J.P. Morgan
Seminar on International Fixed Income Investment

FINANCIAL INTEGRATION AND THE ITALIAN SECURITIES MARKET

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1. When considering the international dimension of the financial market in Italy, and for that matter in other continental European countries, one cannot fail to be struck by how little cross-border portfolio investment there is, despite all the talk about globalization. The choices for most issuers and investors are restricted to their domestic markets. This contrasts sharply with the situation for manufactured goods, especially when account is taken of the inherent mobility of financial products.

To some extent, this state of affairs can be attributed to the exchange controls that were in force in several countries until recently, but it also reflects difficulty in effecting transactions and, above all, a lack of knowledge and understanding of foreign markets that needs to be overcome.

2. At the end of last year, non-residents' holdings of Italian securities (government paper, bonds and shares) amounted to just over 3 per cent of residents' total financial assets. At the same time, the Italian private sector's holdings of foreign securities also amounted to around 3 per cent of the same aggregate.

These amounts are small, and appear almost ridiculous in comparison with the openness of the Italian economy in merchandise trade, since both exports and imports of manufactures amount to more than one third of total domestic output.

A more telling comparison is that with the financial openness of countries with long-standing freedom of capital movements and more highly developed markets, such as the

United States and the United Kingdom. No less than 19 per cent of America's public debt is held by non-residents, and the figure for the UK is 12 per cent. Moreover, foreign investors' purchases of new issues of US government securities are now an important component of total demand at Treasury auctions.

Italy's portfolio investment abroad was undoubtedly hindered by exchange controls. These were not completely abolished until October 1989, since when this item has increased rapidly: from $6.4 billion in the first ten months of 1989, when liberalization was already well advanced, to over $16 billion through October of this year. Consequently, the share of this item in the total increase in Italian residents' financial assets rose in the two periods from 7 to 14 per cent.

The rapid emergence of the previously suppressed demand for foreign assets is not giving rise to balance-of-payments problems since it is being offset by substantial inflows of foreign capital.

In all likelihood exchange controls had depressed inward portfolio investment as well, albeit indirectly, by discouraging the development of suitable channels of intermediation and causing foreign operators to have doubts about the stability of the lira and the effectiveness of Italian economic policy. Technical difficulties in effecting transactions also helped to discourage activity, as did the starting-up costs involved in entering a new market, a course that is only justified if the planned volume of trading is sufficiently large.

Here again, however, a radical change has taken place. In 1989 non-residents' purchases of Italian securities amounted to $49 billion and their sales to $37 billion. Net purchases of bonds totaled $7.7 billion and those of shares, $4.8 billion, a significant proportion of new corporate issues. The fact that the gross flows were several times the net flows is clear evidence of the liquidity of the market.

The conclusion I draw from these considerations is that the integration of the Italian financial market in the world economy is still far from complete, though it has undoubtedly speeded up.

One of the conditions for the international diversification of Italian residents' portfolios is that the present lack of knowledge about foreign markets be made good.

The adjustment of the composition of households' portfolios is being performed today mainly by mutual funds and banks, which provide advice and portfolio management services. However, these intermediaries also have to create organizations to assess opportunities in foreign markets and conduct operations, something that cannot be achieved from one day to the next.

As for inward investment, the need is for the market to perceive the scale and structural nature of the changes that have occurred in the Italian economy, which deserve to be mentioned briefly: during the course of this year the lira has adhered to the narrow fluctuation band of the EMS, all the remaining restrictions on capital movements have been lifted, the regulations on the listing and trading of foreign securities have been simplified, and the Italian central securities system has been linked with equivalent organizations abroad. These, however, are only the most recent steps in the process Italy embarked on more than ten years ago, leading to a considerable improvement in macroeconomic conditions and a commitment to European integration that has irreversibly influenced economic policy by incorporating basic choices in institutional arrangements. It remains to be seen how fast economic agents will recognize these trends and adapt their behaviour accordingly.

3. I am convinced that the international integration of the Italian financial market will occur on a very large scale; in economic terms the Italian securities market can rationally be expected to be even more open than those of other countries.

One reason for holding this view is that an obvious way for resident investors to correct for the lack of diversification of the Italian market is to internationalize their portfolios. A few figures will clarify what I mean: the issues of the Italian Treasury account for more than 84 per cent of the bonds outstanding today, and households hold 55 per cent of all Italian securities. In the United States, the corresponding figures are 40 and 10 per cent, and in Germany, 38 and 14 per cent.

The predominant role played by the Treasury makes it difficult for institutional investors to diversify their portfolios by issuer and limits the value of intermediaries, such as mutual funds, specialized in the collective management of individuals' savings. Investment in foreign securities would undoubtedly make for better balanced portfolios and enhance the function of specialized intermediaries.

In turn, the Treasury's ability to manage the public debt efficiently is undermined by the fact that the greater part is held by individuals. The repeated attempts that have been made to lengthen the average maturity of the debt and to use innovative instruments that would reduce the cost to the issuer by exploiting particular market needs have all fallen foul of the public's preference for simple and mostly short-term securities. The potential benefits associated with greater international integration are demonstrated by the fact that recourse to foreign markets has allowed the Treasury to broaden the range of public debt instruments and, more importantly, to raise loans with 10 and even 15-year maturities. At the same time the demand of foreign investors has permitted the issue of 7-year fixed rate securities for the first time since 1975.

4. Two other factors promoting greater openness compared with other countries are the size of Italy's public debt and the high level of private sector saving.

Italy's public debt in the form of securities is roughly equal to those of Germany, France and the United Kingdom taken together. In truly integrated markets, one would expect Italian government securities to account for a relatively large share of foreign investors' portfolios.

The other side of the coin shows a very high propensity to save in Italy, which has rivalled Japan for pole position for the last thirty years or so. According to the OECD, in 1989 the proportion of disposable income that households saved was over 14 per cent in Italy, compared with 15 per cent in Japan, 12 per cent in France and Germany, 10 per cent in Canada and no more than about 5 per cent in the United

States and the United Kingdom. Market integration should therefore imply a proportionately larger share of Italian investment in foreign securities.

