar level of development as regards innovative activity, research and development and education.

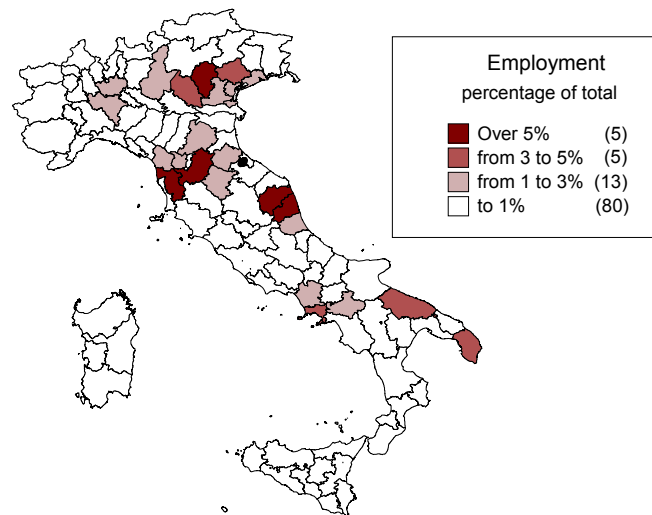
In the textile and clothing and the leather and footwear industries, which are most exposed to competition from the emerging Asian economies, between 2000 and 2004 value added declined by 14.9 and 18.9 per cent respectively. According to Eurostat data, in 2002 Italy accounted for 33.4 and 46.3 per cent respectively of the two sectors' value added in the EU-25 countries; in terms of employment the shares drop to 25.7 and 36.4 per cent.

According to the last *Censimento dell'industria e dei servizi*, in 2001 the two sectors employed respectively 12.4 and 4.2 per cent of manufacturing workers in Italy, for a total of around 813,000; in 1991 the percentages were 15.8 and 4.7. The geographical concentration of production is very marked in both sectors: in 2001, 44 per cent of workers in the leather and footwear industry were employed in the five provinces of Ascoli Piceno, Florence, Macerata, Pisa and Vicenza (Figure B2), while 25 per cent of textile and clothing workers were located in Prato, Milan, Bergamo, Varese and Vicenza (Figure B3).

Figure B2

EMPLOYMENT IN THE LEATHER AND FOOTWEAR SECTOR

(distribution of sector's total employment by province)



Source: Based on Istat, 8° *Censimento dell'industria e dei servizi* (2001).

According to the Shoe & Allied Trades Research Association, Italy's share of world production of footwear fell from 4.8 per cent to 2.7 per cent between 1993 and 2002, while that of the Asian countries increased. In 2002 Italy ranked sixth in the world in terms of volume of output (after China, India, Brazil, Indonesia and Vietnam) and fourth for exports (after China, Hong Kong and Vietnam).

Shoe imports in the three main EU markets (Germany, France and Britain) increased by close to 200 million pairs between 1991 and 2003, representing a yearly increase of 1.8 per cent; by contrast Italian exports to those countries decreased by more than 55 million pairs, at an average annual rate of 2.8 per cent.

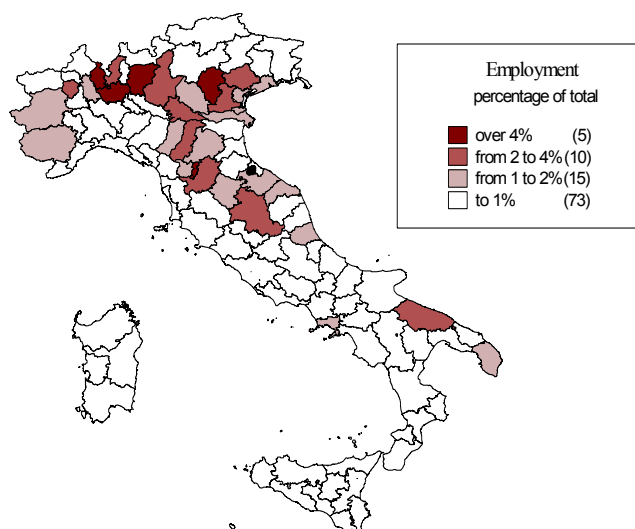
Competition from the emerging countries had serious effects on Italy's main tanning industry districts. In the province of Avellino, the difficulties of the Solofra district were compounded by the fact that Chinese producers, previously the largest

buyers of semi-processed goods from the area, now covered the whole product chain (see Report on Campania).

An analysis of the accounts of 1,060 Italian footwear companies in the period 1994-2002 suggests that results are affected by size. The largest firms, which invested the most in quality and promotion, performed significantly better in terms of profit and value added per employee than smaller enterprises (see Report on Marche).

Figure B3

EMPLOYMENT IN THE TEXTILE AND CLOTHING INDUSTRY
(distribution of sector's total employment by province)



Source: Based on Istat, 8° Censimento dell'industria e dei servizi (2001).

In the textile industry levels of activity slumped in some districts, such as Lariano's silk industry, which specializes in treated fibres, Gallarate's ready-to-wear and, to a smaller extent, tights and stockings manufacturers in Castel Goffredo (see the Report on Lombardy).

Competitive pressure on European producers tends to increase with the liberalization of international trade. On 1 January 2005 export quotas for textiles and clothing were abolished in the industrial countries. In June 2005 the EU and China signed a bilateral agreement to introduce temporary quotas for certain Chinese textile products until 2007.

Construction

In 2004 value added in the construction sector grew by 2.7 per cent at constant prices. A contributory factor was the upturn in investment growth from 1.7 to 3.1 per cent in real terms. For the third year running growth was driven by residential building, which benefited from favourable terms of financing and tax incentives for extraordinary renovation work.

According to a survey by the National Builders' Association, the growth in residential building was above the national average in the South, thus recouping the contraction of the previous two years. Expenditure on new housing increased mainly in the Centre. Applications for tax credits for extraordinary renovation work, which had fallen in 2003 owing to uncertainty about their extension, began to pick up in 2004, rising by almost 15 per cent in the North and by around 8 per cent in the Centre; in the South they fell by 2 per cent.

According to the Osservatorio dell'Agenzia del territorio, residential property deals exceeded the already high levels of the previous year. As the number of sales increased so did prices, although at a slower pace than in 2003. According to the publication *Il Consulente Immobiliare*, the prices of new or totally renovated dwellings in the provincial capitals rose in real terms by 6.3 per cent, compared with 8.2 per cent in 2003.

Between 1999 and 2004 house prices in Italy rose by an average 5.9 per cent a year, adjusted for consumer price inflation. The increase was largest in the Centre (8.3 per cent), owing to price rises in Rome, and less marked in the South and Islands (3.7 per cent).

After virtually stagnating in 2003 investment in non-residential buildings resumed growth, albeit at a slow pace. The decline in investment in buildings destined for productive activity was offset by the strong performance of public works investment. According to preliminary estimates by the National Builders' Association, in 2004 investment in public works, which includes public non-residential buildings and civil engineering works, increased by 3.5 per cent in real terms, compared with 2.5 per cent in 2003.

According to Istat's latest geographical breakdown of data, the value of output in the public works sector declined from 1.2 per cent of GDP in 1992 to 0.8 per cent in 1995; it then returned to growth, reaching 0.95 per cent in 2002. Between 1999 and 2002 spending on public works increased only in the North and declined from 1 to 0.8

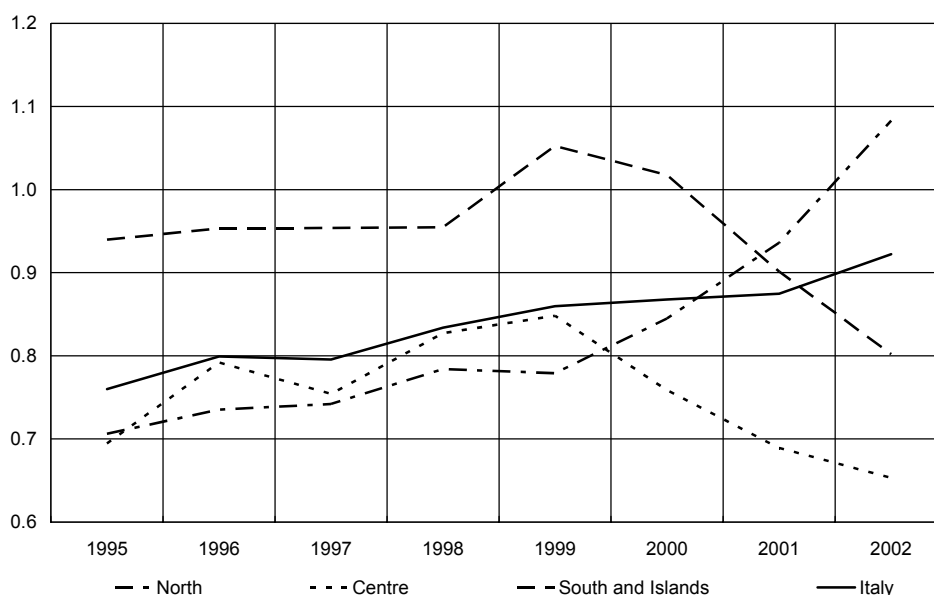
per cent in the South and Islands (Figure B4). In the period 2000-02 public works carried out in the South accounted for 25.1 per cent of the total (29.2 per cent in 1995-99).

Regarding public works contracts, in the period 2000-02 the largest share was assigned to the South and Islands. According to the supervisory authority for the sector, the value of contracts awarded for amounts over €150,000 came to almost €12 billion in the South, or 28.5 per cent of the national total. The region accounted for 31.3 per cent of road works and 26 per cent of rail contracts.

According to the Bank of Italy survey, in 2004 the production of public works increased by 1.2 per cent in real terms, despite the stagnation towards the end of the year. The expansion was concentrated in the Centre, which benefited from work on Rome's road network, and in the North-West, where activity levels were buoyed by projects for the construction and modernization of major transport infrastructure; in Piedmont activity was sustained by the completion of projects tied to the 2006 Winter Olympics. No significant increase was recorded in the South and Islands.

Figure B4

PUBLIC WORKS ACTIVITY
(as a percentage of GDP)



Source: Based on Istat and Simez.

In 2004 the growth in the production of public works benefited from the progress of existing projects. According to a survey conducted in March by the Bank of Italy's branches of 485 mostly large-sized construction firms involved in projects

envisaged by Law 443 of 21 December 2001, the firms reported a generalized delay in moving on to the actual construction phase, in most cases set for 2006-07 and dependent upon the effective disbursement of funds. The volume of production connected with new projects declined from around 27 per cent in 2003 to 23 per cent in 2004.

Services

The sector's value added grew in real terms by 1.2 per cent, at a slightly faster pace than in the previous year (0.9 per cent). The gain was greatest in the Centre (2.7 per cent) and least in the North-West (0.5 per cent) and the South and Islands (0.6 per cent); in the North-East it was in line with the national average at 1.1 per cent.

The sector's growth was sustained by public social services and healthcare, which gained 5.7 and 4 per cent respectively; by contrast value added growth fell from 1.7 to 0.3 per cent in business services and services to households. After stagnating in 2003, activity in wholesale and retail trade and transport and in communication services expanded by 2.1 and 1.7 per cent respectively; in hotel and restaurant services it contracted for the third consecutive year (by 1.3 per cent).

According to the Bank of Italy survey, in 2004 gross fixed investment in private non-financial services fell by 4.9 per cent in real terms; the contraction was most marked in wholesale and retail trade, in hotel and restaurant services and in transport and communication services, and was common to all areas of the country. Investment declined very sharply in the North-West, falling by 8.2 per cent.

Wholesale and retail trade. – According to Istat, in 2004 fixed retail outlets' sales at current prices fell by 0.4 per cent, compared with growth of 2 per cent in the previous year. The contraction in sales was more marked in the South and Islands (1.2 per cent) than in the Centre (0.2 per cent) and North-East (0.7 per cent); in the North-West sales edged up by 0.4 per cent. While sales of food products stagnated, those of other products contracted slightly, particularly in the South and Islands, where they fell by 1.9 per cent. Sales by large-scale retailers, mainly consisting of non-food products, gained 0.9 per cent, while the sales of traditional outlets declined by 1.3 per cent.

Small shops are of key importance in Italy, where modern retailing tends to be less widespread; productivity is lower than the average of the other European countries (see *Summary of the Reports on economic developments in the Italian regions in 2003*).

Table B3

MARKET SHARES OF RETAILING BY TYPE OF STORE IN 2001
(percentages)

	Large-scale retailing				Traditional outlets and mini-supermarkets
	Hypermarkets	Supermarkets	Superettes	Discount stores	
North-West	22.8	44.6	9.7	6.2	16.7
North-East	13.8	45.5	14.4	7.2	19.1
Centre	11.8	48.3	12.3	7.0	20.6
South and Islands	7.8	41.0	15.4	5.2	30.6
Italy	14.8	44.9	12.7	6.4	21.4

Source: IRI – Information Resources. See the Methodological Notes in the Appendix.

In Italy the development of the retail sector has differed markedly according to geographical area (Table B3). In the North, where large-scale retailing is more heavily present, the number of units has generally risen in line with the other main European countries; in the South the structure of retailing remains more fragmented, with small traditional stores accounting for a bigger share of the market. In the Centre the level of development of the retail network lies between the two. Where the presence of large-scale retailing is greatest, profit margins are smaller and labour productivity higher (Table B4).

The modern retail sector, which consists largely of non-specialized stores, has smaller profit margins (i.e. lower mark-ups) and higher labour productivity than the traditional distribution sector, mainly composed of grocery stores; profit margins tend to contract and productivity to rise with an increase in company size.

Table B4

**PROFIT MARGINS AND PRODUCTIVITY INDICATORS IN
THE RETAILING SECTOR BY GEOGRAPHICAL AREA IN 2002**
(percentages and thousands of euros)

	Profit margins		Value added per employee		Sales turnover per employee	
	Non-specialized	Grocery stores	Non-specialized	Grocery stores	Non-specialized	Grocery stores
North	12.3	22.6	23.6	19.2	215.3	104.3
Centre	14.7	20.9	23.1	16.5	180.3	95.4
South and Islands	14.8	25.7	22.2	15.8	172.4	77.5
Italy	13.2	23.2	23.1	17.5	198.5	93.1

Source: Based on Istat. See the Methodological Notes in the Appendix.

The reasons for the slow development of Italy's retail system and its geographical disparities can be traced in part to the legislation governing the sector, which has acted as a brake on the spread of modern, large-scale retailing.

The reform begun in 1998 with the enactment of Legislative Decree 114/1998 on the liberalization of retailing and the subsequent amendment of Title V of the Constitution gave the regional authorities sole jurisdiction over the sector. All the regions, particularly those in the South and Islands, introduced measures designed, directly or indirectly, to limit the spread of large-scale retailing. In general, though, in the Centre and North where modern retailing is most developed the regional legislators reduced some of the restrictions on operation, for instance regarding opening hours (see the Reports on Piedmont, Emilia-Romagna and Friuli-Venezia-Giulia).

In the five years 2000-04, 77.1 per cent of new retail units, measured in terms of selling-space, were small local shops. Medium and large shops accounted respectively for 16.6 and 6.3 per cent of all new retail units, with the highest proportion occurring in the North (Table B5).

Table B5

**OPENINGS OF NEW RETAIL UNITS BY TYPE AND GEOGRAPHICAL
AREA, 2000-04 (1)**
(percentages)

	Small local shops as a percentage of total stores	Medium-sized shops as a percentage of total stores	Large stores as a percentage of total stores
North-West	70.7	19.6	9.6
North-East	72.5	21.0	6.5
Centre	77.1	17.3	5.6
South and Islands	86.8	9.9	3.3
Italy	77.1	16.6	6.3

Source: Based on Ministry of Productive Activities. See the Methodological Notes in the Appendix.

(1) Measured according to selling space.

In 2000-04 the majority (69.1 per cent) of new large retail units began business by purchasing an existing licence to trade (Table B6); taking over an existing shop may have been a way of circumventing the regional authorities' restrictions on the opening of new large retail units.

Table B6

NEW UNITS BY METHOD OF OPENING: 2000-04
(percentages)

	Small local shops		Medium-sized shops		Large stores		Total	
	Units	Selling space	Units	Selling space	Units	Selling space	Units	Selling space
Merger	0.0	0.0	0.7	0.7	-	-	0.0	0.1
New store	79.0	77.1	38.4	38.1	35.6	30.9	77.9	67.7
Purchase of existing licence	21.0	22.9	60.9	61.2	64.4	69.1	22.0	32.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Based on Ministry of Productive Activities data. See the Methodological Notes in the Appendix.

Tourism. – The protracted weakness of economic activity in Europe, and in Italy in particular, had adverse effects on the performance of the tourism industry. According to provisional Istat data, in 2004 total arrivals increased by 0.3 per cent, while overnight stays diminished by 2.2 per cent (Table B7).

Table B7

TOURIST TRAFFIC BY GEOGRAPHICAL AREA IN 2004
(percentage changes on 2003)

	Italians		Foreigners		Total		Percentage share	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays
North-West	-2.0	-5.5	3.1	0.1	0.1	-3.3	19.3	15.3
North-East	-0.3	-1.6	2.9	0.0	1.2	-0.9	34.9	41.3
Centre	1.0	-2.3	-2.8	-7.5	-0.8	-4.6	26.2	22.7
South and Islands	-0.8	-2.2	3.8	0.9	0.5	-1.3	19.6	20.8
Italy	-0.5	-2.5	1.3	-1.7	0.3	-2.2	100.0	100.0

Source: Istat, *Rilevazione sul movimento nelle strutture ricettive*; provisional data.

The contraction concerned Italian tourists (-2.5 per cent) and, to a lesser extent, visitors from abroad (-1.7 per cent). Tourist traffic from all the main countries except the United States diminished. According to data from the Italian Foreign Exchange Office, spending by foreign tourists in Italy increased by 3.8 per cent, compared with a 2.1 per cent drop in 2003.

Overnight stays diminished in all the regions of the country. The sharp drop in the Centre (-4.6 per cent) was concentrated among foreigners, while in the North-West overnight stays by Italian tourists fell by 3.3 per cent. The smallest contraction was recorded in the North-East. Spending by foreign tourists increased by 6.4 per cent in the South and Islands and by 3.4 per cent in the North-West, remaining virtually stationary in the other areas.

According to Istat data, overnight stays in hotels also decreased nationwide during the 2005 Easter holiday, partly because of the unfavourable timing of the holiday. The contraction was largest in the South and Islands; in the Centre it mainly involved foreign visitors.

According to the Italian Foreign Exchange Office and the World Tourism Organization, Italy's share of worldwide expenditure by foreign tourists fell in real terms from 6.7 per cent in 1997 to 5.9 per cent in 2000, then remained at that level until 2003. Between 1997 and 2003 the share remained virtually constant in the North-West (1.4 per cent) and in the South and Islands (0.8 per cent), but declined from 2.2 to 1.6 per cent in the Centre and from 2.4 to 2 per cent in the North-East (see the *Report on Emilia-Romagna*).

Transport. – According to Istat surveys, the turnover at current prices of the maritime transport industry increased by 4.3 per cent in 2004. On the basis of statistics provided by the port authorities, commercial traffic in Italy's main ports increased, as international trade expanded.

In 2004 the commercial activity of the ports of Liguria and Tuscany increased thanks to a strong performance by the ports of Genoa (which ranks first in Italy for freight traffic and second after Gioia Tauro for container traffic) and Livorno. After declining in 2003, commercial activity in the port of Gioia Tauro rose moderately. In the Adriatic, the growth in activity was particularly marked in the port of Taranto, which ranks third in Italy for freight traffic and fourth for container traffic (see the Reports on Calabria, Liguria, Puglia and Tuscany).

Passenger traffic increased in all the Tyrrhenian ports, except those in Liguria, where it contracted slightly; the growth was particularly sharp in Campania. By contrast the Adriatic ports, especially those in the North-East, experienced a generalized decline in traffic.

According to Trenitalia, in 2004 the quantity of goods carried by rail increased by 1.3 per cent; domestic freight traffic rose by 7.5 per cent, while international traffic fell by 2.3 per cent.

Domestic traffic registered the sharpest growth in the North-East, rising by 18.3 per cent, while in the other areas the increase was of the order of 6 per cent. International traffic grew by 1.1 per cent in the North-West, which accounts for around 54 per cent of the total, and by 6.7 per cent in the South and Islands, which only account for around 15 per cent of the total. In the North-East and Centre there was a contraction of slightly over 5 per cent.

On the basis of Istat data, the turnover of the air transport industry fell by 2.9 per cent in real terms, declining by 15 per cent overall between 2000 and 2004.

According to statistics from the Association of Italian Airports, freight traffic fell by 0.5 per cent in 2004. While traffic increased at the airports of Milan (Linate and Malpensa), Rome (Fiumicino and Ciampino) and Venezia-Treviso, there was a generalized contraction in all the others; the largest decline was registered in the airports of Bologna, Catania and Turin (see the Reports on Emilia-Romagna, Sicily and Piedmont).

By contrast, passenger traffic increased in all the major airports except Bologna, which was temporarily closed; overall growth amounted to 6.9 per cent. The deregulation of air transport in Italy, which began at the end of the 1980s following the enactment of the European directives on the liberalization of the sector, was most notable in the domestic transport sector where, as of 1 April 1997, national airlines could no longer count on exclusivity.

Italy's domestic air transport sector is one of the largest in Europe, in terms of both number of seats available and number of passengers; it revolves around the airports of Rome (Fiumicino) and Milan (Linate and Malpensa), which accounted for 46 per cent of total traffic in 2004. Some of the busiest airports are located in the Islands: Catania, Palermo and Cagliari account respectively for 8.5, 6.4 and 4.3 per cent of traffic.

Between 1991 and 2003 the largest growth in domestic air transport was in the passenger sector, with an average annual increase of 5 per cent in numbers. The increase in traffic mainly affected the smaller airports, where the volume grew by an average of 6.7 per cent a year, compared with 2.9 per cent for the two main airports. This trend was fostered by the arrival on the market of new operators, who overcame the difficulty of obtaining landing and take-off slots on the main routes by turning to smaller airports offering a larger choice.

The profitability and financial position of firms

According to financial accounts data, in 2004 the gross operating profit of non-financial firms in relation to value added remained virtually

stable at the previous year's level and lower than in the second half of the 1990s. Self-financing increased from 13.1 to 14 per cent of value added; the proportion of investment covered by internally generated funds rose despite the growth in gross fixed investment and stocks.

