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NEWSLETTER

Contents

Highlights

7th Bank of England, Banque de France and Banca d'Italia International Macroeconomics Workshop on 'New Developments in International Macro-Finance'

(Online, 8 November 2021)

On 8 November 2021 the International Relations and Economics Directorate of Banca d'Italia, in collaboration with the International Directorate of the Bank of England and the International Macroeconomics Division of Banque de France, organized a workshop on **'New developments in international macro-finance'**.

The keynote lecture was delivered by Wenxin Du (Chicago Booth).

The programme for the workshop can be found here.

G20 DGI-2 Workshop on household distributional accounts

(4-5 November 2021, Rome)

On 4-5 November, the Bank of Italy hosted the workshop '**Household distributional accounts**'. The event, co-organized with Istat, the ECB, Eurostat and the OECD as part of Italy's G20 presidency, displayed some of the achievements of the statistical work aimed at developing household distributional accounts consistent with macroeconomic aggregates. It was undertaken within the Data Gaps Initiative, a coordinated international statistical initiative launched in the aftermath of the Global Financial crisis to fill major information gaps in various statistical domains. The workshop featured presentations by the international organizations that have led the statistical work and by national statistical agencies and central banks, illustrating the points of view of both producers and users of such information. David Johnson (University of Michigan) delivered a keynote lecture on the estimation of the joint distribution of household income, consumption and wealth.

The programme and material are available here.

Workshop on 'The Effects of Insolvency, Zombie Firms, and Debt Overhang on the post COVID-19 Economy'

(Online, 25-26 October 2021)

The Directorate General of Economics, Statistics, and Research at Banca d'Italia organized a workshop on 25 and 26 October , 2021 to bring together leading academics from the fields of banking, corporate finance, insolvency, and firm dynamics and discuss the effects of the COVID-induced recession on the financial and productive systems, as well as the outlook for the coming years. The workshop was introduced by Piero Cipollone, Deputy Governor of Banca d'Italia, and featured keynote addresses by Şebnem Kalemli-Özcan (University of Maryland) and Hyun Song Shin (Bank for International Settlements).

The programme can be found here.

Highlights

Second Joint Bank of England – Banque de France – IMF – OECD – Banca d'Italia Workshop on'International Capital Flows and Financial Policies'

(Online, 25-26 October 2021)

On 25 and 26 October 2021, Banca d'Italia co-organized, in collaboration with the Bank of England, Banque de France, the IMF and the OECD, the second workshop on **'International capital flows and financial policies'**. The conference brought together leading economists from academia and central banks to join the debate on the evolution of capital flows during the recent pandemic and the effectiveness of the policy measures adopted to mitigate the volatility of capital flows. In addition, other relevant topics, such as the distributional effects of capital flows and the propagation of financial spillovers through the global financial cycle and inter-bank network, were discussed.

Luigi Federico Signorini (Banca d'Italia), Tobias Adrian (IMF) , Claudia Buch (Bundesbank) and Jon Cunliffe (Bank of England) gave keynote speeches on the increasing role of non-bank financial intermediaries in cross-border capital flows and in the transmission of global shocks to emerging markets, the financial stability aspects of the shift from bank to non-bank finance and the implications for the global regulatory framework of the systemic risks posed by non-bank financial intermediaries.

The programme for the workshop can be found here.

International research conference on 'Global Value Chains: implications for firms' competitiveness, macroeconomics and trade policy'

(11-12 October 2021, Rome)

On 11 and 12 October 2021, Banca d'Italia hosted a research conference on **'Global Value Chains: implications for firms'** competitiveness, macroeconomics and trade policy'. Since the beginning of the 1990s, the possibility of organizing production along global value chains (GVCs) has transformed firms' competitive strategies, affecting the allocation and remuneration of production factors among different economies and among sectors within them. The diffusion of GVCs has also had significant macroeconomic implications, leading on the one hand to greater international synchronization of economic activity and inflation, and on the other, to amplified spillovers from one country to another. The international fragmentation of production has also changed the effects of trade policies. The recent wave of protectionism, potentially compounded with the COVID-19 pandemic shock, may have led to the reorganization of global supply networks.

The conference stimulated discussion on Global Value Chains and their implications between researchers in policy institutions and leading academics. Professor Pol Antràs (Harvard University) and Professor Bernard Hoekman (European University Institute) gave the keynote speeches.

The complete programme can be found here.

International Webinar on: 'Enhancing Digital and Global Infrastructures in Cross-border Payments'

(Online, 27-28 September 2021)

On 27 and 28 September 2021, Banca d'Italia organized, funder Italy's G20 presidency in 2021, an international webinar on **'Enhancing Digital and Global Infrastructures in Cross-border Payments'**. The event put together policymakers, representatives from central banks, international organizations and other public bodies, industry participants and academics, with a view to taking stock of the progress in implementing the G20 Roadmap on the enhancement of global cross-border payments – a top priority in the G20 agenda since 2020 – and outlining the way forward. In their opening speeches, Banca d'Italia Governor Ignazio Visco and IMF Managing Director Kristalina Georgieva emphasized the importance of delivering cheaper, faster and generally more efficient cross-border payments, highlighted the implications that this would have for global welfare, and briefly reviewed the steps forward achieved in 2021 and the challenges to be tackled in the years ahead.

The programme of the workshop, together with video recordings for both days and, whenever available, the papers and presentations, can be found here.

