BANCA D'ITALIA
EUROSISTEMA

NUMBER 52
NOVEMBER 2018

RESEARCH AT THE BANK OF ITALY

DIRECTORATE GENERAL FOR ECONOMICS, STATISTICS AND RESEARCH

NEWSLETTER

Contents

Highlights

Policy Research Meeting on Financial Markets and Institutions

(Rome, 4-5 October 2018)

On 4 and 5 October 2018 the Bank of Italy hosted the **Policy Research Meeting on Financial Markets and Institutions**, jointly organized with the US Federal Reserve. The meeting – one of a series of events that periodically bring together representatives of central banks from both sides of the Atlantic – was dedicated to the memory of Andrea Generale, a former Bank of Italy official. The conference covered a wide range of topics, including: gradual monetary policy normalization in the US and the euro area and its effects on financial market conditions; the risks stemming from the household sector a decade after the sub-prime mortgages crisis; the effectiveness of policies to strengthen financial stability, focusing on capital requirements, stress testing, resolution regimes, and proportionality in regulation; the potential role of central banks in guiding the development of digital currencies and in designing modern payment system regulations.

The conference programme is available here.

Seventh BI-CEPR Conference on Money, Banking and Finance

(Rome, 20-21 September 2018)

On 20 and 21 September 2018 the Bank of Italy hosted the Seventh **BI-CEPR Conference on Money, Banking and Finance**, titled 'Low inflation, low wage dynamics: implications for monetary and financial stability.'

The conference brought together leading economists from academia and central banks to discuss why the broad recovery in advanced economies in recent years has been accompanied by persistently weak nominal wage and price dynamics and to foster the debate on a number of related issues.

The three sessions focused on understanding whether and why the relationship between cyclical conditions, wage dynamics and inflation experienced a structural break; the extent to which this break affected monetary policy; and whether a change in the monetary policy framework is warranted given the risks to price and financial stability posed by persistently low inflation and the presence of an effective lower

Highlights

bound on policy rates. Aysegul Sahin (University of Texas) and Gauti Eggertson (Brown University) gave keynote speeches.

The programme is available here.

Conference on Urban development, agglomeration economies and aggregate growth

(Rome, 28 June 2018)

The conference presented the results of recent research into the role of urban areas as engines of aggregate growth, which found that their contribution is smaller in Italy compared to other developed countries. In particular, the share of big-city dwellers is smaller than in France, the UK and Spain, and – though less markedly – Germany; the share of value added produced by urban areas is also lower. Partly ascribable to historical reasons, the more modest dimension of Italian cities can hamper growth by limiting interconnectedness and agglomeration. In fact, the research found that the impact of urban externalities on wages, productivity and innovation tends to be less marked in Italy than in other developed countries.

The project also found that the cost of congestion in Italian cities is high, despite their relatively smaller size; and that high housing costs – owing to both physical constraints and public administration inefficiencies – discourage mobility.

The programme and slides are available here.

Forthcoming events

StaTalk on 'New Challenges in Official Statistics'

(Rome, 9 November 2018)

On 9 November 2018 the Bank of Italy, together with the y–SIS Group, will host a StaTalk on '**New Challenges in Official Statistics**'. StaTalks are free, one-day workshops on statistical topics whose seminars feature introductory tutorials and more advanced research topics. Mainly aimed at Master's and PhD students, as well as at postdocs and young researchers, StaTalks make possible a more productive interaction between presenters and participants.

Subjects at the November seminar will include big data, machine learning, record linkage, and how these new methodologies will impact on Official Statistics.

The programme includes presentations by researchers from the Bank of Italy, Istat and academic scholars. A round table will conclude the conference.

More information is available here.

1st Bank of Italy - World Bank International Research Workshop on 'Building Human Capital for 21st Century Jobs'

(Rome, 15-16 November 2018)

The Bank of Italy is pleased to announce the first Bank of Italy-World Bank workshop on '**Building Human Capital for 21st Century Jobs**' to be held on 15-16 November 2018.

The workshop will draw on state-of-the-art economic research and discuss new evidence on how the pace of technological innovation and progressive automation of job tasks is rapidly reshaping the traditional contractual arrangements between workers and firms and the overall demand for skills.

Forthcoming events

These trends will also ask for a renewed emphasis on human capital accumulation and possible reorganization of the traditional functioning of the education systems. The resulting need to re-think the traditional labor, fiscal and welfare policies will be further stressed by the migratory pressures stemming from differences in demographic balances across different areas of the world, as well as by the increase in longevity and the related lengthening of working life, impacting upon traditional work career patterns.

While the workshop is aiming at state-of-the-art research papers, the policy implications of the research conducted and the analysis of concrete policy responses in the fields of education, labor and fiscal, and social protection systems will be particularly appreciated. A special focus will be also dedicated to the differences and similarities, in the issues to be tackled and in the policy responses to be undertaken, between developed and developing countries.

Interested authors should submit their papers through the following website.

Further information will be available here.

16th ESCB Emerging Markets Workshop

(Rome, 22-23 November 2018)

The Bank of Italy is pleased to announce the **16th ESCB Emerging Markets Workshop**, which will be held on 22 and 23 November 2018 in Rome. The meeting will bring together economists and researchers from central banks to discuss and compare the results of their recent research into the bumpier roads emerging economies will have to navigate in the short- to medium-run in an increasingly complex external environment.

Further information will be available here.

Bank of Italy/CEPR/EIEF Workshop on Firm Dynamics and Economic Growth

(Rome, 19-20 December 2018)

The Bank of Italy, the CEPR and the Einaudi Institute for Economics and Finance (EIEF) are organizing a Workshop on **Firm Dynamics and Economic Growth** that will bring together leading researchers who make important theoretical and empirical contributions to the study of firm and industry dynamics, their determinants, and to the related policies.

The program is available here.

8th EIEF-UNIBO-IGIER Bocconi Workshop on Industrial Organization

(Rome, 19-20 December 2018)

EIEF will host the **8th EIEF-UNIBO-IGIER Bocconi Workshop on Industrial Organization**. The event is a joint initiative of the Bologna Center for Law and Economics (BCLE – University of Bologna), the Einaudi Institute for Economics and Finance (EIEF) and IGIER-Bocconi. The workshop aims to strengthen relations between Italian economists working in the field of industrial organization, both in Italy and abroad, by bringing them together to discuss new research.

For further information see the call for papers.

Forthcoming events

17th Workshop on Macroeconomic Dynamics: Theory and Applications

(Rome, 21 December 2018)

LUISS University will host the **17th Workshop on Macroeconomic Dynamics: Theory and Applications**. The event is organized and supported by LUISS University, the Einaudi Institute for Economics and Finance (EIEF) and the Bank of Italy. The workshop will bring together economists doing frontier research on dynamic macroeconomics. Both theoretical and applied contributions are welcome. Young researchers are particularly welcome. Information on past meetings is available here.

For further information see the call for papers.

SEMINARS AT THE BANK OF ITALY

SEMINARS AT EIEF

Latest Working Papers

No. 1201: **Contagion in the CoCos market? A case study of two stress events** (November 2018)

Pierluigi Bologna, Arianna Miglietta and Anatoli Segura

The post crisis regulatory framework has fostered the development of the market for contingent convertible bonds (CoCos). These instruments allow for loss-absorption as a going concern but their critics warn about their potential destabilizing effects in stress situations. We analyse the dynamics of the European CoCos market during two stress episodes occurred in 2016 and triggered by news on substantial unexpected losses faced by a European systemic bank. Our econometric approach aims at disentangling the fundamental contagion channels of the distress of such bank to the rest of the market from a potential CoCo-specific contagion channel. We find evidence of significant CoCo-specific contagion in the two stress episodes that could result from investors' reassessment of CoCos' riskiness or from uncertainty on their supervisory treatment. Moreover, we find that the CoCo-specific contagion was weaker in the second stress event, suggesting that as investors learn about the specificities of these instruments and their supervisory treatment the CoCos market becomes more resilient.