The Bank of Italy's 2004 survey of industrial firms and non-financial private service firms with at least 20 workers reported a slight decrease in profitability, mainly in Southern Italy, where 21 per cent of firms recorded a loss, compared with 16 per cent the previous year.

Table B8

**PROFITABILITY AND FINANCIAL POSITION OF FIRMS
BY SIZE AND GEOGRAPHICAL AREA (1)**
(weighted averages; percentages)

Firm size	Centre and North		South and Islands		Italy	
	2001	2003	2001	2003	2001	2003
	<i>Gross operating profit/total assets</i>					
1-49 workers	7.5	6.8	7.0	6.2	7.5	6.7
50-199 workers	8.6	7.7	6.7	6.4	8.4	7.5
200 workers +	9.6	9.0	5.4	5.8	9.3	8.8
	<i>Net interest expense/gross operating profit (2)</i>					
1-49 workers	14.8	11.6	21.3	18.3	15.6	12.3
50-199 workers	8.5	6.9	12.2	13.1	8.8	7.4
200 workers +	-1.6	-2.0	5.7	6.3	-1.2	-1.6
	<i>Leverage</i>					
1-49 workers	60.5	59.3	60.0	56.8	60.5	59.0
50-199 workers	55.7	53.9	51.7	51.4	55.3	53.6
200 workers +	46.3	47.8	45.7	44.9	46.3	47.6
	<i>Financial debt/value added</i>					
1-49 workers	177.7	186.8	237.4	231.8	184.0	191.0
50-199 workers	132.1	131.0	138.3	146.7	132.7	132.4
200 workers +	119.5	144.1	135.6	131.1	120.4	143.2
	<i>Bank debt/financial debt</i>					
1-49 workers	71.4	73.3	80.5	79.9	72.6	74.0
50-199 workers	70.7	70.5	71.6	75.9	70.8	71.0
200 workers +	52.7	45.1	68.0	65.4	53.7	46.3
	<i>Short-term bank debt/bank debt</i>					
1-49 workers	74.2	73.9	56.4	61.7	71.6	72.5
50-199 workers	71.7	69.7	67.7	66.8	71.3	69.4
200 workers +	55.5	46.6	53.0	53.5	55.3	47.2

Source: Based on Company Accounts Data Service for non-financial firms. See the Methodological Notes in the Appendix.

(1) Book value. The figures for Italy include data for which information on geographical area is not available. – (2) Firms with nil or negative operating profit were excluded from the calculation.

According to the Company Accounts Data Service, between 2001 and 2003 gross operating profit declined from 8.4 to 8 per cent of total assets. The contraction was sharpest in the Centre and North, where all size classes of firms were affected (Table B8). In the South and Islands the drop in the gross operating profit of firms with

under 200 workers was offset by a rise in that of larger firms. Net interest expense fell from 3.9 per cent of gross operating profit in 2001 to 2.5 per cent in 2003 owing to the decline in interest rates. The breakdown by size class and geographical area shows that net interest expense increased as a proportion gross profit among southern firms with at least 50 workers; at the end of 2003 the South was still at a disadvantage with respect to the other half of the country.

In 2004 the growth in corporate financial debt was more contained than in 2003, increasing by 4.5 per cent compared with 6.3 per cent. The expansion occurred mainly in the medium and long-term component, in the form of both bank loans and bond issues.

According to the Company Accounts Data Service, the financial position of firms remained relatively stable between 2001 and 2003, despite the weakness of economic activity; this was partly due to the slack growth in investment and the decline in interest rates. Firms' leverage, measured as the ratio of financial debt to the sum of financial debt and equity, held steady at around 50 per cent. The ratio of financial debt to value added increased slightly, mainly among firms with 200 or more workers located in the Centre and North, partly as a consequence of major corporate actions; in the South and Islands the ratio increased among firms with between 50 and 199 workers. At the end of 2003 financial debt remained higher as a proportion of value added among firms in the South than in the Centre and North, particularly in the case of small-sized companies.

In Italy as a whole bank borrowing continued to decline steadily as a proportion of total financial debt (from 61.4 per cent in 2001 to 56.6 per cent in 2003), particularly among firms with 200 or more workers. The composition of financial debt continued to shift towards the medium and long-term end, partly as a result of corporate debt restructuring operations. The lengthening of the maturity of bank loans was more pronounced in the Centre and North, involving all size classes of firms; in the South the share of short-term bank loans in total bank debt decreased only among firms with 50 to 199 workers.

The combined performance of four indicators – leverage, interest expense cover ratio (ratio of self-financing plus interest expense to interest expense), liquidity ratio and debt to turnover ratio – shows that firms' financial situation improved between 1993 and 2003, although with greater dispersion around average values. In 2001-03, firms whose financial position was least favourable (i.e. those with at least two of the indicators over given critical thresholds in each of the years) accounted for a much smaller proportion of total turnover than during the recession of the early 1990s, although more than in the second half of the decade. A breakdown by geographical area reveals that in the first half of the 1990s more firms in a bad financial position were located in the South than in the Centre and North, unlike the situation between 1997 and 2003.

C – FOREIGN TRADE

Exports

Italian exports of goods and services at constant prices rose by 3.2 per cent in 2004 after falling by 5 per cent over the two previous years. The increase was smaller than that in world trade and about half that recorded by the euro-area countries as a group. Exports suffered from Italian products' loss of competitiveness and stronger competition from the emerging countries, especially in traditional sectors. Italy's share of world trade at constant prices, which had stood at 4.3 per cent in 1996, fell to 2.9 per cent; its share at current prices contracted from 4.7 to 4 per cent.

At current prices, exports grew by 6.1 per cent in 2004 (Table aC3). The expansion was most pronounced in the South and Islands (8.9 per cent), where it was driven by sales of metal products, transport equipment and refined petroleum products. Mechanical machinery and equipment boosted the growth in exports in the North-East (7.8 per cent) and Centre (5.7 per cent), where chemical products also contributed to the expansion. The growth in exports of the North-West was below the national average in nearly every sector and amounted to 4.4 per cent overall.

In the first quarter of 2005 Italian exports at current prices increased by 6.3 per cent with respect to the year-earlier period. The growth was greater in the North-East (11.1 per cent) and the South and Islands (10.5 per cent) than in the North-West (4.8 per cent); in the Centre, exports fell by 0.9 per cent.

Between 1996 and 2004 the North-West's share of world exports at current prices declined from 2.1 to 1.6 per cent, that of the North-East from 1.4 to 1.3 per cent and that of the Centre from 0.7 to 0.6 per cent, while the share of the South and Islands remained unchanged at 0.4 per cent.

The fall in market shares is due mainly to Italian products' loss of competitiveness. It also reflects the sectoral and geographical

specialization of exports and the difficulties of adapting the model of specialization to more dynamic sectors and outlet markets.

Using the statistical technique called constant-market-share analysis, the overall change in market share can be broken down into three components, linked respectively to the sectoral and geographical specialization of exports in the initial period (structure effect), the adaptation of this structure to the evolution of world markets (adaptation effect) and a residual component given by the variations in market shares in each sector and country deriving from changes in prices, quality and other factors of export competitiveness (competitiveness effect). For a set of 27 sectors, this method was applied to the markets of 21 OECD countries that take around 70 per cent of Italy's total exports (see the Methodological Notes in the Appendix). According to the data available at the end of 2002 at this level of disaggregation, nearly two thirds of the loss of share in the reference market between 1996 and 2002 (from 5.4 to 4.5 per cent) is ascribable to the competitiveness effect (Table aC4). Alongside this effect, smaller losses can be directly attributed to the sectoral and geographical specialization of Italian exports and the difficulties encountered by Italian producers in reorienting their specialization towards more dynamic product segments and markets.

Developments in market shares differed significantly by geographical area. While for the regions of the Centre the loss of market share was in line with the national average, for the North-West it was higher and for the North-East lower; the market share of the South and Islands increased slightly. The larger fall in the North-West can be put down to the competitiveness effect; although the structure of exports and adaptation to the characteristics of international demand also contributed to the loss, their impact was comparable to the national average in intensity. In the North-East the competitiveness effect was also negative but by less than the national average; the ability to adapt was slightly better, while the characteristics of the model of geographical and sectoral specialization were the most negative factor. In the Centre the three effects were comparable in intensity to the national average. In the South and Islands the contribution of the competitiveness effect was positive (see Summary of the Reports on economic developments in the Italian regions in 2003) as were those of sectoral specialization and adaptation, while the impact of geographical specialization and adaptation detracted from the growth in market share.

Regional details are contained in the Reports on Piedmont, Emilia Romagna and Tuscany.

By international comparison Italy is specialized in producing textiles, clothing, leather and footwear, furniture and machine tools. Among these sectors, the latter accounted for about a fifth of the growth in national exports between 1996 and 2004.

Italy is one of the leading exporters of machine tools, together with the United States, Germany and Japan. According to the latest *World Trade Analyzer* data, in 2001 Italy's overall share of world machine tool exports at current prices was equal to 9.4 per cent (Table C1). The shares by macro-region were 4.4 per cent for the North-West, 3.9 per cent for the North-East, 0.8 per cent for the Centre and 0.3 per cent for the South and Islands.

Between 1996 and 2001 Italy's share of world machine tool exports at current prices contracted by almost one percentage point. The reduction was concentrated in the North-West, whose share fell by 0.9 points from 5.3 to 4.4 per cent. The shares of the North-East and Centre both diminished by 0.1 points, while that of the South and Islands increased by 0.1 points.

Germany and Japan also lost market share, to the benefit of the United States and some emerging countries, including China, Mexico and South Korea.

The leading importers of machine tools — the United States, Germany and China — accounted for just under 30 per cent of total world imports in 2001. Between 1996 and 2001 the North-West lost export shares in each of these markets, especially in Germany. The North-East's share increased slightly in the United States, from 2.4 to 2.7 per cent, but fell in the other two markets.

Table C1

SHARES OF TOTAL WORLD EXPORTS OF MACHINE TOOLS (1)

(at current prices; percentages and changes in percentage points)

	1991	1996	2001	Change	
				1991-96	1996-2001
North-West	5.3	5.3	4.4	0.0	-0.9
North-East	3.6	4.0	3.9	0.4	-0.1
Centre	0.8	0.9	0.8	0.1	-0.1
South and Islands	0.2	0.2	0.3	0.0	0.1
Italy	9.9	10.3	9.4	0.4	-0.9

Sources: Based on Istat and *World Trade Analyzer* data. See the Methodological Notes in the Appendix. – (1) The total for Italy may not correspond to the sum of the figures for the macro-regions owing to rounding.

Internationalization

Excluding investment in property and the banking sector, foreign direct investment in Italy fell slightly last year by comparison with 2003 (-1.7 per cent overall), with the South and Islands and the North-East recording increases and Centre and North-West decreases (Table C2). The direct investment inflow was equal to 1.3 per cent of regional GDP in the North-West. The corresponding proportion was lower in the North-East and Centre (0.3 and 0.8 per cent respectively) and lowest in the South and Islands (0.1 per cent).

After declining in 2003, Italian direct investment abroad grew last year by around €8.3 billion thanks to the increases registered for the regions of the North-West and Centre. Outward investment amounted to 1.8 per cent of regional GDP in the North-West, 1.1 per cent in the Centre, 0.3 per cent in the North-East and 0.1 per cent in the South and Islands.

Table C2

**INWARD AND OUTWARD DIRECT INVESTMENT
BY GEOGRAPHICAL AREA (1)**

(balances and changes in millions of euros)

	Inward investment		Outward investment		Change 2003-04	
	2003	2004	2003	2004	Inward	Outward
North-West	6,606	5,695	-646	7,565	-911	8,211
North-East	-772	796	1,868	905	1,568	-963
Centre	2,851	2,371	1,746	3,025	-480	1,279
South and Islands	261	383	291	374	123	83
Italy (2)	13,443	13,215	6,243	14,534	-228	8,291

Source: Based on UIC data.

(1) A positive balance on inward investment indicates a net capital inflow, one on outward investment a net capital outflow. Excludes investment in property and in or by the banking sector. – (2) Includes unallocated amounts.

A Bank of Italy sample survey of industrial firms with 50 or more workers found that 13.3 per cent of the respondent firms produced goods or services abroad in 2004. The proportion was higher in the North-East (17.3 per cent) and the North-West (14.7 per cent), lower in the Centre (7.8 per cent) and the South and Islands (4.9 per cent). Employees abroad accounted for 18.3 per cent of total employment. The figure was higher in the North-West (22.8 per cent) and North-East (16.8 per cent), lower in the Centre (11.5 per cent) and the South and Islands (4.7 per cent). The firms that invest abroad tend to be larger companies. Among firms with between 50 and 99 workers, 9.5 per cent had investments abroad; the figure rises to 37.2 per cent for firms with at least 500 workers.

D – THE LABOUR MARKET AND REGIONAL POLICIES EMPLOYMENT

Employment

According to Istat's labour force survey, employment growth slowed from 1.5 per cent in 2003 to 0.7 per cent last year. Employment contracted in the South and Islands by 0.4 per cent (Figure D1) and in the North-East by 0.1 per cent. In the Centre and the North-West it continued to expand at a good pace (2.5 and 1.3 per cent respectively; Table aD1). In the first quarter of 2005 employment returned to growth in the South and Islands and the North-East.

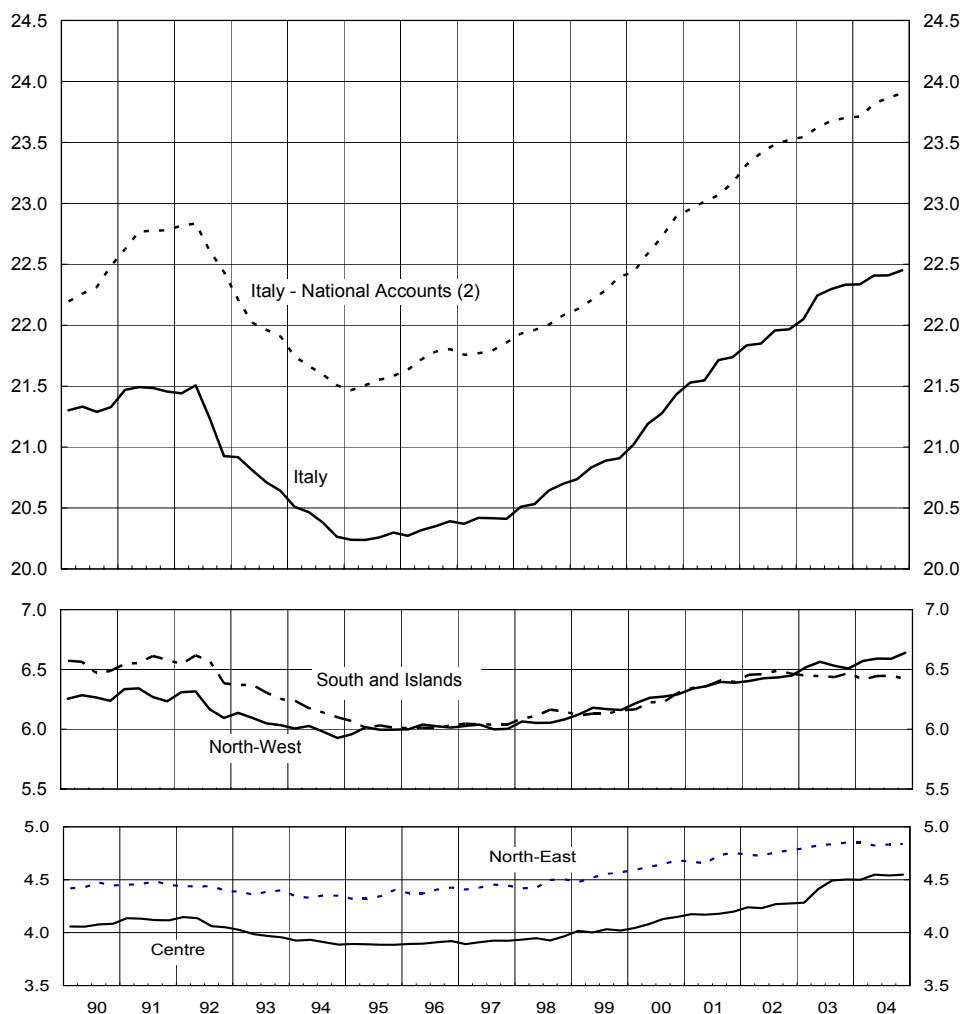
Last year, Istat's quarterly labour force survey was replaced by a new continuous survey, with significant methodological changes (see the Methodological Notes in the Appendix). Istat has released a reconstruction of the main indicators from 1993 to 2003. The reconstructed series leave the employment level in the regions of the North essentially unchanged, but they do alter the situation in the rest of the country. Compared with the earlier series, total employment in the South and Islands increases by between 280,000 and 310,000, while in the Centre it falls by 140,000. In the new series total employment in the South and Islands at the end of 2004 was 2.4 per cent below the peak recorded in mid-1991 (Figure D1). In the other parts of the country it was higher than the previous peak by 4.7 per cent in the North-West, 7.9 per cent in the North-East and 9.7 per cent in the Centre.

The new survey, which is more accurate in measuring and classifying collaboration arrangements, temporary jobs and hours worked, has appreciably increased the estimates of the share of payroll employment accounted for by fixed-term and part-time jobs. Outside of agriculture, the share of fixed-term contracts came to 11.3 per cent in 2003 (compared with 9.1 per cent in the old series); part-time work accounted for 12.5 per cent, as against 9 per cent in the old series. In 2004 the survey also counted 990,000 underemployed (4.4 per cent of total employment), i.e. persons who had jobs but wanted to work more and would be immediately available to increase their schedule to 40 hours, the average full-time work week. In the South and Islands the underemployed numbered 365,000, or 5.7 per cent of those employed.

Figure D1

EMPLOYMENT BY GEOGRAPHICAL AREA (1)

(seasonally adjusted; millions of persons)



Sources: Istat, continuous labour force survey and national accounts. See the methodological notes in the Appendix.

(1) Number of persons employed according to the labour force survey, except as indicated. From the fourth quarter of 1992 onwards, data reconstructed by Istat consistent with the new survey introduced in 2004. The data through July 1992 have been adjusted to subsequent ones in order to take account of the methodological changes introduced at that date. – (2) Persons employed according to the national accounts.

Labour demand by sector and geographical area. – All the main sectors contributed to the growth of employment in the North-West and the Centre in 2004 (Table aD1). The slight decline the North-East and the more pronounced fall in the South and Islands were due to contraction of employment in industry and agriculture, not fully offset by gains in construction. Employment growth in the service sector slowed sharply in

the North-East but did remain positive, while in the South and Islands there was contraction for the second consecutive year.

The employment rate. – The employment rate for the Italian population of working age remained at 57.4 per cent in 2004, and the very wide regional and gender differentials also remained basically unchanged. Outside the South and Islands, where it was 61.8 per cent, the male employment rate was higher than the euro-area average (71.2 per cent) in all parts of the country (74.4 per cent in the North-West, 75.8 per cent in the North-East and 71.9 per cent in the Centre). The female employment rate in the North-West (54.3 per cent) and North-East (55.7 per cent) was in line with the euro-area average of 54.2 per cent; the Centre (50.2 per cent) and especially the South and Islands (30.7 per cent) continued to lag behind.

Types of employment relationship. – Permanent payroll jobs, which increased by 139,000, accounted for more than three fourths of the overall employment expansion in 2004, continuing a three-year trend. The number of fixed-term contracts diminished in all parts of the country and by 61,000 or 3.1 per cent nationwide. Fixed-term positions fell from 11.3 to 10.8 per cent of all non-farm payroll jobs. In the South and Islands, where the incidence of fixed-term employment exceeds the national average, the fall was less pronounced, from 14 to 13.7 per cent.

Between 1995 and 2000, 40 per cent of the growth in non-agricultural employment was accounted for by fixed-term work (more than 50 per cent in the South and Islands) and 20 per cent by collaboration contracts and self-employment. Between 2000 and 2004 about 80 per cent of the expansion of total employment involved permanent payroll positions, owing to the combined effect of a diminution in work force exits as careers lengthened and tax incentives for additional permanent jobs. In the South and Islands, where the incentives were substantially greater, the contribution of permanent positions exceeded 90 per cent.

The number of part-time jobs increased by 1.3 per cent, or less than the yearly average for the period 2000-2003 (1.9 per cent) and far less than that of the second half of the 1990s (7.1 per cent). Last year the increase involved only the regions of the North-West and the Centre. In the South and Islands the number of part-time workers declined, and their share of total payroll employment dropped by 0.3 percentage points to 10.8 per cent. In the rest of the country the share rose slightly, to 12.7 per cent in the North-West, 13.2 per cent in the North-East and 13.6 per cent in the Centre.

Among women, part-time work accounted for 24.3 per cent of all positions in 2004 (up by 0.3 points from 2003), as against an average of 33.2 per cent in the euro area. As in the rest of Europe, nearly three fourths of all part-time contracts involved women employed in the service sector, most especially in personal services, hotels and restaurants, business services and “other activities”.

Labour supply and unemployment

The national unemployment rate fell for the sixth consecutive year, from 8.4 to 8 per cent. In the South and Islands the decline was from 16.1 to 15 per cent and in those of the Centre from 6.9 to 6.5 per cent, while in the northern regions the rate edged upwards from 4.1 to 4.3 per cent (Table aD3). The female unemployment rate fell from 11.3 to 10.5 per cent nationwide. The rise of 0.3 percentage points in the North was more than offset by sharp reductions of 1.1 points in the Centre and 2.1 points in the South and Islands. The youth unemployment rate (for the 15-24 age-group) came down marginally (by 0.2 percentage points), thanks to the significant contraction of 1.8 points in the South and Islands.

Between 2000 and 2003 the youth unemployment rate in the South and Islands diminished substantially (by 5.8 percentage points), owing mainly to increasing school attendance. Over those four years the number of young southerners in work fell by 21,000, but the number of students increased by 84,000. In the other parts of the country the number of students increased less sharply, by amounts ranging from 8,000 in the North-West to 13,000 in the North-East. Although better education improves one's chances of finding work, difficulties in moving into the job market persist, even for university graduates. An Istat study of the transition to work found that in 2004 the proportion of university graduates of three years' standing who still had not found a permanent job was 41 per cent in the South and Islands, 25 per cent in the Centre and 17 per cent in the North. Since 2001 the share had risen by 1 percentage point in the South and Islands and declined by 3 points in the Centre and 1 in the North.

