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NEWSLETTER

Contents

Highlights

6th Bank of Italy-CEPR Labour workshop on 'Labour market policies and institution'

(Rome, 18-19 September 2023)

The sixth edition of the '**Bank of Italy-CEPR Labour workshop: Labour market policies and institutions'** took place in Rome on 18-19 September 2023. The workshop aimed at providing leading and emerging researchers in the field of labour economics an opportunity to present their work relevant for understanding the role of policies and institutions in shaping labour supply and demand, as well as in matching workers to jobs.

The welcome address was held by Piero Cipollone, Deputy Governor of the Bank of Italy. The keynote lectures were given by Daron Acemoğlu (MIT and CEPR) and Alessandra Voena (Stanford University and CEPR).

The programme and the presentations are available here.

4th Joint Bank of England - Banque de France - IMF - OECD - Banca d'Italia Workshop on 'International capital flows and financial policies'

(Rome, 6 October 2023)

The Bank of Italy has organized the fourth workshop on '**International capital flows and financial policies**', in collaboration with the Bank of England, the Banque de France, the IMF and the OECD. The event took place at Banca d'Italia in Rome on 6 October 2023.

The aim of the conference was to foster the debate on the evolution of capital flows in the current context of a more fragmented international financial system and in view of a monetary policy normalization. The workshop discussed the effectiveness of the policy measures adopted to mitigate the volatility of capital flows, the role of non-bank financial intermediation in the propagation of global shocks, the implications of digital currencies and climate change for international capital flows.

The programme and the presentations are available here.

Highlights

Workshop on 'Monetary Policy and Financial Intermediation: Learning from Heterogeneity and Microdata'

(Turin, 16-17 October 2023)

On 16-17 October, Bank of Italy, the Collegio Carlo Alberto and Norges Bank organized a joint workshop on '**Monetary Policy and Financial Intermediation: Learning from Heterogeneity and Microdata**'.

The meeting brought together economists from academia and central banks focused on using microdata in empirical work and model estimation to understand how banking activities, capital markets, and balance-sheet choices by firms and households affect monetary policy decisions and consequences, and how they shape the way in which unexpected shocks or new trends affect the dynamics of the economy.

The conference featured technical presentations and keynote speeches by Luc Laeven (European Central Bank), José-Luis Peydró (Imperial College London) and Neeltje van Horen (Bank of England).

The programme is available here.

Workshop on 'Data science in central banking: Enhancing the access to and sharing of data'

(Rome, 17-19 October 2023)

The Bank of Italy and the BIS Irving Fisher Committee on Central Bank Statistics (IFC) organize recurrent workshops on '**Data science in central banking**' with a broad audience of practitioners and technicians to review the ongoing adoption of data analytics and business intelligence techniques and developments in the big data ecosystem. The main objective is to showcase projects and share experience that can help to develop in-house knowledge and reduce the reliance on external services providers.

The 2023 workshop brought together central banks, international organizations, national statistical offices and other interested stakeholders and its main focus was on data sharing and access. Alessandra Perrazzelli, Deputy Governor of the Bank of Italy, gave the closing address.

The programme is available here.

Events organized by the Seminar Committee

The seminar series host internationally renowned speakers from academia, international organizations, and other central banks.

The seminars offer an excellent opportunity to keep abreast of the most recent developments of the literature and allow economists at the Bank to share their research projects and professional knowledge with international experts of various fields.

The list of the events, together with the papers and slides, whenever available, can be found here.

Forthcoming events

9th Joint Bank of England - Banque de France - Banca d'Italia International Macroeconomic Workshop

(London, 1 December 2023)

The Bank of Italy is organizing the '**9th International macroeconomics workshop**', in collaboration with the Bank of England and Banque de France. The event will take place at the Bank of England in London on 1 December 2023. The workshop will discuss how firms' heterogeneity and global value chains shape the macroeconomic effects of international shocks and the role of foreign exchange rate interventions in mitigating the international spillovers of US monetary policy. Professor Sebnem Kalemli-Ozcan (University of Maryland) will deliver a keynote address.

For more information, see the call for papers.

4th Bank of Italy Human Capital Workshop

(Rome, 22 March 2024)

The Bank of Italy is organising the '**4th workshop on Human Capital**'. The event will take place at the Bank of Italy in Rome on 22 March 2024. The workshop aims at bringing together junior and senior economists to present and discuss their ongoing research on human capital. Professor Lance Lochner (University of Western Ontario) will deliver a keynote speech.