Full text (pdf)

No. 1200: **The effectiveness of capital controls** (November 2018)

Valerio Nispi Landi and Alessandro Schiavone

The goal of this work is a systematic analysis of the effectiveness of capital controls in reducing the volume of capital flows and the probability of extreme events (surges and flights), strengthening financial stability and affecting the exchange rate. We find that controls significantly reduce capital flows, even though the effectiveness varies across economies and types of investment. Moreover capital controls tend to reduce the probability of extreme episodes. With regard to financial stability objectives, controls on banking inflows reduce domestic credit growth, but this effect is mainly driven by advanced economies. Controls on capital inflows reduce the share of domestic loans denominated in foreign currency. Finally, our estimates suggest that capital controls on inflows tend to be associated with an undervalued exchange rate only in emerging market economies.

Full text (pdf)

No. 1199: **Bank capital constraints, lending supply and economic activity** (November 2018)

Antonio M. Conti, Andrea Nobili and Federico M. Signoretti

We estimate a Bayesian VAR with a detailed characterization of the banking sector for Italy since the 1990s. We use conditional forecasting techniques to retrieve bank capital shocks related to regulatory and supervisory initiatives and quantify their impact on credit supply and economic activity. We study three episodes characterized by increased regulatory/ supervisory pressure and large increases in the Tier 1 capital ratio (the discussion on the Basel III reform; the 2011 EBA stress test and capital exercise; and the ECB's comprehensive assessment and the launch of the SSM). We find evidence of large and persistent shocks to bank capital in all three episodes, which had significant negative effects on loan supply and GDP. Our results are robust to taking account of possible instabilities in the estimated relationships. The analysis focuses on the potential short-run costs of the regulatory/supervisory initiatives and disregards the potentially much larger long-run benefits of high bank capitalization.

Full text (pdf)

No. 1198: **Macroeconomics determinants of the correlation between stocks and bonds** (November 2018)

Marcello Pericoli

We analyze the correlation between the stock and bond markets in Germany and the US. We use a standard no-arbitrage affine model to decompose the correlation between these two assets into its main drivers. The correlation between bond yields and stock returns is a key determinant of asset allocation. Our results show that the correlation is primarily influenced by the uncertainty about inflation and real interest rates as well as by co-movement between inflation, real interest rates and dividend growth. Shocks to inflation, real interest rates and dividend growth

Latest Working Papers

can explain the correlation's temporary deviation from its long-term dynamics.
Full text (pdf)

No. 1197: Fiscal policy in the US: a new measure of uncertainty and its recent development (November 2018)

Alessio Anzuini and Luca Rossi

We use the dispersion of the Federal Budget Balance forecasts from Consensus Economics to produce a new measure of fiscal uncertainty; constant horizon forecasts are obtained through mixture distributions. The scheme we propose has several advantages over previous uncertainty measures. First (as opposed to recent proposals) it results in a forward-looking measure, which implies that any sudden development in (un)expected fiscal stance is immediately incorporated in the series. Second, the measure is by construction a real-time one. Third, being completely model-free it is not contaminated (inflated) by model uncertainty. Fourth, it is comprehensive in accounting both for the critical welfare component of public expenditures and for taxes, i.e. it does not simply track uncertainty stemming from public consumption and investment. Fifth, as opposed to uncertainty indexes which can be interpreted only dynamically, our measure has an obvious intuitive point-wise interpretation. Interestingly, the inception of the Trump administration has led to unprecedented uncertainty shocks which are shown to have put a non-negligible brake on the US slow recovery. On a more general level, we show that fiscal uncertainty shocks have clear recessionary effects. Furthermore, constraints on monetary policies during the ZLB have likely caused the recessionary effects of fiscal uncertainty shocks to be stronger.
Full text (pdf)

No. 1196: Sovereign debt maturity structure and its costs (November 2018)

Flavia Corneli

I propose a theoretical model of a debt contract between a sovereign and its international lenders that determines the optimal debt maturity structure and related costs. It is shaped by two financial frictions: limited liability (the country cannot guarantee that it will not dilute its obligations or default on them) and market incompleteness (only non-contingent assets can be issued). I find that, in equilibrium, debt dilution constrains the amount of long-term debt issuance. I then focus on two aspects that are currently widely debated in both academic and policy fora: the possibility of sovereign debt restructuring with private creditors and international official lending in the event of exclusion from the international capital markets. The possibility of restructuring after default stimulates long-term debt issuance. However, in equilibrium, the proposed crisis management tools are unable to loosen the constraint on long-term debt issuance. Consistently with the empirical literature, I find that even when these policy options for crisis resolution are available, the country tends to issue mainly short-term debt.
Full text (pdf)

No. 1195: Immigrants, labor market dynamics and adjustment to shocks in the Euro Area (November 2018)

Gaetano Basso, Francesco D'Amuri and Giovanni Peri

We analyze the role of labor mobility in cushioning labor demand shocks in the Euro Area. We find that foreign born workers' mobility is strongly cyclical, while this is not the case for natives. Foreigners' higher population to employment elasticity reduces the variation of overall employment rates over the business cycle: thanks to them, the impact of a one standard deviation change in employment on employment rates decreases by 6 per cent at the country level and by 7 per cent at the regional level. Additionally, we compare Euro Area mobility to that of another currency union, the US. We find that the population to employment elasticity estimated for foreign-born persons is similar in the Euro Area and the US, while EA natives are definitely less mobile across countries than US natives are across states in response to labor demand shocks. This last result confirms that in the Euro Area there is room for improving country specific shocks absorption through higher labor mobility. It also suggests that immigration helped labor market adjustments.
Full text (pdf)

Latest Working Papers

No. 1194: **Potential output and microeconomic heterogeneity** (November 2018)

Davide Fantino

I estimate potential output growth using a production function approach applied to individual firm-level data for Italy. The dataset includes 360,000 non-financial corporations over the period 2004-15. I compare these estimates with those obtained from aggregate data, with a view to extracting additional information on the drivers of potential output in recent years. The approach based on individual firm-level data suggests a more sluggish potential growth before the crisis and a stronger recovery afterwards; the main reason is that estimates based on aggregate data are likely to suffer from aggregation biases and endogeneity problems. I find that the contributions of labour and capital to potential output growth decline over time and that unobserved firms' productivity explains most of the recovery after 2009; turnover has a substantial negative impact during the crisis, but a positive one afterwards. All the main economic sectors are affected by the financial crisis; potential growth in manufacturing is less damaged during the crisis and recovers afterwards; the service sector is recovering slowly, while construction firms are still not recovering.

Full text (pdf)

No. 1193: **The effect of grants on university drop-out rates: evidence on the Italian case** (September 2018)

Francesca Modena, Giulia Martina Tanzi and Enrico Rettore

In this paper we measure the impact of need-based grants on university dropout rates in the first year, using student-level data from all Italian universities in the period 2003-2013. In Italy, some of the students eligible for grants do not receive them due to a lack of funds. We exploit this phenomenon to identify the causal effect of financial assistance. We find that need-based aid prevents students belonging to low-income families from dropping out from higher education; the estimated effect is sizeable. This evidence is robust to a variety of specifications and sample selection criteria.