The labour force participation rate of persons aged 15-64 fell for the first time in a decade, declining to 62.5 per cent. The reduction came mainly in the southern regions, where the contraction of employment for the second year presumably discouraged people from seeking work.

The female participation rate in Italy rose by 6 percentage points between 1995 and 2004, reaching 50.6 per cent; this is still about 10 points below the euro-area average. In the Centre and North, where the rate is higher, the steady rise in women's participation in the job market has been accompanied by a recovery in fertility. The number of children per woman of child-bearing age rose from 1.06 in 1995 to 1.31 in 2004, partly owing to births in immigrant families. In the South and Islands, by contrast, fertility continued to decline (from 1.41 in 1995 to 1.35 in 2004), although

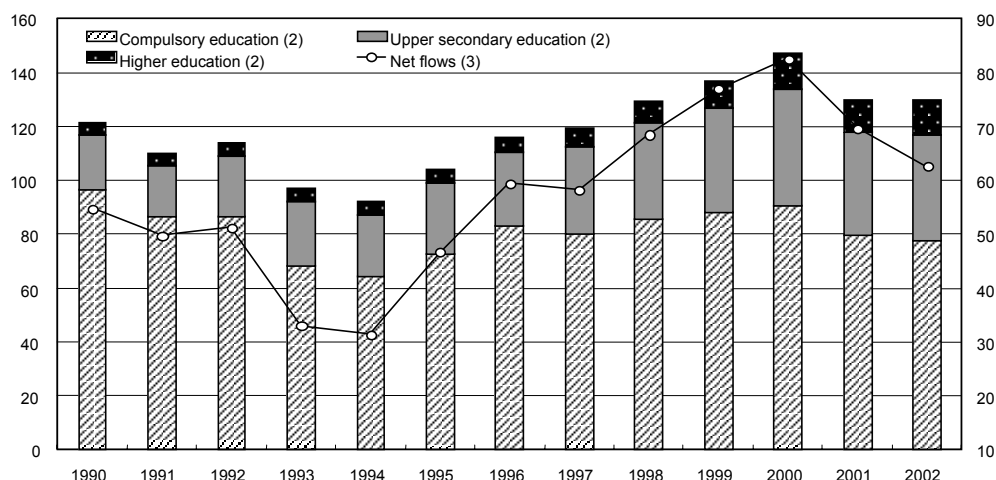
apparently in the last few years the rate has stabilized. In a 2002 survey of the work status of recent mothers, Istat interviewed a sample of 16,700 women, finding that 18 to 21 months after the birth of a child, 63 per cent of recent mothers in the North and Centre were working, compared with 32 per cent in the South and Islands. Bank of Italy Economic Research Department calculations demonstrate the importance of support to mothers from child care facilities, especially for infants up to 3 years of age. The probability of a mother's returning to work is virtually nil when the period of inactivity extends beyond three years. In 2001 the number of places in day nurseries amounted to 11 per cent of the number of children younger than 3 in the Centre and North and just over 3 per cent in the South and Islands; for purposes of comparison, the figures for France and Britain are 29 and 34 per cent.

Domestic migration and foreign immigration

Since 1995 internal migration from the South to the North of Italy has been growing again, and appreciably. The data on entries and deletions from municipal civil registers indicate that transfers from the regions of the South and Islands to those of the Centre and North increased from 92,000 in 1994 to over 147,000 in 2000, subsiding to 130,000 in 2002 (see the Reports on Campania, Puglia and Sicily). As the population flow in the other direction remained stable, the negative migratory balance widened up to 2000, then narrowed (Figure D2). More than a third of the migration was accounted for by relatively well-educated young people.

Figure D2

MIGRATORY FLOWS AND THE MIGRATORY BALANCE BETWEEN SOUTH AND ISLANDS AND CENTRE AND NORTH BY EDUCATIONAL ATTAINMENT (1)
(thousands of persons)



Source: Based on ISCED (International Standard Classification of Education); see OECD, *Education at a Glance*.

(1) Compulsory education in Italy includes primary and lower secondary ISCED levels. – (2) Left-hand scale. – (3) Right-hand scale.

The share of migrants from southern regions with at least an upper secondary school diploma rose from 20.6 per cent in 1990 to 40 per cent in 2002 and that of university graduates from 3.8 to 9.7 per cent. In 2002 the emigrants were on the average better educated than their fellow southerners who stayed at home.

The main destination remains the North-West, which took 37 per cent of the migrants (12 percentage points less than in 1990, however). The flow to the North-East has increased significantly, that part of the country taking a third of southern migrants, 10 percentage points more than in 1990.

A major factor in the resumption of large-scale migration from the South in the later 1990s was the rapid widening of the youth unemployment gap between North and South. The difference between the unemployment rates for people aged 15-24 in the Centre and North and the South and Islands increased from 18.6 percentage points in 1990 to 27.4 points in 2000. The subsidence of migration between 2000 and 2002, in connection with the economic downturn, coincided with a reduction of 3 percentage points in the youth unemployment rate gap; another factor was the more rapid rise in housing prices in the northern part of the country.

Municipal registers recording official residence fail to pick up a significant part of geographical mobility within Italy. According to Census data, in 2001 more than 2 million persons, without changing their residence, had lived for more than 180 days during the previous 12 months somewhere other than their habitual domicile, mainly for reasons of work or study. This phenomenon is most common in the South and Islands.

The recent regularization of 640,000 foreigners employed in Italy showed the importance of inward immigration in recent years. Foreigners entered in municipal civil registers in Italy at the start of 2004 numbered 1,990,000 and made up 5 per cent of the resident population in the North-East, 4.7 per cent in the North-West, 4.3 per cent in the Centre and 1.3 per cent in the South and Islands. These shares have risen very substantially in recent years but remain comparatively low by European standards.

Regional development policies

According to the regional public accounts, ordinary and additional capital spending by the enlarged public sector amounted to 8 per cent of GDP in the South and Islands and 4.6 per cent in the Centre and North in 2002 (Table D1); €24.8 billion was spent in the South and Islands, 36 per cent of the total, which was nearly 3 percentage points less than in the previous two years.

Table D1

**ORDINARY AND ADDITIONAL CAPITAL EXPENDITURE OF THE
ENLARGED PUBLIC SECTOR**

(millions of euros and percentages)

	1999	2000	2001	2002
Centre and North	33,357	33,588	37,500	43,653
<i>investment expenditure</i>	23,964	22,665	26,600	31,196
<i>capital transfers</i>	8,386	9,648	9,592	11,050
<i>current expenditure on training</i>	1,007	1,239	1,308	1,407
South and Islands	19,943	21,316	23,903	24,824
<i>investment expenditure</i>	10,868	11,987	13,633	13,992
<i>capital transfers</i>	8,489	8,629	9,617	10,341
<i>current expenditure on training</i>	586	700	653	491
As a percentage of GDP				
Centre and North	4.0	3.8	4.1	4.6
South and Islands	7.3	7.5	8.0	8.0

Source: Ministry for the Economy and Finance, *Conti pubblici territoriali*.

By comparison with the Centre and North, a larger part of public capital expenditure in the South and Islands consisted of transfers to firms and households. Investment accounted for 71 per cent of capital spending in the Centre and North in 2002, as against 56 per cent in the South and Islands.

Preliminary data released by the Ministry for the Economy and Finance for the public sector alone indicate that in 2003 capital spending in the South and Islands remained at the same level as in 2002, while that in the Centre and North increased by 5 per cent. A tentative indication of more recent tendencies can be garnered from the cash accounts of the state sector, which specifies only additional capital spending net of ordinary expenditure. This item diminished by €900 million in 2004, from €13.3 billion to €12.4 billion, because of a substantial increase in treasury balances due to budgetary adjustments, and notwithstanding the increase of €3.1 billion in the EU-funded component.

EU programmes. – The Community Support Framework for 2000-2006 envisages €46 billion in funding for public investment programmes in the less developed regions of the South and Islands (Objective 1), half of it to come from EU contributions. All the programmes activated have

made full use of the resources committed up to 2004, so that no funds were revoked. Provisional data indicate that the cumulative flow of payments effected through December 2004 came to 32.7 per cent of planned spending to 2006 (Table D2).

Table D2

**COMMUNITY SUPPORT FRAMEWORK (2000-06) FOR OBJECTIVE 1
REGIONS: STATE OF IMPLEMENTATION IN DECEMBER 2004**

(millions of euros and percentages)

Programme	Planned expenditure 2000-06		Cumulative disbursement at end of year			
	Total cost		2003		2004 (1)	
		of which: Community contribution	Amount	Percentage of total cost	Amount	Percentage of total cost
Multiregional	14,124	7,149	4,521	32.0	6,420	45.5
Regional	31,950	16,809	6,024	18.9	8,642	27.0
of which: <i>Molise</i>	469	201	135	28.7	183	39.0
<i>Campania</i>	7,748	4,281	1,533	19.8	2,017	26.0
<i>Puglia</i>	5,282	2,947	923	17.5	1,379	26.1
<i>Basilicata</i>	1,696	848	421	24.8	484	28.5
<i>Calabria</i>	4,036	2,131	878	21.7	1,254	31.1
<i>Sicily</i>	8,460	4,284	1,173	13.9	1,944	23.0
<i>Sardinia</i>	4,260	2,118	961	22.6	1,381	32.4
Total	46,074	23,958	10,545	22.9	15,062	32.7

Source: Ministry for the Economy and Finance. The data on planned expenditure and disbursements include the share of the private sector. (1) Provisional.

Through the end of 2004, actual payments made in connection with programmes for the less developed areas of the Centre and North (Objective 2) slightly exceeded €2.4 billion, or 34 per cent of planned spending in those areas for 2000-2006; by area, the percentages were 31.8 per cent in the Centre, 34.3 per cent in the North-West and 38.8 per cent in the North-East.

National investment incentives. – In 2003, according to the Ministry for Productive Activities, Italian expenditure on incentives to firms outside agriculture and transport was slightly less than €5.8 billion, returning to the level recorded in 2001 after rising to €7 billion in 2002. The South and Islands received 53.5 per cent of the funds disbursed in 2003, down from 57.4 per cent in the previous two years.

The decline in outlays under Law 488/1992 continued in 2004. Investment incentives for industry and services fell from €1.6 billion to €1.1 billion; there were no calls for applications in the distributive and tourist sectors. New calls for applications, for limited amounts, were

issued for artisanal enterprises (€144 million) and for environmental improvement investment projects (€124 million). Disbursements in regions of the South and Islands accounted for 82 per cent of the total. The rankings for the 17th call for applications for industry were announced, with the approval of 2,148 applications, or 26.4 per cent fewer than in 2003.

From the mid-1990s until 2002 Law 488/1992, now in course of revision, was the main investment incentive programme for firms in depressed areas. Studies on the firms receiving funds under the 2nd and 3rd calls for applications in industry (1996-97) suggest that the law had significant intertemporal substitution effects on investment decisions (see Banca d'Italia, Assemblea generale ordinaria dei partecipanti, Annual Report for 2004, Chapter "L'offerta interna").

Through December 2004 total disbursements to the 208 territorial pacts that had received at least some public funds amounted to just over €2.1 billion (Table D3), or 42 per cent of the total public investment envisaged. Disbursements came to 44.6 per cent of the funds allocated for the 141 pacts in the South and Islands and 34.7 per cent for the 67 pacts in the Centre and North.

Table D3

IMPLEMENTATION OF ACTIVE NATIONAL TERRITORIAL PACTS (1)

(number of pacts and millions of euros)

Type of pact (2)	Number	Total investment (3)	Cost to State	Disbursements to 31 December 2004
Activated by end of 1999	12	514	371	262
Activated subsequently	196	10,051	4,724	1,876
Total	208	10,565	5,095	2,138
<i>Centre and North</i>	67	4,899	1,347	467
<i>South and Islands</i>	141	5,666	3,748	1,671

Source: Ministry for the Economy and Finance, *Relazione generale sulla situazione economica del Paese*, 2003 and 2004.

(1) "Active" pacts are those in which at least part of the state contribution has been actually disbursed. – (2) The "generations" of pacts are distinguished by the procedure followed. First-generation pacts are those going active in 1998 and 1999, second-generation pacts those activated from 2000 on. – (3) Total investment includes both productive and infrastructural investment.

In addition to these national pacts, there are also ten "territorial employment pacts", eight of which also have Community funding. At the end of 2004 disbursements under these pacts had come to €421 million, 82 per cent of the resources available. Public grants disbursed for the 17 area contracts signed since 1998 exceeded €1.1 billion in 2004, more than 52 per cent of the funds allocated.

The fund for investment tax credits for underdeveloped areas was increased from €1.3 billion to €1.8 billion in 2004. Claims under this

provision amounted to almost €900 million, nearly all in the South and Islands.

Territorial disparities

According to the regional accounts prepared by Istat and Svimez, since the mid-1990s the real GDP of the South and Islands has grown faster than that of the rest of the country, at an annual average rate of 1.7 per cent between 1996 and 2004, compared with 1.4 per cent in the Centre and North. On a per capita basis the rate was 1.7 per cent in the South and Islands and 0.9 per cent in the Centre and North.

The gap between the two parts of the country thus narrowed. Per capita output in the South and Islands rose from 56 per cent of that in the Centre and North in 1995 to 60 per cent in 2004. About 30 per cent of the difference is accounted for by lower productivity in the South and Islands; the remainder is due to lesser utilization of labour.

Table D4

LABOUR PRODUCTIVITY BY GEOGRAPHICAL AREA, 1991-2003 (1) (average annual percentage change)

	North-West	North-East	Centre	South and Islands
Industry excluding construction				
1991-95	3.4	4.2	2.6	2.1
1996-2001	0.9	0.6	1.7	0.7
2002	-1.7	-1.1	0.9	-0.2
2003	-0.4	-0.7	-0.5	-1.1
Construction				
1991-95	-0.2	0.8	-1.4	-1.7
1996-2001	0.9	1.0	-0.3	-0.8
2002	-3.2	6.0	-2.4	-1.1
2003	-1.7	-0.7	-0.7	0.8
Private non-financial services (2)				
1991-95	2.5	2.6	3.0	3.1
1996-2001	0.9	0.9	1.5	1.7
2002	0.2	-0.4	-1.9	-0.3
2003	-1.5	-0.4	-1.3	-0.9
Private non-financial goods and services (2)				
1991-95	2.7	3.2	2.4	2.0
1996-2001	0.8	0.7	1.3	1.0
2002	-1.1	-0.1	-1.0	-0.3
2003	-1.2	-0.6	-1.1	-0.8

Source: Based on Istat and Svimez data.

(1) Labour productivity is calculated as the ratio of value added at constant prices to total standard labour units. – (2) The following service branches are excluded: monetary and financial intermediation, real estate and business services, public administration, education, health care, domestic services, and other public, social and personal services.

Nationwide, the improvement in labour productivity lost momentum in the second half of the 1990s, and in 2002 and 2003 productivity actually diminished. In 2004 there was a modest recovery, concentrated in industry excluding construction.

According to Istat's provisional estimates, in 2004 productivity in industry increased by 0.2 per cent in the Centre and North and fell by 0.6 per cent in the South and Islands. In the service sector there was a gain of 0.1 per cent in the regions of the Centre and North and of 0.8 per cent in those of the South and Islands.

Between 1996 and 2003, labour productivity in private non-financial services increased by more in the South and Islands (1.5 per cent per year) than in the North-West (0.5 per cent), the North-East (0.7 per cent) or the Centre (0.8 per cent).

The level of labour productivity in the Centre and North is about 20 per cent higher than in the South and Islands, thanks to those regions' less fragmented economic structure (an average of 3.2 workers per local unit, compared with 2.3 in the South and Islands). The difference with respect to the South and Islands in 2003 was 23 per cent for the North-West, 17 per cent for the North-East and 19 per cent for the Centre.

Table D5

LABOUR PRODUCTIVITY IN MANUFACTURING BY GEOGRAPHICAL AREA, 1996-2002 (1)

(average annual percentage change)

Branch	North-West	North-East	Centre	South and Islands	Italy
Food, beverages and tobacco products	2.4	-1.4	-0.2	0.4	0.4
Textiles and clothing	0.8	1.8	0.9	1.6	1.0
Tanning, hides and leather products	-1.2	-0.8	-0.6	-1.0	-0.8
Paper, printing and publishing	2.0	1.5	0.9	0.5	1.4
Coking, refining, chemical and pharmaceutical products	-1.1	-1.5	0.7	-2.1	-1.0
Non-metallic mineral products	1.1	-0.4	0.2	0.0	-0.1
Metal and metal products	-0.1	0.6	-0.1	-1.2	-0.1
Machinery, mechanical, electrical and optical equipment, transport equipment	-0.1	0.1	2.1	2.2	0.6
Wood, rubber, plastic and other manufactured products	1.0	1.9	2.3	2.8	1.7
Total manufacturing	0.5	0.6	1.3	0.7	0.6

Source: Based on Istat data. - (1) Labour productivity is calculated as the ratio of value added at constant prices to total standard labour units.

Between 1996 and 2002 the average annual rate of increase in labour productivity in manufacturing was 0.5 per cent in the North-West, 0.6 per cent in the

North-East, 1.3 per cent in the Centre and 0.7 per cent in the South and Islands (Table D5). In the textile and clothing industries the growth of productivity was faster in the North-East (1.8 per cent) and in the South and Islands (1.6 per cent) than in the North-West (0.8 per cent) and the Centre (0.9 per cent). In the leather products industry productivity declined in all parts of the country. In mechanical engineering productivity fell at a 0.1 per cent annual rate in the North-West, increased at a pace of 2.2 per cent in the South and Islands and 2.1 per cent in the Centre and virtually stagnated with 0.1 per cent growth in the North-East.

The rate of labour productivity growth in all the macro-regions of Italy between 1996 and 2001 was slower than that recorded in France, Germany or the United States. And the gap was wider in higher-technology sectors. The slower growth of manufacturing productivity was not due to Italy's productive specialization, in particular the more substantial presence of traditional industries in Italy. In all parts of the country, even if the sectoral composition had been the same as in France, Germany or the United States, productivity growth would have been about the same as that actually registered.

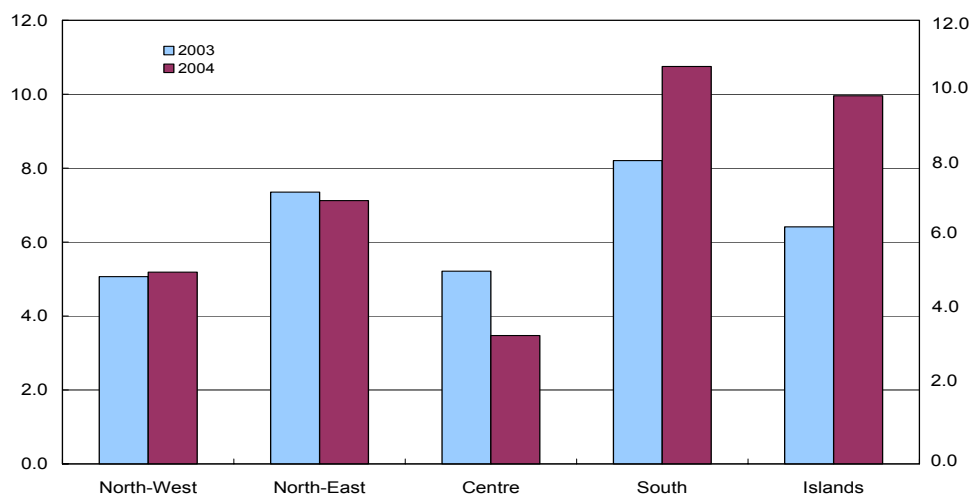
E – FINANCIAL INTERMEDIARIES

Lending to firms and households

Bank lending net of repos and bad debts grew nationally by 6 per cent in 2004. The credit expansion was concentrated in the medium and long-term component and stronger in the South and Islands than in the other geographical areas (10.5 per cent, compared with 7.1 per cent in the North-East, 5.2 per cent in the North-West and 3.5 per cent in the Centre; Figure E1). The geographical differential arose mainly from lending to non-financial corporations, which grew more than twice as fast in the South and Islands as in the Centre and North (Table E1).

Figure E1

LENDING BY GEOGRAPHICAL AREA (1)
(percentage changes on previous year)



Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.

(1) Excluding repos and bad debts. The percentage changes are calculated gross of the effects of reclassifications, exchange rate variations and other changes not due to transactions.

Firms. – In 2004 the growth in lending to non-financial corporations eased to 4 per cent. However, in the South and Islands it picked up from 5.7 to 7.5 per cent and involved every sector of economic activity. In the Centre and North the increase was 3.6 per cent, compared with 6.1 per cent in 2003.

Table E1

BANK LENDING BY AREA AND SECTOR (1)
(percentage changes on previous year)

	General government	Financial and insurance companies	Firms						Households		Total
			Holding companies	Non-financial corporations			Consumer households (2)	Sole proprietorships (3)			
				of which:							
				Industry excl construction	Construction	Services					
North-West											
2003	-3.3	2.1	3.6	-10.5	5.7	-0.5	13.2	10.5	13.4	10.3	5.1
2004	2.0	0.9	3.3	-4.9	4.3	-1.9	6.6	9.8	15.2	7.9	5.2
North-East											
2003	-5.0	-1.7	7.4	28.2	6.9	3.1	12.1	9.3	11.3	6.7	7.3
2004	-3.0	4.1	5.2	6.6	5.1	0.4	11.2	8.5	14.8	5.8	7.1
Centre											
2003	-12.0	3.3	8.2	57.4	5.9	-7.6	16.0	11.4	8.3	11.4	5.2
2004	1.9	-1.3	-0.6	-15.4	0.5	-4.4	7.5	0.8	16.7	7.0	3.5
Centre and North											
2003	-9.6	1.9	5.8	2.8	6.1	-0.9	13.7	10.4	11.3	9.2	5.7
2004	1.3	0.8	2.9	-6.1	3.6	-1.6	8.3	6.8	15.5	6.9	5.2
South and Islands											
2003	11.1	6.6	5.6	-12.8	5.7	0.2	8.7	9.2	9.4	9.0	7.6
2004	2.0	5.0	7.7	52.0	7.5	1.4	11.0	10.6	16.5	8.1	10.5
Italy											
2003	-7.3	2.1	5.8	2.6	6.1	-0.8	12.9	10.3	10.9	9.1	6.2
2004	1.4	0.9	3.4	-5.6	4.0	-1.3	8.7	7.3	15.7	7.2	6.0

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.

