BANCA D'ITALIA
EUROSISTEMA

NUMBER 55
JULY 2019

RESEARCH AT THE BANK OF ITALY
DIRECTORATE GENERAL FOR ECONOMICS, STATISTICS AND RESEARCH
NEWSLETTER

Contents

Highlights

4th Rome Junior Finance Conference

(Rome, 4-5 June 2019)

The conference brought together junior researchers active in empirical and theoretical finance and create an opportunity for informal discussions and other academic-related activities. The organizers were: Sergei Kovbasyuk (EIEF), Adrien Matray (Princeton), Andrea Polo (LUISS, EIEF), Anton Tsoy (EIEF) and Luana Zaccaria (EIEF).

The conference programme is available here.

8th Rome Conference on Macroeconomics

(Rome, 10-11 June 2019)

Junior economists from around the world discussed relevant topics in macroeconomics in an informal setting. The organizers were: Guillermo Ordoñez (University of Pennsylvania), Luigi Paciello (EIEF), Facundo Piguillem (EIEF), and Nicholas Trachter (FED, Richmond).

The conference programme is available here.

4th Junior Conference on Applied Microeconomics

(Rome, 20-21 June 2019)

The conference aimed at fostering interaction and dissemination of research ideas in different areas of applied microeconomics. The organizers were: Francesco Decarolis (Bocconi University), Thibaut Lamadon (University of Chicago), Christopher Neilson (Princeton University), Andrea Pozzi (EIEF), Pietro Tebaldi (University of Chicago) and Michela Tincani (UCL).

The conference programme is available here.

5th Junior Conference on Applied Microeconomics

(Rome, 24-25 June 2019)

The workshop focused on research at the intersection of political economy, public finance, and macroeconomics. The organizers were: Marina Azzimonti (Stonybrook), Facundo Piguillem (EIEF) and Alessandro Riboni (Ecole Polytechnique).

The workshop programme is available here.

Forthcoming events

CEBRA Workshop for Commodities and Macroeconomics

(Rome, 26-27 September 2019)

The Bank of Italy and the European Central Bank will host the third "**Central Bank Research Association (CEBRA) Workshop for Commodities and Macroeconomics**" in Rome on 26-27 September 2019.

The papers will cover several topics including: modelling and forecasting commodity prices and quantities; the role of different shocks in driving commodity prices; interactions between commodity prices and financial markets; commodity prices and global inflation; the impact of commodity price fluctuations on capital flows and exchange rates; monetary and fiscal policy responses to commodity price fluctuations; fiscal budgeting and hedging policies for commodity-producing countries.

The workshop will feature a keynote address by Per Krusell (Stockholm University), who will discuss his work on "The role of economic analysis in combatting climate change".

The programme and the call for papers are available on the Bank of Italy's website.

For further information, please write to CEBRAcommodities2019@bancaditalia.it.

Workshop on "Labour mobility and migration: determinants and consequences"

(Rome, 4 October 2019)

The Bank of Italy is pleased to announce a one-day workshop on "**Labour mobility and migration: determinants and consequences**" to be held on October 4, 2019, which aims to provide leading researchers in the field of urban economics and economics of migration an opportunity to present their theoretical and empirical research. Of particular relevance is the study of: the determinants of geographic mobility across cities, local labor markets, regions and countries, as well as within these areas; the implications in terms of economic efficiency, absorption of demand shocks and wage dynamics.

The keynote lecture will be given by Esteban Rossi-Hansberg (Princeton University).

Please find the call for papers below. The programme will be available in late June 2019.

For any inquiry please send an email to mobilitymigration@bancaditalia.it.

The Call for papers is available on the Bank of Italy's website.

Workshop on "Macroprudential policy: effectiveness, interactions and spillovers"

(Rome, 10 October 2019)

The European Central Bank and the Bank of Italy are organizing the fourth annual Macroprudential Policy Group (MPPG) Research Workshop entitled "**Macroprudential policy: effectiveness, interactions and spillovers**". The event will take place on October 10, 2019 at the headquarters of the Bank of Italy in Rome.