5. These simple facts show how great is the potential in Italy's case for growth in cross-border portfolio investment, in both directions. I have already mentioned that the speed of this growth will depend primarily on the acquisition of knowledge about foreign markets, but it is worth looking at some of the other factors that are likely to accelerate or slow down the process.

6. The attractiveness of any investment is, of course, a function of the risk and the return.

Italy now ranks as a "top quality borrower" on international capital markets. Most of Italy's foreign borrowing is done through jumbo issues, which set benchmarks in the various segments of the market. Such issues are frequently used to refinance earlier loans whose terms no longer reflect the country's improved credit standing.

At the end of October 1990 the Treasury's outstanding foreign currency borrowing, including ecu securities issued in Italy but purchased by non-residents, amounted to about $34 billion or 3.3 per cent of Italy's total public debt. About two thirds of Italy's external debt is in ecus, a mark of the Italian authorities' commitment to fostering this currency's use.

The Treasury's higher credit standing has also brought benefits to other leading Italian borrowers, whose access to the international market is coordinated by the monetary authorities with a queuing system designed to avoid bunching. This system has been maintained on an informal basis since foreign borrowing by Italian residents was completely liberalized.

A market for Eurolira bond issues was started in October 1985 with the aim of promoting the internationalization of Italy's currency. The lira has in fact been underrepresented in international financial transactions compared with the country's role in the world economy. The Eurolira market also provides Italian banks with an opportunity to increase their placing power abroad. The new market has developed extremely fast, with the volume of issues more than doubling every year until 1989, and with a further 50 per cent increase this year. The organization of the market includes a queuing system for instruments and issuers that prevents an excessive concentration of issues and ensures the market's regular and orderly development.

Investor interest in Italy stems not only from the country's good economic prospects and the new freedom of capital movements but also from Italy's relatively high interest rates. Although nominal interest rates declined rapidly in the period 1981-87, they did not fall by as much as inflation. In recent years real interest rates have fluctuated around 5 per cent, a level consistent with the restrictive stance of monetary policy made necessary by Italy's large and persistent budget deficits.

The gross return that an American investor could have earned by investing in Italian government securities averaged 13 per cent in 1982-86 after adjusting for exchange rate variations, and 19 per cent in 1987-90. No other major country offered a higher return in this period.

The situation regarding after-tax yields is nonetheless more obscure than would be desirable. Except for government securities issued abroad, which are totally exempt, the taxation of bond interest income is regulated by double-taxation agreements, so that the treatment differs with the investor's country of residence. Moreover, when an agreement foresees a zero, or low rate of taxation at source, this is not automatically applicable and investors have to apply for the reimbursement of the standard 12.5 per cent withholding tax that is levied. The time it takes to obtain this reimbursement is at present both too long and unpredictable, but the procedures in question are being revised by the Ministry of Finance and I hope that a solution will soon be found.

7. The market for Italian government securities is naturally one of the deepest in the world. Treasury bills alone amount to some $300 billion, making Italy second only to the United States in this respect. The average maturity of these bills is only 4-5 months and monthly reimbursements and new issues are on the order of $40 billion.

The aim of lengthening the average maturity of the public debt without forcing investors to run excessive risks led to the introduction of floating rate securities, which now amount to close on $400 billion, or 42 per cent of the public debt, and constitute the largest market in the world for such instruments. Investors have appreciated the mechanism whereby interest rates are adjusted to those in the money market and have enjoyed considerable price stability, even in periods of rising interest rates.

The liquidity of a security, i.e. the possibility of trading large quantities without unduly influencing prices, does not depend, however, only on the volume of securities in circulation, but also on numerous other factors, ranging from issue techniques to the methods employed for listing, trading, settlement, delivery and custody. In many of these fields the Bank of Italy plays an important role and I am happy to be able to report that considerable improvements have already been made and that others are in the pipeline.

Two major steps taken recently in the primary market were the adoption of auctions for all Treasury issues and the decision to keep the features of successive issues unchanged, apart, of course, from the tender price. The first change has made it possible to have prices reflecting the effective level of demand, and the second larger volumes of standardized securities, thereby meeting the needs of large traders.

The most important recent improvements in the secondary market for government securities include the creation of a screen-based block market and the introduction of a system of central securities accounts run by the Bank of Italy. The screen-based market started operating in 1988; it is a dealer market with 20 banks and securities firms acting as primary dealers under the supervision of the Bank of Italy. There are now about 200 operators and daily turnover has risen rapidly: in September it exceeded $2 billion, half of which in just five securities. The availability of continuous firm quotations has greatly enhanced the transparency and efficiency of the market, which has also benefited indirectly from the creation of a screen-based market for interbank deposits. This only started operations at the beginning of this year, but daily turnover has already exceeded $6 billion, thereby making it easier to finance securities positions.

The system of central accounts makes it possible for government securities deposited with the Bank of Italy to be transferred between several hundred operators by computerized book entries. The securities handled by the system correspond to around 90 per cent of those in circulation and are worth about $800 billion.

Account-holders include Cedel (Centrale de Livraison de Valeurs Mobilières S.A., located in Luxembourg) and Euroclear-Morgan Guaranty Trust Company of New York (located in Brussels), so that we already have the first international links between central securities systems that were envisaged from the very start of the project.

On the whole, the trading and settlement systems in place for Italian government securities can be considered practical and efficient. Further improvements in the screen-based secondary market will stem both from technological innovations permitting the number of primary traders and listed securities to be increased, and from the plan to achieve immediate delivery versus payment by linking operators' securities and deposit accounts with the central bank, thus completely eliminating settlement risk.

One other point I particularly want to stress concerns the Bank of Italy's activity in the market for government securities. This has the dual aim of achieving monetary policy objectives and ensuring orderly conditions. The decision taken in the eighties to abandon administrative credit controls has entailed growing use of secondary market intervention in the form of both temporary and outright sales and purchases. In the first eleven months of this year the control of bank liquidity involved repurchase agreements totaling $95 billion and matched sale repurchase agreements totaling $60 billion. At the same time the Bank made $24 billion of outright purchases and $28 billion of outright sales to smooth temporary mismatches between supply and demand in the various segments of the market. These figures are clear evidence of the assiduity with which the central bank intervenes to ensure the proper functioning of the market that permits the non-monetary financing of the Treasury.