We particularly encourage the submission of works relating to both the functioning of the education system and the role of the accumulation of knowledge, skills and ability both in the labour market and as a key driver of productivity and economic growth. Both theoretical and empirical contributions are welcome. Interested authors should submit their paper to human_capital@bancaditalia.it by 8 January 2024. The decisions made by the programme committee will be announced by early February.

For more information, see the call for papers.

Bank of Italy, Bocconi University - BAFFI CAREFIN and CEPR conference on 'Financial Stability and Regulation'

(Rome, 4-5 April 2024)

The Bank of Italy and Bocconi University - BAFFI CAREFIN and the Center for Economic Policy Research (CEPR) are organizing the '**4th biennial conference on Financial stability and Regulation**'. The event will take place on 4-5 April 2024, at the headquarters of the Bank of Italy in Rome.

For more information, see the call for papers.

Latest Working Papers

No. 1430: **Labor market dynamics and geographical reallocation** (November 2023)

Gaetano Basso, Salvatore Lo Bello and Francesca Subioli

Exploiting information on the universe of activations and terminations of employment contracts in Italy in the period between 2010 and 2018, the study estimates the causal relationship between job creation and destruction and internal labour migration flows.

Job creation has a strong impact on immigration, whereas job destruction has a milder effect on emigration. While positive labour demand variations lead to migration inflows even from remote areas, negative ones lead to outflows mainly to neighbouring areas. Finally, increased immigration occurs through changes in migrants' destination choices, rather than through an increased propensity to migrate.

Full text

No. 1429: **Inflation is not equal for all: the heterogenous effects of energy shocks** (November 2023)

Francesco Corsello and Marianna Riggi

In 2021 and 2022, the prices of energy goods increased dramatically, affecting households with lower expenditure levels more heavily, due to the relatively higher weight of those goods in their consumption basket. Using Italian data, the paper quantifies the impact of energy price increases on the gap between the inflation levels experienced by households with different spending capacities.

Due to the lower price elasticity of energy goods to the business cycle, the increase in interest rates necessary to counteract rising inflation tends to widen the gap between households in the short term. Although the distributive effects of monetary policy unfold also through other channels, which are not considered here, the findings of this paper suggest that the unintended effect of monetary tightening should be offset by fiscal policies targeted at the most affected households.

Full text

No. 1428: **Natural gas and the macroeconomy: not all energy shocks are alike** (November 2023)

Piergiorgio Alessandri and Andrea Giovanni Gazzani

This paper examines the impact of changes in the supply of natural gas on inflation and economic activity in the euro area using an econometric model that accounts for the potentially long and variable lags in the transmission of gas shocks to the real economy. Supply shocks are identified by analysing news around a series of large gas price fluctuations observed between 2010 and 2022.

The data show that the most severe negative shocks to European gas supplies have systematically occurred in connection with adverse natural events or political tensions linked to the conflicts between Russia and Ukraine, including the war that began in 2022. Like oil shocks, negative gas supply shocks cause a slowdown in economic activity and an increase in inflation. However, owing to the peculiar structure of the market, gas shocks have a more gradual impact, with a peak in inflation for non-energy goods following the shock by over two years.

Full text

No. 1427: **Trade in the time of COVID-19: an empirical analysis based on Italian data** (November 2023)

Gianmarco Cariola

This paper analyzes the impact of the COVID-19 pandemic on Italian firms' international trade. Using microdata from the Italian Customs and Monopolies Agency, it exploits firms' different degree of exposure to the pandemic shock in order to assess its effect on the growth rate of imports and exports.

The containment measures adopted in the countries of origin and destination of the traded goods had considerable repercussions on Italian firms' international trade during the first wave of the pandemic (until fall 2020); the impact was attenuated during the subsequent phases. The measures adopted at the local level by the Italian government as of October 2020 (the 'color system') do not appear to have had any significant effects on foreign trade.

Full text

Latest Working Papers

No. 1426: **The performance of household-held mutual funds: evidence from the euro area** (November 2023)

Valerio Della Corte and Raffaele Santioni

Euro-area households invest significantly in mutual fund units to diversify their portfolios. However, given the complexity of the market, it can be difficult for retail investors to choose funds with the best risk-return profile. This paper uses granular data on a very large sample of open-ended mutual funds held by euro-area households to assess their returns and fees.

Mutual funds whose investor base consists mainly of euro-area households charge higher fees, on average, than funds held mostly by institutional investors and generate relatively lower risk-adjusted returns, all other things being equal. This is especially the case for equity funds, which are more difficult to evaluate for less financially sophisticated investors.