(1) Lending does not include repos and bad debts. The percentage changes are calculated without taking account of the effects of reclassifications, exchange rate variations and other changes not due to transactions. – (2) Includes non-profit institutions serving households and units n.e.c. – (3) Partnerships and sole proprietorships with up to 5 workers.

In the South and Islands lending to industry excluding construction grew by 1.4 per cent (0.2 per cent in 2003); the increase in lending to manufacturing firms (2.9 per cent, compared with 2.4 per cent) more than offset the further decline in lending to the energy products sector, which

contracted by 6.8 per cent last year after falling by 8 per cent in 2003. Lending to the construction industry continued to expand at a rapid rate (11 per cent, up from 8.7 per cent in 2003). The growth in lending to service companies was driven by the sharp increase in loans to the distributive sector (11.3 per cent, compared with 6.9 per cent in 2003).

In the Centre and North the growth rate in lending to non-financial corporations fell from 10.4 to 6.8 per cent for the service sector and from 13.7 to 8.3 per cent for construction, while lending to industry excluding construction contracted more sharply than in 2003 (1.6 against 0.9 per cent); a further fall in lending to the energy sector (9 per cent, after 11.1 per cent in 2003) was accompanied by a decline of 0.9 per cent in lending to manufacturing industry, which had grown by 0.7 per cent in 2003.

The deceleration in lending to non-financial corporations was especially sharp in the Centre, where its annual rate of growth fell from 5.9 to 0.5 per cent (Table aE3). This reflected the contraction in outstanding loans to industry excluding construction and a pronounced slowdown in those to the construction and service sectors (see the Reports on Lazio, Marche and Tuscany). In the service sector the slowdown is attributable to the drop in lending to transport companies.

The fall in lending to manufacturing industry in the Centre and North can be traced in particular to the chemical industry in the North-West and the textiles, clothing, leather and footwear sectors in the North-East and Centre (see the Reports on Veneto, Marche and Tuscany).

Medium and long-term lending to non-financial corporations and producer households expanded in all the macro-regions. Short-term lending continued to grow in the South and Islands (4 per cent, compared with 2.2 per cent in 2003), while it contracted again in the Centre and North (down 3.5 per cent, compared with 0.5 per cent in 2003).

The restructuring of the debt of troubled companies was partly responsible for the lengthening of loan maturities (see, for example, the Report on Piedmont).

The greater demand for short-term loans on the part of firms based in the South and Islands may have stemmed from less robust growth in self-financing owing to the deterioration in profitability. The growth in short-term lending in the South and Islands was concentrated in the component consisting of advances, bridging finance and bill discounting; the component consisting of ordinary current account overdrafts diminished, as in the rest of Italy.

The annual growth in lending to small firms (sole proprietorships and partnerships with fewer than 20 workers) slowed in both the Centre and North (from 7.3 to 5.2 per cent) and the South and Islands (from 8.6

to 8 per cent); in both parts of the country lending to small firms again outpaced lending to larger companies.

Leasing credit granted by financial companies grew in all the macro-regions except the North-West; the increase was largest in the South (6.9 per cent, compared with a decline of 0.3 per cent in 2003). Factoring credit expanded only in the South and Islands (3.1 per cent); it remained stable in the North-East and Centre and fell in the North-West (Table E2).

Table E2

**LENDING BY FINANCIAL COMPANIES
BY GEOGRAPHICAL AREA (1)**
(percentage changes on previous year)

	Total							
			of which:					
			Factoring		Leasing		Consumer credit	
	2003	2004	2003	2004	2003	2004	2003	2004
North-West	1.0	-3.9	-6.3	-12.6	1.1	-0.7	11.5	18.2
North-East	3.9	3.4	-3.2	0.5	7.0	2.5	12.5	23.4
Centre	3.3	6.0	4.8	0.4	2.8	3.6	16.2	22.1
South and Islands	4.8	11.2	-0.6	3.1	-0.3	6.9	21.7	23.6

Source: Supervisory reports of companies entered in the special register referred to in Article 107 of the Consolidated Law on Banking. See the Methodological Notes in the Appendix.

(1) Data classified by customer location. The changes are calculated taking account of the transformation of some financial companies into banks. Consumer credit includes credit cards.

The weakness of economic activity in the last three years was reflected in the stagnation in factored trade receivables between 2001 and 2004. The volume of advances granted (calculated on amounts of at least €75,000) fell by 0.3 per cent per year, whereas in the previous three years it had grown by 24.6 per cent per year. According to Factors Chain International, in 2004 Italy was nonetheless the second-largest world market, accounting for 14.1 per cent of total turnover.

Factoring is highly concentrated geographically: at the end of last year 51.3 per cent of factored receivables had been transferred by firms resident in the North-West and 24.1 per cent by firms in the Centre; in these two areas factoring accounted for 17.9 and 19.3 per cent respectively of total credit granted in the form of advances and bill discounting, against a national average of 14.3 per cent. The disparity has lessened in the last few years: between 2001 and 2004 factoring grew by 3.8 per cent per year in the South and Islands, faster than in the rest of Italy. In 2004 the South and the Islands showed a marked preference for recourse factoring (where the risk of default is not shifted from the transferor of the receivables to the factor) with respect to non-recourse factoring (where the risk is shifted to the factor); Table E3).

Table E3

FACTORING CREDIT (1)
(millions of euros and percentages; data at end-2004)

	North-West	North-East	Centre	South and Islands	Italy
Face value of receivables factored	16,597	4,442	7,785	3,513	32,337
- with recourse	6,652	2,385	3,558	2,706	15,301
- without recourse	9,945	2,057	4,227	807	17,036
Advances granted (2)	10,462	2,414	5,337	2,041	20,254
- by financial companies	9,592	2,161	4,129	1,713	17,595
- by banks	870	253	1,208	328	2,659
Advances / receivables factored	63.0	54.3	68.6	58.1	62.6
As % of self-liquidating risks (3)	17.9	5.9	19.3	13.7	14.3

Source: Central Credit Register. See the Methodological Notes in the Appendix.

(1) Data classified by location of the transferor. – (2) Amount drawn. – (3) Ratio of factoring advances to total self-liquidating risks.

Consumer households. – Lending to consumer households grew by 15.7 per cent in 2004 (10.9 per cent in 2003), picking up pace in all the macro-regions.

According to the Bank of Italy's Survey of Household Income and Wealth, 22.1 per cent of Italian households had debts in 2002. The proportion was lower in the South and Islands than in the other areas (16.5 per cent, compared with 25.5 per cent in the North and 23.6 per cent in the Centre; Table E4). The proportion increases with household income, rising to 30.7 per cent for households in the highest income quartile.

Mortgage lending to households grew by 19.3 per cent, up from 15.8 per cent in 2003. The increase was slightly higher in the Centre (20 per cent). During 2004 new loans for house purchases totaled €49.2 billion lire, of which €40.5 billion in the Centre and North and €8.6 billion in the South and Islands (compared with €36.1 billion and €6.8 billion respectively in 2003). About 90 per cent of the new loans were at variable rates.

Table E4

**SHARE OF HOUSEHOLDS WITH DEBTS
ACCORDING TO INCOME DISTRIBUTION IN 2002**
(percentages)

	Share of households with debts	Income quartiles			
		First	Second	Third	Fourth
North	25.5	12.1	21.4	29.6	30.6
Centre	23.6	11.9	18.8	25.0	35.6
South and Islands	16.5	11.4	16.0	23.2	24.9
Italy	22.1	11.7	18.9	27.1	30.7

Source: Banca d'Italia, *Survey on Household Income and Wealth in 2002*. See the Methodological Notes in the Appendix.

In the period 1998-2004 outstanding mortgage loans to Italian households grew by 15.9 per cent per year. As a ratio to GDP they rose from 7.5 to 14.5 per cent (Table E5); the increase was largest in the regions of the North (from 7.4 to 15.8 per cent) and the Centre (from 8.8 to 15.2 per cent).

Table E5

BANK MORTGAGE LENDING TO HOUSEHOLDS (1)
(end-of-period stocks as a percentage of GDP)

	1998	1999	2000	2001	2002	2003	2004
North	7.4	9.3	10.4	10.9	12.1	13.8	15.8
Centre	8.8	10.5	11.2	11.6	12.1	13.3	15.2
South and Islands	6.6	7.7	8.2	8.4	8.8	9.6	11.1
Italy	7.5	9.2	10.0	10.4	11.3	12.6	14.5

Sources: Supervisory reports and Istat. See the Methodological Notes in the Appendix.

(1) Mortgage loans granted to consumer households for house purchase or renovation.

Various factors contributed to the strong growth in mortgage lending: the fall in nominal and real interest rates, tax incentives for building renovation, the lengthening of contractual maturities, the increase in the percentage of the value of the building financed and the process of financial liberalization, which has expanded supply.

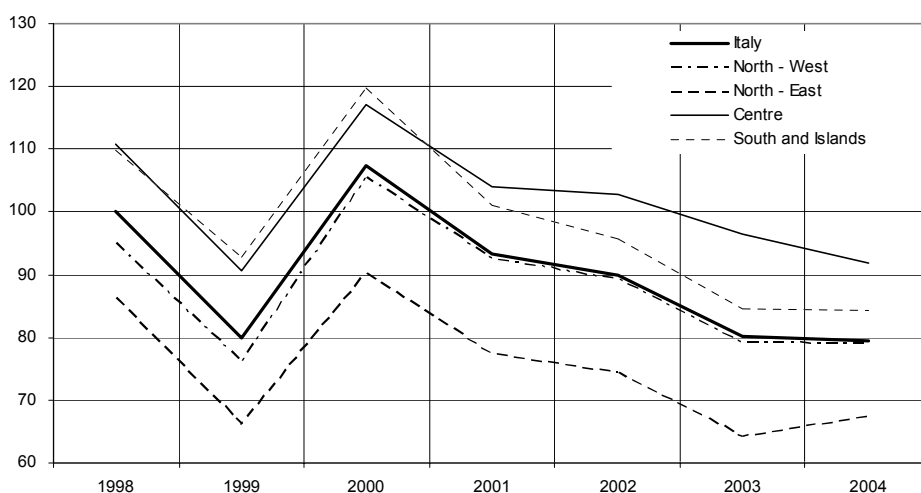
The ratio of the cost of mortgage financing to per capita disposable income fell between 1998 and 2004 in all parts of the country (Figure E2): the rise in house prices, though large, was more than offset by the fall in mortgage lending rates and the increase in incomes. During the period the ratio was highest in the regions of the Centre and the South and Islands and significantly lower than the national average in the North-East. The faster rise in house prices in central Italy since 2000 led to a smaller decrease in the ratio in that area. The largest decline in the ratio was

registered in the South and Islands, in part as a consequence of the greater growth in disposable income per inhabitant.

Figure E2

RATIO OF MORTGAGE FINANCING COST TO PER CAPITA DISPOSABLE INCOME (1)

(annual data; indices: Italy 1998=100)



Sources: Based on Istat, Prometeia, Central Credit Register and *Il Consulente Immobiliare* data. See the Methodological Notes in the Appendix.

(1) The cost of mortgage financing is approximated by the product of the long-term interest rate on loans to consumer households and the index of house prices per square metre.

Consumer credit disbursed by banks and by financial companies continued to grow at high rates (16.3 and 21.6 per cent respectively). For both categories of intermediary the expansion involved all the geographical areas; lending by financial companies accelerated notably in the Centre and North.

Between 2002 and 2004 consumer credit outstanding increased by 21.4 per cent. The growth was especially rapid in the South and Islands (26.5 per cent) and the North-West (24.8 per cent). Over the same period the ratio of consumer credit to GDP rose from 2.2 to 2.5 per cent. At the end of 2004 the ratio was higher in the South and Islands (3.7 per cent) than in the Centre and North (2.1 per cent).

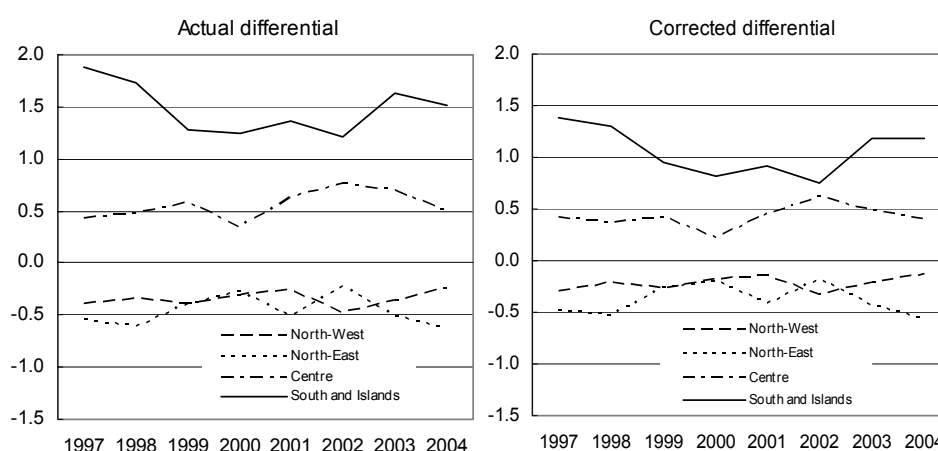
Lending conditions. – Lending conditions remained expansionary. In 2004 interest rates on short-term loans to firms were equal to 8 per cent in the South and Islands and 6.1 per cent in the Centre and North, compared with 8.2 and 6.3 per cent respectively in 2003. Adjusting for the different geographical composition of customers by sector and size, the differential narrows to 1.5 percentage points (1.3 points in 2003).

On average, in the last three months of 2004 the annual percentage rate of charge on medium and long-term loans to households for the purchase of houses was 0.2 percentage points higher in the South and Islands than in the Centre and North (4 and 3.8 per cent respectively).

Figure E3

DIFFERENTIAL BETWEEN INTEREST RATES ON LOANS TO FIRMS IN THE GEOGRAPHICAL AREAS AND THE AVERAGE FOR ITALY

(percentages)



Source: Based on Central Credit Register data. The data refer to non-financial corporations and producer households. See the Methodological Notes in the Appendix.

Between 1997 and 2004 the interest rate on short-term loans to firms, net of the change in consumer prices, fell from 7.9 to 4 per cent at national level and from 9.8 to 5.5 per cent in the South and Islands. The differential between the rate on loans to southern firms and the national average narrowed from 1.9 to 1.2 percentage points up to 2002 before widening slightly in the last two years (Figure E3). If adjustment is made for the different composition of customers by sector and size, the differential shows a similar trend but is smaller, narrowing from 1.4 to 1.2 percentage points between 1997 and 2004. The decrease in the differential was accompanied by a reduction in the risk on loans to southern firms by comparison with the national average.

At the end of 2004 the interest rates on loans to southern firms by banks based in the Centre and North on the one hand and by those based in the South and Islands on the other did not differ significantly; this remains true even after adjustment is made for the differences between the composition by size and sector of the two groups' customers.

The margins available on overdraft facilities for firms and producer households remained ample during 2004. The ratio of credit drawn to credit granted declined to 42 per cent, from 44.7 per cent in 2003. The

reduction, which involved all parts of the country, was greatest for firms of the Centre and the South and Islands (Table E6).

Table E6

RATIO OF CREDIT DRAWN TO CREDIT GRANTED FOR FIRMS (1)
(percentages)

	2003	2004
By geographical area		
North-West	41.3	38.8
North-East	45.5	43.7
Centre	43.7	39.4
South and Islands	55.5	51.8
By size of credit facility		
From €75,000 to €125,000	51.5	50.4
From €125,000 to €500,000	53.4	51.5
From €500,000 to €25,000,000	50.0	44.9
More than €25,000,000	32.9	38.0
Total	44.7	42.0

Source: Central Credit Register. See the Methodological Notes in the Appendix.

(1) The ratio is calculated with reference to overdraft facilities; firms include producer households and holding companies.

Credit risk. – The ratio of adjusted new bad debts to total loans outstanding at the end of the previous year diminished to 0.9 per cent, from 1.2 per cent in 2003 (Table aE3); net of the effects of the financial collapse of the Parmalat group, it was virtually unchanged. The ratio fell in both the South and Islands (from 1.7 to 1.4 per cent) and the Centre and North (from 1.1 to 0.8 per cent). For firms, it declined in all the macro-regions; for consumer households, it rose slightly in the South and Islands.

The ratio of the stock of bad debts to total loans remained unchanged at 4.7 per cent. For non-financial corporations, the bad debt ratio was 7.6 percentage points higher in the South and Islands than in the Centre and North.

Banks' exposure to borrowers in temporary difficulty (substandard loans) remained basically stable, decreasing by 0.3 per cent in the Centre and North and by 0.6 per cent in the South and Islands. The difference between the ratio of substandard loans to total loans in the two areas narrowed from 1.2 percentage points in 2003 to 1 point last year.

Banks' fund-raising

The annual rate of growth in banks' fund-raising from residents increased from 3 per cent in 2003 to 4.8 per cent in 2004, fueled by the growth in both deposits (5.1 per cent) and bonds (4.2 per cent net of issues on the Euromarket; Table E7). The expansion in funding was greatest in the regions of the Centre (9.3 per cent). Fund-raising from households, which accounts for about two thirds of the total, grew at a slightly slower pace than in 2003 (3.8 per cent, down from 4.2 per cent).

The growth in current accounts was similar to that recorded in 2003 (6.5 per cent). The rate of expansion in households' current accounts remained robust, but decelerated from 8 to 5.8 per cent; the slowdown concerned all the geographical areas. The persistence of low interest rates sustained savers' preference for liquidity. The average rate of return on households' current accounts remained unchanged at 0.6 per cent, with negligible differences between geographical areas.

After the significant reduction registered in 2003, the overall level of repos stabilized last year; rapid growth in the Centre, North-East and South and Islands contrasted with a fall in the North-West (Table E7).

In the Centre the growth in repos was due primarily to banks' transactions with financial and insurance companies, while in the North-East it mainly involved holding companies and firms. The increase in repos with households (8.2 per cent) was geographically more homogeneous; it was lowest in the Centre (2.7 per cent).

There was further growth in banks' bond issues (4.2 per cent), partly owing to the yield spread between bank bonds and medium-term government securities. With the maturities of loans lengthening, the growth in bond issues helped to stabilize the gap between the average residual maturity of banks' balance sheet assets and liabilities.

Table E7

BANK FUND-RAISING (1)
(percentage changes on previous year)

	Total fund-raising						
	Deposits						Bonds (3)
	of which (2):						
Current accounts	Certificates of deposit	Repos	Savings deposits				
	North-West						
2003	3.1	-0.5	4.2	-23.2	-18.9	6.4	11.9
2004	4.0	2.1	5.5	-18.3	-16.7	10.4	7.9
	North-East						
2003	5.9	3.1	7.1	-9.6	-17.7	5.4	11.1
2004	3.4	6.1	6.8	-12.5	11.2	4.2	-1.4
	Centre						
2003	1.2	1.4	8.3	-8.9	-32.3	5.9	0.7
2004	9.3	9.5	7.5	-4.3	29.4	4.5	8.8
	South and Islands						
2003	1.2	1.3	7.2	-11.9	-30.5	3.7	0.9
2004	3.1	4.2	6.7	-13.0	10.6	1.9	-0.8
	Italy						
2003	3.0	1.0	6.2	-13.9	-23.1	5.0	7.9
2004	4.8	5.1	6.5	-12.5	0.4	4.6	4.2

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.

(1) Net of funds raised from monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments. – (3) Data at face value derived from information on third parties' securities held for custody by banks.

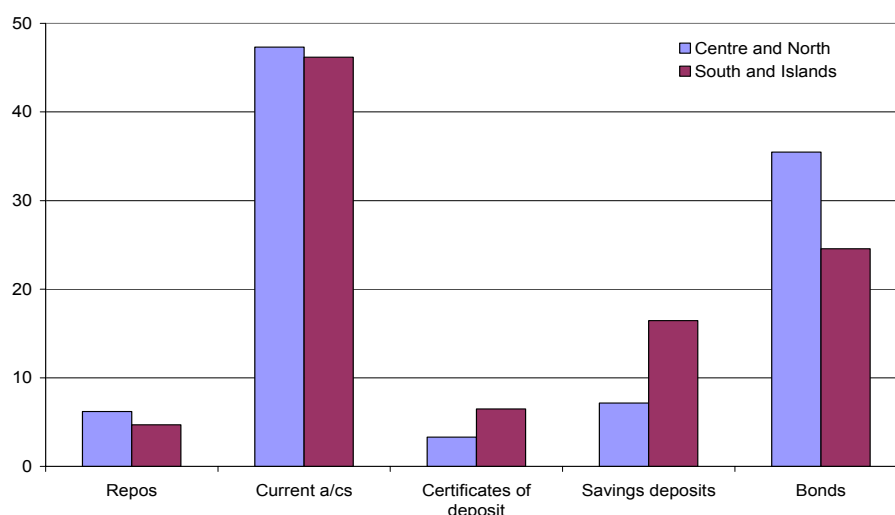
The rate of growth in bank bonds held by households, which owned more than 75 per cent of the amount outstanding at the end of 2003, was lower (2.6 per cent overall); in the Centre the expansion significantly exceeded the national average (8.5 per cent).

The composition of banks' funding by technical form of the instruments held by households continues to show marked geographical differences (Figure E4). The share of bonds is higher in the Centre and North, that of savings deposits is greater in the South and Islands.

Figure E4

**COMPOSITION OF BANK FUND-RAISING FROM HOUSEHOLDS
BY GEOGRAPHICAL AREA IN 2004**

(percentages)



Source: Based on supervisory reports. See the Methodological Notes in the Appendix.

Financial saving

The shift in the allocation of households' financial portfolio towards low-risk instruments gained pace in 2004. The stock of Italian government securities held by banks' Italian customers returned to growth (9.6 per cent; Table E8); for households, which had reduced their holdings by 10.5 per cent in 2003, the increase of 2.6 per cent was concentrated mainly in the North.

The rate of growth in bonds issued by the non-bank sector was lower than in 2003 (2.7 against 10.5 per cent); the increase recorded in the North-West (11.3 per cent) was set against a decrease in the rest of the country. In all the macro-regions households reduced their holdings of agency and corporate bonds (down by 11.4 per cent); the contraction was greater than the national average in the North-East and the South and Islands.

The total net inflow of funds to individually managed portfolios run by banks, investment firms and asset management companies increased with respect to 2003. The contraction in individually managed portfolios run by banks (15 per cent) involved all the geographical areas (Table E8); a factor in the decline was the growing tendency of banks to centralize financial investment services at their own group's asset management companies.