Workshop on 'Measuring and Evaluating Public Administration Efficiency'

(Online, 21-22 September 2021)

The Public Administration plays a crucial role in the supply of public goods and services and in defining

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the institutional context of economic activity. For rigorous analyses of its functioning, however, both a broader and more granular access to data and the adoption of proper empirical techniques for impact evaluation are essential. To discuss these issues, Banca d'Italia and the World Bank organized an online workshop held on 21 and 22 September 2021.

The programme and additional information can be found here.

Sixth Annual Meeting of the Associazione per la Storia Economica (ASE)

(Online, 17-18 September 2021)

Banca d'Italia co-organized and hosted the **'Sixth Annual Meeting of the Associazione per la Storia Economica (ASE)'** (Economic History Association) on 17 and 18 September 2021.

The conference brought together leading economic historians, and nine papers on different topics were discussed. The main themes examined were: the role of knowledge-enhancing institutions in fostering innovation; the effectiveness of banking supervision in Italy in the 1920s; the causes and effects of the late nineteenth century Italian railway expansion. The Governor of Banca d'Italia gave an introductory speech honouring the scientific legacy of Professor Stefano Fenoaltea. In the special session entitled 'Demography and Economic Change in Italian History', organized by Banca d'Italia, three studies were presented: the first explored the impact of plagues on inequality from the 14th century; the second investigated the relationship between demography and entrepreneurship in the 20th century; and the third analysed the issue of the assimilation of Italian immigrants in the US during the age of mass migration. The Keynote Lecture, 'Incentives, Institutions, and Industrialization: A Prelude to Modern Economic Growth' was given by Professor Joel Mokyr (Northwestern University).

The conference programme is available here.

Fourth Bank of Italy – CEPR Labour Workshop

(Online, 9-10 September 2021)

During the workshop leading and emerging researchers in the field of labour economics presented their research on topics relevant for understanding labour market dynamics and their interaction with institutions. The four keynote lectures were given by Oriana Bandiera (LSE), Stephane Bonhomme (Chicago), Emi Nakamura (Berkeley) and Gianluca Violante (Princeton).

The programme is available here.

Forthcoming events

Seventh Conference on Household Finance and Consumption

(Online, 16 - 17 December 2021)

Banca d'Italia and the European Central Bank are organizing the **'Seventh Conference on Household Finance and Consumption'**. The aim of the Conference is to bring together leading and emerging economists to discuss state-of-the-art research on households' financial behaviour. The keynote speakers will be Annamaria Lusardi (George Washington University) and Dirk Krueger (University of Pennsylvania). The Conference will be held via Webex.

Researchers interested in participating, should send an email to: HFC_2021@bancaditalia.it.

The programme is available here.

11th Workshop on 'Exchange Rates'

(Online, 16 - 17 December 2021)

Banca d'Italia, the Swiss National Bank and the European Central Bank have jointly organized the **'11th workshop on 'Exchange Rates'**. In line with previous editions, this workshop aims to provide a forum for discussing innovative research on analytical and policy issues relating to exchange rates. Economists working in central banks, academia, and the private sector are welcome to participate. Professor Charles Engel (University of Wisconsin) will give a keynote lecture.

The programme will soon be available here.

Latest Working Papers

No. 1355: **All that glitters is not gold. The economic impact of the Turin Winter Olympics** (November 2021)

Anna Laura Mancini and Giulio Papini

This paper applies the synthetic control method in order to investigate the medium-run impact on the economy of the province of Turin of the 2006 Winter Olympics. It contributes to the existing literature by considering a large set of important variables (value added, tourism flows, international trade, labour and housing markets, and local public debt). It is also the first time that such a methodology has been used for evaluating the impact of the Olympic Games.
Our results show a positive effect on tourism flows, in terms of both arrivals and nights spent, and the level of public debt of the municipalities in the province of Turin over an approximately five-year period following the event. We also find an impact on the housing market in Turin, with a decrease of the centre to outskirts price ratio. We find no statistically significant effects on the remaining variables.
Full text (pdf)

No. 1354: **Permanent versus transitory income shocks over the business cycle** (November 2021)

Agnes Kovacs, Concetta Rondinelli and Serena Trucchi

Using data from the annual Dutch National Bank Household Survey, this paper investigates how income shocks shape consumption dynamics over the business cycle, in particular during the global financial crisis (2008-2009) and the sovereign debt crisis (2011-2013).
During the global financial crisis, negative income shocks were relatively small and transitory: however, in the presence of high income uncertainty, Dutch households still saved more and consumed less. During the sovereign debt crisis, the contraction in consumption was even more pronounced, as it was triggered by larger and permanent negative income shocks, especially for the younger cohorts, together with a precautionary reason for saving .
Full text (pdf)

No. 1353: **Does information about current inflation affect expectations and decisions? Another look at Italian firms** (October 2021)

Alfonso Rosolia

The effectiveness of central bank communication depends, among other things, on whether firms revise their decisions when their inflation expectations change.
The paper studies this channel, critically assessing the appropriateness of commonly employed empirical tools; it also proposes alternative empirical tools more in line with the underlying economic theory. Firms revise their inflation expectations when presented with information about current inflation; however, they do not revise their pricing or hiring decisions.
The absence of a causal relationship between expected inflation and firms' choices is confirmed by analyses based on different estimators. The results suggest that communication campaigns aimed at improving the general public's awareness of economic phenomena and steer their expectations have hardly any effect on real economic activity.
Full text (pdf)