The Call for papers is available on the Bank of Italy's website.

Workshop on "The economics of occupational licensing"

(Rome, 8 November 2019)

A significant share of workers is employed in regulated professions. However, the effects of occupational regulation on the labor market and on the quality of services are still under investigated. So is the potential impact of the technological innovation on the functioning of these markets and on the sectoral regulation.

Forthcoming events

The Bank of Italy organizes the workshop "**The economics of occupational licensing**" on these issues. The invited speech will be given by Morris Kleiner (University of Minnesota); the full list of speakers is available at this link. A round table with experts and policy makers will conclude the workshop.

The complete program will be available in September.

If you wish to the attend the workshop, please send an email to Cristina.Petrassi@bancaditalia.it.

Conference on: "Recent trends in firm organization and firm dynamics: determinants and future challenges"

(Rome, 9-10 December 2019)

Banca d'Italia and Banque de France in collaboration with Sciences Po, EIEF and CEPR are organizing a research conference on "**Recent trends in firm organization and firm dynamics**" to be held in Rome on December 9th and 10th 2019.

The conference aims to create a forum for discussion on issues related to the recent patterns of firms activity, the organization of production and financing decision, as well as their determinants, consequences and implications for policymaking. It will feature keynote speeches by Jan Eeckhout (UPF Barcelona), Thierry Mayer (Sciences Po) and Stefanie Stantcheva (Harvard).

Both theoretical and empirical work in macro and microeconomics is welcome. Interested authors should submit their papers through the following website https://editorialexpress.com/conference/firmorgdyn.

The Call for papers is available on the Bank of Italy's website.

SEMINARS AT THE BANK OF ITALY

SEMINARS AT EIEF

RESEARCH HIGHLIGHTS

Latest Working Papers

No. 1232: **Risky bank guarantees** (July 2019)

Taneli Mäkinen, Lucio Sarno and Gabriele Zinna

Applying standard portfolio-sort techniques to bank asset returns for 15 countries from 2004 to 2018, we uncover a risk premium associated with implicit government guarantees. This risk premium is intimately tied to sovereign risk, suggesting that guaranteed banks, defined as those of particular importance to the national economy, inherit the risk of the guarantor. Indeed, this premium does not exist in safe-haven countries. We rationalize these findings with a model in which implicit government guarantees are risky in the sense that they provide protection that depends on the aggregate state of the economy.
Full text (pdf)

No. 1231: **Exchange rate dynamics and unconventional monetary policies: it's all in the shadows** (July 2019)

Andrea De Polis and Mario Pietrunti

In this paper we estimate an open economy New -Keynesian model to investigate the impact of unconventional monetary policies on the exchange rate, focusing on those adopted since the Global Financial Crisis in the euro area and in the United States. To this end we replace effective, short-term, interest rates with shadow rates, which provide a measure of the monetary stance when the former reach their effective lower bound.
We find that since 2009 unconventional monetary policies significantly affected the dynamics of the euro-dollar exchange rate both in nominal and real terms: while the stimulus provided by the Fed prevailed between 2011 and 2014, contributing to the weakening of the dollar, in most recent years the depreciation of the euro mainly reflected the measures adopted by the ECB.
Full text (pdf)

No. 1230: **Disinflationary shocks and inflation target uncertainty** (July 2019)

Stefano Neri and Tiziano Ropele

In New Keynesian models favourable cost-push shocks lower inflation and increase output. Yet, when the central bank's inflation target is not perfectly observed these shocks turn contractionary as agents erroneously perceive a temporary reduction in the target. This effect is amplified when monetary policy is constrained by the effective lower bound on the policy rate.
Full text (pdf)

No. 1229: **Using credit variables to date business cycle and to estimate the probabilities of recession in real time** (July 2019)