Full text

No. 1425: **Drivers of large recessions and monetary policy responses** (October 2023)

Giovanni Melina and Stefania Villa

The work aims to identify the shocks causing output contraction and inflation fluctuations in the euro area and the United States during the global financial crisis and the COVID-19 crisis and assess the contribution of monetary policy to the recovery of the two economies. In particular, the model used features an exogenous disturbance to capital utilization which allows to capture episodes of deep recessions caused by difficulties of physical capital in fully providing its contribution to production.

Model estimates show that, in both crises and in the two areas, disturbances to capital utilization are important drivers of output contraction but not inflation fluctuations. Monetary policies by the European Central Bank and the US Federal Reserve provided significant support to the recovery of economic activity and contributed to bring inflation towards the target.

Full text

No. 1424: **Subsidizing business entry in competitive credit markets** (October 2023)

Vincenzo Cuciniello, Claudio Michelacci and Luigi Paciello

This paper uses a general equilibrium model with financial frictions and competitive credit markets to analyze the optimal subsidy for the creation of new businesses and how it influences the financing choices of those businesses. In addition to fostering economic activity and business creation, subsidies, depending on how they are paid out, can also lead to the excessive indebtedness of companies and, therefore, to a higher number of failures. The model uses parameters estimated using the administrative data of Italian firms.

This analysis shows that the optimal subsidy to support the creation of new businesses is one that is paid out ex ante. Thus, the initial indebtedness of the companies is reduced, making it less likely for them to fail, with significant benefits in terms of social welfare. Conversely, a subsidy paid out ex post increases leverage and the risk of failure.

Full text

No. 1423: **The short and medium term effects of full-day schooling on learning and maternal labor supply** (October 2023)

Giulia Bovini, Nicolò Cattadori, Marta De Philippis and Paolo Sestito

This paper analyzes the short- and medium-term effects of longer school days in primary education on students' learning and maternal labor supply. We use data that follows students and their parents from the moment they apply to primary school until they finish lower secondary school.

Longer school days lead to better scores in mathematics tests in grades 2 and 5, and in Italian tests in grade 2. They also have a positive and lasting impact on the labor force participation of mothers. Finally, students from disadvantaged backgrounds and low-educated mothers are less likely to make use of longer school days despite benefiting more from them.

Full text

Latest Working Papers

No. 1422: **Decomposing the monetary policy multiplier** (October 2023)

Piergiorgio Alessandri, Oscar Jordà and Fabrizio Venditti

The paper studies the macroeconomic implications of monetary policy in the US, focusing on the role of financial markets in amplifying or mitigating the impact of changes in interest rates on inflation and economic activity.
The analysis shows that the response of financial markets to the decisions of the Federal Reserve has a critical influence on how interest rates affect the economy. A drop in interest rates has a modest impact on stock and bond returns, while an increase in rates has a strong negative impact. Due to this asymmetry, production, employment and consumer prices respond more significantly to hikes in interest rates, specially if these take place during periods of financial distress.
Full text

No. 1421: **The effects of the pandemic on households' financial savings: a Bayesian structural VAR analysis** (October 2023)

Francesca Lilla, Luigi Infante and Francesco Vercelli

This study analyses the remarkable growth in Italian households' financial savings during the COVID-19 pandemic by identifying three shocks due to containment measures, fear of infection, and macroeconomic uncertainty. The analysis is based on the estimate of an econometric model that takes into account time-varying parameters and stochastic volatility, which are useful for the study of periods characterized by extreme values in the macroeconomic series.
The results show that all the shocks identified contributed to the growth in households' financial savings, but containment measures had the greatest impact, especially in the period immediately following their introduction. The counterfactual analysis suggests that in the absence of the three shocks identified, from March to December 2020, households' financial savings would have amounted to €67 billion instead of the €110 billion recorded.
Full text

Other recent Working Papers

June 2023 — October 2023

No. 1420: Flight to climatic safety: local natural disasters and global portfolio flows
Fabrizio Ferriani, Andrea Gazzani and Filippo Natoli

No. 1419: Temperatures and search: evidence from the housing market
Michele Cascarano and Filippo Natoli

No. 1418: Entry, exit, and market structure in a changing climate
Michele Cascarano, Filippo Natoli and Andrea Petrella

No. 1417: Parental retirement and fertility decisions across family policy regimes
Edoardo Frattola

No. 1416: The external financial spillovers of CBDCs
Alessandro Moro and Valerio Nispi Landi

No. 1415: Currency risk premiums redux
Federico Nucera, Lucio Sarno and Gabriele Zinna