8. In a broader perspective, it is worth briefly examining how the European single market and economic and monetary union are likely to affect the market for government securities, primarily through the interaction with the government's financial policies. On the one hand, access to a larger market may facilitate debt management by permitting a reduction in the yields offered on securities; on the other, market forces will exert pressure for the convergence of budgetary policies within the Community. The latter factor will be the more important in the long run, and the present imbalance in Italy's public finances is undoubtedly incompatible with full integration.

Some progress has been made in the budgetary field in recent years. The deficit has been declining as a ratio to GDP, especially when interest payments are excluded. Net issues of government securities dropped from the equivalent of 9.5 per cent of GDP in 1988 to 8.6 per cent in 1989. In 1990 the state sector deficit is expected to amount to 10.4 per cent of GDP, as against 14 per cent in 1983, while net of interest payments it should fall from 6.5 per cent of GDP to little more than 1 per cent.

The Government's medium-term financial plan projects a budget surplus net of interest payments in 1991; this will speed up the reduction in the overall deficit and stabilize the public debt in relation to GDP.

9. The creation of the single market will have a significant impact on securities business. Starting in 1993, European intermediaries will enjoy unrestricted access to the various national markets in the Community and operate within a harmonized regulatory framework. The potential benefits to be reaped from economies of scale, reduced information costs and less complex procedures are obvious.

The decision to participate in the single market naturally does not, of course, automatically guarantee the harmonization of the relevant regulations. However, the Italian Parliament is close to completing a reform of the legislation on financial intermediation that does not simply give effect to the Directives issued by the EEC but is comparable in scope to Italy's 1936 Banking Law. The aim is to bring Italy's regulatory framework and institutional arrangements into line with those of the most advanced countries and to foster competition and efficiency in the financial market while ensuring its stability.

10. To conclude, far-reaching changes are under way in the Italian government securities market. The third-largest market of its kind in the world is being transformed to take advantage of international, and especially European integration and as part of the modernization of Italy's financial structures.

There is enormous scope for increasing the flows of inward and outward portfolio investment. Considerable resources will have to be invested to prepare the necessary trading facilities. The Bank of Italy is well aware of the importance of advanced technology, appropriate regulations and professional competence; it is pushing ahead, with some success I think I can fairly claim, with the projects within its sphere of competence. Nonetheless, how and when this potential is realized will depend ultimately on the initiative of market operators.

11. The innumerable individual decisions that fix the economy's course and its position in the world are powerfully influenced, however, by the basic choices underlying economic policy, its credibility and the consistency with which it is implemented. Nobody is more firmly convinced of this than the Bank of Italy. The progress made in the last ten years in establishing Italy as one of the leading industrial countries has undoubtedly owed much to the tenacity shown in respecting the constraint imposed by the decision to participate in the European Monetary System and its Exchange Rate Mechanism. We must build on this success.

The basic choices have been made: by adhering to the narrow EMS fluctuation band at the beginning of this year, by participating actively in the first phase of economic and monetary union and by pressing for the recent European Council meeting in Rome to lay down demanding conditions of economic convergence and a tight timetable for the passage to the second phase. The forthcoming Intergovernmental Conference in Rome will prepare the necessary changes to the Treaty of Rome, the Constitution of the Community; it is solemn confirmation that these decisions are not aimed simply at cyclical control of the economy but designed to give the objectives constitutional force.

There is no alternative, no short cut. In every sphere behaviour will have to become more consistent with the basic choices that we ourselves have made. Most importantly, the public sector will have to pursue the plan for financial adjustment drawn up by the Government: the first step requires the rapid, and undiluted, approval of the budget for 1991. The corporate sector will have to accept that the exchange rate constraint will not be eased, that competitiveness will depend on actively curbing costs rather than passively waiting for a devaluation. Workers will have to realize that real wages and employment are best defended with wage claims which match the productive potential of the economy in conditions of monetary stability.

One could say that the monetary authorities have shot their bolt. The drive to strengthen and improve the working of the financial system will continue, as will the efforts to make monetary policy more effective; and the commitment to the design of procedures for common action at the Community level will be maintained, together with the development of closer monetary cooperation. But it will no longer be possible to accommodate inconsistent behaviour with regard to prices, wages and budget deficits.

Table 1

ITALIAN FIXED INCOME SECURITIES
(In billions of lire)

Year	Government securities			Debentures		Total
	Treasury bills	Bonds	Total	Credit institutions	Companies	
1977	32,551	29,406	61,957	44,221	12,091	118,269
1980	73,754	64,822	138,576	61,422	14,296	214,294
1981	107,537	73,995	181,532	69,368	14,535	265,435
1982	140,140	99,681	239,821	77,792	19,122	336,736
1983	151,217	169,748	320,965	85,729	21,498	428,192
1984	160,512	233,328	393,840	90,159	23,535	507,534
1985	173,693	328,107	501,800	95,487	25,740	623,027
1986	183,390	416,634	600,024	102,512	31,849	734,385
1987	208,561	477,001	685,562	113,920	35,914	835,396
1988	244,835	545,108	789,943	122,085	36,739	948,767
1989	284,613	611,725	896,338	130,425	36,698	1,063,461
1990(1)	319,993	691,273	1,011,266	134,925	34,698	1,180,889

Source: Bank of Italy.

(1) Figures up to the end of October.

<u>Average Exchange Rate</u> : 1989: Lit 1,372 = $ 1.00

October 1990: Lit 1,142 = $ 1.00

November 1990 : Lit 1,116 = $ 1.00

Table 2

MILAN STOCK EXCHANGE

Year	Gross Issues	Transactions	Stock Capital-ization	Companies listed	Ratio of Capitalization to GNP
	(in billions of lire)			number	%
1977	357	754	5,616	145	3.1
1980	1,442	7,343	21,901	134	5.6
1981	5,100	12,334	28,149	132	6.1
1982	3,152	3,770	27,737	137	5.1
1983	4,592	5,880	34,806	140	5.5
1984	5,341	7,143	48,181	144	6.6
1985	4,969	26,323	98,933	148	12.2
1986	14,523	66,609	186,698	184	20.8
1987	6,716	41,926	140,723	205	14.4
1988	5,184	41,308	175,802	212	16.2
1989	7,389	53,542	215,200	218	18.1
1990 (1)	11,369	43,176	195,724	225	. . .
average 77-80	1,726	3,152	11,566	140	4.1
average 81-85	4,631	11,090	47,561	140	7.1
average 86-89	9,036	49,312	182,830	169	17.4

(1) Data up to September 30.