Valentina Aprigliano and Danilo Liberati

Following the debate on the relationship between business and financial cycle rekindled in the last decade since the global financial crisis, we assess the ability of some financial indicators to track the Italian business cycle. We mostly use credit variables to detect the turning points and to estimate the probability of recession in real time. A dynamic factor model with Markov-switching regimes is used to handle a large dataset and to cope with the nonlinear evolution of the business cycle. The in-sample results strongly support the capacity of credit variables to estimate the probability of recessions and the implied coincident indicator proves their ability to fit the business cycle. Also in real time the contribution of credit is not negligible compared to that of the industrial production, currently used for the conjunctural analysis.
Full text (pdf)

No. 1228: **The rental market in Italian cities** (July 2019)

Michele Loberto

We analyze the most recent trends in the residential rental market within the Italian provincial capitals based on a new database of rental listings. First, we assess the consistency of online listing data with the main official statistical sources. Then, we examine the characteristics of the listed dwellings, the main market dynamics and the determinants of rental prices. Finally, we show that the physical characteristics of a dwelling affect the probability of it being listed in the rental market or in the property sales market, examining the consequences for the estimation of the rate of return on housing.
Full text (pdf) in Italian only

Latest Working Papers

No. 1227: **Optimally solving banks' legacy problems** (June 2019)

Anatoli Segura and Javier Suarez

We characterize policy interventions directed to minimize the cost to the deposit guarantee scheme and the taxpayers of banks with legacy problems. Non-performing loans (NPLs) with low and risky returns create a debt overhang that induces bank owners to forego profitable lending opportunities. NPL disposal requirements can restore the incentives to undertake new lending but, as they force bank owners to absorb losses, can also make them prefer the bank being resolved. For severe legacy problems, combining NPL disposal requirements with positive transfers is optimal and involves no conflict between minimizing the cost to the authority and maximizing overall surplus.
[Full text (pdf)]

No. 1226: **Relative price dynamics in the Euro area: where do we stand?** (June 2019)

Pietro Cova and Lisa Rodano

We propose a novel metric to evaluate price developments within the euro area (EA), which involves the decomposition of the overall variability of cross country inflation rates into common and idiosyncratic labor cost and markup components. The analysis yields several interesting results. First, over the period 1978-2015, inflation variability in the EA reflects most of all idiosyncratic (country-specific) developments in unit labor costs (ULC). This sharply contrasts with what we find for the US states, where price dynamics to a much greater extent reflects common developments in costs and profits, consistently with the role played by the greater mobility of capital and labor. Second, when we apply our approach to data for two subgroups of countries, namely Core and Non-core countries, we find that they both display higher intra-group homogeneity, in that the role of the subgroup-specific common components in explaining inflation variability increases, while idiosyncratic developments in ULC become correspondingly less relevant. Third, over the more recent period (1999 -2015) in the Core countries the idiosyncratic component due to price markups has become the dominant driver of the variability of inflation, a pattern similar to the one we detect for the US. Our analysis also sheds light on the adjustment mechanisms to asymmetric, or country specific, shocks. Using a panel VAR approach we find that price changes driven by diverging developments of ULC are reflected into trade balance adjustments that are costly from the point of view of the smooth functioning of the currency area.
[Full text (pdf)]

No. 1225: **Domestic and global determinants of inflation: evidence from expectile regression** (June 2019)

Fabio Busetti, Michele Caivano and Davide Delle Monache

The paper investigates the role of domestic and global determinants of euro area core inflation. We analyse the entire conditional distribution of inflation by estimating a Phillips curve type relationship using an expectile regression approach, extended to capture time-varying effects. The main findings are as follows. First, both the domestic and foreign output gap are significant drivers of euro area core inflation, once external demand pressures are properly orthogonalized in a modified measure of domestic gap. However, the inflationary impact of the domestic component is relatively stronger. Second, the domestic output gap has a bigger influence in the right tail of the conditional distribution of inflation. Third, adding international price pressures in the regression weakens the link between inflation and the foreign output gap. Fourth, in a time- varying perspective, there is an increase in the response of inflation to the domestic gap in the last decade but only at the lower quantiles. Overall, the evidence on the so-called “globalization hypothesis” is mixed: while the pass-through to inflation of foreign prices and the exchange rate increased over time at all quantiles, the impact of global slack remained broadly stable, particularly in the central part of the distribution.
[Full text (pdf)]