No. 1352: **Collateral in bank lending during the financial crises: a borrower and a lender story** (October 2021)

Massimiliano Affinito, Fabiana Sabatini e Massimiliano Stacchini

The literature documents that, during financial crises, stress on bank balance sheets can propagate to credit markets through a contraction in loans and higher interest rates. On the other hand, how stress influences the collateral to loan ratio in corporate lending has been scarcely investigated. This paper focuses on the period 2007-2013 to study the relationship between the collateral to loan ratio and the characteristics of firms and banks, and how the ratio evolves during a financial crisis. The collateral to loan ratio is higher for firms with lower capitalization and a greater amount of past due loans; it further increased during the financial crisis, suggesting a tightening in lending policies. In terms of bank

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characteristics, the ratio is higher for banks that are more capitalized and have a lower burden of bad loans in their portfolios; this may reflect a more prudent positioning of sounder intermediaries on the risk/return frontier of lending activity.
[Full text (pdf)](#)

No. 1351: **Revisiting the case for a fiscal union: the federal fiscal channel of downside-risk sharing in the United States** (October 2021)

Luca Rossi

Differentiating between standard risk measures and downside risk has a longstanding tradition in finance. Interestingly, this fundamental distinction has been neglected in the literature on macroeconomic-risk sharing. We translate downside-risk metrics appropriate for stock returns into ones that can be used in our macro-forecasting setting, and propose a new methodology to estimate channels of downside-risk sharing.
Our work suggests that both interstate risk sharing and downside-risk sharing in the US achieved through the federal budget is considerably higher than was previously thought. We also show that the great importance long attributed to the capital market channel is instead entirely driven by the neglect of the effect of capital depreciation.
[Full text (pdf)](#)

No. 1350: **Intergenerational transmission in regulated professions and the role of familism** (October 2021)

Omar Bamieh and Andrea Cintolesi

The work studies the impact of examining committees from territories other than that of the candidates on the intergenerational transmission of regulated professions. The analysis focuses on a reform of the Italian bar exam: before 2004, local committees graded the written exams, but since 2004, exams have been randomly assigned to external committees for grading.
We estimate that the number of new entrants with the same surname and law firm address of a lawyer already registered dropped by 10 per cent since the reform, while the number of new lawyers has not changed. While we do not find significant differences by gender, the fall is more marked in the southern regions.
[Full text (pdf)](#)

No. 1349: **The real effects of bank supervision: evidence from on-site bank inspections** (October 2021)

Andrea Passalacqua, Paolo Angelini, Francesca Lotti e Giovanni Soggia

The work aims to evaluate the effect of inspections in reducing potential distortions in the allocation of credit. To this end, we exploit the fact that the 'wide-ranging' inspections conducted by the Bank of Italy on cooperative credit banks are unexpected by the intermediary and the choice of the inspected banks can be considered random.
This makes it possible to use an estimation model in which the inspected banks are compared with similar non-inspected banks over time.
The inspections lead to an increase in the reclassifications of loans from performing to non-performing. There is also a contraction in credit to weak businesses and a growth in loans to healthy businesses, both to those with and without a previous credit relationship.
This reallocation has important positive effects for the real economy, since it favours the growth of healthy firms and the exit from the market of the weak ones.
[Full text (pdf)](#)

No. 1348: **Can capital controls promote green investments in developing countries?** (October 2021)

Alessandro Moro

The paper develops a model of a small open economy, characterised by the presence of carbon-intensive and green industries, to evaluate the effectiveness of a tax on foreign capital inflows to carbon-intensive production, with the aim of redirecting capital to green firms.
Taxing foreign capital inflows to carbon-intensive firms has an expansionary effect, through the reduction of the negative environmental externality of their production,

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and a contractionary effect, due to the reduction of capital inflows from abroad. These results depend on the assumption that foreign investors have weaker pro-environmental preferences than domestic investors.
Full text (pdf)

No. 1347: **The IRB approach and bank lending to firms** (October 2021)

Raffaele Gallo

This paper verifies whether the lending policies applied by banks adopting the internal ratings-based (IRB) method for credit risk are more sensitive to the riskiness of borrowers than are banks adopting the standardized approach. We analyse the changes between 2007 and 2017 in the cost and the amount of bank credit granted to Italian firms by banks that adopted the IRB method in the period under examination and by other banks that continued with the standardized approach.
Banks' lending policies are more sensitive to the riskiness of borrowers in the year following the adoption of the IRB method, as they raised interest rates and reduced the amount of credit more for riskier borrowers than for safer ones. High-risk firms partly compensated for the decrease in bank credit by obtaining funds from institutions adopting the standardized approach, but overall their average cost of credit rose.
Full text (pdf)

No. 1346: **Business cycle synchronization or business cycle transmission? The effect of the German slowdown on the Italian economy** (October 2021)