COMPOSITION OF THE FINANCIAL ASSETS HELD BY THE ITALIAN PRIVATE SECTOR
(end of period)

Table 3

Year	Currency	Bank deposits	Post Office deposits	Shares and mutual fund units	Government securities	Other debentures	Foreign assets (1)	Other assets	Total
1977	5.6	50.2	6.8	8.9	6.3	2.1	5.0	15.1	100
1980	4.3	41.1	5.8	22.7	9.5	1.2	4.0	11.4	100
1985	2.7	27.4	3.7	36.0	16.7	1.7	3.6	8.2	100
1986	2.3	23.3	3.4	43.5	15.4	1.5	3.4	7.2	100
1987	2.6	25.6	4.2	33.2	20.3	2.0	3.7	8.4	100
1988	2.7	23.9	3.7	32.9	21.7	2.3	4.2	8.6	100
1989	2.8	22.6	3.7	33.0	22.4	2.4	4.7	8.4	100

Source: Bank of Italy.

(1) Includes not only portfolio investment in shares and bonds but also foreign currency deposits.

ITALIAN GOVERNMENT SECURITIES: TRANSACTIONS ON SCREEN-BASED MARKET (1)

(in billions of lire)

Table 4

Year	Treasury bills and certificates	Bonds and other securities (2)	Total	Ratio of total transactions to stock
1	2	3	4	5
1988	30,767	11,693	42,460	35%
2nd Q	5,157	983	6,140	
3rd Q	15,589	1,062	16,651	
4th Q	10,021	9,684	19,669	
1989	42,146	29,586	71,732	30%
1st Q	10,385	5,994	16,379	
2nd Q	9,326	6,409	15,735	
3rd Q	7,869	7,426	15,295	
4th Q	14,566	9,757	24,323	
1990	259,765	185,135	444,900	108%
1st Q	32,116	18,093	50,209	
2nd Q	63,398	39,354	102,752	
3rd Q	78,613	40,015	118,628	
4th Q (3)	85,638	87,673	173,311	

Source: Bank of Italy.

(1) Comprise only securities listed on this market.

(2) Including ecu-denominated bonds.

(3) Estimate.

ITALIAN MUTUAL FUNDS' ASSETS

Table 5

	1985	1986	1987	1988	1989	1990 (1)
	(in billions of lire; end of period)					
Italian Securities						
Shares	5,095	17,887	13,561	13,958	14,879	11,701
Debentures	1,876	5,153	5,254	4,672	4,394	3,996
Government Bonds	11,270	35,844	31,569	22,292	18,630	21,189
Foreign Securities	678	3,727	5,497	7,922	6,872	4,904
Other	864	144	624	638	1,053	1,051
TOTAL	19,783	62,755	56,505	49,482	45,828	42,841
	(percentage composition)					
Italian Securities						
Shares	25.8	28.5	24.0	28.2	32.5	27.3
Debentures	9.5	8.2	9.3	9.4	9.6	9.3
Government Bonds	57.0	57.1	55.9	45.1	40.7	49.5
Foreign Securities	3.4	5.9	9.7	16.0	15.0	11.4
Other	4.4	.2	1.1	1.3	2.3	2.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

(1) As of September 30.

ITALIAN HOLDINGS OF FOREIGN FINANCIAL ASSETS

Table 6

Year	Medium- and long-term securities	Shares and participations	Total (2 + 3)	Total (4) as a % of total financial assets
	(Holdings; in billions of lire)			
1	2	3	4	5
1980	2,147	6,132	8,279	1.46
1984	1,320	23,619	24,939	2.25
1985	1,315	32,796	34,111	2.13
1986	1,299	43,487	44,786	2.18
1987	3,045	43,210	46,255	2.32
1988	7,833	63,718	71,551	3.07
1989	23,432	58,692	82,124	3.06
	(Net purchases; in billions of lire)			
1980	-179	569	390	.64
1984	-79	3,330	3,251	2.26
1985	-33	2,838	2,805	1.97
1986	-414	2,916	2,502	1.43
1987	1,727	2,159	3,886	2.34
1988	5,220	3,851	9,071	4.44
1989	15,455	-5,887	9,568	4.07

Source: Bank of Italy.

FOREIGNERS' HOLDINGS OF ITALIAN SECURITIES

(in billions of lire; end of period)

Table 7

Year	Government Securities and Debentures	Shares	Total (2 + 3)	Total as a % of total Italian financial assets
1	2	3	4	5
1977	178	5,600	5,778	2.69
1980	489	10,317	10,806	2.82
1984	1,660	19,370	21,030	2.70
1985	3,020	29,505	32,525	3.54
1986	5,735	30,642	36,377	3.37
1987	5,189	31,044	36,233	2.94
1988	10,290	38,303	48,593	3.42
1989	22,309	n.a.	. . .	. . .

Source: Bank of Italy .