No. 1414: Trade in services related to intangibles and the profit shifting hypothesis
Nadia Accoto, Stefano Federico and Giacomo Oddo

No. 1413: How costly are cartels?
Flavien Moreau and Ludovic Panon

No. 1412: Quantitative easing, accounting and prudential frameworks, and bank lending
Andrea Orame, Rodney Ramcharan and Roberto Robatto

No. 1411: The anatomy of labor cost adjustment to demand shocks: Germany and Italy during the Great Recession
Francesco D'Amuri, Salvatore Lattanzio and Benjamin S. Smith

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No. 819: **Inputs in geopolitical distress: a risk assessment based on micro data** (November 2023)

Alessandro Borin, Gianmarco Cariola, Elena Gentili, Andrea Linarello, Michele Mancini, Tullia Padellini, Ludovic Panon and Enrico Sette

This paper adapts to Italy the criteria proposed by the European Commission to identify intermediate goods exposed to supply risk and proposes a methodology to assess the impact that possible sharp reductions in the imports of these goods from countries with high geopolitical risk could have on the value added of Italian firms, using a stress test approach.

We estimate that 515 out of around 6,000 imported non-energy intermediate goods are exposed to supply risk in Italy. Assuming a scenario in which these goods cannot be replaced in the short term and their imports are halved, the median loss in value added for the approximately 8,000 firms that use them directly would be around 35 per cent. The reduction in the economy's total value added would be between 0.2 and 2.2 per cent, depending on the assumed elasticity of substitution of supply-risk inputs by other inputs in the production processes.

Full text

No. 818: **The capitalization of energy labels into house prices. Evidence from Italy** (November 2023)

Michele Loberto, Alessandro Mistretta and Matteo Spuri

This paper estimates the extent to which energy efficiency (as measured by the energy efficiency labels) is capitalized into house prices at the provincial level by using a large dataset of sales listings published on the Immobiliare.it platform.

The analysis shows that, all other things being equal, the asking price of houses in the four most energy-efficient categories is on average about 25 per cent higher than that of houses in the tenth category, i.e. the least energy efficient. However, the price difference varies widely among provinces, probably due to differences in climatic conditions and in regional regulatory frameworks for the energy efficiency of buildings.

Full text

No. 817: **The heterogeneous impact of inflation across the joint distribution of household income and wealth** (November 2023)

Luigi Infante, David Loschiavo, Andrea Neri, Matteo Spuri and Francesco Vercelli

This paper assesses the impact of the 2022 inflationary shock on Italian households' wealth along the joint distribution of income and net wealth. The analysis was carried out by dividing households into four groups based on their median income and net wealth, using a methodology similar to the Distributional Wealth Accounts developed at European level.

The erosion of the real value of net financial wealth due to inflation was heterogeneous across households. While capital losses were small for the least wealthy households, for the wealthiest group they exceeded one tenth of annual disposable income. Conversely, the reduction in the real value of financial liabilities allowed the group of households with high income and low net wealth to realize a capital gain of nearly one tenth of their income.

Full text

No. 816: **Are the Happy Few still happy? Exporter heterogeneity during the COVID-19 pandemic in Italy** (November 2023)

Gloria Allione and Claire Giordano

The paper analyses the performance of different categories of Italian exporting firms in the period 2020-21, characterized by a demand shock and by global input shortages. Firms are grouped according to their export size, participation in global value chains (GVCs) and inventory availability.

Very large exporters (the Happy Few) determined aggregate developments, mainly by adjusting the value of their foreign sales to the changes in economic conditions (intensive margin). Taking sectoral and geographical specialization into account, the Happy Few recorded a weaker performance than smaller exporters, probably due to the higher participation of the former in GVCs, which were more vulnerable to the shocks of the

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period. Amongst firms integrated in GVCs, input shortages slowed the exports of firms with limited inventories more intensely.
Full text

No. 815: **Out of the ELB: expected ECB policy rates and the Taylor Rule** (October 2023)

Marco Bernardini and Alessandro Lin

We compare the path of the ECB policy rate (deposit facility rate) expected by financial market analysts with simple monetary policy rules based on their own expectations regarding inflation and economic activity. To this end, we adopt a thick-modelling approach to account for the uncertainty surrounding the exact parametrization of the rule according to analysts. We show that, since the ECB monetary policy moved away from the effective lower bound (ELB) and stopped providing explicit forward guidance on the future path of the policy rate, policy rate expectations have become largely aligned with those implied by the rules. We also document three additional findings. First, growing perceptions of downward demand-side risks since spring 2023 have been associated with an adjustment of analysts' rate expectations to slightly below rule-implied rates. Second, the significant and continuous upward revisions of expected ECB rates observed during the 2022-23 rate hiking cycle have mainly resulted from upward revisions of expected inflation and expectations of a higher long-run policy rate. Third, analysts' rate expectations appear to be shaped more by expectations regarding core inflation than those of headline inflation.
Full text