Alessandro Mistretta

This paper analyses the response of the Italian economy to the slowdown of the German economy that began in 2018. Using microdata from the Bank of Italy's survey on inflation and growth expectations, the impact of this shock on firms' judgments regarding their investment, employment and demand is assessed using a difference-in-difference approach. In addition, using a simple forecasting model, a quantification is proposed in terms of lower output and investment.
The analyses show that between the end of 2018 and 2019, the ratings of firms exposed to the German market were worse than those of others. The effects appear to have been significant on demand and investment, but almost zero on employment. In addition to a synchronization of the economic cycles of the two countries, there is thus a transmission of macroeconomic trends from the German economy to the Italian one, the channel of which is plausibly connected to the relevant trade links.
Full text (pdf)

No. 1345: **The impact of Chinese import competition on Italian manufacturing** (October 2021)

Luca Citino and Andrea Linarello

This paper studies the impact of Chinese import competition on Italian manufacturing between 1991 and 2007. The first part evaluates whether local labour markets that were specialized in import-competing manufacturing industries suffered larger employment losses. The second part analyzes whether workers employed in those same industries at the beginning of the 1990s had more discontinuous careers afterwards.
The impact of Chinese import competition on Italian manufacturing has been modest, but with significant differences across sectors and geographical areas. Workers who were employed in more import-exposed sectors in 1991 did not experience more discontinuous careers and did not suffer wage losses; however, despite having a lower probability of continuing to work for their initial employer, they have proven able to successfully transition towards other firms, particularly in the services sector.
Full text (pdf)

No. 1344: **The case for a positive euro area inflation target: evidence from France, Germany and Italy** (October 2021)

Klaus Adam, Erwan Gautier, Sergio Santoro e Henning Weber

We estimate for Germany, France and Italy the inflation rate that minimizes distortions related to price adjustment rigidities and product turnover. We start with evidence of significant negative relative price trends over the product life cycle and the observation that,

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when nominal prices are adjusted only infrequently, this decline in relative prices can only come about when there is a positive average rate of inflation.

Minimizing distortions related to sticky prices requires a significantly positive inflation target. For the euro area, this ranges between 1.1 and 1.7 per cent (three-countries average). Other considerations not taken into account in the present paper may call for a positive inflation rate and, at least partially in addition to those considered here, push up the optimal inflation targets further. The welfare costs associated with targeting zero inflation, as suggested by traditional sticky price models, turn out to be substantial.

Full text (pdf)

Other recent Working Papers

June 2021 — July 2021

No. 1343: Firm-bank linkages and optimal policies in a lockdown
Anatoli Segura Velez and Alonso Villacorta

No. 1342: When the panic broke out: COVID-19 and investment funds' portfolio rebalancing around the world
Massimiliano Affinito and Raffaele Santioni

No. 1341: The grocery trolley race in times of Covid-19. Evidence from Italy
Emanuela Ciapanna and Gabriele Rovigatti

No. 1340: Information or persuasion in the mortgage market: the role of brand names
Agnese Carella and Valentina Michelangeli

No. 1339: Optimal robust monetary policy with parameters and output gap uncertainty
Adriana Grasso and Guido Traficante

No. 1338: (Macroprudential policy analysis via an agent-based model of the real estate sector
Gennaro Catapano, Francesco Franceschi, Michele Loberto and Valentina Michelangeli

No. 1337: A liquidity risk early warning indicator for Italian banks: a machine learning approach
Maria Ludovica Drudi and Stefano Nobili

No. 1336: Volatility bursts: a discrete-time option model with multiple volatility components
Francesca Lilla

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No. 656: **The impact of restrictions on FDI** (November 2021)

Marco Albori, Flavia Corneli, Valerio Nispi Landi and Alessandro Schiavone

The paper assesses the impact that restrictions on inward foreign direct investments have on these capital flows. Restrictions are measured using the OECD Regulatory Restrictiveness Index database, which provides sectoral level information and takes into account both the type and the stringency of restrictions. The analysis employs panel regressions at the country-industry-year level on a sample of 17 OECD countries and 23 industries between 2012 and 2018.
Restrictions have a negative impact on inward foreign direct investments in the manufacturing and the service sectors, particularly when they limit foreign equity acquisitions. By contrast, the evidence suggests that measures motivated by national security considerations and those targeting the primary sector have not had a significant impact so far.
Full text (pdf)

No. 655: **Corporate bond financing of Italian non-financial firms** (November 2021)

Giorgio Meucci and Fabio Parlapiano

This work analyses the main trends in bond financing by Italian non-financial firms and its role in relation to bank credit across different economic phases. The first part of the analysis refers to the 2008-2019 period, characterized by both crisis and recovery episodes, while the second part focuses on the specific effects of the recent pandemic crisis.
The analysis shows that the corporate bond market experienced substantial growth over the years. The terms of financing, such as coupon rates and maturities, eased gradually and a greater range of issuers tapped the market, including an increasing number of riskier firms. While the 2008 and 2012 crises encouraged non-financial firms – especially the larger ones – to use bond funding as an alternative to bank credit, during the 2020 pandemic crisis both funding sources expanded, showing some complementarity between the market and bank financing channels.
Full text (pdf)

No. 654: **Everything you always wanted to know about green bonds (but were afraid to ask)** (November 2021)

Danilo Liberati and Giuseppe Marinelli

The work presents a study on the Environmental, Governance and Social (ESG) bond market focusing on the global supply, broken down by country and institutional sector, and on the weight of such instruments in portfolios of investors resident in Italy.
The global supply of ESG bonds has increased in the last five years, reaching 3% of the total amount of securities issued by the private sector in Italy, a value similar to the world average of the other countries. The amount of ESG bonds held by investors resident in Italy has rapidly expanded in the last two years, comprising 1.9% of bond portfolios in March 2021. The share is higher for investment funds (4.4%) and lower for insurance corporations and banks (2%).
Full text (pdf)