FOREIGNERS' INVESTMENTS IN ITALIAN SECURITIES

Table 8

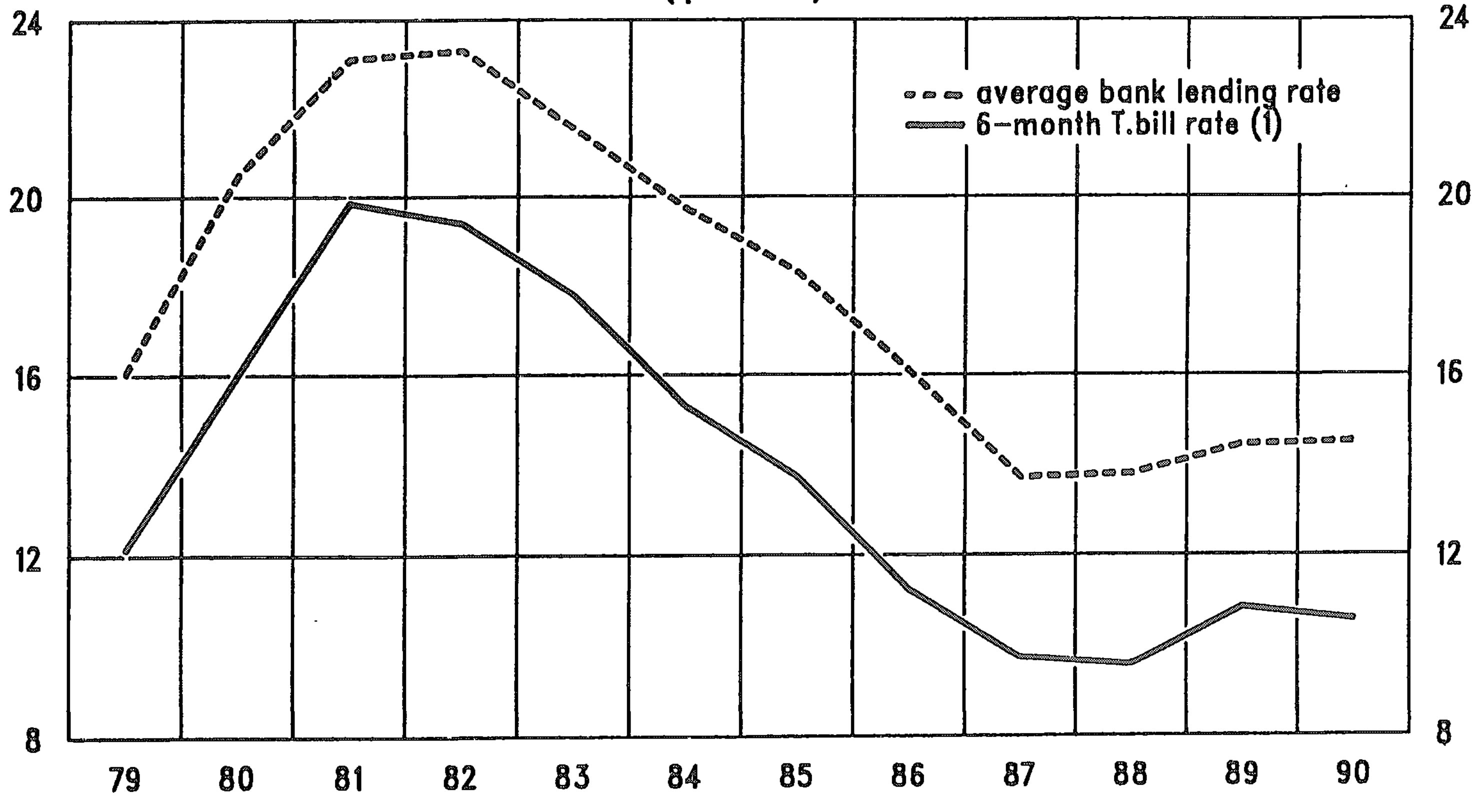
Year	Government Securities	Shares	Debentures	Total
	(Gross purchases;in billions of lire; end of period)			
1984	3,794	1,329	496	5,619
1985	9,731	4,763	477	14,971
1986	11,898	10,490	1,135	23,523
1987	13,461	7,077	845	21,383
1988	19,391	9,442	595	29,428
1989	42,362	18,334	6,497	67,193
	(Net purchases; in billions of lire)			
1984	543	211	-219	535
1985	2,062	183	-125	2,120
1986	4,390	-4,008	161	543
1987	-376	-4,364	-96	-4,836
1988	5,257	2,298	-25	7,530
1989	9,904	6,656	514	17,074
1990 (1)	7,434	1,032	-349	4,090

Source: Bank of Italy.

(1) First-half.

Fig. 1

ITALIAN NOMINAL INTEREST RATES
(per cent)