Full text (pdf)

No. 1192: **Exchange rate pass-through into euro area inflation. An estimated structural model** (September 2018)

Lorenzo Burlon, Alessandro Notarpietro and Massimiliano Pisani

We evaluate the exchange rate pass-through (ERPT) into euro area (EA) inflation by estimating an open economy New Keynesian model with Bayesian methods. In the model ERPT is incomplete because of local currency pricing and distribution services, with the latter allowing to distinguish between ERPT at the border and ERPT at the consumer level. Our main results are the following ones. First, ERPT into EA prices is, in general, high. Second, it is particularly high in correspondence of exchange rate and monetary policy shocks. Third, the EA monetary stance is relevant for ERPT; in particular, ERPT is higher if the stance is accommodative in correspondence of expansionary demand shocks.

Full text (pdf)

No. 1191: **Debt restructuring with multiple bank relationships** (September 2018)

Angelo Baglioni, Luca Colombo and Paola Rossi

When the debt of distressed firms is dispersed, free riding makes it difficult to reach a restructuring agreement. We develop a multistage game in which banks come across each other frequently, allowing them to threaten punishment in case of free riding. As the number of banks grows, the chance of re-encountering a bank and of being punished for free riding increases, improving the likelihood of cooperation. Looking at Italian firms in distress, we find that the restructuring probability increases with the number of banks up to a threshold - around three banks - beyond which coordination problems prevail.

Full text (pdf)

No. 1190: **Granular sources of the Italian business cycle** (September 2018)

Nicolò Gnocato and Concetta Rondinelli

A recent strand of literature has investigated the granular sources of the business cycle, i.e. to what extent firm-level dynamics have an impact

Latest Working Papers

on aggregate fluctuations. From a conceptual point of view, in the presence of fat-tailed firm-size distributions, shocks to large firms may not average out and may then have a direct effect on aggregate fluctuations; in addition, firm-to-firm linkages can propagate shocks to individual firms, leading to movements at the aggregate level. Using Cerved and INPS data, we test the granular hypothesis on a large sample of Italian firms, covering the period 1999-2014. Idiosyncratic Total Factor Productivity (TFP) shocks are found to explain around 30 per cent of aggregate TFP volatility; furthermore, the contribution of these linkages to firm-specific aggregate volatility is more important than that of the direct effect, especially for the manufacturing sector.
Full text (pdf)

No. 1189: **Nearly exact Bayesian estimation of non-linear no-arbitrage term structure models** (September 2018)

Marcello Pericoli and Marco Taboga

We propose a general method for the Bayesian estimation of nonlinear no-arbitrage term structure models. The main innovations we introduce are: 1) a computationally efficient method, based on deep learning techniques, for approximating no-arbitrage model-implied bond yields to any desired degree of accuracy; and 2) computational graph optimizations for accelerating the MCMC sampling of the model parameters and of the unobservable state variables that drive the short-term interest rate. We apply the proposed techniques for estimating a shadow rate model with a time-varying lower bound, in which the shadow rate can be driven by both spanned unobservable factors and unspanned macroeconomic factors.
Full text (pdf)

No. 1188: **Raising aspirations and higher education: evidence from the UK's Widening Participation policy** (September 2018)

Lucia Rizzica

This paper investigates the relationship between aspirations and inequality in higher education participation. Using a regression discontinuity design, I evaluate the impact of a nationwide UK policy aimed at raising aspirations towards college education in pupils from disadvantaged backgrounds by involving them in outreach activities. I find that the policy successfully raised the aspirations of the target students and their participation in post compulsory education. However, its final effect on college enrolment was negligible overall and appears concentrated among students from the most affluent families and those in the central part of the ability distribution.
Full text (pdf)

No. 1187: **Competition and the pass-through of unconventional monetary policy: evidence from TLTROs** (September 2018)

Matteo Benetton and Davide Fantino

We make use of an allocation rule by the ECB for Targeted Longer-Term Refinancing Operations (TLTROs) to provide causal evidence on the effect of unconventional monetary policy on the cost of loans to firms. Using transaction-level data from Italy's Central Credit Register and a difference-in-difference identification strategy, we show that treated banks decrease loan rates to the same firm by approximately 20 basis points compared with control banks. We then study how the effects of the liquidity injection vary according to the competition in the banking sector, exploiting the local nature of bank-firm lending relationships and exogenous variations in the number of pawnshops across Italian cities during the Renaissance. Our results suggest that banks' market power can significantly impair the effectiveness of unconventional monetary policy, especially for safer and smaller firms.
Full text (pdf)

Other recent Working Papers

June 2018 — July 2018

No. 1186: Fiscal buffers, private debt and recession: the good, the bad and the ugly
Nicoletta Batini, Giovanni Melina and Stefania Villa

No. 1185: Macroeconomic effects of an open-ended Asset Purchase Programme
Lorenzo Burlon, Alessandro Notarpietro and Massimiliano Pisani

No. 1184: Capital controls spillovers
Valerio Nispi Landi

No. 1183: Why do banks securitise their assets? Bank-level evidence from over one hundred countries in the pre-crisis period
Fabio Panetta and Alberto Franco Pozzolo

No. 1182: Knocking on parents' doors: regulation and intergenerational mobility
Sauro Mocetti, Giacomo Roma and Enrico Rubolino

No. 1181: Always look on the bright side? Central counterparties and interbank markets during the financial crisis
Massimiliano Affinito and Matteo Piazza

No. 1180: On the unintended effects of public transfers: evidence from EU funding to Southern Italy
Ilaria De Angelis, Guido de Blasio and Lucia Rizzica

No. 1179: Labor market and financial shocks: a time varying analysis
Francesco Corsello and Valerio Nispi Landi

No. 1178: Discretion and supplier selection in public procurement
Audinga Baltrunaite, Cristina Giorgiantonio, Sauro Mocetti and Tommaso Orlando

No. 1177: Short term forecasts of economic activity: are fortnightly factors useful?
Libero Monteforte and Valentina Raponi

No. 1176: Fixed rate versus adjustable rate mortgages: evidence from euro area banks
Ugo Albertazzi, Fulvia Fringuellotti and Steven Ongena

No. 1175: Asset price volatility in EU-6 economies: how large is the role played by the ECB?
Alessio Ciarlone and Andrea Colabella

Latest Occasional Papers

No. 470: **Household wealth in Italy and in advanced countries** (November 2018)

Diego Caprara, Riccardo De Bonis and Luigi Infante

The paper studies the long-term evolution of household wealth in order to compare the changes in Italian financial wealth and real wealth with those of the most advanced countries. In Italy households' real wealth is 5.5 times disposable income, while housing wealth is 4.6 times, and financial wealth is 3.8 times disposable income. Therefore total gross wealth is around 9.3 times disposable income. Given that household liabilities make up 80 per cent of disposable income, total net wealth is 8.5 times income. In France and Spain household non-financial wealth also exceeds that of financial assets, while the contrary holds in the United States and in Germany. In Italy the ratio of gross financial wealth to disposable income is in line with that in France, greater than in Spain and Germany, and smaller than in the USA, Japan, the UK, and Canada. With the exception of Germany and Japan, changes in financial assets are mainly due to price changes in financial instruments – holding gains or losses – rather than to financial transactions. In the last two decades the financial portfolio of Italian households has become more similar to the average portfolio of the advanced economies. Italian household debt is the lowest by international comparison.