No. 653: **Financial condition indices for emerging market economies: can Google help?** (November 2021)

Fabrizio Ferriani and Andrea Gazzani

The study presents several methodologies to compute synthetic indicators of macro-financial stress for the major emerging market economies, using data relative to the dynamics and volatility of equity markets, interest rates, and exchange rates. This information is complemented with data from internet searches (via Google Trends) concerning some terms that are potentially indicative of periods of financial stress (e.g. volatility, bankruptcy, or spreads).
The indicators of financial conditions developed in the study, especially those based on the simple average of a small number of financial variables combined with measures of web search intensity, are shown to be effective in capturing business cycle fluctuations and the occurrence of stress episodes relating to capital flows.
Full text (pdf)

No. 652: **Data governance and the regulation of the platform economy** (November 2021)

Oscar Borgogno and Michele Savini Zangrandi

This paper investigates the key levers of 'data governance': the set of rules and enforcement

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mechanisms that discipline the collection, access, storage and processing of data. We argue that data governance is shaped by three major regulatory fields: data control, national security and competition law. These three seemingly separate legislative strands are interconnected in many different ways, placing the policy maker before a complex set of trade-offs.
Data governance is of crucial importance for the digital economy. Fleshing out its key levers, this paper comes to three broad conclusions: a) multiple regulatory domains intersect in the digital space, with sometimes unpredictable effects; b) international regulatory fragmentation in the digital space constitutes a risk which requires dialogue and coordination; c) given the impact of data governance on the financial sector, sectoral regulators should take an active part in framing it.
Full text (pdf)

No. 651: **Aggregate dynamics and microeconomic heterogeneity: the role of vintage technology** (November 2021)

Giuseppe Fiori and Filippo Scoccianti

The work provides evidence about the relationship between investment and total factor productivity at the firm level, and quantifies its aggregate effects thanks to a structural model, which is applied to the financial crisis of 2011-12.
A firm displaying an investment rate of at least 20 per cent in a year has a total factor productivity that is 0.8 percentage points higher than that of comparable firms that displayed their last similar investment rate the year before. The estimates obtained with the structural model suggest that about one third of the decline in aggregate productivity recorded in Italy during the years 2012-15 is attributable to a slowdown in the technological upgrade of capital goods due to a decline in investment during the financial crisis.
Full text (pdf)

No. 650: **Zombie firms and the take-up of support measures during Covid-19** (November 2021)

Marco Pelosi, Giacomo Rodano and Enrico Sette

In this paper, we analyse the incidence of zombie firms in Italy in 2019, together with their take-up of the economic support measures put in place during the pandemic. To this end, we assess to what extent the main proxies used in the literature identify as zombie firms those that are worse performing and riskier.
We find that in 2019, zombie firms represented 3 to 5 per cent of all corporations. They were concentrated in the industries hit the most by the pandemic-related drop in revenues in 2020. Moreover, they were more likely to experience liquidity deficits and spikes in their default probability. However, they were less likely than healthy firms to take up economic support measures.
Full text (pdf)

No. 649: **Pecunia olet. Cash usage and the underground economy** (October 2021)

Michele Giammatteo, Stefano Iezzi and Roberta Zizza

This study provides empirical evidence, which is scarce in the literature, of the causal link between the use of cash and the size of the underground economy by applying two different econometric strategies. The data used, referring to the Italian provinces in the period 2015-17, come from various sources, including the aggregate anti-money laundering reports (SARA) filed to the UIF by banks and Istat estimates of the shadow economy (underreporting of turnover by companies).
An increase in the use of cash translates, other things being equal, into an increase in the share of economy that is undeclared. Furthermore, raising the threshold for the use of cash from €1,000 to €3,000, as was done in Italy in 2016 to boost spending, had the side effect of leading to a larger underground economy. Although the methodologies used have some limitations, the results support the idea that constraining the use of cash may be effective in countering tax evasion.
Full text (pdf)

No. 648: **The poverty debate in Italy: from politics to statistics** (October 2021)

Andrea Brandolini

The paper examines the debate on poverty in Italy over the last seventy years, identifying some key passages: the Parliamentary Commission of Inquiry into Poverty in the early 1950s; the long period of the Poverty

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Commission, established in 1984 and definitively abolished in 2012; and the European Commission's initiatives. The paper outlines the main poverty trends and deals with some important issues in its measurement.
Looking back at the debate on poverty in Italy from the specific perspective of statistical measurement, a close link emerges between the institutionalisation of the measure of poverty in official statistics and the political process, both national and international. In the last two decades, a clear stratification of poverty by age and citizenship, which sees children and migrants at a disadvantage, has arisen alongside the traditional geographical divide.
Full text (pdf) in Italian only

No. 647: **The impact of Covid-19 on international tourism flows to Italy: evidence from mobile phone data** (October 2021)