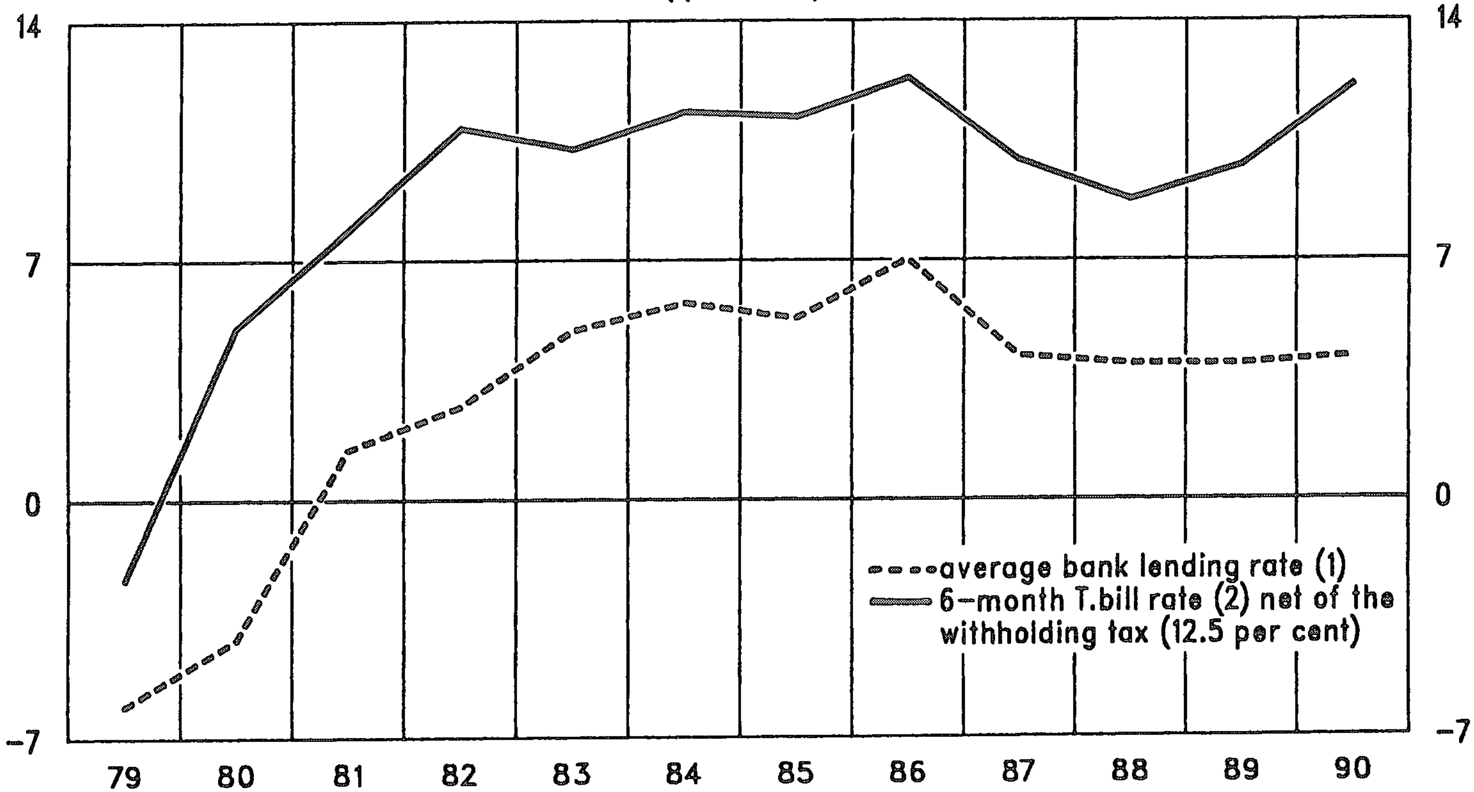


(1) Net of the withholding tax (12.5 per cent).

Source : Bank of Italy.

Fig. 2

ITALIAN REAL INTEREST RATES
(per cent)



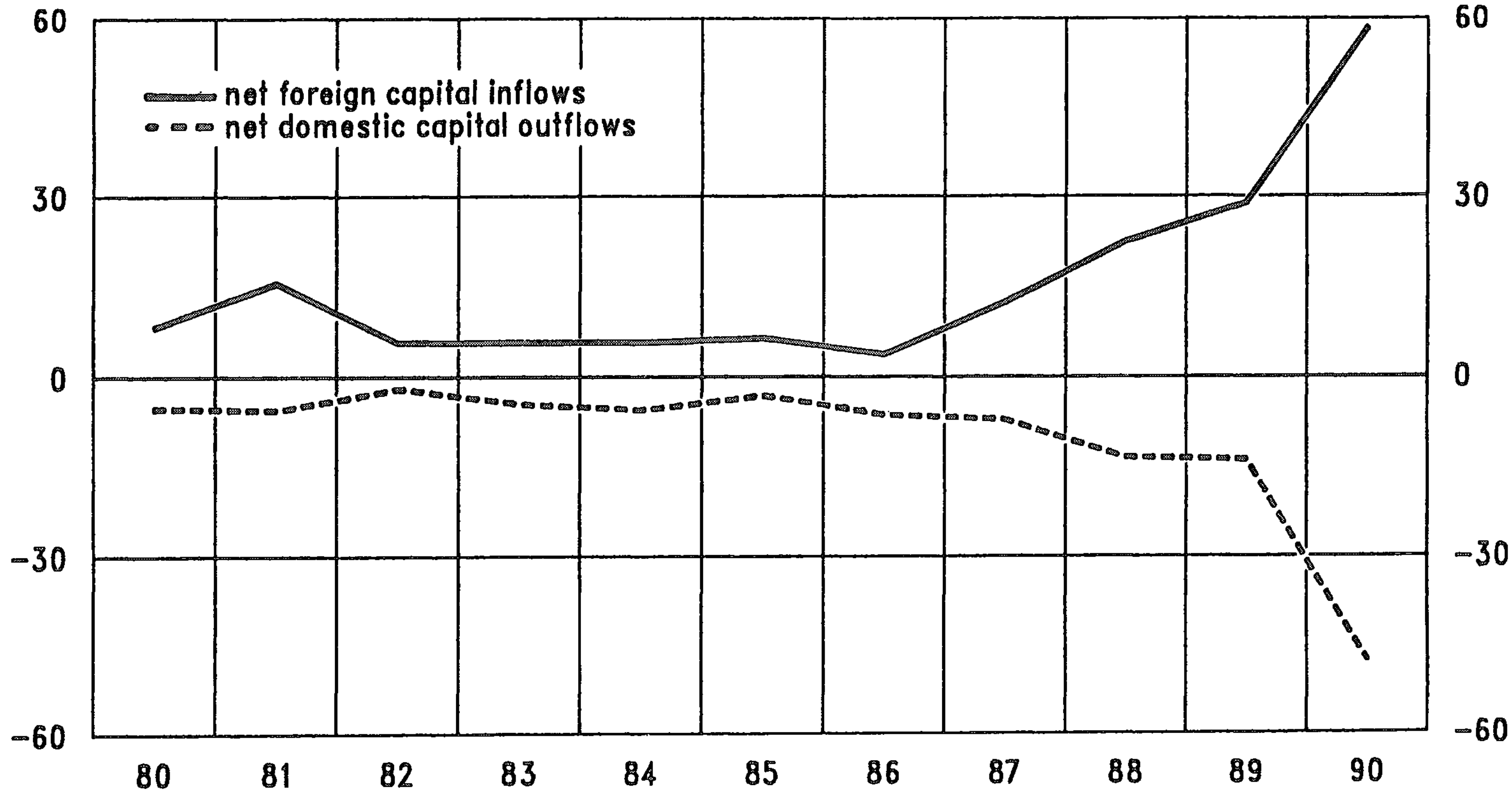
(1) Deflated by the manufactures' producer price index.
(2) Deflated by the consumer price index.

Source : Bank of Italy,Istat.