Full text (pdf) in Italian only

No. 469: **How slow is the recovery of loans to firms in Italy?** (November 2018)

Ginette Eramo, Roberto Felici, Paolo Finaldi Russo and Federico M. Signoretti

This paper studies the characteristics of the recent evolution of loans to non-financial firms in Italy in historical perspective, with the aim of ascertaining whether the ongoing recovery is creditless; the main demand- and supply-side determinants of credit are also discussed. We find the following results. First, bank loan dynamics have been weak compared to the universe of recoveries in 13 euro-area countries since 1980; however, credit has evolved in line with the median pattern in the restricted sample of recoveries following deep and long recessions and/or recessions associated with banking crises. Second, the reduction in loans has been common to firms of all sizes, though it has been more pronounced for smaller ones. Third, based on a review of credit market indicators, survey evidence and econometric studies, the weakness of lending to firms has been in line with subdued dynamics of demand; the stringency of lending criteria has also contributed, in particular for smaller and riskier firms.

Full text (pdf)

No. 468: **EU-UK global value chain trade and the indirect costs of Brexit** (November 2018)

Rita Cappariello, Milan Damjanović, Michele Mancini and Filippo Vergara Caffarelli

Production networks in the European Union (EU) and the United Kingdom (UK) are highly integrated and Brexit poses a threat to supply and demand linkages across the Channel. In a world of Global Value Chains (GVC), tariffs might be more harmful than in a world where trade is purely direct. In this paper we highlight the features of GVC-trade between the EU and the UK, disentangling the complex network of bilateral EU-UK value-added flows. Assuming that following Brexit the UK adopts the same Most-Favoured-Nation tariff schedule as the EU, we compute the direct and indirect costs of these tariffs, taking into account the EU-UK GVC-trade patterns. Tariffs would add almost 1 percentage point to the cost of manufacturing inputs in the UK, while the corresponding input cost in the EU would be only marginally affected, despite some heterogeneity at the country-level.

Full text (pdf)

No. 467: **Response burden and data quality in business surveys: the experience of Banca d'Italia** (September 2018)

Marco Bottone, Lucia Modugno and Andrea Neri

In this paper we analyze the dynamics of response burden in the main business surveys conducted by Banca d'Italia and we investigate its relationship with some data quality indicators. We find evidence of a significant increase in actual burden over time which has contributed to amplifying the perceived burden. Our results also show a clear link between a respondent's perceived effort and the probability of not

Latest Occasional Papers

answering some important questions (such as those relating to expectations of future investments and turnover) or of dropping out of the survey. Further, we find that firms reporting a high perceived burden tend to provide inaccurate answers to quantitative questions and to choose the first plausible response when confronted with complex questions.
[Full text (pdf)]

No. 466: **Weakness in Italy's core inflation and the Phillips curve: the role of labour and financial indicators** (September 2018)

Antonio M. Conti and Concetta Gigante

We investigate the dynamics of core inflation in Italy, with a special focus on the period of low inflation after 2014, through the lenses of a Phillips curve framework. Composite indicators of the Italian labour and financial market are constructed and included into a Phillips curve. A number of results emerges from the empirical analysis. First, a statistically significant trade-off between core inflation and economic activity is observed, especially when measures of slack are derived from labour market variables. Second, financial indicators can help to better characterize the dynamics of core inflation. Third, when controlling for financial indicators the slope of the Phillips curve turns out to be smaller, except for the case in which it is measured by the measure of slack based on broad labour market conditions. Fourth, a steepening in the Phillips curve emerges in the aftermath of the Global Financial Crisis, while a stabilization is evident at the end of the sample. Fifth, non-linear techniques suggest that weakness in core inflation may be dependent on the level of labour market tightness and of trend inflation especially. These findings have non-negligible implications for modeling and forecasting inflation dynamics in Italy.
[Full text (pdf)]

No. 465: **What's behind firms' inflation forecasts?** (September 2018)

Cristina Conflitti and Roberta Zizza

How do firms form expectations about future inflation? We investigate this issue by exploiting the Survey of Inflation and Growth Expectations run by Banca d'Italia and Il Sole 24 Ore on Italian firms. Several sources of information might matter in shaping short- and long-term expectations, inter alia media reports, professional forecasts, personal shopping experience, price increases experienced when dealing with suppliers, and the outcome of contract renewals. The specific feature of the wage setting process in Italy allows us to assess the reaction of inflation expectations to exogenous variation in the cost of labour borne by firms. We find that firms' inflation expectations are significantly affected by contractual wage increases. As to the prices of goods for own consumption, proxied by house and fuel prices, only the latter affect inflation expectations; official inflation data and professional forecasters expectations are also important. Results are robust to several specifications using panel and cross-section estimates.
[Full text (pdf)]

No. 464: **The taxation of savings: the Italian system and international comparison** (September 2018)

Nicola Branzoli, Giovanna Messina, Elena Pisano, Giacomo Ricotti and Ernesto Zangari

After a brief review of the economic literature, the paper offers a comparative analysis of the main features of capital income taxation in Italy, the EU and the US. The paper also analyses the recent evolution of capital taxation and portfolio allocation in Italy. The findings point to high heterogeneity in the choice of the type of tax system, taxation level and forms of preferential taxation, suggesting no convergence towards a single model of taxation among countries. However, a common feature of most systems is that capital income is taxed more lightly than labour income. The heterogeneity in the tax treatment of households' savings is likely to persist in the future; recent developments at international level concerning the transparency of taxation are expected to increase governments' degrees of freedom in choosing their preferred tax system. Empirical evidence for Italy suggests that the tax burden on financial assets has increased in recent years but the evolution of financial assets over time is not particularly sensitive to tax changes.
[Full text (pdf)]

Latest Occasional Papers

No. 463: Forecasting house prices in Italy (September 2018)

Simone Emiliozzi, Elisa Guglielminetti and Michele Loberto

Forecasting house prices is a difficult task given the strong relationship between real estate markets, economic activity and financial stability, but it is an important one. This paper evaluates the out-of-sample forecasting performance of various models of house prices in a quasi-real time setting. Focusing on Italy, we consider two structural models (using simultaneous equations) and a Bayesian VAR and compute both conditional and unconditional forecasts. We find that the models perform better than a simple autoregressive benchmark; however, the relative forecast accuracy depends on the forecast horizon and also changes over time. For the full sample period the simultaneous equation model, which takes into account credit supply restrictions and real estate taxation, shows the best performance measured in terms of root mean squared forecasting error (RMSFE). In the first part of the sample (2005-2010), medium-term forecasts of house prices greatly benefit from conditioning on the evolution of households' disposable income, whereas from 2010 onwards the path of the stock of mortgages becomes important.
Full text (pdf)

No. 462: Italian regions in global value chains: an input-output approach (September 2018)

Chiara Bentivogli, Tommaso Ferraresi, Paola Monti, Renato Paniccià and Stefano Rosignoli

This work uses input-output techniques to analyse the value added content of the interregional and international trade of Italian regions, which are characterized by marked differences in their level of development and production structure. Regions differ from one another in their degree of dependence on international and other regions' demand: in those of the Centre and North, the contribution of foreign demand to regional production of value added is greater than in Southern Italy, where the role of national demand is much more important. Most regions show a significant participation in global value chains for given amounts of exports to other countries and regions which, however, are smaller overall in relation to total production in the South. The latter is also somewhat peripheral in the geography of international trade and depends to a greater extent on national suppliers; moreover, the supply ties between the different regions of the South are weak compared with the ties with some regions of the Centre and North.
Full text (pdf)

No. 461: The Italian "employment-rich" recovery: a closer look (September 2018)