Valerio Della Corte, Claudio Doria and Giacomo Oddo

The Covid-19 pandemic had a deeply negative impact on international tourism. By using mobile telephony data and information taken from the Bank of Italy's Survey on International Tourism, this paper estimates the effects on foreign tourism in Italy produced by local epidemiological conditions and by the containment measures that were adopted both in Italy and in the countries of departure, in relation to the characteristics of the journey and the tourist destination visited.
The number of foreign travellers has decreased less in provinces with a lower number of cases and for those travel typologies that ensure more effective social distancing (e.g. travelling by one's own means of transportation, choosing nature or seaside holidays, staying at a rental house or own home). Containing infections is therefore vital for the recovery of the tourism sector.
Full text (pdf)

No. 646: **Mind the wealth gap: a new allocation method to match micro and macro statistics on household wealth** (October 2021)

Michele Cantarella, Maria Giovanna Ranalli and Andrea Neri

The paper proposes a methodology for producing statistics on the distribution of wealth drawing on data from the European harmonized survey on household finances (Household Finance and Consumption Survey), after making the data consistent with the aggregate national accounts totals. The methodology addresses both the problem of non-participation of the wealthiest households and the problem of respondents' reluctance to correctly report their wealth.
The methodology produces an archive of "adjusted" microdata that provides information that is coherent with that drawn from the national accounts and that can be used to compute several distributional indicators. In line with expectations, sample surveys tend to underestimate the concentration of wealth in all countries. A further contribution of the paper is the development of a method to estimate the uncertainty of the results.
Full text (pdf)

No. 645: **Territorial gaps in student achievement** (October 2021)

Giulia Bovini and Paolo Sestito

This article documents the regional gaps in achievement among students enrolled in primary and secondary schools and examines the various drivers at the individual, family, school and local level. The analysis relies on rich information from INVALSI standardized tests and from the questionnaires distributed to pupils, teachers and school principals in the years preceding the onset of the pandemic.
Pupils from the Centre and North and from the South of Italy achieve similar test scores in primary schools, while gaps emerge during secondary school. Gaps in disfavour of students in southern Italy appear to reflect only to some extent the observable differences across the two macro-areas in terms of students, families and schools' characteristics. The socio-economic conditions of the local context (such as the labour market conditions) appear to play a role as well.
Full text (pdf)

No. 644: **The implementation of the IFRS 9 accounting standard in Italy by small banks and financial intermediaries: initial evidence** (October 2021)

Andrea Canton, Tommaso Loizzo and Federico Schimperna

The paper provides the results of an analysis carried out on a sample of small Italian banks

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and financial intermediaries regarding the application of the IFRS 9 accounting standard, also following the Covid-19 pandemic. The objective of the study is to identify possible methodological choices made by financial intermediaries that are inconsistent with the standard and have potential implications for the ratios relevant for prudential supervision purposes.

The analysis pointed out a generally adequate implementation of the standard. Weaknesses emerged, in particular relating to compliance with the caps on sales in the portfolio at amortized cost and to the impairment of financial instruments (imprope7r allocation of financial instruments to risk stages and inadequate estimation of expected losses). The Covid-19 pandemic has not led to changes in the methodological choices adopted for the application of the standard.

Full text (pdf) in Italian only

No. 643: **External demand and export performance: regression residuals during the Covid-19 pandemic** (October 2021)

Gloria Allione and Alberto Felettigh

The performance of Italian goods exports in 2020 was shaped by the consequences of the Covid-19 pandemic. This study measures to what extent the sectoral peculiarities of the pandemic shock, both in terms of demand and of the selective suspension of economic activities during the March-April lockdown, contributed to these developments.

Between 2019 and 2020, the aggregate volume of manufacturing foreign sales declined more than the potential demand from Italy's outlet markets. We estimate that such gap is essentially due to the suspension of production activities during the lockdown. Thus, so far the pandemic has not significantly impaired the ability of Italian firms to safeguard their positions in international markets.

Full text (pdf)

No. 642: **Liquidity-poor households in the midst of the Covid-19 pandemic** (October 2021)

Mariano Graziano and David Loschiavo

Liquid buffers enhance households' capacity to continue servicing their debt while maintaining reasonable levels of consumption when hit by an income shock. After the Covid-19 outbreak, alongside the sharp rise in saving rates, deposits have grown at a record pace in Italy. However, little is known about the distribution of such a rise. This work estimates the share of liquidity-poor households, i.e. those not having enough liquid resources to meet their needs in case of short periods of economic difficulty.

The analysis shows that in 2020 the sustained growth in deposits also involved households that, before the crisis, were at the bottom end of the liquidity ladder. Between December 2019 and December 2020, the share of liquidity-poor households decreased, albeit remaining high. Being indebted significantly increases the chance of being liquidity poor.

Full text (pdf)

No. 641: **Beneath the surface: investigating industry heterogeneity in Italy's goods export market share performance** (October 2021)

Stefano Federico and Claire Giordano

The stability of Italy's goods export market share in the decade 2010-19 reflects heterogeneous sectoral developments. By exploiting data broken down by 200 sectors, this study identifies the industries that gained market shares and it analyses both the international context in which these sectors operate and the structural characteristics of these sectors' firms. Relative to the 90 sectors that lost market shares in the last decade, the 32 industries that gained them are characterised by a lighter exposure to competitive pressures stemming from China and from Central and Eastern Europe, a better quality ranking and a more intensive import propensity. Conversely, the highly heterogeneous organizational traits of the Italian firms in the market-share gainer sectors are not found to be different, on average, from those of the market-share loser sectors.