Table E8

**SECURITIES HELD FOR CUSTODY BY BANKS AND
INDIVIDUALLY MANAGED PORTFOLIOS AT BANKS
IN 2004 BY GEOGRAPHICAL AREA (1) (2)**
(millions of euros and percentage changes on previous year)

	North-West	North-East	Centre	South and Islands	Italy
Year-end stocks					
Securities held for custody	466,152	201,968	174,506	60,527	903,159
<i>of which: Ital. gov't securities</i>	175,430	80,344	64,820	26,577	347,171
<i>bonds</i>	105,607	47,087	36,959	8,527	198,180
Individually managed portfolios	45,288	22,893	16,570	4,982	89,733
Total	511,440	224,861	191,076	65,509	992,892
Percentage changes					
Securities held for custody	11.4	-1.2	1.3	-2.2	5.4
<i>of which: Ital. gov't securities</i>	19.1	-0.7	4.1	1.5	9.6
<i>bonds</i>	11.3	-3.2	-5.6	-17.6	2.7
Individually managed portfolios	-10.8	-22.9	-13.4	-16.2	-15.0
Total	9.0	-3.9	-0.1	-3.4	3.2

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.

(1) At face value. – (2) Excludes debt securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries), and securities deposited by collective investment undertakings and by foreign supplementary pension funds in connection with the performance of the depositary bank function.

In 2004 Italian investment funds' fund-raising was negative by €19 billion, in part owing to Italian savers' renewed taste for direct purchases of government securities; the northern regions accounted for more than 75 per cent of the reduction. Net redemptions were concentrated in money-market and bond funds; flexible funds, whose asset allocation between equities and bonds is unrestricted, were the only category of fund with net subscriptions in all the geographical areas (€7.3 billion), above all in the North-West. The outflow of savings from Italian investment funds and SICAVs is also attributable to banks' strategies of selling their customers investment funds that are operated by group asset management companies established in financial centres abroad.

In the South and Islands money-market funds accounted for more than 38 per cent of gross fund-raising, compared with 35 per cent in the Centre and 29 per cent in the North. Bond funds' share of the total was highest in the South and Islands, while equity funds' share was highest in the North.

Insurance companies' premium income grew, albeit more slowly than in the past; the fall in index-linked and unit-linked policies was a braking factor.

The structure of the financial system and distribution networks

There were 17 bank mergers and takeovers last year; they involved 0.4 per cent of the total assets of the banking system, compared with 1.7 per cent in 2003. The number of banks fell from 788 to 778 (Table aE1), while that of banking groups rose from 82 to 83.

In recent years Italy's main banking groups have consolidated their presence throughout the country. Between 1996 and 2004 groups whose banks have a nationwide branch network achieved a predominant share of lending in all the macro-regions, ranging from 43.6 per cent in the North-East to 55.2 per cent in the South and Islands (Table E9). A factor in the growth in the market share held by national banks and their groups was the decision by the latter to operate in local markets in part through smaller banks. In 2004 the market share of provincial banks belonging to groups headed by a national bank was equal to 4.6 per cent, up from 0.2 per cent in 1996; the degree of penetration rose substantially in the South and Islands (from a market share of nil to 6.5 per cent) and the Centre (from 0.5 to 8.5 per cent). The market shares of groups headed by a bank doing business throughout the country showed less dispersion between the different geographical areas at the end of 2004 than in 1996; the coefficient of variation between market shares fell from 27.4 to 9.9 per cent over the period. In addition, between 1996 and 2004 the market shares of local banks that either had no group affiliation or belonged to groups headed by provincial banks increased, attaining significant levels in the North-West and the North-East (9.4 and 16 per cent respectively).

Between 1996 and 2004 the ratio of banks' lending to fund-raising in the South and Islands vis-à-vis households and non-financial firms rose from 74 to 90 per cent. The bulk of the growth in the indicator came from banks based in the Centre and North or belonging to banking groups based in those areas. At the end of 2004 the ratio of lending to fund-raising of these banks was more than 30 percentage points higher than that of unaffiliated banks based in the South and Islands (94 against 62 per cent).

Table E9

SHARES OF THE LOAN MARKET BY GEOGRAPHICAL AREA
(percentages)

	Banks by territorial base of operation (1)				
	National	Interregional	Regional	Interprovincial	Provincial (2)
			North-West		
1996	38.8	27.1	11.2	7.8	3.0
2004	49.4	13.3	11.1	6.1	9.4
			North-East		
1996	29.5	19.5	15.0	19.2	10.0
2004	43.6	9.1	12.2	14.4	16.0
			Centre		
1996	56.1	11.1	7.0	6.7	2.2
2004	51.8	9.2	14.0	6.5	6.2
			South and Islands		
1996	50.8	16.9	11.5	9.3	4.0
2004	55.2	11.7	12.2	9.0	7.1
			Italy		
1996	43.6	19.5	10.8	10.0	4.3
2004	49.4	11.1	12.2	8.5	9.9

Source: Supervisory reports. See the Methodological Notes in the Appendix.

(1) For banks belonging to banking groups, market shares are assigned to the category of the parent company. (2) Includes local banks.

In 2004 the number of bank branches rose to almost 31,000, growing by 1.5 per cent, compared with 1.9 per cent in 2003 (Table aE1); the increase was largest in the Centre (2.1 per cent) and the South and Islands (1.7 per cent). At 31 December 2004 there were 2,215 financial shops in operation: 581 in the North-West, 485 in the North-East, 483 in the Centre and 666 in the South and Islands.

The total number of financial salesmen, including those employed by investment firms belonging to banking groups, fell by 3.9 per cent; at the end of 2004 there were around 33,000 financial salesmen working for banks.

The distance service distribution network was strengthened further. The number of POS terminals rose by 8.6 per cent, with higher rates of growth in the South and Islands (12.6 per cent) and Centre (11.6 per cent). The number of ATMs installed remained stable.

The number of users of distance banking services continued to increase in 2004. The number of customers using home, corporate and telephone banking services rose by 30 per cent overall. The increase in households using home banking was due largely to the growth in

transaction services: at the end of 2004 more than 80 per cent of home banking contracts allowed customers to order transactions at a distance. The number of firms accessing banking services through the Internet rose to 26 per cent of the total; the proportion ranged from 15.2 per cent in the South and Islands to over 29 per cent in the Centre and North-West.

The integration between the banking and Post Office circuits in recent years has contributed to the expansion of the postal ATM and POS network. At the end of 2004 Poste S.p.A. had a nationwide network of about 14,000 branches, 32,700 POS terminals and 2,900 ATMs (of which 4,000, 11,000 and 1,000 respectively located in the South and Islands). The South and Islands had larger shares of the national total of branches, POS terminals and ATMs operated by Poste S.p.A. than of those operated by the banking system (28, 33 and 34 per cent respectively, compared with figures of scarcely 20 per cent).

Table E10

**POST OFFICE CUSTOMERS:
CHANGES BETWEEN 1993 AND 2002 BY GEOGRAPHICAL AREA (1)**
(percentages)

	Percentage of total households					Breakdown of post-office customer households				
	1993	1995	1998	2000	2002	1993	1995	1998	2000	2002
North	2.7	2.7	3.9	4.1	6.4	31.1	27.5	34.2	29.7	37.8
Centre	1.9	2.3	2.4	3.4	3.4	21.4	24.3	20.6	24.2	20.2
South and Islands	4.1	4.6	5.2	6.4	7.1	47.6	48.2	45.2	46.2	42.0
Total	8.7	9.6	11.5	13.9	16.9	100.0	100.0	100.0	100.0	100.0

Source: Banca d'Italia, *Survey on Household Income and Wealth*, 1993-2002. See the Methodological Notes in the Appendix.

(1) The percentages are calculated using the sample weights and refer to the entire sample.

According to the Bank of Italy's Survey of Household Income and Wealth, between 1993 and 2002 the percentage of households having a current account or savings deposit with the Post Office rose from 8.7 to 16.9 per cent (Table E10).

The growth in postal savings was greatest in the northern regions, where the proportion of households that were customers of Poste S.p.A. rose from 2.7 to 6.4 per cent. Nonetheless, the largest share of Post Office customers resided in the South and Islands (42 per cent, compared with 37.8 per cent in the North and 20.2 per cent in the Centre).

Over the same period the composition of households' postal savings changed radically, with an increase in current accounts and a corresponding fall in savings deposits. The largest increase in the share of households holding a current account with the Post Office occurred between 1998 and 2000, in concomitance with the expansion of Bancoposta products.

The spread of postal current accounts was accompanied by a decline in the number of bank current accounts. Supervisory reports show that the uninterrupted expansion in the number of bank current accounts held by households, which between 1995 and 2002 had involved all the macro-regions, came to a halt in 2002. Between 2002 and 2004 the number declined by 3.8 per cent. The spread of bank current accounts is more limited in the South and Islands, where for every 1,000 inhabitants there are 284 active current accounts, compared with 677 in the North and 559 in the Centre. In the last two years the number of current accounts fell more markedly in the Centre and North.

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SYMBOLS AND CONVENTIONS

The following symbols are used in the tables in the text and the Appendix:

- the phenomenon in question does not occur;
- the phenomenon in question occurs but its value is not known;
- .. the value is known but is nil or less than half the final digit shown;
- :: the data are not statistically significant.

SECTORAL COMPOSITION OF VALUE ADDED IN 2003 (1)*(percentage shares and amounts in millions of euros at 1995 prices)*

	Agriculture, forestry & fishing	Industry excluding construction	Construction	Wholesale & retail trade, hotels, transport & communication	Financial intermediation; real-estate & business services	Other services	Total	Amounts (2)
Piedmont	2.2	27.3	5.6	25.0	25.1	14.7	100.0	82,564
Valle d'Aosta	1.6	14.2	4.5	28.8	23.5	27.4	100.0	2,511
Lombardy	1.8	31.0	4.3	23.5	26.8	12.7	100.0	200,987
Liguria	2.2	14.5	4.5	31.1	28.4	19.3	100.0	29,540
North-West	1.9	28.3	4.6	24.7	26.5	13.9	100.0	315,602
Trentino-Alto Adige	3.5	16.6	11.2	29.0	20.4	19.3	100.0	21,174
Veneto	2.9	28.8	6.0	25.5	23.0	13.7	100.0	89,084
Friuli-Venezia Giulia	2.8	23.0	5.7	25.5	25.8	17.3	100.0	23,595
Emilia-Romagna	3.4	28.0	5.8	25.0	23.4	14.5	100.0	86,489
North-East	3.1	26.7	6.4	25.7	23.2	14.9	100.0	220,342
Tuscany	1.7	23.6	4.9	26.9	24.9	18.0	100.0	66,053
Umbria	3.3	23.5	5.6	25.3	22.3	19.9	100.0	13,816
Marche	2.7	26.9	4.9	24.4	23.0	18.1	100.0	25,155
Lazio	1.3	14.6	3.8	27.0	28.4	24.9	100.0	101,228
Centre	1.8	19.6	4.4	26.5	26.2	21.5	100.0	206,252
Abruzzo	3.8	23.9	4.9	25.0	22.1	20.3	100.0	18,534
Molise	4.7	18.1	6.1	20.1	25.6	25.3	100.0	4,356
Campania	3.1	15.9	5.5	25.4	25.6	24.5	100.0	64,560
Puglia	5.4	16.0	5.3	24.1	26.2	22.9	100.0	45,069
Basilicata	5.2	22.6	6.1	19.0	22.3	24.7	100.0	7,100
Calabria	6.2	10.1	6.0	26.4	24.7	26.6	100.0	21,603
Sicily	4.6	11.5	5.8	24.1	27.1	27.0	100.0	57,353
Sardinia	4.3	14.7	6.8	26.0	24.0	24.2	100.0	20,877
South and Islands	4.4	15.1	5.7	24.7	25.5	24.7	100.0	239,452
Italy	2.8	22.9	5.2	25.3	25.4	18.4	100.0	982,313

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

(1) Value added at base prices, gross of imputed financial intermediation services. - (2) The total for Italy does not correspond to the sum of the individual regions or areas owing to geographically unattributed value added.

COMPOSITION OF MANUFACTURING VALUE ADDED IN 2002 (1)

(percentage shares)

	Food products, beverages & tobacco products	Textiles & clothing	Leather & leather products	Paper, paper products, printing & publishing	Coke, refined petroleum products, chemicals & pharmaceuticals	Non-metallic mineral products	Basic metals & fabricated metal products	Machinery, equipment, electrical apparatus, precision instruments & transport equipment	Wood, rubber & other products of industry	Total manufacturing industry
Piedmont	10.5	9.8	0.3	7.0	5.4	3.8	16.6	34.7	11.8	100.0
Valle d'Aosta	21.7	1.5	0.2	5.4	2.8	3.6	31.5	14.6	18.9	100.0
Lombardy	6.9	11.1	0.8	7.6	14.2	3.8	18.0	26.1	11.5	100.0
Liguria	13.2	2.0	0.1	6.2	5.9	6.2	19.9	38.6	7.9	100.0
North-West	8.2	10.3	0.6	7.4	11.5	3.9	17.8	28.9	11.5	100.0
Trentino-Alto Adige	11.6	4.1	0.4	11.8	4.6	7.4	15.4	22.7	21.9	100.0
Veneto	7.1	12.5	4.9	6.2	6.5	7.4	14.3	25.1	16.1	100.0
Friuli-Venezia Giulia	7.7	4.2	0.4	6.7	3.9	7.7	17.6	25.0	26.7	100.0
Emilia-Romagna	12.6	8.4	1.0	5.4	4.6	12.6	14.2	31.9	9.3	100.0
North-East	9.7	9.6	2.6	6.2	5.4	9.6	14.6	27.8	14.6	100.0
Tuscany	6.9	19.9	8.8	7.3	6.9	7.5	9.0	20.5	13.2	100.0
Umbria	14.6	13.1	0.5	6.6	7.9	11.5	18.1	16.0	11.7	100.0
Marche	8.4	8.2	13.9	5.4	6.0	3.6	11.8	23.2	19.5	100.0
Lazio	10.2	4.0	0.1	12.6	25.2	7.2	6.2	25.8	8.8	100.0
Centre	8.9	12.0	6.2	8.6	12.7	7.0	9.4	22.3	12.8	100.0
Abruzzo	11.7	11.1	1.5	6.5	8.4	12.3	11.6	26.9	10.0	100.0
Molise	24.9	11.6	0.1	3.0	11.6	8.4	8.3	22.7	9.5	100.0
Campania	17.8	7.4	3.8	6.0	6.6	5.4	10.2	33.6	9.2	100.0
Puglia	17.3	12.2	3.0	4.5	6.8	7.8	16.7	18.6	13.0	100.0
Basilicata	13.2	3.8	0.2	2.4	5.3	6.8	7.3	45.8	15.3	100.0
Calabria	27.9	5.3	0.3	4.6	7.4	13.6	8.9	18.2	13.7	100.0
Sicily	17.5	2.9	0.2	4.1	26.6	10.3	9.9	16.8	11.8	100.0
Sardinia	19.1	4.8	0.2	3.7	23.2	11.2	10.3	14.4	13.1	100.0
South and Islands	17.4	7.8	2.0	5.0	11.5	8.7	11.5	24.8	11.4	100.0
Italy	10.1	10.0	2.3	6.9	10.0	6.7	14.5	26.8	12.5	100.0

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

(1) Value added at base prices, gross of imputed financial intermediation services.

Table aB3

VALUE ADDED IN MANUFACTURING IN 1996-2002

(percentage changes at 1995 prices)

	Italy	North-West	North-East	Centre	South and Islands
Rates of growth					
Food products, beverages and tobacco	9.3	16.9	-1.4	4.9	15.2
Textiles and clothing	-6.5	-10.3	-6.8	-6.2	10.0
Leather and leather products	-18.8	-29.4	-16.9	-18.5	-14.5
Paper, paper products, printing and publishing	10.9	8.0	18.0	5.7	19.6
Coke, refined petroleum products, chemical and pharmaceuticals	-0.8	-4.5	-3.4	14.9	-5.5
Non-metallic mineral products	18.9	21.8	9.6	17.4	40.2
Basic metals and fabricated metal products	3.6	1.9	6.3	8.0	0.9
Machinery, electrical apparatus, precision instruments and transport equipment	9.1	0.5	10.1	22.7	25.4
Wood, rubber and other products of industry	14.5	7.5	13.0	19.6	35.2
Total manufacturing industry	5.9	1.8	5.6	9.0	15.5
Sectoral contribution to growth					
Food products, beverages and tobacco	0.9	1.2	-0.1	0.5	2.6
Textiles and clothing	-0.7	-1.2	-0.7	-0.9	0.8
Leather and leather products	-0.6	-0.3	-0.6	-1.5	-0.4
Paper, paper products, printing and publishing	0.7	0.6	1.0	0.5	0.9
Coke, refined petroleum products, chemical and pharmaceuticals	-0.1	-0.5	-0.2	1.8	-0.8
Non-metallic mineral products	1.1	0.7	0.9	1.1	2.9
Basic metals and fabricated metal products	0.5	0.3	0.9	0.8	0.1
Machinery, electrical apparatus, precision instruments and transport equipment	2.4	0.2	2.7	4.5	5.8
Wood, rubber and other products of industry	1.7	0.8	1.8	2.3	3.4
Total manufacturing industry	5.9	1.8	5.6	9.0	15.5
Geographical contribution to growth					
Food products, beverages and tobacco	9.3	5.2	-0.4	0.8	3.7
Textiles and clothing	-6.5	-4.4	-1.8	-1.3	1.0
Leather and leather products	-18.8	-3.5	-5.0	-8.5	-1.8
Paper, paper products, printing and publishing	10.9	3.5	4.2	1.3	2.0
Coke, refined petroleum products, chemical and pharmaceuticals	-0.8	-2.1	-0.5	2.9	-1.0
Non-metallic mineral products	18.9	5.0	4.0	3.2	6.6
Basic metals and fabricated metal products	3.6	0.9	1.7	0.9	0.1
Machinery, electrical apparatus, precision instruments and transport equipment	9.1	0.2	2.8	2.9	3.1
Wood, rubber and other products of industry	14.5	3.0	4.2	3.3	4.1
Total manufacturing industry	5.9	0.7	1.5	1.5	2.1

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

VALUE ADDED IN MANUFACTURING IN 2000-02
(percentage changes at 1995 prices)

	Italy	North-West	North-East	Centre	South and Islands
Rates of growth					
Food products, beverages and tobacco	3.9	4.5	-3.3	8.9	8.2
Textiles and clothing	-8.8	-7.9	-9.4	-10.0	-7.9
Leather and leather products	-12.4	-14.0	-17.6	-9.3	-8.5
Paper, paper products, printing and publishing	-0.1	1.7	3.6	-7.1	-0.4
Coke, refined petroleum products, chemical and pharmaceuticals	3.4	0.2	-1.6	12.7	5.8
Non-metallic mineral products	3.0	7.6	-2.1	0.9	10.8
Basic metals and fabricated metal products	-1.0	-1.4	-1.3	2.5	-1.9
Machinery, electrical apparatus, precision instruments and transport equipment	-4.2	-8.1	-3.5	-1.5	5.3
Wood, rubber and other products of industry	0.4	-0.4	-1.2	0.7	6.3
Total manufacturing industry	-1.7	-3.0	-3.2	-0.5	3.8
Sectoral contribution to growth					
Food products, beverages and tobacco	0.4	0.3	-0.3	0.7	1.4
Textiles and clothing	-0.9	-0.9	-1.0	-1.3	-0.7
Leather and leather products	-0.3	-0.1	-0.5	-0.6	-0.2
Paper, paper products, printing and publishing	0.0	0.1	0.2	-0.7	0.0
Coke, refined petroleum products, chemical and pharmaceuticals	0.3	0.0	-0.1	1.4	0.7
Non-metallic mineral products	0.2	0.3	-0.2	0.1	0.9
Basic metals and fabricated metal products	-0.1	-0.3	-0.2	0.2	-0.2
Machinery, electrical apparatus, precision instruments and transport equipment	-1.2	-2.5	-1.0	-0.3	1.3
Wood, rubber and other products of industry	0.0	0.0	-0.2	0.1	0.7
Total manufacturing industry	-1.7	-3.0	-3.2	-0.5	3.8
Geographical contribution to growth					
Food products, beverages and tobacco	3.9	1.5	-0.9	1.3	2.1
Textiles and clothing	-8.8	-3.2	-2.5	-2.1	-0.9
Leather and leather products	-12.4	-1.5	-5.7	-4.2	-1.1
Paper, paper products, printing and publishing	-0.1	0.7	0.9	-1.7	0.0
Coke, refined petroleum products, chemical and pharmaceuticals	3.4	0.1	-0.3	2.6	1.0
Non-metallic mineral products	3.0	1.7	-0.9	0.2	1.9
Basic metals and fabricated metal products	-1.0	-0.7	-0.3	0.3	-0.2
Machinery, electrical apparatus, precision instruments and transport equipment	-4.2	-3.7	-1.0	-0.2	0.7
Wood, rubber and other products of industry	0.4	-0.1	-0.4	0.1	0.8
Total manufacturing industry	-1.7	-1.2	-0.9	-0.1	0.5

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

COMPOSITION OF SERVICE VALUE ADDED IN 2002 (1)

(percentage shares)

	Retail & wholesale trade & repair services	Hotels & restaurants	Transport, storage & communication	Financial intermediation	Services to households & business (2)	Public administration (3)	Education	Health & social work	Other community, social & personal services; domestic services	Total services
Piedmont	21.9	3.3	13.4	8.7	30.0	5.0	5.1	6.7	5.9	100.0
Valle d'Aosta	11.6	11.1	13.9	5.3	23.9	15.6	4.8	6.5	7.3	100.0
Lombardy	22.1	4.3	10.9	12.9	30.0	3.7	4.2	5.6	6.3	100.0
Liguria	18.3	7.8	13.8	7.6	28.1	7.3	4.8	7.7	4.8	100.0
North-West	21.5	4.5	11.9	11.1	29.7	4.6	4.5	6.1	6.0	100.0
Trentino-Alto Adige	17.3	14.6	11.4	8.0	20.9	11.1	4.7	6.1	6.0	100.0
Veneto	23.9	6.8	11.1	8.6	27.6	5.0	5.3	6.0	5.7	100.0
Friuli-Venezia Giulia	18.4	5.8	12.9	8.8	28.3	9.1	5.6	6.0	5.1	100.0
Emilia-Romagna	21.5	6.6	12.1	9.7	27.2	5.2	5.0	6.5	6.4	100.0
North-East	21.7	7.4	11.7	9.0	26.8	6.2	5.2	6.2	5.9	100.0
Tuscany	22.1	6.0	11.0	9.5	25.7	6.2	5.7	6.8	6.9	100.0
Umbria	20.5	5.7	11.6	7.6	25.4	7.6	7.4	8.1	6.1	100.0
Marche	19.8	6.8	10.8	8.7	26.2	6.6	7.1	7.8	6.3	100.0
Lazio	14.7	3.6	15.4	9.8	25.3	10.6	5.6	6.2	8.8	100.0
Centre	17.9	4.8	13.3	9.5	25.5	8.7	5.9	6.6	7.8	100.0
Abruzzo	19.3	5.4	12.4	7.3	25.2	8.5	7.8	8.7	5.6	100.0
Molise	15.7	3.8	9.5	7.0	28.8	11.3	8.7	9.3	6.0	100.0
Campania	17.5	3.8	12.3	5.7	27.8	8.8	10.1	8.5	5.4	100.0
Puglia	20.2	3.6	9.2	6.7	29.0	8.6	9.0	8.0	5.6	100.0
Basilicata	17.6	3.6	7.9	6.7	26.8	12.2	10.9	9.0	5.3	100.0
Calabria	18.8	4.3	11.3	5.5	25.5	10.1	10.6	8.9	5.0	100.0
Sicily	16.2	3.9	10.9	5.8	28.2	11.6	9.4	8.8	5.3	100.0
Sardinia	19.4	5.6	10.6	5.8	26.6	11.0	8.3	8.0	4.8	100.0
South and Islands	18.1	4.1	11.0	6.0	27.6	9.9	9.5	8.5	5.4	100.0
Italy	19.8	5.1	11.9	9.0	27.6	7.2	6.3	6.9	6.2	100.0

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

(1) Value added at base prices, gross of imputed financial intermediation services. - (2) Includes real-estate, renting and business services. - (3) Includes defence and compulsory social security.