Giulia Bovini and Eliana Viviano

We look at changes in employment in Italy after the double-dip recession. We show that since the end of 2014 the responsiveness to GDP of total employment and its payroll components (permanent and fixed-term) has risen significantly; the increase has been broad-based across sectors and it would have been larger if demographic factors had been netted out. These developments are not common to France, Spain and Germany. Therefore, we turn to Italy-specific determinants related to the recent labour market reforms. Using cell-level data drawn from the Comunicazioni Obbligatorie of the Veneto region, we find that gross permanent hires and conversions of fixed-term positions have temporarily, but significantly, benefited from the 2015-2016 hiring subsidies across all types of firms and, more smoothly, from the new regulation of dismissals introduced by the 2015 Jobs Act for medium-large firms. This latter result is clear in 2017, in the absence of subsidies to permanent hiring. Fixed-term employment has increased, likely favoured by the 2014 Poletti Decree, more strongly so when permanent hiring subsidies were lifted or weakened and among smaller firms.
Full text (pdf)

No. 460: Labour market conditions and wage inflation in CEE economies (September 2018)

Simone Auer

In this paper, we test whether a wage Phillips curve can still be considered a reliable approximation of nominal wage determination in

Latest Occasional Papers

Poland, Hungary and the Czech Republic. The empirical evidence is broadly in favour of the existence of a negative relation between labour market slack and nominal wage inflation in the Central and Eastern European (CEE) economies between 2001 and 2017. However, after 2009 wage inflation was significantly below the value that would have been predicted by an estimated wage Phillips curve. The results of rolling OLS estimations confirm a weakening of the negative relation with the unemployment gap. A closer look at the recent evolution of labour market conditions in Poland, Hungary and the Czech Republic suggests that the composition effects on labour supply, especially those linked to demographic and migration trends, could be particularly relevant. Other possible explanations generally mentioned with reference to advanced economies - such as a large share of long-term unemployment, part-time and temporary workers or workers that are underemployed or marginally attached to the labour market - probably had no role or only a marginal one in the recent weak nominal wage growth in the three countries.
Full text (pdf)

No. 459: **The recent evolution of unemployment benefits in Italy** (September 2018)

Federico Giorgi

At the onset of the crisis, the Italian system of income support measures was characterized by a high level of heterogeneity and there was little recourse to active labour market policies and activation programmes. The measures provided only a few basic guarantees which were limited to certain sectors and types of firm. The duration of any subsidies varied considerably according to a firm's age, geographical location, and the type of support available. The reforms of 2012 and 2015 introduced significant innovations, which aim to make the system more universal and to provide better cover in the event of loss of employment so that the basic level of support is more generous and linked to previous social security contributions and not to any of the other characteristics of the worker or of the firm. The reforms also promote greater recourse to active policies and activation programmes. The first goal has substantially been achieved. However the path towards the second, more difficult, objective has only just been started with the establishment of ANPAL. We find, therefore that the number of persons receiving support, but apparently not immediately available to work, remains high.
Full text (pdf) in Italian only

No. 458: **A survey of systemic risk indicators** (September 2018)

Antonio Di Cesare and Anna Rogantini Picco

The aim of this survey is to provide a rigorous, but not so technical, introduction to several systemic risk indicators frequently used in official publications by institutions involved in macroprudential analysis and policy. The selected indicators are classified using three taxonomies. The first one adopts the point of view of regulators and policy-makers, whose attention is usually focused on the implementability and forward-looking nature of the indicators. The second taxonomy highlights the features that are most relevant for researchers, i.e. the reliance on a sound theoretical background and the use of advanced analytical techniques. The third taxonomy classifies the indicators according to the specific aspects of systemic risks that are captured. For each indicator both general and technical descriptions are provided, as well as specific examples.
Full text (pdf)

No. 457: **Natural catastrophes and bank lending: the case of flood risk in Italy** (September 2018)

Ivan Faiella and Filippo Natoli

We investigate the relationship between bank lending and catastrophe risk by analyzing the exposure of banks to Italian firms located in areas at risk of flooding. By matching a new map of flood risk areas with proprietary data on bank loans at municipal level we find that, on controlling for sectoral- and province-level fixed effects, lending to non-financial firms is negatively correlated with their flood risk exposure. A province-level analysis, which also allows us to control for bank- and firm-specific factors, confirms this finding when the borrowers are small and medium-sized enterprises. This

Latest Occasional Papers

investigation gives an initial insight into the relationship between the risk of natural catastrophes - exacerbated by climate change - and lending decisions.
[Full text (pdf)]

No. 456: **House prices in local markets in Italy: dynamics, levels and the role of urban agglomerations** (September 2018)

Luca Casolaro and Cristina Fabrizi

The national pattern of house price dynamics masks considerable heterogeneity across local areas and markets; disparities are even higher looking at house price levels. In this paper we describe these structural differences across Italy, with particular focus on the role of metropolitan areas over the last 50 years. Our analysis shows that housing cycles differ across geographical areas and urban agglomerations both in depth and length. Cycles reflect metropolises' price dynamics in all the macro-areas except the South, where the biggest cities and the other towns exhibit similar dynamics. Geographical disparities are even stronger if we turn to price levels: following a period of relative convergence in the second half of the 1990s, the gap between areas widened again. Finally, using data covering the last decade, we analyse house price heterogeneity across areas, including the hinterland of metropolises, taking into account the contribution of a set of relevant socio-economic characteristics, the first one being income, to the distribution of house prices.
[Full text (pdf)]

No. 455: **The effect of the Eurosystem expanded Asset Purchase Programme on inflation expectations: evidence from the ECB Survey of Professional Forecasters** (September 2017)

Guido Bulligan

This paper investigates the effect of ECB asset purchases on inflation expectations in the euro area, as measured by the ECB Survey of Professional Forecasters. To identify the effects on individual expectations we adopt a panel approach, where the Eurosystem Asset Purchase Programme (APP) shocks are used as covariates to explain the revisions in the individual inflation forecasts; controls for updates in macroeconomic and financial developments are also included. Our results indicate that the first APP announcement in January 2015 resulted in a statistically significant upwards revision of medium term inflation expectations and lowered the forecasters' assessment of the probability of a low inflation regime. The average effect however masks significant differences among forecasters: forecasters that were relatively more accurate prior to the announcement were also those who revised their inflation forecasts more markedly.
[Full text (pdf)]

No. 454: **Italian cities: definitions, characteristics and growth** (September 2018)

Andrea Lamorgese and Andrea Petrella

One of the salient features of economic development is its pronounced urban dimension. As in other advanced economies, most economic activity in Italy is concentrated in urban areas: in 2001, the 73 urban Local Labor Markets (LLM) produced 62 percent of Italian value added. Since the 1980s, Italian urban agglomerations have increased in size, both in economic terms and in terms of occupied area, absorbing a growing number of municipalities. This process is reflected in the rising contribution of urban LLMs to the aggregate dynamics of population, employees, plants and income. Urban areas stand out for being better able to attract high-skilled workers, for having a higher concentration of innovative activity and for being more specialized in knowledge-intensive services (KIS). Even net of observable characteristics, cities maintain a performance advantage with respect to non-urban areas: in terms of labor productivity, the urban premium is nil for industry and it amounts to 3 percent for services.
[Full text (pdf) in Italian only]

Latest Occasional Papers

No. 453: **The tourist tax in the Italian municipalities** (September 2018)

Laura Conti, Elena Gennari, Fabio Quintiliani, Roberto Rassu and Elena Sceresini

We study the implementation of the tourist tax in Italian municipalities, highlighting the link between its reach and the inbound tourist flows. The reference period is the year 2016. Municipalities with the tourist tax in 2016 are only one ninth of all Italian municipalities and one sixth of those eligible to do so, but they attract 70 per cent of inbound tourists. Revenues are on average about 4 per cent of all local taxation (around €20 per resident). Rome, Milan, Florence and Venice head the municipalities in terms of revenues. In fact, although these four towns only account for 7 per cent of total nights spent by tourists in Italy, their revenue share is over 50 per cent. A simple econometric estimation shows that the probability of introducing a tourist tax in a municipality is highly correlated to the tourist attractions of the local area and to the same tax being applied in the neighbouring municipalities, suggesting possible strategic interaction between them