Full text (pdf)

Latest Occasional Papers

No. 640: **New evidence on State aid for firms in Italy** (October 2021)

Giuseppe Albanese, Rosalia Greco, Luciano Lavecchia and Marco Manile

This paper exploits a new database, the National State Aid Register, in order to analyse the characteristics of State aid granted to Italian firms from 2018-20, in particular in Southern Italy.

The analysis suggests that industrial policy in Italy is highly fragmented, with fewer resources utilized with respect to the European average. We also show that this aid has been primarily used for SMEs, and to a greater extent (as a ratio of turnover) for those in Southern Italy.

Full text (pdf) in Italian only

No. 639: **A micro-founded climate stress test on the financial vulnerability of Italian households and firms** (October 2021)

Ivan Faiella, Luciano Lavecchia, Valentina Michelangeli and Alessandro Mistretta

This study presents a novel methodological framework for assessing the exposure of the Italian financial system to climate policy risks, using a micro-founded approach.

We estimate the energy demand elasticity of Italian households and firms at the micro-level and we use this information to simulate the effects of four one-off carbon taxes (corresponding to €50, €100, €200 and €800 per ton of CO_2) on their income and profits. According to our results, a level of carbon taxation within the range of €50-200 per ton does not have a sizeable effect on the share of financially vulnerable agents. The financial risks stemming from climate shocks are limited overall and specific to individual households and industries.

Full text (pdf)

No. 638: **Ageing and the Expenditure of Italian Households** (October 2021)

Vincenzo Mariani

This work proposes a reconstruction of Istat data on Italian household expenditure and income for the period 2005-17 and quantifies the mechanical effect of ageing on these variables.

During the period 2005-17, average household spending fell by almost 16 per cent in real terms. Aging would have contributed mechanically to the decline by only 0.4 percentage points.

Since the mid-2000s, the propensity to spend among Italian families has grown progressively. According to the results of the analysis, the aging of the population limited the increase in the propensity to spend by about one fifth between 2005 and 2017.

Full text (pdf) in Italian only

No. 637: **Agglomeration and the Italian North-South divide** (October 2021)

Luigi Buzzacchi, Antonio De Marco and Marcello Pagnini

This paper investigates the positive relation between firm productivity, measured for a wide sample of manufacturing industries, and employment density in local labour market areas in Italy (agglomeration economies). Furthermore, we investigate the possibility that, all other things being equal, the lower productivity of firms in Southern Italy might be due to the lower employment density in those areas.

After conducting several robustness checks, we find that the elasticity of TFP with respect to the spatial concentration of economic activities in Italy is about 6 per cent, similar to that measured for other developed countries. Moreover, we confirm that the lower productivity of firms in Southern Italy is partially explained by the lower employment density in those areas. We also show that no significant heterogeneity emerges in the intensity of agglomeration economies across the country.

Full text (pdf)

Other recent Occasional Papers

June 2021 — July 2021

No. 636: A new universal child allowance in Italy: equity and efficiency concerns
Nicola Curci and Marco Savegnago

No. 635: Infrastructure gaps in Italy: a case-by-case measurement
Mauro Bucci, Elena Gennari, Giorgio Ivaldi, Giovanna Messina and Luca Moller

No. 634: Main challenges and prospects for the European banking sector: a critical review of the ongoing debate
Salvatore Cardillo, Raffaele Gallo and Francesco Guarino

No. 633: The impact of complex financial instruments on banks' vulnerability: empirical evidence on SSM banks
Tommaso Perez, Francesco Potente (Coordinators), Andrea Carboni, Alberto Di Iorio and Jacopo Raponi

No. 632: The market notices published by the Italian Stock Exchange: a machine learning approach for the selection of the relevant ones
Marta Bernardini, Paolo Massaro, Francesca Pepe and Francesco Tocco

No. 631: Application of classification algorithms for the assessment of confirmation to quality remarks
Fabio Zambuto, Simona Arcuti, Roberto Sabatini and Daniele Zambuto

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Giuseppe Fiori and Filippo Scoccianti

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Claudia Biancotti, Oscar Borgogno and Giovanni Veronese

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Guerino Ardizzi, Diego Scalise and Gabriele Sene

No. 627: Living on my own: the impact of the Covid-19 pandemic on housing preferences
Elisa Guglielminetti, Michele Loberto, Giordano Zevi and Roberta Zizza

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V. P. Vacca, F. Bichlmeier, P. Biraschi, N. Boschi, A. J. Bravo Alvarez, L. Di Primio, A. Ebner, S. Hoeretzeder, E. Llorente Ballesteros, C. Miani, G. Ricci, R. Santioni, S. Schellererf and H. Westmanh

No. 625: The economics of non-bank financial intermediation: why do we need to fill the regulation gap?
Maurizio Trapanese

No. 624: De-anchored long-term inflation expectations in a low growth, low rate environment
Guido Bulligan, Francesco Corsello, Stefano Neri and Alex Tagliabracci

No. 623: Policy mix during a pandemic crisis: a review of the debate on monetary and fiscal responses and the legacy for the future
Giuseppe Ferrero, Massimiliano Pisani and Martino Tasso

No. 622: An assessment on the potential impact of Covid-19 on the Italian demographic structure
Giacomo Caracciolo, Salvatore Lo Bello and Dario Pellegrino

No. 621: Inflation expectations and the ECB's perceived inflation objective: novel evidence from firm-level data
Marco Bottone, Alex Tagliabracci and Giordano Zevi