Latest Working Papers

No. 1224: **Forecasting inflation in the euro area: countries matter!** (June 2019)

Angela Capolongo and Claudia Pacella

We construct a Bayesian vector autoregressive model with three layers of information: the key drivers of inflation, cross-country dynamic interactions, and country-specific variables. The model provides good forecasting accuracy with respect to the popular benchmarks used in the literature. We perform a step-by-step analysis to shed light on which layer of information is more crucial for accurately forecasting euro area inflation. Our empirical analysis reveals the importance of including the key drivers of inflation and taking into account the multi-country dimension of the euro area. The results show that the complete model performs better overall in forecasting inflation excluding energy and unprocessed food, while a model based only on aggregate euro area variables works better for headline inflation.

Full text (pdf)

No. 1223: **The international transmission of US tax shocks: a proxy-SVAR approach** (June 2019)

Luca Metelli and Filippo Natoli

We investigate the international propagation of tax rate shocks originating in the United States using a global vector error-correction model (GVAR). We identify shocks to corporate and personal income tax rates by using narrative series as external instruments, following the proxy-SVAR methodology. The main results of the paper are the following: (1) the domestic effects of corporate tax shocks are stronger than those of personal income tax shock; (2) spillovers are in most cases positive and significant, albeit of small size; (3) the boost to exports in recipient economies, stimulated both by stronger US demand and by real exchange rate depreciation vis-à-vis the US dollar, is the main transmission channel; financial channels (through long-term interest rates) also play a role.

Full text (pdf)

No. 1222: **Urban agglomerations and firm access to credit** (June 2019)

Amanda Carmignani, Guido de Blasio, Cristina Demma and Alessio D'Ignazio

The paper investigates whether firms have better access to bank credit in areas with a larger degree of urbanization. It uses bank-firm data drawn from the Credit Register maintained at the Bank of Italy to devise an indicator of ease of access to credit. The paper proposes an instrumental variable strategy that uses as instruments past population density and urbanization driven by considerations of political economy. The results show that urbanization affects access to credit positively for construction firms, whose collateral greatly benefits from thicker real estate markets. No impact is found for service and manufacturing firms.

Full text (pdf)

No. 1221: **Big-city life (dis)satisfaction? The effect of living in urban areas on subjective well-being** (June 2019)

David Loschiavo

This paper investigates the effect of big-city life on individuals' well-being. Combining data on Italian municipalities' characteristics with individual-level survey data, I find that city size negatively affects subjective well-being. This association is not driven by omitted variable bias or by spatial sorting of citizens. Commute time accounts for most of the differences in subjective well-being among cities of different size. There is suggestive evidence that the negative effect of commuting on well-being is caused by reduced time availability for fostering personal relationships and engaging in leisure activities. This finding suggests that interventions reducing the amount of time people spend in an unpleasant state can spur agglomeration economies and their contribution to aggregate productivity and growth.

Full text (pdf)

Other recent Working Papers

March 2019 — April 2019

No. 1220: Credit risk-taking and maturity mismatch: the role of the yield curve
Giuseppe Ferrero, Andrea Nobili and Gabriele Sene

No. 1219: Inflation expectations and firms' decisions: new causal evidence
Olivier Coibion, Yuriy Gorodnichenko and Tiziano Ropele

No. 1218: Monetary policy, firms' inflation expectations and prices: causal evidence from firm-level data
Marco Bottone and Alfonso Rosolia

No. 1217: Does trust among banks matter for bilateral trade? Evidence from shocks in the interbank market
Silvia Del Prete and Stefano Federico