Full text (pdf) in Italian only

Other recent Occasional Papers

June 2018— July 2018

No. 452: Is there strength in unity? Some preliminary evidence on inter-municipal cooperation in Italy
Stefano Manestra, Giovanna Messina and Anna Peta

No. 451: Managing sovereign debt restructurings in the euro zone. A note on old and current debates
Marco Committeri and Pietro Tommasino

No. 450: Missing Investors in the Italian Corporate Bond Market
Matteo Accornero, Paolo Finaldi Russo, Giovanni Guazzarotti and Valentina Nigro

No. 449: The financial structure of Italian start -ups, in good and bad times
Emilia Bonaccorsi di Patti and Valentina Nigro

No. 448: Real estate foreclosures: their functioning and the effects of recent reforms
Silvia Giacomelli, Tommaso Orlando and Giacomo Rodano

No. 447: Rethinking prices and markets underlying price-competitiveness indicators
Alberto Felettigh and Claire Giordano

No. 446: Unwinding external stock imbalances? The case of Italy's net international investment position
Valerio Della Corte, Stefano Federico and Enrico Tosti

No. 445: Magic mirror in my hand.... how trade mirror statistics can help us detect illegal financial flows
Mario Gara, Michele Giammatteo and Enrico Tosti

No. 444: Price and cost competitiveness misalignments of the euro area and of its main economies according to a quarterly BEER model, 1999-2017
Claire Giordano

No. 443: Knowledge intensive business services and urban areas: an analysis of localization and productivity on Italian data
Valter Di Giacinto, Giacinto Micucci and Alessandro Tosoni

No. 442: Inequality amid income stagnation: Italy over the last quarter of a century
Andrea Brandolini, Romina Gambacorta and Alfonso Rosolia

No. 441: Why do banks use derivatives? An analysis of the Italian banking system
Luigi Infante, Stefano Piermattei, Raffaele Santioni and Bianca Sorvillo

Other recent Occasional Papers

June 2018— July 2018

No. 440: Dealing with corporate crises in a timely way. Notes on the optimal design of an «Early warning and composition system»
Elisa Brodi

No. 439: Looking through cross-border positions in investment funds: evidence from Italy
Valerio Della Corte, Stefano Federico and Alberto Felettigh

No. 438: TFP differentials across Italian macro-regions: an analysis of manufacturing corporations between 1995 and 2015
Emanuele Ciani, Andrea Locatelli and Marcello Pagnini

No. 437: Mind the mode: lessons from a web survey on household finances
Romina Gambacorta, Marina Lo Conte, Manuela Murgia, Andrea Neri, Roberta Rizzi and Francesca Zanichelli

No. 436: Bank profitability and macroeconomic conditions: are business models different?
Emilia Bonaccorsi di Patti and Francesco Palazzo

No. 435: Measuring the financial literacy of the adult population: the experience of Banca d'Italia
Antonietta di Salvatore, Francesco Franceschi, Andrea Neri and Francesca Zanichelli

No. 434: The impact of the interchange fee regulation on merchants: evidence from Italy
Guerino Ardizzi and Michele Savini Zangrandi

Notes on Financial Stability and Supervision

No. 12: **Do high levels of NPLs impair banks' credit allocation?** (April 2018)

Paolo Angelini

Recently, various commentators have argued that high NPL stocks can limit banks' lending ability, impairing the monetary policy transmission mechanism.
This note looks at some facts on the relationship between NPLs and credit growth, and summarizes some recent empirical results, casting doubts on this thesis. In a nutshell, it seems to have no strong foundation, either on theoretical or on empirical grounds.
NPLs are relatively opaque, difficult to value, and therefore illiquid; also, they typically do not yield a steady return; thus, other things equal, banks with large NPL holdings are less profitable, and pay a risk premium on capital and liquidity markets. Indeed, the Single Supervisory Mechanism has taken various steps to foster a reduction of NPLs, with very good results. This note argues that the current debate on NPLs features many reasons to reduce the stock of NPLs in banks' balance sheets, but that not all of them are well-grounded ones.
Full text (pdf)

Selection of Journal articles and books

Authors' names in boldface: Bank of Italy

Full list since 1990

Forthcoming

Accetturo A., **V. Di Giacinto, G. Micucci** and **M. Pagnini**, "Geography, Productivity and Trade: does Selection Explain Why Some Locations are More Productive Than Others?", *Journal of Regional Science*. (WP No. 910)

Alessandri P. and H. Mumtaz, "Financial Regimes and Uncertainty Shocks", *Journal of Monetary Economics.*

Andini C. and **M. Andini**, "Social Capital and Growth: Causal Evidence from Italian Municipalities", *Journal of Economic Geography*.

Aprigliano V., **G. Ardizzi** and **L. Monteforte**, "Using the Payment System Data to Forecast the Economic Activity", *International Journal of Central Banking*. (WP No. 1098)

Attinasi M.G., D. Prammer, N. Stalher, **M. Tasso** and S. van Parys, "Budget-Neutral Labour Tax Wedge Reductions: A Simulation-Based Analysis for Selected Euro Area Countries", *International Journal of Central Banking*.

Baltrunaite A., "Political Donations and Public Procurement: Evidence from Lithuania", *Journal of the European Economic Association.*

Barone G., **G. de Blasio**, **A. D'Ignazio** and **A. Salvati**, "Incentives to Local Public Service Provision: An Evaluation of Italy's Obiettivi di Servizio", *Papers in Regional Science.* (OP No. 388)

Cova P., P. Pagano and **M. Pisani**, "Incentives Domestic and International Macroeconomic Effects of the Eurosystem Expanded Asset Purchase Programme", *IMF Economic Review.* (WP No. 1036)

De Matteis P., F. Pietrovito and A. Pozzolo, "Local Context and Exports: an Analysis with a Matched Sample of Firm-Province Data", *Regional Studies.*

D'Ignazio A. and **C. Menon**, "The Causal Effect of Credit Guarantees for SMEs: Evidence from Italy", *Scandinavian Journal of Economics.* (WP No. 900)

Ercolani V. and J. Valle e Azevedo, "How Can the Government Spending Multiplier be Small at the Zero Lower Bound?", *Macroeconomic Dynamics.* (WP No. 1174)

Gerali A. and **S. Neri**, "Natural Rates Across the Atlantic", *Journal of Macroeconomics*. (WP No. 1140)

Miccoli M. and **S. Neri**, "Inflation Surprises and Inflation Expectations in the Euro Area", *Applied Economics*. (OP No. 265)

Riggi M., "Capital Destruction, Jobless Recoveries, and the Discipline Device Role of Unemployment", *Macroeconomic Dynamics.* (WP No. 871)

2018

Adamopoulou E. and E. Kaya, "Young Adults Living with their Parents and the Influence of Peers", *Oxford Bulletin of Economics and Statistics* ,v. 80, pp. 689-713 (WP No. 1038)

Allen F., **L. Bartiloro**, X. Gu and O. Kowalewsky, "Does Economic Structure Determine Financial Structure?", *Journal of International Economics*, v.114, 5, pp.389-409.

Andini C. and **M. Andini**, "Unemployment Persistence and Quantile Parameter Heterogeneity", *Macroeconomic Dynamics*, v. 22, 5, pp. 1298-1320.

Barigozzi M. and **A. M. Conti**, "On the Stability of Euro Area Money Demand and its Implications for Monetary Policy?", *Oxford Bulletin of Economics and Statistics*, v. 80, 4, pp. 755-787.