GDP GROWTH*(time averages and percentage changes on previous year; constant prices)*

	1983-91	1992-93	1994-95	1996-2000	2001	2002	2003	2004 (1)
Piedmont	2.2	-0.6	3.4	1.5	0.8	-0.5	-0.1	....
Valle d'Aosta	2.2	-0.2	0.2	0.7	3.6	-0.8	0.0	....
Lombardy	3.2	-0.9	3.3	1.7	1.9	0.2	-0.5	....
Liguria	1.7	-2.3	1.6	1.9	2.9	-1.0	0.9	....
North-West	2.8	-0.9	3.1	1.6	1.7	-0.1	-0.3	1.1
Trentino-Alto Adige	2.5	0.5	1.6	2.4	0.5	0.4	0.4	....
Veneto	2.6	1.2	4.0	2.4	0.6	-0.7	0.4	....
Friuli-Venezia Giulia	2.6	0.2	5.8	1.4	1.8	1.2	1.6	....
Emilia-Romagna	2.1	0.9	4.3	2.1	1.3	0.7	0.3	....
North-East	2.4	0.9	4.1	2.2	1.0	0.1	0.5	0.8
Tuscany	1.7	0.5	2.9	2.1	1.7	-0.2	0.3	....
Umbria	1.9	1.2	2.6	2.1	1.4	-0.5	-0.4	....
Marche	2.1	0.9	4.9	2.5	1.7	-0.3	0.7	....
Lazio	3.2	0.6	1.3	1.5	2.4	1.5	1.1	....
Centre	2.5	0.7	2.3	1.9	2.0	0.6	0.7	2.6
Abruzzo	2.9	-0.9	2.0	2.0	1.8	0.1	-0.1	....
Molise	2.9	-0.2	1.9	1.7	2.1	2.4	-1.2	....
Campania	1.8	-0.1	0.8	2.1	2.7	1.7	0.5	....
Puglia	3.0	-0.8	1.4	2.4	1.3	0.6	-0.8	....
Basilicata	2.3	2.1	3.4	3.1	-1.3	1.6	-0.5	....
Calabria	2.7	1.1	1.1	2.0	2.7	1.1	0.8	....
Sicily	2.2	-1.2	-0.8	2.1	3.2	0.7	1.8	....
Sardinia	2.3	0.8	0.1	1.8	3.1	1.1	-0.3	....
South and Islands	2.4	-0.3	0.7	2.1	2.4	1.0	0.4	0.6
Italy	2.5	-0.1	2.6	1.9	1.8	0.4	0.3	1.2

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

(1) Istat, *Conti economici territoriali: stima anticipata per grandi ripartizioni geografiche*. Published by Istat on 8 June 2005.

Table aB7

GDP PER CAPITA GROWTH*(time averages and percentage changes on previous year; constant prices)*

	1983-91	1992-93	1994-95	1996-2000	2001	2002	2003	Absolute values 2003 (1)
Piedmont	2.6	-0.6	3.5	1.5	0.7	-0.6	-0.6	20.3
Valle d'Aosta	1.9	-1.1	-0.2	0.4	3.3	-1.3	-0.8	23.3
Lombardy	3.2	-1.1	3.1	1.3	1.3	-0.4	-1.4	22.5
Liguria	2.5	-1.9	1.7	2.3	3.3	-0.8	0.9	19.6
North-West	3.0	-1.0	3.1	1.5	1.4	-0.5	-1.0	21.6
Trentino-Alto Adige	2.3	-0.2	1.0	1.8	-0.3	-0.4	-0.6	23.0
Veneto	2.5	0.8	3.8	1.9	0.0	-1.5	-0.7	20.4
Friuli-Venezia Giulia	2.9	0.4	5.9	1.5	1.5	0.8	0.9	20.7
Emilia-Romagna	2.2	0.7	4.3	1.7	0.6	-0.1	-0.8	22.4
North-East	2.4	0.6	3.9	1.8	0.4	-0.6	-0.5	21.4
Tuscany	1.8	0.5	2.9	2.0	1.4	-0.5	-0.3	19.6
Umbria	1.9	0.9	2.2	1.8	0.9	-1.0	-1.4	16.9
Marche	2.0	0.6	4.7	2.2	1.2	-1.0	-0.2	18.0
Lazio	2.9	0.3	1.1	1.2	1.8	1.1	0.5	19.6
Centre	2.4	0.4	2.2	1.6	1.5	0.1	0.0	19.2
Abruzzo	2.7	-1.3	1.6	1.9	1.6	-0.2	-0.6	15.4
Molise	2.8	-0.4	1.8	1.9	2.4	2.5	-1.2	14.2
Campania	1.5	-0.7	0.2	2.0	2.7	1.6	0.2	11.8
Puglia	2.5	-1.2	1.2	2.3	1.3	0.6	-0.9	11.9
Basilicata	2.3	2.0	3.5	3.2	-1.1	1.9	-0.3	12.9
Calabria	2.7	1.0	1.2	2.3	3.2	1.5	0.8	11.5
Sicily	2.0	-1.6	-1.5	2.2	3.5	0.9	1.8	12.4
Sardinia	2.0	0.5	0.0	1.9	3.4	1.2	-0.4	13.7
South and Islands	2.1	-0.7	0.3	2.1	2.5	1.1	0.3	12.4
Italy	2.5	-0.3	2.3	1.8	1.5	0.1	-0.3	17.8

Source: Based on Istat and Svimez data. See the Methodological Notes.

(1) At 1995 prices.

GROSS FIXED INVESTMENT, SALES, AND EMPLOYMENT IN FIRMS WITH AT LEAST 20 EMPLOYEES (1)

(percentage changes on previous year at constant prices)

	Location of registered office				Actual location (2)			
	2004		2005 (3)		2004		2005 (3)	
	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)	Industry excluding construction	Services (4)
North-West								
Investment (5)	-3.2	-8.2	1.9	-2.8	-6.5	-6.0	-1.5	-7.9
Sales	2.1	3.0	1.5	2.2	2.5	2.7	0.5	3.0
Employment	-2.1	1.3	...	...	-2.2	1.9	...	...
North-East								
Investment (5)	1.4	-2.6	-2.8	-3.1	0.3	-4.0	-3.2	0.4
Sales	2.4	2.6	3.0	3.5	3.1	2.2	2.5	3.3
Employment	-1.1	2.1	...	...	-1.1	0.9	...	...
Centre								
Investment (5)	-5.0	-1.4	3.1	-3.0	-2.5	-5.6	1.6	4.0
Sales	14.0	3.4	1.6	4.9	9.0	4.6	7.2	4.2
Employment	-1.6	1.1	...	...	-0.9	1.5	...	...
South and Islands								
Investment (5)	-0.6	-0.8	-8.9	-10.9	2.0	-2.9	6.1	-6.3
Sales	0.9	6.5	2.4	3.1	5.2	5.6	-1.7	2.7
Employment	-0.6	3.4	...	...	-1.3	3.2	...	...
Italy								
Investment (5)	-2.4	-4.9	0.2	-3.6	-2.4	-4.9	0.2	-3.6
Sales	4.0	3.3	1.9	3.3	4.0	3.3	1.9	3.3
Employment	-1.6	1.7	...	...	-1.6	1.7	...	...

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

(1) The deflator of investment was calculated as the average of the price changes reported by sample firms. – (2) Investment and employment are classified by geographical area according to actual location; the breakdown of sales by geographical area is estimated on the basis of employment. – (3) Forecasts. – (4) Private non-financial services. – (5) "Winsorized" robust averages obtained by reducing the outliers of the distribution of annual changes in investment on the basis of the 5th and 95th percentiles. The method was applied taking account of the proportions polled in each stratum of the sample ("Winsorized Type II estimator").

EXPORTS OF MANUFACTURES (FOB) BY REGION IN 2004*(percentage shares on 2003)*

	Total products of manufacturing	Food products	Textiles and clothing	Leather and footwear	Chemical products	Non-metallic mineral products	Basic metals and fabricated metal products	Machinery, equipment, electrical apparatus and precision instruments	Transport equipment	Other products of manufacturing
Piedmont	4.4	8.7	1.4	-19.3	9.2	-1.7	21.5	3.5	0.7	5.0
Valle d'Aosta	19.8	14.7	-0.1	27.0	17.4	-12.3	40.5	2.0	-21.3	10.3
Lombardy	4.6	5.2	-3.4	0.4	0.8	3.4	22.3	4.3	0.4	3.8
Liguria	-0.3	-12.4	0.4	-24.7	-9.5	-2.9	-2.5	5.7	-12.7	19.8
North-West	4.5	5.8	-2.1	-3.9	1.6	1.4	21.7	4.1	0.2	4.6
Trentino-Alto Adige	10.6	-1.4	3.6	-0.1	2.1	4.1	21.3	22.1	24.2	2.2
Veneto	4.3	5.5	1.6	0.3	-11.2	1.7	21.0	7.1	4.4	1.0
Friuli-Venezia Giulia	20.0	1.7	7.5	-17.8	16.6	4.2	34.9	10.6	127.8	2.1
Emilia-Romagna	9.5	7.7	-2.3	-0.4	10.7	4.9	20.2	11.4	15.4	5.6
North East	8.2	5.2	0.5	0.1	1.0	4.0	23.0	9.9	22.3	2.1
Tuscany	6.9	4.8	..	2.2	5.3	-0.6	17.2	26.2	5.8	-1.3
Umbria	12.3	-2.1	1.9	10.8	5.7	-3.9	29.1	5.2	30.6	6.8
Marche	2.3	11.6	-0.4	-3.4	-24.1	2.7	-3.8	9.8	18.6	1.7
Lazio	5.0	8.0	-11.3	-6.8	18.2	9.4	5.6	-9.0	-9.6	22.4
Centre	5.7	5.2	-0.7	..	11.0	1.4	14.0	10.6	..	4.1
Abruzzo	13.6	12.7	-3.6	-6.7	0.5	9.6	11.3	17.8	32.2	-0.2
Molise	3.3	-12.5	4.0	75.6	-16.5	155.3	12.5	42.4	-13.8	4.7
Campania	3.8	-6.6	-6.9	-20.2	-3.4	..	11.7	14.3	27.3	-7.1
Puglia	17.2	1.0	-0.6	-6.7	36.8	-10.9	79.6	11.0	20.3	0.1
Basilicata	-14.9	18.3	11.0	56.3	-0.2	10.0	115.0	11.3	-25.3	-2.3
Calabria	8.6	-3.3	27.1	-7.1	3.0	-42.0	-2.5	17.5	59.7	9.4
South	8.7	-3.2	-2.3	-11.0	5.6	3.8	49.0	15.4	16.6	-1.7
Sicily	9.7	17.6	-39.0	-39.7	16.7	-3.1	47.6	13.5	-19.8	10.6
Sardinia	16.4	-17.6	46.1	-52.5	20.5	4.2	38.4	-43.4	65.3	17.7
Islands	12.0	4.7	-22.9	-40.5	17.9	-2.3	41.1	7.0	-14.8	13.3
Italy	6.4	4.2	-1.1	-1.7	4.3	3.1	23.3	7.5	7.8	4.2

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

**EXPORT SPECIALIZATION INDICES BY REGION AND
BY BRANCH OF MANUFACTURING INDUSTRY IN 2004 (1)**

	Food products	Textiles and clothing	Leather and footwear	Chemical products	Non-metallic mineral products	Basic metals and fabricated metal products	Machinery, equipment, electrical apparatus and precision instruments	Transport equipment		Other manufactured products
									of which: motor vehicles and engines	
Piedmont	1.35	0.98	0.17	0.65	0.46	0.78	0.90	2.18	2.71	0.92
Valle d'Aosta	0.70	0.22	0.07	0.08	0.20	5.82	0.66	0.60	0.83	0.48
Lombardy	0.67	1.07	0.32	1.47	0.43	1.39	1.16	0.63	0.67	0.80
Liguria	1.23	0.44	0.12	1.28	1.33	1.08	1.12	0.98	0.44	0.99
North-West	0.87	1.02	0.27	1.23	0.46	1.23	1.08	1.07	1.23	0.84
Trentino-Alto Adige	2.86	0.56	0.53	0.81	0.96	0.94	0.90	1.06	1.40	1.06
Veneto	0.92	1.27	2.30	0.44	1.07	0.91	1.03	0.60	0.36	1.12
Friuli-Venezia Giulia	0.68	0.23	0.06	0.35	0.64	1.38	1.10	1.33	0.26	1.72
Emilia-Romagna	1.26	0.81	0.39	0.63	3.31	0.69	1.33	1.03	1.22	0.43
North-East	1.13	0.94	1.22	0.52	1.88	0.88	1.15	0.87	0.74	0.92
Tuscany	0.92	1.98	3.11	0.67	1.13	0.55	0.71	0.67	0.30	1.09
Umbria	1.24	1.45	0.52	0.61	0.93	3.53	0.66	0.34	0.30	0.55
Marche	0.25	0.77	4.35	0.40	0.29	0.70	1.35	0.23	0.07	1.05
Lazio	0.64	0.32	0.20	3.77	0.73	0.28	0.74	1.14	0.89	0.92
Centre	0.73	1.29	2.49	1.37	0.85	0.69	0.85	0.68	0.39	1.01
Abruzzo	0.77	1.07	0.33	0.72	1.63	0.63	0.85	2.45	3.29	0.73
Molise	1.21	5.34	0.75	1.15	0.13	0.05	0.21	0.05	0.06	1.30
Campania	3.51	0.63	1.45	0.83	0.55	0.51	0.39	2.54	2.33	0.73
Puglia	0.96	0.61	2.53	0.71	0.37	2.42	0.41	0.89	0.87	1.48
Basilicata	0.22	0.15	0.34	0.41	0.11	0.22	0.12	4.92	6.86	1.95
Calabria	3.15	0.86	0.08	2.25	0.33	0.24	0.90	0.35	0.20	1.08
South	1.74	0.85	1.33	0.77	0.77	1.05	0.51	2.09	2.38	1.03
Sicily	1.13	0.06	0.02	1.60	0.56	0.27	0.39	0.51	0.56	3.73
Sardinia	0.83	0.06	..	1.50	0.13	1.15	0.05	0.12	0.07	4.46
Islands	1.02	0.06	0.02	1.56	0.41	0.58	0.27	0.38	0.39	3.99

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

(1) Calculated as the ratio of each branch's share of total regional exports of manufactures to the branch's share of total Italian exports of manufactures.

Table. aC3

EXPORTS (FOB) BY GEOGRAPHICAL AREA IN 2004 (1)
(percentage changes on previous year at current prices)

Outlet markets	North-West	North-East	Centre	South and Islands	Italy
Euro area	3.8	6.1	0.3	9.2	4.2
<i>of which: Germany</i>	4.4	1.7	-4.3	7.9	2.6
<i>France</i>	5.2	5.7	0.7	6.8	4.8
United Kingdom	0.5	6.4	-0.4	11.1	3.8
Central and Eastern Europe	8.1	8.4	8.3	-5.1	8.0
Other European countries	12.0	15.3	24.5	6.7	14.4
North America	-2.4	2.4	4.5	7.2	1.7
<i>of which: the United States</i>	-1.4	1.7	4.0	8.2	1.8
South and Central America	2.7	26.7	19.6	7.4	14.4
Asia	5.1	9.2	7.7	20.2	8.2
<i>of which: China</i>	19.3	8.3	18.6	16.4	15.4
<i>Japan</i>	-2.1	-2.2	4.2	11.4	0.0
Africa, Australia and others	2.7	10.9	14.2	10.3	7.6
Total	4.4	7.8	5.7	8.9	6.1

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

(1) Some methodological changes were made to foreign trade statistics in 2004. For comparability with 2003, "goods procured in ports" were excluded from the data by geographical area and included only in the data for Italy.

Table. aC4

CHANGES IN ITALY'S MARKET SHARES OF EXPORTS TO 21 OECD COUNTRIES

Components	1992-2002		1992-96		1997-2002	
	Change	Rate of change	Change	Rate of change	Change	Rate of change
Italy						
Total effect	-0.853	-16.1	0.067	1.3	-0.920	-17.3
Competitiveness effect	0.076	1.4	0.667	12.6	-0.591	-11.1
Adaptation effect (1)	-0.323	-6.1	-0.166	-3.1	-0.157	-3.0
<i>of which: product</i>	-0.036	-0.7	-0.027	-0.5	-0.009	-0.2
<i>geographical</i>	-0.134	-2.5	-0.076	-1.4	-0.058	-1.1
Structure effect (1)	-0.606	-11.4	-0.434	-8.2	-0.173	-3.3
<i>of which: product</i>	-0.186	-3.5	-0.120	-2.3	-0.066	-1.2
<i>geographical</i>	-0.493	-9.3	-0.379	-7.1	-0.114	-2.1
North-West						
Total effect	-0.660	-26.7	-0.094	-3.8	-0.566	-22.9
Competitiveness effect	-0.315	-12.8	0.123	5.0	-0.438	-17.8
Adaptation effect (1)	-0.137	-5.5	-0.062	-2.5	-0.074	-3.0
<i>of which: product</i>	-0.018	-0.7	-0.010	-0.4	-0.007	-0.3
<i>geographical</i>	-0.052	-2.1	-0.026	-1.0	-0.027	-1.1
Structure effect (1)	-0.209	-8.5	-0.155	-6.3	-0.054	-2.2
<i>of which: product</i>	-0.034	-1.4	-0.021	-0.9	-0.012	-0.5
<i>geographical</i>	-0.223	-9.0	-0.169	-6.9	-0.053	-2.2
North-East						
Total effect	-0.085	-5.6	0.139	9.2	-0.224	-14.7
Competitiveness effect	0.286	18.8	0.372	24.4	-0.086	-5.7
Adaptation effect (1)	-0.110	-7.3	-0.068	-4.5	-0.042	-2.8
<i>of which: product</i>	-0.014	-0.9	-0.014	-0.9	0.000	0.0
<i>geographical</i>	-0.053	-3.5	-0.034	-2.3	-0.019	-1.2
Structure effect (1)	-0.260	-17.1	-0.164	-10.8	-0.096	-6.3
<i>of which: product</i>	-0.100	-6.6	-0.055	-3.6	-0.045	-3.0
<i>geographical</i>	-0.161	-10.6	-0.124	-8.1	-0.038	-2.5
Centre						
Total effect	-0.073	-9.1	0.064	8.0	-0.137	-17.1
Competitiveness effect	0.077	9.6	0.167	20.9	-0.090	-11.3
Adaptation effect (1)	-0.058	-7.2	-0.030	-3.8	-0.028	-3.4
<i>of which: product</i>	-0.008	-1.0	-0.004	-0.5	-0.004	-0.5
<i>geographical</i>	-0.026	-3.2	-0.017	-2.2	-0.008	-1.0
Structure effect (1)	-0.092	-11.5	-0.073	-9.1	-0.019	-2.4
<i>of which: product</i>	-0.031	-3.9	-0.023	-2.9	-0.008	-1.0
<i>geographical</i>	-0.067	-8.4	-0.054	-6.7	-0.013	-1.6
South and Islands						
Total effect	0.039	8.9	0.030	6.8	0.009	2.1
Competitiveness effect	0.108	24.4	0.079	17.7	0.030	6.7
Adaptation effect (1)	-0.039	-8.9	-0.010	-2.4	-0.029	-6.5
<i>of which: product</i>	0.003	0.6	-0.001	-0.2	0.003	0.8
<i>geographical</i>	-0.005	-1.0	-0.004	-0.8	-0.001	-0.2
Structure effect (1)	-0.029	-6.6	-0.038	-8.5	0.008	1.9
<i>of which: product</i>	-0.002	-0.6	-0.019	-4.2	0.016	3.6
<i>geographical</i>	-0.040	-9.0	-0.029	-6.5	-0.011	-2.5

Sources: Based on Istat and OECD data. See the Methodological Notes.

(1) Includes the residual effect.