No. 620: Consumption and saving patterns in Italy during Covid-19
Elisa Guglielminetti and Concetta Rondinelli

No. 619: Firms' inflation expectations and pricing strategies during Covid-19
Marco Bottone, Cristina Conflitti, Marianna Riggi and Alex Tagliabracci

Notes on Financial Stability and Supervision

No. 26: **Lessons learned from the collapse of Archegos: policy and financial stability implications (**October 2021)

Nicola Branzoli, Arianna Miglietta, Federico Calogero Nucera, Onofrio Panzarino and Carmine Porello

In this note, we examine the events that led to the failure of Archegos Capital Management in March 2021 and discuss potential implications in terms of financial stability and policy. We also describe the main brokerage services provided to sophisticated investors (e.g. hedge funds, institutional investors and family offices) by investment banks and broker-dealers. The main policy implications from the analysis refer to the following topics: 1) risk-management practices of PBs, relating in particular to collateral and margining practices; ii) the measurement and monitoring of the use of derivatives in the Non-Bank Financial Intermediation (NBFI) sector; iii) the regulation of family offices.

Full text (pdf)

Markets, Infrastructures, Payment Systems

No. 12: Le TLTRO e la disponibilità di garanzie in Italia (November 2021)

Annino Agnes, Paola Antilici and Gianluca Mosconi

No. 11: From SMP to PEPP: a further look at the risk endogeneity of the Central Bank (October 2021)

Marco Fruzzetti, Giulio Gariano, Gerardo Palazzo and Antonio Scalia

No. 10: A digital euro: a contribution to the discussion on technical design choices (July 2021)

Emanuele Urbinati, Alessia Belsito, Daniele Cani, Angela Caporrini, Marco Capotosto, Simone Folino, Giuseppe Galano, Giancarlo Goretti, Gabriele Marcelli, Pietro Tiberi and Alessia Vita

No. 9: TARGET2 The European system for large-value payments settlement (July 2021)

Paolo Bramini, Matteo Coletti, Francesco Di Stasio, Pierfrancesco Molina, Vittorio Schina, Massimo Valentini

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Guerino Ardizzi, Alessandro Gambini, Andrea Nobili, Emanuele Pimpini and Giorgia Rocco

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Luca Baldo, Elisa Bonifacio, Marco Brandi, Michelina Lo Russo, Gianluca Maddaloni, Andrea Nobili, Giorgia Rocco, Gabriele Sene and Massimo Valentini

No. 6: Proposal for a common categorisation of IT incidents (May 2021)

Financial Authorities members of the G-7 Cyber Expert Group (CEG)

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Pietro Tiberi

No. 4: T2S - TARGET2- The pan-european platform for the settlement of securities in central bank money (September 2021)

Cristina Mastropasqua, Alessandro Intonti, Michael Jennings, Clara Mandolini, Massimo Maniero, Stefano Vespucci and Diego Toma

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Raffaele Doronzo, Vittorio Siracusa and Stefano Antonelli

No. 2: Real-Time Gross Settlement systems: breaking the wall of scalability and high availability (March 2021)

Mauro Arcese, Domenico Di Giulio and Vitangelo Lasorella

No. 1: TIPS - TARGET Instant Payment Settlement (January 2021)

Massimiliano Renzetti, Serena Bernardini, Giuseppe Marino, Luca Mibelli, Laura Ricciardi and Giovanni M. Sabelli

Covid-19 Note

The main results of the sixth wave of the Special Survey of Italian Households (November 2021)

Concetta Rondinelli and Francesca Zanichelli

Full text (pdf)

I flussi economici e finanziari tra settori istituzionali nei paesi dell'area dell'euro durante la pandemia (October 2021)

Francesca Lilla, Giuseppe Marinelli and Francesco Vercelli

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The tourism sector and the COVID-19 pandemic (September 2021)

Cristina Demma

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Which banks were more effective in supporting credit supply during the pandemic? (September 2021)

Alessandra Albanese and Federica Ciocchetta

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The main results of the fifth wave of the Special Survey of Italian Households (September 2021)

Concetta Rondinelli and Francesca Zanichelli

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Economic History Working Papers

No. 48: **Lessons from the Early Establishment of Banking Supervision in Italy (1926-1936)**
(October 2021)

Marco Molteni and Dario Pellegrino

In this paper, we describe the establishment and assess the relevance of banking supervision in Italy between 1926 and 1936. This case is particularly interesting from the international perspective, Italy having been the first European country to assign substantial supervision to its central bank, a few years before the 1929 crisis. Notwithstanding insufficient regulation and a ight touch concerning the four major mixed banks, we document considerable enforcement of the law, which went beyond the initial provisions, thanks to the rather proactive supervisory approach adopted by the Bank of Italy. We point out a significant impact on the banking system: systematic archival analysis reveals that supervision fostered capital accumulation and mitigated lending concentration. Preliminary evidence suggests that supervision information enhanced effective lending of last resort during the crisis. Our educated guess is that, in the absence of the new supervisory set-up, the severity of the financial turmoil in the early 1930s in Italy would have been much fiercer, especially for small and medium-sized banks.

Full text (pdf)

Selection of Journal articles and books

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Full list since 1990

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Selection of Journal articles and books

Authors' names in boldface: Bank of Italy

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