Fig. 3

ITALIAN CAPITAL FLOWS (1)

(billions of US dollars)

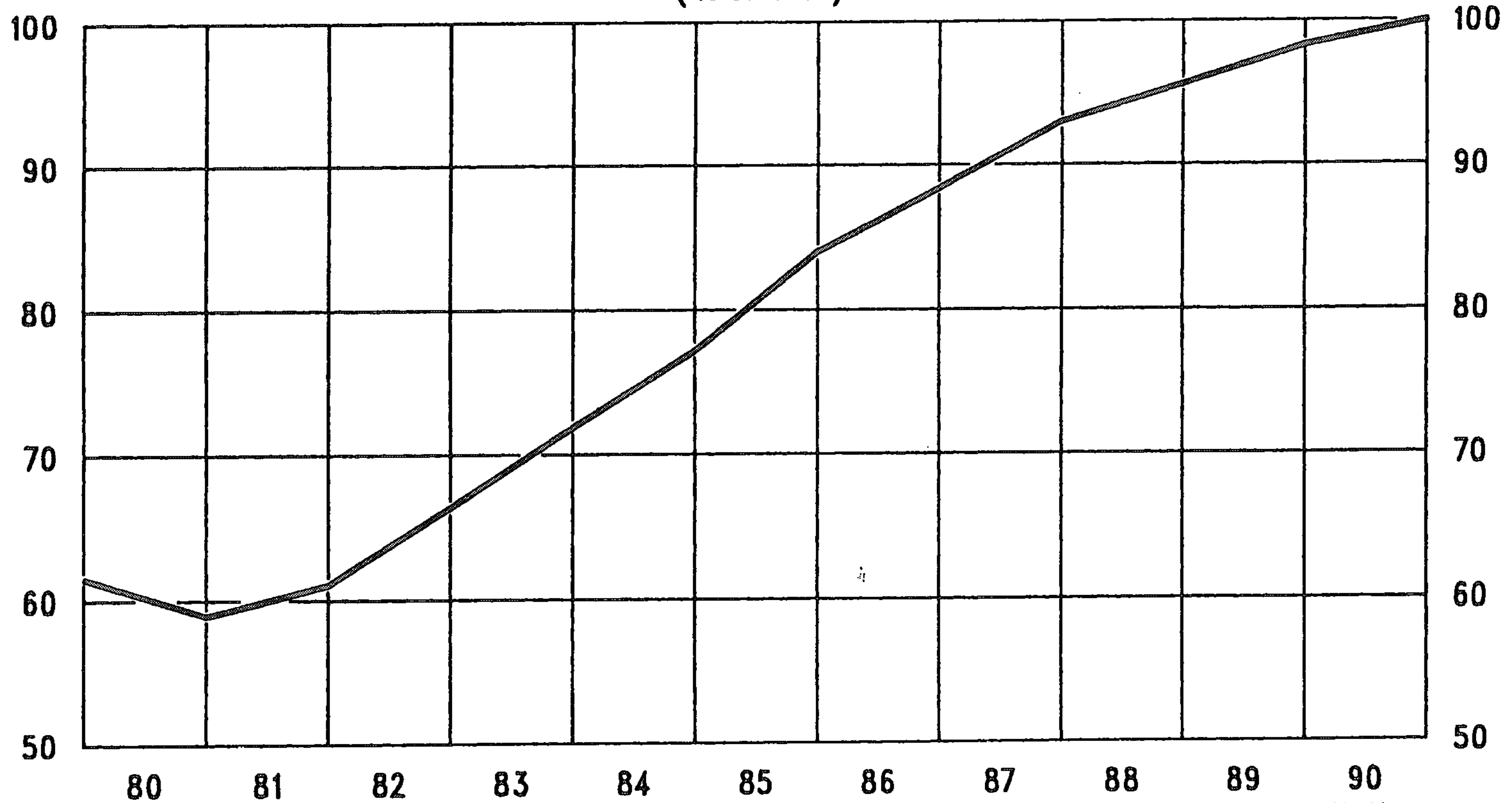


(1) Figures for 1990 are estimated on the basis of settlements in the first 10 months

Source : Bank of Italy.

Fig. 4

ITALY'S PUBLIC DEBT (1)
(% of GDP)



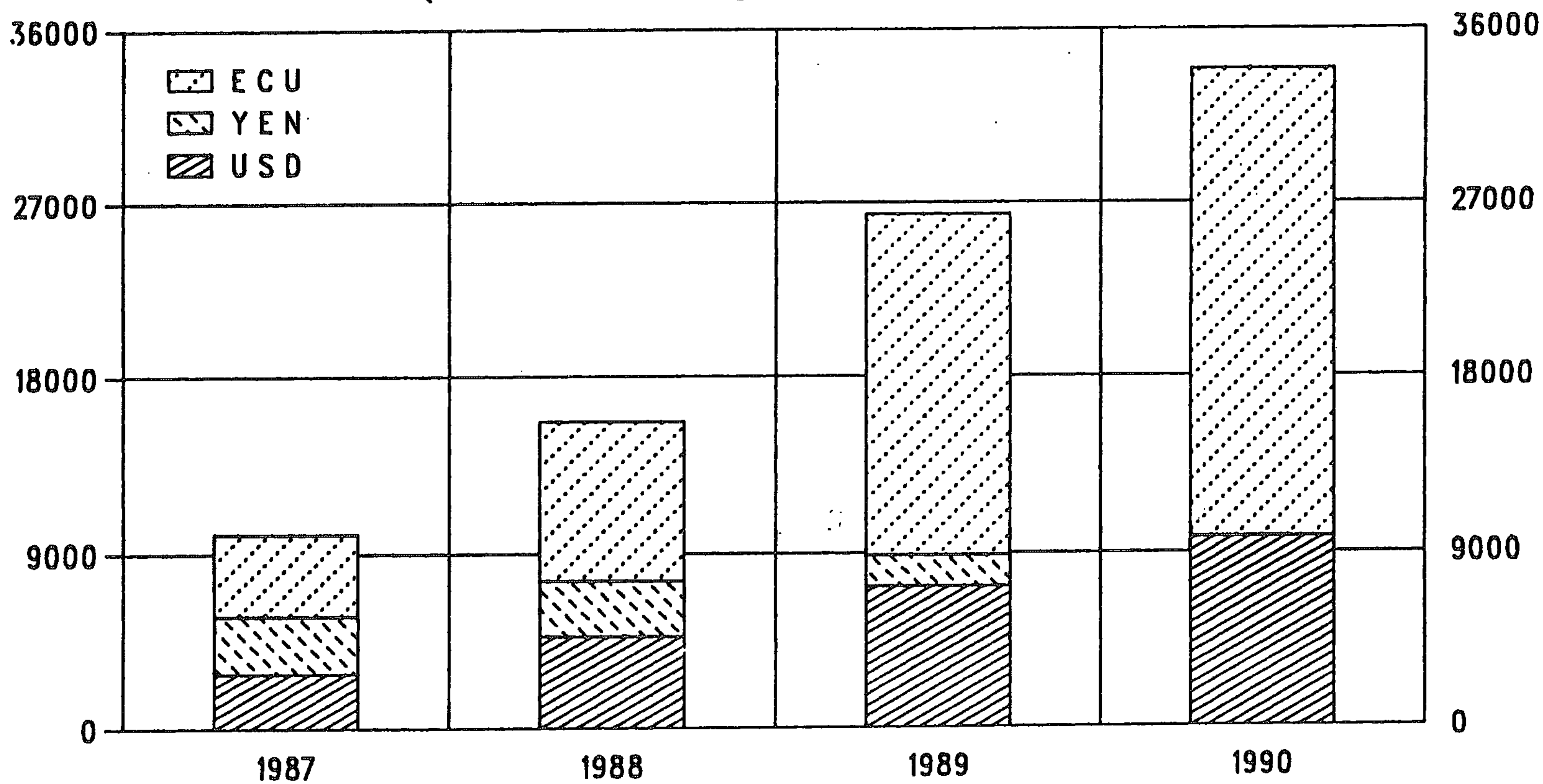
(1) Inclusive of the debt of the central government, local authorities and social security institutions.
Figures refer to the end of year.
The figure for 1990 is estimated.