Barone G., **G. de Blasio** and **S. Mocetti**, "The Real Effects of Credit Crunch in the Great Recession: Evidence from Italian Provinces", *Regional Science and Urban Economics*, v. 70, pp. 352-59 (WP No. 1057)

Belotti F. and **G. Ilardi**, "Consistent Inference in Fixed-Effects Stochastic Frontier Models", *Journal of Econometrics,* v. 202, 2, pp. 161-177 (WP No. 1147)

Bernardi M., **M. Bottone** and L. Petrella, "Bayesian Quantile Regression Using the Skew Exponential Power Distribution", *Computational Statistics & Data Analysis*, v.126, pp. 92-111.

Bernardini M. and G. Peersman, "Private Debt Overhang and the Government Spending Multiplier: Evidence for the United States", *Journal of Applied Econometrics*, v. 33, 4, pp. 485-508.

Berton F., **S. Mocetti**, A, Presbitero and M. Richiardi, "Banks, Firms, and Jobs", *Review of Financial Studies*, v.31, 6, pp. 2113-2156. (WP No. 1097)

Bofondi M., **L. Carpinelli** and **E. Sette**, "Credit Supply during a Sovereign Debt Crisis", *Journal of the European Economic Association*, v.16, 3, pp. 696-729. (WP No. 909)

Buono I. and **S. Formai**, "New Evidence on the Evolution of the Anchoring of Inflation Expectations", *Journal of Macroeconomics,* v. 57, pp.39-54. (OP No. 321)

Buono I. and **S. Formai**, "The Heterogeneous Response of Domestic Sales and Exports to Bank Credit Shocks", *Journal of International Economics*, v. 113, pp. 55-73. (WP No. 1066)

Burlon L., **A. Gerali**, **A. Notarpietro** and **M. Pisani**, "Non-Standard Monetary Policy, Asset Prices and Macroprudential Policy in a Monetary Union", *Journal of International Money and Finance.*, v v. 88, pp. 25-53 (WP No. 1089)

Selection of Journal articles and books

Caccavaio M., **L. Carpinelli, G. Marinelli** and J. Schmidt, "Internation Spillover of Monetary Policy: Evidence from France and Italy", *Journal of International Money and Finance*, v. 89, pp. 50-66.

Camussi S., **A. L. Mancini** and **P. Tommasino**, "Does Trust Influence Social Expenditure? Evidence from Local Governments", *Kyklos,* v. 71, 1, pp. 59-85.

Carta F. and **M. De Philippis**, "You've Come a Long Way, Baby. Husbands' Commuting Time and Family Labour Supply", *Regional Science and Urban Economics*, v. 69, pp. 25-37. (WP No. 1003)

Carta F. and **L. Rizzica**, "Early Kindergarten, Maternal Labor Supply and Children's Outcomes: Evidence from Italy", *Journal of Public Economics*, v. 158, pp. 79-102. (WP No. 1030)

Casiraghi M., E. Gaiotti, **L. Rodano** and **A. Secchi**, "A "Reverse Robin Hood"? The Distributional Implications of Non-standard Monetary Policy for Italian Households", *Journal of International Money and Finance*., v. 85, pp. 215-235 (WP No. 1077)

Cipriani, M., A. Guarino, **G. Guazzarotti**, F. Tagliati and S. Fisher, "Informational Contagion in the Laboratory", *Review of Finance*, v. 22, 3, pp. 877-904 (WP No. 1063)

Dalmazzo A., G. de Blasio E and S. Poy, "Local Secessions, Homophily, and Growth: A Model with Some Evidence from the Regions of Abruzzo and Molise (Italy, 1963)", *Journal of Economic Behavior & Organization*, v. 151, pp. 284-306

de Blasio G, **S. De Mitri, A. D'Ignazio, P. Finaldi Russo** and **L. Stoppani**, "Public Guarantees to SME Borrowing. A RDD Evaluation", *Journal of Banking & Finance*, v. 96, pp. 73-86 (WP No. 1111)

De Bonis R., **G. Marinelli** and **F. Vercelli**, "Playing Yo-Yo with Bank Competition: New Evidence from 1890 to 2014", *Explorations in Economic History*, v. 67, pp. 134-151.

Depalo D., "Identification Issues in the Public/Private Wage Gap, with an Application to Italy", *Journal of Applied Econometrics*, v. 33, 3, pp. 435-456.

Forni L. and **M. Pisani**, "Sovereign Restructuring vs. Fiscal Adjustment in a Monetary Union: Macroeconomi Effects from Model-Based Simulation", *Macroeconomic Dynamics,* v. 22, 470–500

Giacomelli S. and **M. Tonello**, "Assessing Bureaucratic Start-up Costs Through Mystery Calls. Evidence from the One-stop Shops for Doing Business", *European Journal of Political Economy* , v. 51, pp. 121-140. (OP No. 292)

Guglielminetti E and M. Pouraghdam, "Time-Varying Job Creation and Macroeconomic Shocks", *Labour Economics*, v. 50, pp. 156-179.

Li J and **G. Zinna**, "The Variance Risk Premium: Components, Term Structures, and Stock Return Predictability", *Journal of Business & Economic Statistics*, v. 36, 3, pp. 411-425.

Linarello A., "Direct and Indirect effects of Trade Liberalization: Evidence from Chile", *Journal of Development Economics* , v. 134, pp. 160-175. (WP No. 994)

Lozej M, P. Jaquinot and **M. Pisani**, "Labour Tax Reforms, Cross-Country Coordination and the Monetary Policy Stance in the Euro Area: a Structural Model-Based Approach", *International Journal of Central Banking*, v. 14, 2, pp. 65-140

Natoli F. and **L. Sigalotti**, "Tail Co-Movement in Inflation Expectations as an Indicator of Anchoring", *International Journal of Central Banking*, v. 14, 1, pp. 35-71. (WP No. 1025)

Nucci F. and **M. Riggi**, "Labor Force Participation, Wage Rigidities, and Inflation", *Journal of Macroeconomics*, v. 55, 3 pp. 274-292. (WP No. 1054)

Rizzica L., "When the Cat's Away. The Effects of Spousal Migration on Investments on Children", *World Bank Economic Review*, v. 32, 1, pp. 85-108.

Segura A., "Why did sponsor banks rescue their SIVs? A signaling model of rescues", *Review of Finance*, v. 22, 2, pp. 661-697. (WP No. 1100)

2017

Accetturo A., **M. Bugamelli** and **A. Lamorgese**, "Law Enforcement and Political Participation: Italy 1861-65", *Journal of Economic Behavior & Organization*, v. 140, pp. 224-245. (WP No. 1124)

Adamopoulou E. and **G. M. Tanzi**, "Academic Dropout and the Great Recession", *Journal of Human Capital,* v. 11, 1, pp. 35–71. (WP No. 970)

Affinito M. and A. Pozzolo,"The Interbank Network Across the Global Financial Crisis: Evidence from Italy", *Journal of Banking & Finance*, v. 80, pp. 90-107.

Albanese G., **G. de Blasio** and **P. Sestito**, "Trust, Risk and Time Preferences: Evidence from Survey Data", *International Review of Economics,* v. 64, 4, pp. 367-388 (WP No. 911)

Albertazzi U., **M. Bottero** and **G. Sene**, "Information Externalities in the Credit Market and the Spell of Credit Rationing", *Journal of Financial Intermediation*, v. 30, pp. 61–70. (WP No. 980)

Alessandri P. and H. Mumtaz,"Financial Indicators and Density Forecasts for US Output and Inflation", *Review of Economic Dynamics*, v. 24, pp. 66-78. (WP No. 977)

Alessandri P., R. Meeks and B. Nelson, "Shadow Banks and Macroeconomic Instability", *International Journal of Central Banking*, v. 49, 7, pp. 1483–1516. (WP No. 939)

Armand A., P. Carneiro, J. Keating, **A. Locatelli** and S. Mihreteab, "Do Public Health Interventions Crowd out Private Health Investments? Malaria Control Policies in Eritrea ", *Labour Economics,* v. 45, pp. 107–115.