EMPLOYMENT AND THE LABOUR FORCE IN 2004*(thousands of persons and percentage changes)*

	Employment					Job seekers	Labour force
	Agriculture	Industry excluding construction	Construction	Services	Total		
Average values							
Piedmont	68	522	135	1,071	1,796	100	1,895
Valle d'Aosta	2	7	7	39	56	2	57
Lombardy	73	1,274	317	2,488	4,152	175	4,327
Liguria	12	78	47	470	607	37	644
North-West	154	1,881	506	4,068	6,609	313	6,923
Trentino-Alto Adige	29	76	38	295	438	13	451
Veneto	86	633	167	1,156	2,042	90	2,133
Friuli-Venezia Giulia	15	127	37	321	500	20	520
Emilia-Romagna	89	521	129	1,106	1,846	71	1,917
North-East	219	1,358	371	2,878	4,827	195	5,021
Tuscany	59	360	113	956	1,488	82	1,569
Umbria	13	78	28	221	340	21	360
Marche	23	209	41	360	633	36	669
Lazio	38	257	138	1,643	2,076	179	2,255
Centre	133	904	320	3,180	4,537	317	4,854
Abruzzo	23	106	42	308	479	41	520
Molise	9	21	11	68	109	14	123
Campania	88	252	170	1,251	1,761	326	2,088
Puglia	121	205	120	790	1,235	226	1,461
Basilicata	21	36	23	114	194	29	222
Calabria	74	55	64	428	620	103	724
Sicily	109	143	136	1,051	1,439	300	1,739
Sardinia	37	75	70	411	593	96	689
South and Islands	483	893	636	4,419	6,431	1,135	7,567
Italy	990	5,036	1,833	14,546	22,404	1,960	24,365
Percentage changes on 2003							
Piedmont	12.6	-4.3	-0.2	3.4	1.1	-2.5	0.8
Valle d'Aosta	3.7	-5.8	4.3	-2.0	-1.6	-21.2	-2.3
Lombardy	19.5	4.0	9.9	-1.0	1.6	15.6	2.1
Liguria	21.0	-0.8	5.3	-1.1	-0.2	-12.4	-1.0
North-West	16.2	1.3	6.5	0.1	1.3	5.1	1.4
Trentino-Alto Adige	5.9	-1.7	2.5	2.2	1.7	7.5	1.9
Veneto	-6.9	1.1	3.2	0.8	0.7	12.9	1.2
Friuli-Venezia Giulia	14.2	-2.5	-7.3	0.0	-0.9	-25.0	-2.1
Emilia-Romagna	-1.4	-7.0	8.5	0.7	-1.2	18.3	-0.6
North-East	-1.9	-2.7	3.7	0.8	-0.1	8.6	0.2
Tuscany	27.1	2.6	2.1	-2.0	0.3	6.7	0.6
Umbria	-0.8	-6.0	8.8	5.9	2.8	-10.1	2.0
Marche	17.9	2.3	14.1	-0.8	1.7	19.9	2.5
Lazio	-12.2	-1.4	4.2	5.8	4.3	-10.2	3.0
Centre	8.7	0.6	5.0	2.6	2.5	-3.5	2.1
Abruzzo	-1.8	3.6	-2.5	-5.4	-3.1	-8.8	-3.6
Molise	-0.4	3.6	-5.3	1.5	1.0	9.7	1.9
Campania	-3.7	-7.6	3.4	0.3	-0.8	-9.4	-2.2
Puglia	-2.9	-4.9	14.3	-1.1	-0.6	3.4	0.0
Basilicata	4.4	-7.0	10.2	-2.1	-1.1	-3.9	-1.5
Calabria	12.1	7.9	-5.5	0.8	1.9	-13.7	-0.7
Sicily	-1.1	-7.2	10.2	0.1	0.1	-16.9	-3.3
Sardinia	-12.6	0.0	2.3	1.5	0.4	0.8	0.5
South and Islands	-1.1	-3.9	5.2	-0.3	-0.4	-8.6	-1.7
Italy	2.4	-0.9	5.2	0.7	0.7	-4.3	0.3

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

TOTAL EMPLOYMENT
(thousands of persons)

	1993	1995	1998	2001	2002	2003	2004
Men and women							
Piedmont	1,689	1,667	1,652	1,745	1,752	1,777	1,796
Valle d'Aosta	54	53	54	56	57	56	56
Lombardy	3,700	3,660	3,737	3,916	3,983	4,086	4,152
Liguria	630	603	617	642	636	608	607
North-West	6,074	5,984	6,061	6,360	6,427	6,528	6,609
Trentino-Alto Adige	393	389	410	422	429	431	438
Veneto	1,786	1,780	1,840	1,942	1,953	2,027	2,042
Friuli-Venezia Giulia	473	476	483	509	511	504	500
Emilia-Romagna	1,734	1,701	1,726	1,820	1,851	1,870	1,846
North-East	4,385	4,346	4,460	4,694	4,745	4,832	4,827
Tuscany	1,344	1,326	1,330	1,417	1,426	1,484	1,488
Umbria	315	305	312	339	335	330	340
Marche	562	556	562	594	601	623	633
Lazio	1,765	1,702	1,739	1,829	1,899	1,990	2,076
Centre	3,985	3,890	3,943	4,179	4,261	4,427	4,537
Abruzzo	482	477	481	508	511	495	479
Molise	117	109	107	112	112	108	109
Campania	1,732	1,632	1,678	1,707	1,759	1,775	1,761
Puglia	1,243	1,180	1,180	1,262	1,279	1,243	1,235
Basilicata	187	179	180	186	189	196	194
Calabria	614	576	563	577	591	609	620
Sicily	1,400	1,330	1,384	1,439	1,449	1,437	1,439
Sardinia	546	539	554	581	590	591	593
South and Islands	6,321	6,021	6,127	6,371	6,480	6,454	6,431
Italy	20,765	20,240	20,591	21,604	21,913	22,241	22,404
Women							
Piedmont	659	656	666	742	747	750	754
Valle d'Aosta	21	21	22	23	23	25	24
Lombardy	1,406	1,414	1,477	1,605	1,647	1,694	1,717
Liguria	246	243	257	279	278	259	254
North-West	2,333	2,334	2,423	2,650	2,695	2,728	2,749
Trentino-Alto Adige	140	140	159	165	166	177	183
Veneto	637	642	690	763	772	801	810
Friuli-Venezia Giulia	149	156	167	185	189	202	207
Emilia-Romagna	711	704	733	798	818	819	802
North-East	1,637	1,642	1,748	1,910	1,944	2,000	2,002
Tuscany	482	492	508	570	580	615	619
Umbria	123	119	129	148	145	142	143
Marche	207	209	214	240	246	260	266
Lazio	612	605	640	719	748	793	852
Centre	1,425	1,424	1,492	1,676	1,719	1,810	1,879
Abruzzo	196	190	199	208	217	200	186
Molise	41	38	38	40	40	38	40
Campania	541	523	539	549	565	578	573
Puglia	381	360	363	409	423	405	399
Basilicata	60	58	59	61	63	67	67
Calabria	190	183	173	186	192	203	214
Sicily	391	365	401	445	455	458	457
Sardinia	171	167	184	202	208	211	218
South and Islands	1,971	1,884	1,956	2,100	2,162	2,159	2,153
Italy	7,366	7,284	7,618	8,337	8,521	8,697	8,783

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

MAIN LABOUR MARKET INDICATORS

(percentage ratios to population aged 15-64)

	Participation rate		Employment rate		Unemployment rate (1)	
	2003	2004	2003	2004	2003	2004
Piedmont	66.7	66.9	63.1	63.4	5.4	5.3
Valle d'Aosta	70.2	69.1	67.5	67.0	3.7	3.0
Lombardy	67.6	68.3	65.2	65.5	3.6	4.0
Liguria	64.6	63.9	60.4	60.2	6.5	5.8
North-West	67.1	67.5	64.2	64.4	4.4	4.5
Trentino-Alto Adige	69.1	69.5	67.1	67.4	2.8	2.9
Veneto	67.4	67.2	64.8	64.3	3.8	4.2
Friuli-Venezia Giulia	66.5	65.1	63.1	62.5	5.1	3.9
Emilia-Romagna	71.8	70.9	69.5	68.3	3.1	3.7
North-East	69.1	68.5	66.6	65.8	3.6	3.9
Tuscany	67.0	66.7	63.7	63.2	4.9	5.2
Umbria	65.2	65.2	60.9	61.4	6.5	5.7
Marche	67.1	67.4	64.0	63.8	4.5	5.3
Lazio	62.8	63.6	57.0	58.5	9.1	7.9
Centre	64.9	65.2	60.4	60.9	6.9	6.5
Abruzzo	63.5	61.2	58.1	56.3	8.4	7.9
Molise	57.9	58.7	51.8	52.0	10.5	11.3
Campania	55.0	53.5	45.7	45.0	16.9	15.6
Puglia	53.5	53.4	45.4	45.0	15.0	15.5
Basilicata	57.2	56.4	49.6	49.1	13.2	12.8
Calabria	54.2	53.7	45.2	46.0	16.5	14.3
Sicily	54.4	52.3	43.4	43.2	20.1	17.2
Sardinia	59.5	59.6	51.2	51.2	13.8	13.9
South and islands	55.5	54.3	46.5	46.1	16.1	15.0
Islands						
Italy	62.9	62.5	57.5	57.4	8.4	8.0

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

(1) Percentage ratio of job seekers aged 15-74 to labour force of persons aged 15 and older.

Table aD4

**COMPOSITION OF EMPLOYMENT BY GEOGRAPHICAL AREA AND
TYPE OF EMPLOYMENT RELATIONSHIP**
(thousands of persons and percentage shares)

	Employment					Share		
	1995	2000	2003	2003 (1)	2004 (1)	1995	2000	2004 (1)
North-West								
Self-employment	1,642	1,678	1,716	1,761	1,810	27.4	26.7	27.4
Payroll employment	4,354	4,616	4,857	4,766	4,799	72.6	73.3	72.6
<i>of which: permanent</i>	4,142	4,282	4,514	4,337	4,385	69.1	68.0	66.3
<i>fixed-term</i>	212	334	343	429	414	3.5	5.3	6.3
North-East								
Self-employment	1,314	1,367	1,349	1,407	1,382	30.5	29.6	28.6
Payroll employment	2,992	3,247	3,436	3,424	3,445	69.5	70.4	71.4
<i>of which: permanent</i>	2,777	2,961	3,113	3,048	3,087	64.5	64.2	64.0
<i>fixed-term</i>	214	285	322	376	358	5.0	6.2	7.4
Centre								
Self-employment	1,174	1,204	1,260	1,241	1,313	29.1	28.3	28.9
Payroll employment	2,855	3,050	3,235	3,186	3,224	70.9	71.7	71.1
<i>of which: permanent</i>	2,692	2,768	2,927	2,796	2,850	66.8	65.1	62.8
<i>fixed-term</i>	163	282	307	390	374	4.1	6.6	8.2
South and Islands								
Self-employment	1,692	1,700	1,684	1,793	1,782	29.7	28.7	27.7
Payroll employment	4,004	4,218	4,519	4,663	4,649	70.3	71.3	72.3
<i>of which: permanent</i>	3,552	3,591	3,909	3,886	3,885	62.4	60.7	60.4
<i>fixed-term</i>	452	628	610	777	764	7.9	10.6	11.9
Italy								
Self-employment	5,821	5,949	6,008	6,202	6,287	29.1	28.2	28.1
Payroll employment	14,205	15,131	16,046	16,039	16,117	70.9	71.8	71.9
<i>of which: permanent</i>	13,163	13,601	14,464	14,069	14,208	65.7	64.5	63.4
<i>fixed-term</i>	1,041	1,530	1,583	1,970	1,909	5.2	7.3	8.5

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

(1) Not fully comparable with the previous survey.

Table aD5

AUTHORIZED HOURS OF WAGE SUPPLEMENTATION*(thousands)*

	Ordinary benefits		Total (1)	
	2003	2004	2003	2004
Piedmont	20,663	22,667	61,234	42,487
Valle d'Aosta	373	396	1,234	1,344
Lombardy	20,080	24,970	35,219	42,410
Liguria	858	781	3,598	4,643
North-West	41,974	48,814	101,284	90,886
Trentino-Alto Adige	562	455	4,798	4,971
Veneto	5,300	5,844	9,243	11,956
Friuli-Venezia Giulia	1,195	837	2,540	2,859
Emilia-Romagna	2,906	2,674	7,678	9,558
North-East	9,963	9,811	24,260	29,344
Tuscany	4,093	3,742	8,937	8,736
Umbria	1,044	920	2,322	2,583
Marche	2,814	2,446	4,357	4,761
Lazio	7,290	9,496	16,861	20,400
Centre	15,241	16,603	32,477	36,480
Abruzzo	3,485	2,897	7,987	9,162
Molise	822	405	1,580	1,221
Campania	3,524	3,963	16,801	17,240
Puglia	5,642	6,605	15,080	17,989
Basilicata	1,976	1,955	3,734	3,680
Calabria	763	492	4,747	5,272
Sicily	2,987	3,028	14,736	11,469
Sardinia	729	643	4,473	4,849
South and Islands	19,929	19,987	69,138	70,882
Italy	87,107	95,216	227,158	227,593

Source: INPS. See the Methodological Notes.

(1) Includes ordinary and extraordinary benefits and hours authorized by the special building industry fund.

Table. aE1

NUMBER OF BANKS AND BANK BRANCHES BY REGION*(end-of-year data)*

	2002		2003		2004	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	84	2,467	90	2,530	90	2,541
Valle d'Aosta	14	97	15	97	16	96
Lombardy	246	5,772	242	5,841	243	5,940
Liguria	51	899	55	904	59	914
North-West	278	9,235	273	9,372	272	9,491
Trentino-Alto Adige	133	902	132	912	130	920
Veneto	139	3,154	135	3,266	135	3,278
Friuli-Venezia Giulia	60	902	53	922	55	914
Emilia-Romagna	124	3,057	126	3,148	129	3,218
North-East	330	8,015	320	8,248	319	8,330
Tuscany	114	2,167	119	2,218	122	2,257
Umbria	42	510	45	524	48	530
Marche	66	1,005	69	1,043	76	1,072
Lazio	169	2,345	167	2,407	166	2,463
Centre	263	6,027	261	6,192	261	6,322
Abruzzo	49	599	51	613	51	625
Molise	27	137	29	140	29	140
Campania	87	1,507	87	1,509	86	1,548
Puglia	65	1,311	67	1,332	70	1,354
Basilicata	31	240	32	242	30	242
Calabria	39	502	37	507	40	511
South	176	4,296	171	4,343	171	4,420
Sicily	67	1,685	66	1,679	66	1,706
Sardinia	23	664	24	668	29	677
Islands	74	2,349	72	2,347	75	2,383
Italy	814	29,922	788	30,502	778	30,946

Source: Supervisory returns. See the Methodological Notes.

BANK LENDING BY SECTOR IN 2004 (1)
(percentage changes on previous year)

	General government	Financial and insurance companies	Firms						Households	Total	
			Holding companies	Non-financial corporations			Consumer households (2)	Producer households (3)			
				of which:							
				Industry excluding construction	Construction	Services					
Piedmont	11.3	9.3	0.1	-6.2	1.2	-3.3	10.4	5.0	16.5	4.5	5.3
Valle d'Aosta	-5.8	-18.8	3.8	-9.8	4.0	3.7	1.7	5.3	14.9	-2.2	4.0
Lombardy	0.2	0.1	4.5	-4.6	5.5	-1.2	6.2	11.6	16.2	10.6	5.5
Liguria	-12.7	9.1	-0.8	12.0	-1.1	-7.7	1.3	1.0	4.0	0.3	0.2
North-West	2.0	0.9	3.3	-4.9	4.3	-1.9	6.6	9.8	15.2	7.9	5.2
Trentino-Alto Adige	35.2	35.4	9.8	16.0	9.7	4.5	12.9	10.8	13.3	5.1	11.0
Veneto	-7.1	-3.8	3.9	8.9	3.8	-1.9	12.2	8.5	16.4	5.2	6.2
Friuli-Venezia Giulia	-13.2	42.4	5.6	-1.2	5.7	5.0	14.7	4.9	12.7	9.0	9.3
Emilia-Romagna	-2.4	-0.4	5.2	3.5	5.3	1.3	9.4	8.6	14.1	5.9	6.6
North-East	-3.0	4.1	5.2	6.6	5.1	0.4	11.2	8.5	14.8	5.8	7.1
Tuscany	1.4	15.9	6.6	-17.3	7.0	1.7	12.3	9.6	14.4	6.5	9.2
Umbria	-5.3	-2.2	6.6	51.0	6.4	4.7	9.8	7.2	13.5	6.3	7.8
Marche	6.5	0.4	5.4	-13.4	5.7	0.3	14.9	10.0	17.3	8.9	8.3
Lazio	1.0	-8.2	-6.4	-15.7	-5.2	-14.6	3.8	-4.4	18.5	6.5	-0.5
Centre	1.1	-1.3	-0.6	-15.4	0.5	-4.4	7.5	1.2	16.7	7.0	3.5
Abruzzo	20.8	59.2	6.8	36.2	6.7	-1.0	15.6	12.5	17.3	9.4	10.9
Molise	1.6	4.6	24.0	57.5	21.7	36.9	21.2	13.3	16.0	4.0	16.8
Campania	8.3	-7.3	12.7	11.0	12.7	7.4	11.7	16.9	20.8	8.3	13.3
Puglia	-16.7	-0.2	4.6	141.8	4.4	0.6	11.0	4.2	13.7	7.3	6.8
Basilicata	-3.3	62.4	7.1	-14.5	7.1	2.4	32.6	4.1	9.5	5.5	7.1
Calabria	-5.7	43.6	11.1	30.1	11.0	3.2	16.0	11.2	15.0	6.2	11.7
South	-0.6	0.3	9.4	44.4	9.2	3.9	13.6	12.0	16.9	7.5	10.7
Sicily	14.5	5.1	3.2	65.9	2.9	-7.3	7.0	6.0	16.4	11.9	10.0
Sardinia	10.6	31.0	6.2	71.1	5.9	-1.7	3.5	12.9	13.9	3.6	9.9
Islands	13.3	27.2	4.2	67.4	3.9	-5.2	5.7	7.9	15.7	9.4	10.0
Italy	0.9	0.9	3.4	-5.6	4.0	-1.3	8.7	7.4	15.7	7.2	6.0

Source: Supervisory returns. The data are classified by the customer's location. See the Methodological Notes.

(1) Excluding repos and bad debts. Changes do not take account of reclassifications, exchange rate variations and other changes not due to transactions. – (2) Includes private non-profit institutions and units not elsewhere classified. – (3) Partnerships and sole proprietorships with up to 5 workers.

BAD DEBTS AND SUBSTANDARD LOANS BY REGION (1)
(percentages and percentage changes on previous year)

	Ratio of new bad debts to outstanding loans (2)		Substandard loans	
	December 2003	December 2004	December 2003	December 2004
Piedmont	0.7	0.8	8.9	-5.6
Valle d'Aosta	0.9	0.9	-13.9	0.0
Lombardy	0.6	0.6	2.2	4.2
Liguria	0.8	1.9	-2.5	-1.6
North-West	0.6	0.7	3.0	1.8
Trentino-Alto Adige	0.7	0.8	13.1	1.5
Veneto	0.8	0.9	12.9	11.6
Friuli-Venezia Giulia	1.0	0.8	3.3	-4.5
Emilia-Romagna	3.7	0.8	39.3	-16.3
North-East	2.0	0.9	21.6	-2.6
Tuscany	1.0	1.0	2.9	14.5
Umbria	1.6	1.3	-9.3	5.3
Marche	1.2	1.3	11.9	13.7
Lazio	1.2	0.6	-14.9	-10.5
Centre	1.1	0.8	-8.2	-0.4
Abruzzo	3.3	1.4	32.4	-26.2
Molise	1.7	3.1	23.4	-16.5
Campania	1.5	1.3	-7.0	-2.1
Puglia	2.0	1.5	-5.5	12.6
Basilicata	1.4	1.8	22.5	43.4
Calabria	1.8	2.0	15.0	2.2
South	1.9	1.5	3.2	0.8
Sicily	1.2	1.3	18.7	-7.3
Sardinia	1.2	1.1	5.3	6.3
Island	1.2	1.3	14.1	-3.0
Italy	1.2	0.9	4.1	-0.3

Sources: Supervisory reports and Central Credit Register. See the Methodological Notes.

(1) Data on transactions in euros, classified by customer location. - (2) New adjusted bad debts in the last 12 months - as a percentage of the stock of loans (excluding adjusted bad debts) outstanding at the end of the preceding year.; the stock of loans includes positions smaller than €75,000.

BANK DEPOSITS BY REGION (1)
(end-of-year stocks in millions of euros and percentage changes)

	2003		2004		% change 2003-04	
	Total deposits		Total deposits		Total deposits	
		of which: (2) current accounts		of which: (2) current accounts		of which: (2) current accounts
Piedmont	57,733	40,127	55,725	42,379	-3.5	5.6
Valle d'Aosta	1,690	1,340	1,736	1,378	2.7	2.8
Lombardy	173,435	135,016	179,478	142,256	3.5	5.4
Liguria	16,906	13,710	18,192	14,734	7.6	7.5
North-West	249,764	190,193	255,131	200,747	2.1	5.5
Trentino-Alto Adige	14,806	10,462	15,277	11,006	3.2	5.2
Veneto	53,472	39,195	57,446	42,827	7.4	9.3
Friuli-Venezia Giulia	15,622	12,313	16,738	12,807	7.1	4.0
Emilia-Romagna	58,427	42,817	61,589	45,309	5.4	5.8
North-East	142,327	104,787	151,050	111,949	6.1	6.8
Tuscany	43,402	32,861	45,040	34,438	3.8	4.8
Umbria	8,387	5,635	8,405	5,891	0.2	4.5
Marche	16,203	9,951	17,120	10,703	5.7	7.6
Lazio	86,621	68,033	98,714	74,171	14.0	9.0
Centre	154,613	116,480	169,279	125,203	9.5	7.5
Abruzzo	11,125	6,835	11,821	7,464	6.3	9.2
Molise	1,955	1,388	1,943	1,391	-0.6	0.2
Campania	38,564	27,056	40,000	28,229	3.7	4.3
Puglia	26,560	16,068	27,813	17,334	4.7	7.9
Basilicata	3,488	2,114	3,613	2,261	3.6	7.0
Calabria	9,663	6,142	9,947	6,491	2.9	5.7
Sicily	29,826	18,671	31,539	20,823	5.7	11.5
Sardinia	11,995	8,804	12,082	8,920	0.7	1.3
South and Islands	133,176	87,078	138,758	92,913	4.2	6.7
Italy	679,880	498,538	714,218	530,812	5.1	6.5

Source: Supervisory reports. Data are classified by customer location. See the Methodological Notes.

(1) Excludes deposits of monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments.