No. 1216: Safety traps, liquidity and information-sensitive assets
Michele Loberto

No. 1215: Risk premium in the era of shale oil
Fabrizio Ferriani, Filippo Natoli, Giovanni Veronese and Federica Zeni

No. 1214: Anything new in town? The local effects of urban regeneration policies in Italy
Giuseppe Albanese, Emanuele Ciani and Guido de Blasio

No. 1213: A regression discontinuity design for categorical ordered running variables applied to central bank purchases of corporate bonds
Fan Li, Andrea Mercatanti, Taneli Mäkinen and Andrea Silvestrini

No. 1212: Bank resolution and public backstop in an asymmetric banking union
Anatoli Segura and Sergio Vicente

No. 1211: U.S. shale producers: a case of dynamic risk management
Fabrizio Ferriani and Giovanni Veronese

No. 1210: Identification and estimation of triangular models with a binary treatment
Santiago Pereda Fernández

Latest Occasional Papers

No. 506: **Firm heterogeneity and trade in EU countries: A cross-country analysis** (July 2019)

Claire Giordano and Paloma Lopez-Garcia

Firms are heterogeneous, even within narrowly defined sectors. This article surveys the relevant theoretical and empirical literature on firm heterogeneity and external trade. By innovatively exploiting rich cross-country micro-aggregated data sourced from the ECB Competitiveness Research Network (CompNet), this study investigates the main implications of firm heterogeneity for trade by EU countries, presenting a set of stylized facts. On the one hand, exporting firms are larger, more productive and pay higher wages than non-exporting firms. Indeed, only these firms are able to bear export costs arising from various factors, such as tariff and non-tariff trade barriers, the quality of the legal system or access to finance. Hence, only few enterprises actually export and the intensity of aggregate export concentration within a few large firms varies across countries and sectors. On the other hand, engaging in trade boosts individual firms' productivity growth via a number of channels and enhances allocative efficiency across firms, in turn increasing aggregate productivity growth. One of the main standard determinants of export growth, namely changes in the real effective exchange rate, impacts aggregate performance differently across countries depending on sectoral composition and on firm characteristics within a given sector.

Full text (pdf)

No. 505: **Tourism in Italy: figures and potential for development** (July 2019)

Andrea Petrella e Roberto Torrini (coordinators), Guglielmo Barone, Enrico Beretta, Emanuele Breda, Rita Cappariello, Giuseppe Ciaccio, Laura Conti, Francesco David, Petra Degasperi, Angela di Gioia, Alberto Felettigh, Andrea Filippone, Giovanna Firpo, Massimo Gallo, Paolo Guaitini, Giulio Papini, Patrizia Passiglia, Fabio Quintiliani, Giacomo Roma, Valentina Romano and Diego Scalise

The paper analyses the main trends and structural characteristics of the Italian tourism sector, which accounts for more than 5% of GDP and more than 6% of employment in the country. The study shows that in recent years the national tourist system has recorded a good growth performance, boosted by rapidly-expanding international demand for tourism services and by the competitive advantage of a unique artistic and cultural heritage. This has been associated with an upgrading of hotel accommodation in favour of higher-quality structures, and with an expansion of the non-hotel segment, partly fostered by the spread of the sharing economy and online intermediation. It is apparent, however, that some tourism potential still needs to be exploited – especially in Southern Italy, where the sector seems relatively undersized – and that potential risks are associated with the growing concentration of tourist flows in few locations. In order to cope with these problems, the paper argues that there should be a nationwide coordination of tourism policies, providing stable guidelines for the sector.