Selection of Journal articles and books

Atella V., F. Belotti and **D. Depalo**, "Drug Therapy Adherence and Health Outcomes in the Presence of Physician and Patient Unobserved Heterogeneity", *Health Economics,* v. 26, S2, pp. 106-126.

Attinasi M. G. and **L. Metelli**, "Is Fiscal Consolidation Self-Defeating? A Panel-VAR Analysis for the Euro Area Countries", *Journal of International Money and Finance*, v. 74, pp. 147–164.

Bencivelli L., M. Marcellino and G. Moretti, "Forecasting Economic Activity by Bayesian Bridge Model Averaging", *Empirical Economics,* v. 53, 1, pp. 21-40.

Brandolini A. et al, "Tony Atkinson and his Legacy", *Review of Income and Wealth*, v. 63, 3, pp. 411-444.

Bronzini R. and **A. D'Ignazio**, "Bank Internationalisation and Firm Exports: Evidence from Matched Firm-Bank Data", *Review of International Economics*, v. 25, 3, pp. 476-499. (WP No. 1055)

Bruche M. and **A. Segura**, "Debt Maturity and the Liquidity of Secondary Debt Markets", *Journal of Financial Economics,* v. 124, 3, pp. 599-613. (WP No. 1049)

Burlon L., "Public Expenditure Distribution, Voting, and Growth", *Journal of Public Economic Theory*, v. 19, 4, pp. 789–810. (WP No. 961)

Busetti F. , "Quantile Aggregation of Density Forecasts", *Oxford Bulletin of Economics and Statistics*, v. 79, 4, pp. 495-512. (WP No. 979)

Caccavaio M., **L. Carpinelli** and **G. Marinelli**, "International Banking and Cross-border Effects of Regulation: Lessons from Italy", *International Journal of Central Banking*, v. 13, 1, pp 223-248.

Cai Y., K. Judd, T. Lontzek, **V. Michelangeli** and C. Su, "Non-linear Programming Method for Dynamic Programming", *Macroeconomic Dynamics* , v. 21, 2, pp. 336-361.

Cannari L., G. D'Alessio and G. Vecchi**,** "Wealth", *in G. Vecchi (ed.), Measuring Wellbeing, A History of Italian Living Standards,* Oxford, Oxford University Press.

Cappelletti G., **G. Guazzarotti** and **P. Tommasino**, "The Stock Market Effects of a Securities Transaction Tax: Quasi-Experimental Evidence from Italy", *Journal of Financial Stability*, v. 31, pp. 81-92.

Cesaroni T. and **S. Iezzi**, "The Predictive Content of Business Survey Indicators: Evidence from SIGE", *Journal of Business Cycle Research*, v.13, 1, pp 75–104*.* (WP No. 1031)

Conti A., "Has the FED Fallen behind the Curve? Evidence from VAR Models", *Economics Letters*, v. 159, pp. 164-168

D'Adda G. and **G. de Blasio**, "Historical Legacy and Policy Effectiveness: the Long-Term Influence of Preunification Borders in Italy ", *Journal of Regional Science,* v. 57, 2, pp. 319-341.

D'Amuri F., "Monitoring and Disincentives in Containing Paid Sick Leave", *Labour Economics*, v. 49, pp. 74-83*.* (WP No. 787)

D'Amuri F. and **J. Marcucci**, "The Predictive Power of Google Searches in Forecasting Unemployment", *International Journal of Forecasting*, v. 33, 4, pp. 801-816*.* (WP No. 891)

de Blasio G. and S. Poy, "The Impact of Local Minimum Wages on Employment: Evidence from Italy in the 1950s ", *Journal of Regional Science*, v. 57, 1, pp. 48-74. (WP No. 953)

Del Giovane P., **A. Nobili** and **F. M. Signoretti**, "Assessing the Sources of Credit Supply Tightening: Was the Sovereign Debt Crisis Different from Lehman?", *International Journal of Central Banking*, v. 13, 2, pp. 197-234. (WP No. 942)

Delle Monache D. and I. Petrella,"Adaptive Models and Heavy Tails with an Application to Inflation Forecasting", *International Journal of Forecasting*, v. 33, 2, pp. 482-501. (WP No. 1052)

Federico S. and **E. Tosti**, "Exporters and Importers of Services: Firm-Level Evidence on Italy", *The World Economy*, v. 40, 10, pp. 2078-2096. (WP No. 877)

Giacomelli S. and C. Menon, "Does Weak Contract Enforcement Affect Firm Size? Evidence from the Neighbour's Court", *Journal of Economic Geography*, v. 17, 6, pp. 1251-1282. (WP No. 898)

Jappelli T., C. Nappi and **R. Torrini**, "Gender Effects in Research Evaluation", *Research Policy*, v. 46, 5, pp. 911-924.

Mocetti S. and **E. Viviano**, "Looking Behind Mortgage Delinquencies", *Journal of Banking & Finance*, v. 75, pp. 53-63. (WP No. 999)

Nobili A. and **F. Zollino**, "A Structural Model for the Housing and Credit Market in Italy", *Journal of Housing Economics*, v. 36, pp. 73-87. (WP No. 887)

Palazzo F. , "Search Costs and the Severity of Adverse Selection ", *Research in Economics*, v. 71, 1, pp. 171-197. (WP No. 1073)

Palazzo F. and M. Zhang,, "Information Disclosure and Asymmetric Speed of Learning in Booms and Busts", *Economics Letters*, v. 158, pp. 37-40.

Patacchini E., **E. Rainone** and Y. Zenou, "Heterogeneous Peer Effects in Education ", *Journal of Economic Behavior & Organization*, v. 134, pp. 190–227. (WP No. 1048)

Pereda-Fernández S., "Social Spillovers in the Classroom: Identification, Estimation and Policy Analysis", *Economica*, v. 84, 336, pp. 712-747*.*

Santoro S., "Heterogeneity and Learning with Complete Markets", *Economic Theory*, v.64, 1, pp 183–211*.*

Sbrana G., **A. Silvestrini** and **F. Venditti**, "Short-Term Inflation Forecasting: The M.E.T.A. Approach", *International Journal of Forecasting*, v. 33, 4, pp. 1065-1081. (WP No. 1016)

Segura A. and J. Suarez, "How Excessive is Banks' Maturity Transformation?", *Review of Financial Studies*, v. 30, 10, pp. 3538–3580. (WP No. 1065)

Useful links

Working papers of the other euro area central banks:

European Central Bank
Banco de España
Banco de Portugal
Bank of Estonia
Bank of Finland
Bank of Greece
Bank of Slovenia
Banque Centrale du Luxembourg
Banque de France
Banque Nationale de Belgique
Central Bank of Cyprus
Central Bank of Ireland
Central Bank of Malta
Central Bank of the Republic of Lithuania
Croatian National Bank
De Nederlandsche Bank
Deutsche Bundesbank
Národná banka Slovenska
Latvijas Banka
Oesterreichische Nationalbank

Other

BIS Central Bank Research Hub
Einaudi Institute for Economics and Finance
OECD working papers series
Research at the IMF
Research at the World Bank

Directorate General for Economics, Statistics and Research
Via Nazionale, 91
00184 Roma - Italia
Tel. +390647921
E-mail: temidiscussione@bancaditalia.it