**SECURITIES HELD FOR CUSTODY AND
INDIVIDUALLY MANAGED PORTFOLIOS BY REGIONS (1)(2)**
(end-of-period stocks in millions of euros and percentage changes)

	Securities held for custody			Individually managed portfolios		
	2003	2004	% change 2003-04	2003	2004	% change 2003-04
Piedmont	85,462	91,199	6.7	13,406	11,577	-13.6
Valle d'Aosta	1,901	1,847	-2.8	159	88	-44.7
Lombardy	304,022	349,023	14.8	34,085	31,025	-9.0
Liguria	26,916	24,083	-10.5	3,145	2,598	-17.4
North-West	418,301	466,152	11.4	50,795	45,288	-10.8
Trentino-Alto Adige	8,527	8,354	-2.0	1,250	1,068	-14.6
Veneto	52,690	50,970	-3.3	11,072	8,894	-19.7
Friuli-Venezia Giulia	61,558	58,077	-5.7	2,792	1,297	-53.5
Emilia-Romagna	81,586	84,567	3.7	14,592	11,634	-20.3
North- East	204,361	201,968	-1.2	29,706	22,893	-22.9
Tuscany	47,547	50,208	5.6	7,278	6,143	-15.6
Umbria	5,783	5,473	-5.4	982	1,003	2.1
Marche	9,867	9,625	-2.5	1,436	1,106	-23.0
Lazio	109,014	109,200	0.2	9,427	8,318	-11.8
Centre	172,211	174,506	1.3	19,123	16,570	-13.4
Abruzzo	4,938	4,556	-7.7	441	343	-22.2
Molise	640	766	19.7	49	23	-53.1
Campania	17,809	18,011	1.1	1,747	1,429	-18.2
Puglia	14,813	13,905	-6.1	1,603	1,310	-18.3
Basilicata	1,470	1,371	-6.7	120	90	-25.0
Calabria	3,941	3,685	-6.5	434	296	-31.8
Sicily	13,850	13,599	-1.8	1,074	1,080	0.6
Sardinia	4,422	4,634	4.8	476	411	-13.7
South and Islands	61,883	60,527	-2.2	5,944	4,982	-16.2
Italy	856,747	903,159	5.4	105,568	89,733	-15.0

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes.

(1) At face value. – (2) Excludes debt securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries) and securities deposited by collective investment undertakings and private pension funds in connection with depositary bank duties.

SHORT-TERM BANK LENDING AND DEPOSIT RATES BY REGION

(percentages)

	Loans (2)					Deposits (3)				
	Dec. 2003	Mar. 2004	June 2004	Sept. 2004	Dec. 2004	Dec. 2003	Mar. 2004	June 2004	Sept. 2004	Dec. 2004
Piedmont	6.25	6.35	6.14	6.16	6.16	0.80	0.64	0.64	0.63	0.67
Valle d'Aosta	6.27	6.94	7.21	7.06	7.57	0.82	0.76	0.73	0.74	0.74
Lombardy	5.19	5.31	5.31	5.42	5.46	0.96	0.83	0.82	0.80	0.83
Liguria	7.35	7.00	7.07	7.04	7.25	0.82	0.57	0.56	0.56	0.60
North-West	5.44	5.57	5.54	5.63	5.66	0.92	0.77	0.76	0.74	0.78
Trentino-Alto Adige	5.00	4.85	4.66	4.8	4.77	1.15	0.92	0.93	0.96	0.97
Veneto	6.00	6.06	5.91	6.05	6.12	0.95	0.74	0.73	0.72	0.75
Friuli-Venezia Giulia	5.94	6.06	6.04	6.23	6.32	1.19	0.98	0.98	0.92	0.84
Emilia-Romagna	5.43	5.30	5.36	5.42	5.45	0.99	0.81	0.80	0.79	0.82
North- East	5.73	5.62	5.57	5.67	5.71	1.00	0.81	0.80	0.79	0.80
Tuscany	6.16	6.18	5.83	5.89	6.09	0.93	0.80	0.78	0.78	0.78
Umbria	6.95	6.63	6.56	6.71	6.76	0.88	0.78	0.78	0.75	0.76
Marche	5.55	5.49	5.41	5.47	5.53	0.99	0.81	0.79	0.78	0.80
Lazio	6.81	6.71	6.54	6.46	6.34	1.09	1.05	1.03	1.03	1.05
Centre	6.41	6.31	6.10	6.11	6.15	1.04	0.95	0.94	0.94	0.95
Abruzzo	6.97	6.85	6.87	6.94	6.89	0.70	0.80	0.81	0.82	0.87
Molise	8.08	8.01	8.05	7.84	7.79	0.77	0.80	0.79	0.78	0.78
Campania	8.12	7.61	7.75	7.75	7.53	0.62	0.54	0.55	0.55	0.58
Puglia	7.68	7.83	7.90	8.07	8.01	0.73	0.62	0.62	0.63	0.68
Basilicata	6.98	7.40	7.33	7.2	7.27	0.67	0.60	0.60	0.64	0.67
Calabria	7.97	8.04	8.38	8.19	8.21	0.70	0.51	0.53	0.51	0.53
South	7.79	7.57	7.67	7.7	7.59	0.67	0.60	0.60	0.61	0.65
Sicily	7.37	7.73	7.70	7.81	7.85	0.91	0.76	0.72	0.73	0.80
Sardinia	5.59	7.06	7.07	7.15	7.06	1.19	0.79	0.77	0.84	0.87
Islands	6.73	7.53	7.50	7.61	7.61	1.05	0.77	0.74	0.77	0.83
Italy	5.90	5.95	5.90	5.98	6.02	0.94	0.80	0.79	0.78	0.81

Source: Central Credit Register. Thee the Methodological Notes.

(1) Data on transactions in euros, classified by customer location. The observation of interest rates was revised in 2004, so that the data for the year cannot be compared with those for 2003. (2) Matched loans and revocable loans. (3) Current accounts only. The data for December 2003 are classified by branch location. The data for 2004 also include current accounts with overdraft protection.

METHODOLOGICAL NOTES

B - ECONOMIC ACTIVITY

Figure B1

Indicators for industry excluding construction

ISAE conducts a monthly and quarterly survey of a sample of approximately 4,000 manufacturing and mining and quarrying firms as part of the harmonized EU project. The aim of the survey is to obtain information on the current level of the main corporate variables and the related expectations three months ahead. The series are seasonally adjusted using the TRAMO-SEATS procedure. For further information, see *Inchiesta mensile ISAE sulle imprese manifatturiere ed estrattive e confronti internazionali* and *Elaborazioni trimestrali, a livello territoriale, delle inchieste ISAE sui consumatori e sulle imprese manifatturiere ed estrattive*, published by ISAE.

Tables B3, B4

Retail trade: market shares, profit margins and productivity indicators

Hypermarkets, supermarkets, discount stores and minimarkets correspond respectively to the 52.11.1, 52.11.2, 52.11.3 and 52.11.4 categories of Istat's 2002 Ateco classification. Istat includes Superette's, which are stores with a surface area of between 250 and 400 sq. m., in the supermarket category. In the aggregate these four categories are the main component of class 52.11 (retail trade in non-specialized stores with a preponderance of food products), which, together with class 52.12 (stores with a preponderance of non-food products), forms group 52.1 (retail trade in non-specialized stores). Traditional stores make up the bulk of group 52.2 (retail trade in food products in specialized stores).

Tables B5, B6

Openings of stores by type of store

The types of store refer to the administrative definitions contained in Legislative Decree 114/1998 on the reform of distribution. For further details, see the methodological appendix to *Rapporto sul sistema distributivo*, prepared by the Ministry for Productive Activities and published by Confcommercio.

Table B8

Information provided by the Company Accounts Data Service

The Company Accounts Data Service is a limited company that was set up in 1983 at the initiative of the Bank of Italy, in agreement with the Italian Bankers' Association. The company's object is the collection, classification and database storage of the financial statements of the leading Italian companies and the carrying out of financial analyses. The company's services are available to its many shareholder banks, which also contribute to the collection of the data.

Table aB8

Bank of Italy surveys of firms in industry and services

In 2004 the survey of firms in industry excluding construction with 20 or more workers covered 3,152 firms (of which 1,918 with at least 50 workers). Since 2002 this survey has been accompanied by an annual survey covering firms with at least 20 workers providing market services in the following sectors: wholesale and retail trade; hotels and restaurants; transport and communication; and business services. In 2004 the sample included about 1,076 firms (of which 666 with more than 50 workers). The response rate was 78 per cent for industrial firms and 77.5 per cent for service firms.

The interviews for both surveys are conducted annually by the branches of the Bank of Italy in February-March of the year following the reference year. The sample data are related to the universe by assigning each firm a weighting coefficient that takes account of the ratio of the number of firms observed to the number of firms in the reference universe, by size class, geographical area and sector of economic activity. The breakdown of the data by geographical area is based on the location of the firms' headquarters. Use is also made of the information (obtained directly from firms) regarding the actual percentage distribution of investment and workers among the areas in which firms' plants are located.

Survey of construction and public works

Since 2002 the Bank of Italy has conducted a half-yearly survey one of the aims of which is to monitor the value of the output of the construction industry and the implementation of public works. For the purposes of the survey, public works include both works financed by central and local government and works of public utility, even if they are financed by the private sector (such as some roads, hospitals and schools). The sample includes nearly 500 firms and temporary associations of firms whose main activity is linked to the implementation of public works located throughout Italy. The interviews are carried out by the branches of the Bank of Italy in February-March and September-October of each year. In the last survey 184 firms in the North were interviewed, 146 in the South and 155 in the South and Islands. The results of

the survey need to be considered as indicative and not as an estimate of the corresponding variables of the universe on a geographical basis.

C - EXTERNAL SECTOR

Tables aC1-aC3

Regional exports (*fob*) by sector

The data on trade with EU countries are obtained using the Intrastat system; those on trade with other countries using customs documentation. The regional data are the result of the aggregation of the data classified by province of origin and destination. The province of origin is that in which goods for export were produced or obtained following the processing, transformation or repair of temporarily imported goods. The importing region is considered to be the region to which goods are sent for final use or for processing, transformation or repair. Businesses that in the reference year carry out (or expect to carry out) a volume of trade with EU countries that exceeds the thresholds fixed annually by the Ministry for the Economy and Finance are required to fill in the Intrastat form monthly, while other businesses can submit their data quarterly or annually. The monthly estimates of the latter data for 2003 are included in sector 999 (“goods procured in port”) and those for 2004 in “Sundry unspecified provinces” and therefore excluded from the regional data. For further information, see the “Note metodologiche” section in *Commercio estero e attività internazionali delle imprese*, published by Istat.

Table aC4

Contributions to the change in the market share of exports to the OECD countries

The method used to analyze the movements in regions’ market shares is a descriptive statistical technique called Constant Market Share Analysis. The variable that is broken down is the ratio of regional exports to the imports of a set of countries belonging to the OECD (EU-15, except Ireland and considering Belgium and Luxembourg together, Hungary, Poland, Canada, United States, Mexico, Australia, New Zealand and Japan). Both aggregates are expressed in US dollars and at current prices. These countries’ imports in the period 1992-2002 were equal to 67.5 per cent of world imports on average and their imports from Italy were equal to 70.8 per cent of Italy’s total exports. The regional exports recorded by Istat in current euros are converted using the dollar/euro exchange rates obtained from Trade Conversion Factors in the OECD’s International Trade by Commodity Statistics (ITCS) data base. The imports of the OECD countries are obtained from the OECD’s STAN data base.

The analysis is carried out annually, with a 2-digit disaggregation by branch of economic activity, based on the NACE rev. 1 classification, giving a

total of 27 sectors. Overall, the disaggregation by sector and the countries importing manufactures from the reference area gave rise to 567 elementary market segments.

**RATIO OF EXPORTS TO THE OECD-21
COUNTRIES TO TOTAL EXPORTS**

(percentages)

	1992-2002	1992-96	1997-2002
Italy (1)	70.8	70.8	70.9
North-West	70.1	69.5	70.6
North-East	72.4	72.9	72.0
Centre	71.4	72.1	70.8
South and Islands	69.5	68.4	70.5

Sources: Based on Istat and OECD data. - (1) Includes sundry unclassified provinces.

D - THE LABOUR MARKET AND REGIONAL POLICIES

Figure D1, Tables aD1-aD4

The labour force survey

As of January 2004 Istat's labour force survey has undergone far-reaching changes as regards the questionnaire, the timetable and the manner of interviewing households. The data are now collected continuously during the reference quarter instead of in just one week. Consequently, the seasonality of the data has changed. The new questionnaire permits a more accurate identification of both persons in employment and those actively seeking a job. A new network of professional interviewers is now used. They have replaced the persons previously made available by municipalities and are specially trained and benefit from the use of computers. The population used for the survey, consisting of persons resident and present in Italy, has changed considerably compared with the past, in order to take account of the 2001 Population Census and the effects of the regularization of foreigners between 2003 and 2004. For this survey the labour force does not include persons performing compulsory military service, prisoners, members of religious orders and non-resident aliens, all of whom who are comprised in the national accounts. For further information, see the "Glossario" section in the Appendix to the Bank's Annual Report in Italian.

Figure D1

Standard labour units and employed persons in the national accounts

Employed persons, for the National Accounts, in addition to those found by the labour force survey, comprise persons performing compulsory military service, prisoners, members of religious orders and foreigners (legally present or not) who perform an activity. Standard labour units, as defined in the national accounts, measure the amount of labour employed in productive activity in Italy, reduced to homogeneous quantities in terms of work time. Labour input as measured in standard units (or “full-time equivalent workers”) is net of Wage Supplementation.

Table aD5

Wage Supplementation Fund

This is a fund administered by INPS for the partial compensation of the wages lost by employees in the case of short-time working or lay-off provided for by law. In estimating the total labour input of the economy, the number of hours of Wage Supplementation benefits is translated into the corresponding number of persons employed (equivalent workers on Wage Supplementation) by dividing it by the contractual working hours.

***E* - BANKING**

Tables E1, E5, E7-E9, Figures E1, E4, Tables aE2-aE5

Supervisory returns

The data are drawn from the statistical reports (third section of the supervisory returns) that the Bank of Italy requires banks to send pursuant to Article 51 of the Consolidated Law on Banking (Legislative Decree 385/1993). As of 1995 the former special credit institutions have submitted identical reports to those sent by other banks; from the same date the information on the former special credit sections has been included in the reports of their parent institutions. For details on the classification of customers by economic activity, see the Glossary of the Bank of Italy’s *Statistical Bulletin* (“Customer sectors and segments of economic activity”).

The aggregates are consistent with those adopted by the European System of Central Banks for the euro area and are based on end-of-period data.

The definitions of some items in the tables are given below:

Deposits: savings accounts, certificates of deposit, savings certificates, current accounts and repos with resident non-bank customers.

Loans: loans disbursed by banks to resident non-banks. The aggregate includes the bill portfolio, current account overdrafts, matched loans (advances on bills, other credit instruments and documentary credits subject to final payment), bills of exchange and other import and export documentary credits, mortgage loans, repos advances not settled via current accounts, stock exchange repos, sundry

secured loans not settled via current accounts, pledge loans, loans secured by pledge of salaries, loans granted from funds administered for third parties, and other financial investments (traded banker's acceptances, commercial paper, etc.). Short-term loans have a maturity of up to 18 months, medium and long-term loans of more than 18 months.

Substandard loans: claims on borrowers in a temporary situation of objective difficulty whose solution can be expected within a reasonable period of time. The data are available half-yearly.

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

Unless otherwise specified, the data refer to the residence of the borrower and loans include bad debts and unpaid and protested bills.

Table E2

Consumer credit, leasing and factoring

The figures shown are obtained from the statistical supervisory reports of non-bank financial intermediaries entered in the special list referred to in Article 107 of the Consolidated Banking Law. The data refer to customers resident in each region and are those provided for in Section II ("Other information"), subsection 6 ("Distribution by economic activity and geographical area") of the reports.

Further information can be found in the "Note metodologiche" section in the Appendix to the Bank's Annual Report in Italian and in *Manuale per la compilazione delle Segnalazioni di Vigilanza per gli Intermediari Finanziari iscritti nell' "Elenco Special"* (Circular No. 217 of 5 August 1996).

Tables E3, E6

Reports to the Central Credit Register

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

Definitions of some items:

Facilities granted: the amount of credit that the customer can use directly insofar as it derives from a fully effective contract that has been concluded.

Used margin: the amount of credit actually disbursed to a customer.

Overshoot: the positive difference between credit used, excluding bad debts, and credit granted.

Adjusted bad debts: the total loans outstanding when a borrower is reported to the Central Credit Register:

- a) as a bad debt by the only bank that disbursed credit;

- b) as a bad debt by one bank and as having an overshoot by the only other bank exposed;
- c) as a bad debt by one bank and the amount of the bad debt is at least 70% of its exposure towards the banking system or as having overshoots equal to or more than 10% of its total loans outstanding;
- d) as a bad debt by at least two banks for amounts equal to or more than 10% of its total loans outstanding.

Factoring: amounts corresponding to the nominal value of claims involved in factoring transactions with the amounts with and without recourse reported separately; the amounts are reported by both the assignor and the assignee.

Additional information is contained in the Statistical Appendix and in the Glossary of the Bank of Italy's *Statistical Bulletin*.

Tables E4, E10

Survey of household income and wealth

Since the 1960s the Bank of Italy has conducted a sample survey of household income and wealth in order to obtain a deeper knowledge of households' economic behaviour. The data collected supplement the microeconomic and macroeconomic information coming from other sources. The sample, which comprised 8,000 households in the last survey, is selected using a two-stage sampling procedure. In the estimation phase account is taken, by means of weighting coefficients, of the different probabilities of households being selected in light of the sampling method used. The main results of the surveys and more detailed information on the methods adopted are published in *Supplements to the Statistical Bulletin – Methodological Notes and Statistical Information*.

Figure E2

House prices

For every municipality that is a regional capital, the *Property Consultant* observes the prices of new and completely refurbished housing in three areas (central, semi-central and peripheral) using the average prices of sales. This information, collected semi-annually, is aggregated for each city to give a price index weighted according to the proportions of the three areas on the basis of the results of the Bank of Italy's survey of household income and wealth. These indices are then aggregated for each region, macro-region and the country as a whole, with the results for each city weighted according to the number of dwellings observed in Istat's 2001 population and housing survey.

Table E9

Classification of banks by geographical extension

The information refers to all the banks "accepting short-term funds" resident in Italy; it does not include the operations of Italian banks' branches

abroad, foreign banks' branches in Italy or central credit institutions. The classification used is based on the size of the branch network and includes banks whose networks are: nationwide, interregional, regional, interprovincial and provincial (the last of these classes is divided in turn into local and non-local banks). A complete description of the geographical and institutional classification of banks, in force since the beginning of 1995, can be found in *Supplemento al Bollettino Statistico* No. 32 of 16.6.1995. The table does not show the market shares of "unclassified banks"; consequently, the sum of the market shares by year and geographical area may be less than 100.

Figure E3, Table aE6

Bank interest rates

The quarterly sample survey of lending and deposit rates was completely overhauled in March 2004: the number of reporting banks was increased and the form for submitting reports was expanded and amended. The two groups of banks, which include the main Italian credit institutions, are made up of about 250 for lending rates and about 125 for deposit rates (compared with respectively 70 and 60 in the previous survey).

The information on lending rates is collected separately for each customer. The data refer to loans non-bank customers and record each position, at the end of the reference quarter, for which the amount granted or drawn reported to the Central Credit Register exceeds €75,000. For new fixed-term loans the banks report the amount granted and the annual percentage rate of charge.

For the deposits rate the data refer to the terms offered on sight deposits of non-bank customers outstanding at the end of the quarter.

Until 2003 the data on interest rates were based on quarterly reports by two groups of banks: 60 for lending rates and 50 for deposit rates. Both groups included the leading Italian banks except for former special credit institutions.

For further information, see the "Methodological appendix" in the Bank of Italy's *Statistical Bulletin*.

Figure E3

Differential between interest rates on loans to firms in the geographical areas and the average for Italy

The information refers to non-financial corporations and producer households; from December 1997 to December 2001 the survey only considered loans above 150 million lire (€77,468). The geographical distribution is based on the location of the branch disbursing the loan. Short-term interest rates are calculated at the weighted average of the interest rates on revocable and matched loans.

The cost of borrowing for the same sectoral composition and size class is calculated by dividing the firms in each geographical area into 12 groups obtained by combining the four macro branches of economic activity (agriculture, industry excluding construction, construction and services) and three size classes of total credit granted (less than €0.5 million, from €0.5 million to €5 million, €5 million and over). The cost of borrowing in the various geographical areas adjusted for differences in the sectoral and size composition with respect to the average for Italy (r_{ct}^A) is given, for each year t , by the formula:

$$r_{ct}^A = \sum_{i=1}^3 \sum_{j=1}^4 q_{ijt}^{IT} * r_{ijt}^A$$

where

q_{ijt}^{IT} is the share, at time t , of Italian firms' total short-term loans granted to firms in the j th branch of industry and the i th class of total credit granted.

r_{ijt}^A is the interest rate on short-term loans applied in year t to firms in geographical area A belonging to the j th branch of production and the i th class of total credit granted.

Table aE1

The archives containing data on intermediaries

The information on credit and financial intermediaries are drawn from the registers kept by the Bank of Italy and Consob as prescribed by law.

For additional information, see the “Methodological appendix” in the Bank of Italy's *Statistical Bulletin*.

The Reports on economic developments in Italian regions can be obtained from the Bank of Italy, Servizio Studi, Divisione biblioteca e Pubblicazioni, Via Nazionale 91, 00184 Rome (Fax: 0647922059) or directly from the Bank Italy's branch in each regional capital(addresses show below).

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Via Arsenale, 8
10121 Turin

Valle d'Aosta

Avenue du Conseil des Commis, 21
11100 Aosta

Lombardy

Via Cordusio, 5
20123 Milan

Liguria

Via Dante, 3
16121 Genoa

Trentino Alto Adige

Piazza A. Vittoria, 6
38100 Trento

Veneto

Calle Larga Mazzini,
4799 San Marco
30124 Venice

Friuli-Venezia Giulia

Corso Cavour, 13
34132 Trieste

Emilia Romagna

Piazza Cavour, 6
40124 Bologna

Tuscany

Via dell'Oriuolo, 37
50122 Florence

Umbria

Piazza Italia, 15
06100 Perugia

Marche

Piazza Kennedy, 9
60122 Ancona

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Via XX Settembre, 97/e
00187 Rome

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Corso Federico II, 1
67100 L'Aquila

Molise

Via Mazzini, 2
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