Full text (pdf) in Italian only

No. 504: **Measuring financial inclusion in the main euro area countries: the role of electronic cards** (July 2019)

Giorgio Nuzzo and Stefano Piermattei

Since financial inclusion has become a policy target in many countries, it is crucial to measure it properly. The usual indexes of financial inclusion include inappropriate variables and do not take into account other relevant aspects, thus misrepresenting the phenomenon. In this paper, we focus on the distribution of electronic cards, generally not included in the usual indexes of financial inclusion even if they provide alternatives to usual saving practices and make transactions across larger markets and wider geographic areas less costly. We show that if we also take account of these instruments, the comparative valuation of the degree of financial inclusion across the main euro-area countries changes substantially. We also employ survey data to analyse cross-country differences in the degree of financial inclusion and the distribution of multidimensional deprivations of specific sub-groups of populations.

Full text (pdf)

Latest Occasional Papers

No. 503: **Timely indicators for labour income inequality** (July 2019)

Francesca Carta

In this paper I propose a methodology to obtain timely indicators for labour income inequality using the Italian Labour Force Survey (ILFS), a database which collects detailed information not only on individuals' labour market status, but also on their households and wages. I develop a framework to estimate household labour income and I use it to construct timely indicators of the labour income distribution, to be used as complements to the standard and richer information provided by the household income surveys, like the Survey on Household Income and Wealth (SHIW) and the EU Statistics on Income and Living Conditions (EU-SILC). I discuss the assumptions and measurement issues underlying the proposed methodology and show that the ILFS-based Gini index closely tracks those calculated on standard household income surveys. The proposed measure is then a tool for monitoring the evolution of labour income inequality following labour market adjustments.
Full text (pdf)

No. 502: **China's international projection in the Xi Jinping's era** (July 2019)

Lorenzo Bencivelli and Flavia Tonelli (coordinators), Alberto Coco, Raffaele De Marchi, Andrea Furgeri, Maurizio Ghirga, Pietro Ginefra, Alessandro Giraudo, Stefano Iezzi, Sergio Longoni, Giovanni Majnoni d'Intignano, Daniela Marconi, Anna Marra, Ignazio Musu, Elisa Sales, Raffaele Tartaglia Polcini, Giorgio Trebeschi, Andrea Zanotti, Andrea Zucchini

Since the beginning of his presidency, Xi Jinping has progressively redirected foreign policy in order to better protect Chinese interests around the world. To this end, Beijing has significantly increased its international exposure on various fronts, often combining assertive approaches with more cooperative ones, among them the proposal of an "alternative model" of world economic cooperation. The external projection of the Chinese economy has continued to grow and diversify, as can be seen from the trend in exports, their composition (today characterized by greater added value than in the past), the amount of foreign investments and the credit granted by Chinese financial institutions to foreign borrowers. This evolution faces up to the incompleteness of China's transformation into a market economy, evident in the ongoing role of the State in directing economic decisions (also through the lever of companies and public-owned banks), a source of growing tensions with its major trading partners.
Full text (pdf) in Italian only

No. 501: **Foreigners on holiday in Italy: tourism products, destinations and travelers' characteristics** (July 2019)

Andrea Filippone, Massimo Gallo, Patrizia Passiglia and Valentina Romano

The work analyses the recent trends in trips by foreigners on holiday in Italy, distinguishing among different types of holidays offered and the related destinations, classified according to the degree of urbanization and the endowment of cultural heritage. It also studies the characteristics of the travellers who are associated with them. Since 2010, the trend in international arrivals for leisure tourism in Italy has been similar to the global trend thanks to the sustained growth of cultural tourism, which now represents half of all overnight stays by foreigners on holiday in Italy. The artistic and cultural heritage of the country exerts a great power of attraction and enriches Italy's other relevant tourist products, such as rural and seaside vacations. Since the great cities of art are the main attraction, especially for those who visit Italy for the first time, it follows that there is an increase in the concentration of tourists in the main national urban areas. Tourists who decide to come back to Italy tend to visit smaller towns more frequently.
Full text (pdf) in Italian only

No. 500: **The expansion of consumer credit in Italy and in the Euro Area: what are the drivers and the risks?** (June 2019)

Silvia Magri, Valentina Michelangeli, Sabrina Pastorelli and Raffaella Pico

Since 2015 consumer loans have been rising fast in France, Germany, Italy, and Spain. Credit