Source : Bank of Italy.

THE REPUBLIC OF ITALY'S EXTERNAL DEBT, BY CURRENCY

(amounts outstanding in millions of US dollars)

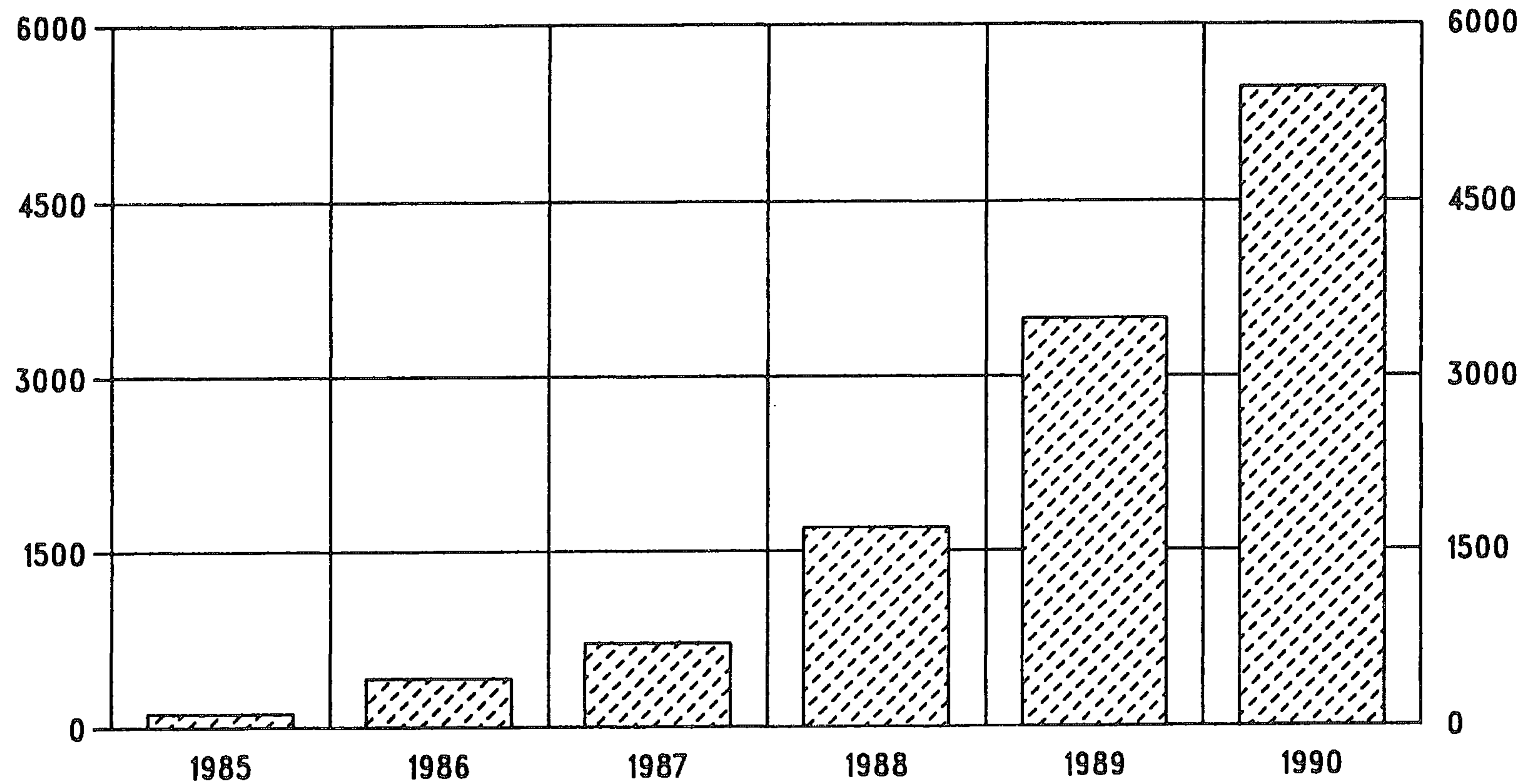
Fig. 5



Source : Bank of Italy.

Fig. 6

EUROLIRA BOND ISSUES
(millions of US dollars)



Source : Bank of Italy.