Latest Occasional Papers

demand, specifically for consumer durables, has played a crucial role; the easing of supply conditions has been relevant only in Italy and Spain, which experienced stronger credit tightening during the past crises. Risks stemming from the growth of consumer credit are mitigated by its lower incidence, compared with mortgages, on households' total debt and income; exposure to interest rate risk is also decreasing due to the high share of fixed-rate contracts. There is wide risk heterogeneity across countries, with Italy and Spain having the highest share of delinquent households (even for less than 90 days). In Italy, however, debt is increasingly concentrated among more affluent households, which are better able to withstand negative economic shocks; this trend is sustaining the drop in the ratio of new non-performing consumer loans.
Full text (pdf)

No. 499: **Should the CCYB be enhanced with a sectoral dimension? The case of Italy** (June 2019)

Roberta Fiori and Claudia Pacella

The paper investigates whether there is sufficient empirical support in Italy for the introduction of a sectoral countercyclical capital buffer (CCyB) in the macroprudential framework. We study the sectoral decomposition of the credit-to-GDP gap over the period 1990Q1-2017Q2. Overall, our results suggests that a sectoral CCyB could be a useful addition to the macroprudential framework as both the timing for activation and the size of the capital buffer can differ when accounting for the sectoral dimension of the credit-to-GDP gap. We find that the synchronicity of sectoral credit cycles decreases as we move from a two-sector to a six-sector decomposition. Moreover, the contribution of sectoral cycles to systemic stress, as measured by the system-wide new bad debt rate, as well as the prudential requirements associated with their risk exposure differ quite significantly. While exuberance in the non-real-estate related segment of corporate lending is usually followed by a surge in systemic stress, exuberance in the real-estate related segment of business lending does not.
Full text (pdf)

No. 498: **Ven-ICE: a new indicator for the economy of the Veneto region** (June 2019)

Massimo Gallo, Sonia Soncin and Andrea Venturini

In the absence of timely quarterly information about regional GDP dynamics, this work establishes a new indicator of economic activity for the Veneto region, providing a monthly real-time estimation of the medium- and long-term dynamics of regional GDP. The methodology is based on the use of a Generalized Dynamic Factor Model to extract a few common components from about 120 local time series at monthly or quarterly frequency. Therefore, this indicator exploits the large amount of information available at local level: the official Istat statistics, the financial statistics provided by the Bank of Italy, and the many statistics produced by trade associations and by the local governments in the Veneto region. The model makes it possible to flexibly manage the many regional time series and to estimate the dynamics of regional economic activity with a three-month delay, instead of the twelve-month delay of Istat's annual regional economic accounts.
Full text (pdf) in Italian only

Other recent Occasional Papers

March 2019 — April 2019

No. 497: An indicator of macro-financial stress for Italy
Arianna Miglietta and Fabrizio Venditti

No. 496: The distribution of well-being among Europeans
Andrea Brandolini and Alfonso Rosolia

No. 495: Regulated occupations in Italy: extent and labor market effects
Sauro Mocetti, Lucia Rizzica and Giacomo Roma

No. 494: The evolution of the Pillar 2 framework for banks: some thoughts after the financial crisis
Marco Bevilacqua, Francesco Cannata, Silvia Cardarelli, Raffaele Arturo Cristiano, Simona Gallina and Michele Petronzi

No. 493: Assessing financial stability risks from the real estate market in Italy: an update
Federica Ciocchetta and Wanda Cornacchia

No. 492: The geography of Italian income inequality: recent trends and the role of employment
Emanuele Ciani and Roberto Torrini

No. 491: The impact of anti-money laundering oversight on banks' suspicious transaction reporting: Evidence from Italy
Mario Gara, Francesco Manaresi, Domenico J. Marchetti and Marco Marinucci

No. 490: Local development, urban economies and aggregate growth
Antonio Accetturo, Andrea Lamorgese, Sauro Mocetti and Paolo Sestito

No. 489: ITER A quarterly indicator of regional economic activity in Italy
Valter Di Giacinto, Libero Monteforte, Andrea Filippone, Francesco Montaruli and Tiziano Ropele

No. 488: Higher multilateral development bank lending, unchanged capital resources and triple-A rating. A possible trinity after all?
Riccardo Settimo

No. 487: Allocative efficiency and finance
Andrea Linarello, Andrea Petrella and Enrico Sette

No. 486: The non-standard monetary policy measures of the ECB: motivations, effectiveness and risks
Stefano Neri and Stefano Siviero

No. 485: Sources and implications of resource misallocation: new evidence from firm-level marginal products and user costs
Simone Lenzu and Francesco Manaresi

No. 484: Economic and regulatory aspects of crypto-assets
Andrea Caponera and Carlo Gola

Notes on Financial Stability and Supervision

No. 14: **Long-term fundamental changes to the EU-wide stress test: a discussion paper** (June 2019)

Paolo Bisio and Roberta Fiori

Now that a short-term path for incremental improvements to the next EU-wide stress test exercise has started, it is time to reflect on more fundamental changes that could be made to the stress testing framework within the EU. Stress tests have become an important part of the supervisory toolkit. Increasing their effectiveness and efficiency is therefore not only desirable, but also essential to better accomplish our task in this field.

This paper argues that significant benefits can be achieved by decoupling micro-prudential stress tests from the oversight/macro-surveillance ones. Decoupling the two is not just legally possible, but also consistent with the different tasks assigned to the relevant authorities in the field of stress testing: on one side, Art. 100 CRDIV for supervisory stress tests on institutions ('micro-prudential exercises') and, on the other side, the EBA Regulation, which requires the EBA to initiate and coordinate EU-wide stress tests with the aim of assessing the resilience of financial institutions and contributing to the overall assessment of systemic risk in the EU financial system ('macro-prudential exercises'). Having two separate exercises for two different goals (rather than one exercise for two different goals) would be more effective and cost-efficient, for both authorities and banks, to the extent the design of the exercises is more closely related to their policy goals.

Micro-prudential stress tests for supervisory purposes (i.e. for the SREP process) should be: a) more robust and targeted, with a focus on specific risk areas and shocks identified according tothe supervisory priorities; b) better balanced between static and dynamic assumptions and more inclusive of the ICAAP process; c) mainly bottom-up, under the control of the competent authority; and d) not necessarily for disclosure.

Macro-prudential stress tests for oversight/macro surveillance goals should be aimed at assessing the stability and soundness of the EU financial sector and its capacity to provide financing to the real economy. They should mainly be top-down and fairly flexible in terms, for example, of the number of scenarios and the inclusion of emerging risks. The results obtained in this way would ensure a consistent assessment of system-wide resilience by providing an aggregate envelope for capital depletion, with some of the aggregate figures made public although possibly without reference to individual banks.

[Full text (pdf)]

Economic History Working Papers

No. 44: **Spleen: The Failures of the Cliometric School** (March 2019)

Stefano Fenoaltea

This paper argues that we cliometricians have failed as economists, because we did not drag the profession out of the nineteenth century and into the twentieth; that we have failed as historians, because we do not take measurement seriously, and misapprehend “the data”; and that we failed signally as economic historians, because we backcast "GDP" as if it measured gross domestic product.

[Full text (pdf)]

Selection of Journal articles and books

Authors' names in boldface: Bank of Italy

Full list since 1990

Forthcoming

Accetturo A., **M. Cascarano, P. Degasperi** and **F. Modena**, "The Effects of Common Culture and Language on Economic Exchanges: Evidence from Tourist Flows", *Regional Studies.*

Albanese G., **M. Cioffi** and **P. Tommasino**, "Legislators' Behaviour and Electoral Rules: Evidence from an Italian Reform", *European Journal of Political Economy*, (WP No. 1135)

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)

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