No. 814: **Loquacity and visible emotion: ChatGPT as a policy advisor** (October 2023)

Claudia Biancotti and Carolina Camassa

ChatGPT, a software that tries to simulate human conversational abilities using artificial intelligence, is attracting increasing attention. It is sometimes portrayed as a groundbreaking productivity aid, including for creative and tacit-knowledge work. In this paper, we run an experiment to assess its potential for complex writing tasks, by asking the model to compose a policy brief for the Bank of Italy's Governing Board.
The results show that ChatGPT can accelerate workflows by providing well-structured content suggestions, and by producing extensive, linguistically correct text in a matter of seconds. It does, however, require a significant amount of expert supervision, which partially offsets productivity gains. If the app is used without sufficient preparation, the output may be incorrect, superficial, or irrelevant.
Full text

No. 813: **Global supply chain bottlenecks and exporter performance: evidence from Italy** (October 2023)

Fadi Hassan

Using custom-level and survey data for Italian firms, this paper examines the performance of firms exposed to global value chain (GVC) bottlenecks in terms of exports, revenues, and hours worked. We find evidence that firms reporting greater difficulties in sourcing the desired amount of inputs experienced posted significantly higher growth on average. The magnitude of this result is larger for firms with more diversified suppliers and is unaffected by the geographical distance of suppliers. We disentangle the role of demand and supply factors in firms' performance and the results suggest that, despite constraints on the supply side, problems in sourcing inputs mostly mirrored an increase in demand.
These findings hold true when using alternative direct and indirect measures of firms' exposure to bottlenecks, as well as when taking into account several firms' characteristics and fixed effects. We also examine firms' future GVC strategies through a survey. There is limited evidence of firms willing to retrench from GVCs through re-shoring or near-shoring, but there is strong evidence of firms aiming to increase GVCs' resilience through greater diversification of suppliers and larger inventories.
Full text

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No. 812: **Reporting and derivation of data on financial transactions related to banks' securities holdings** (October 2023)

Antonio Colangelo, Asier Cornejo Pérez, Danilo Liberati, Giorgio Nuzzo and Antonio Rodríguez Caloca

The regulatory framework for European statistics envisages provides two possible approaches for acquiring information on financial transactions on banks' securities holdings: (i) direct data collection from banks, as is currently done in Italy, or (ii) compilation of data through indirect methods. The progressive improvements of the sources that can be used to implement indirect methods is at the heart of the comparison between the two methods carried out in this study on listed securities in Italian banks' portfolios.

As applied to listed securities in Italian banks' portfolios during the considered time frame (2017 -2019), at aggregate level, indirect methods provide consistent estimates compared with direct methods for the compilation of the banks' balance sheet items statistics. Even in the analysis of phases characterized by higher price volatility, the differences between the two methods remain limited. These findings hold across different types of instruments held by banks (equity and bonds).

Full text

No. 811: **The green transition and the Italian labour market** (October 2023)

Gaetano Basso, Fabrizio Colonna, Domenico Depalo and Graziella Mendicino

The transition to a net zero economy, which is the main objective of the European Green Deal, will have profound implications in terms of employment, affecting both its level and composition. After illustrating the possible economic mechanisms from a theoretical point of view, the paper provides an empirical analysis of the trends observed in Italy and other major euro-area economies over the period 2011-2021.

The results suggest that, in Italy, the reduction of CO_2 emissions generated by production activities was mainly due to the use of less polluting energy sources and did not have a significant impact on labour. Employment decreased only in high-emission sectors. In general, the green transition seems to be associated with a rebalancing of employment towards higher skilled jobs.

Full text

No. 810: **In the thick of it: an interim assessment of monetary policy transmission to credit conditions** (October 2023)

Margherita Bottero and Antonio Maria Conti

The paper evaluates the soundness of a methodology widely used to forecast the cost of credit to non-financial corporations, based on the long-run relationship between lending rates and official reference rates. These projections are compared, for Italy and the euro area, with those obtained through a more sophisticated approach that delivers a range of alternative forecasts using a much larger number of determinants (so-called thick modelling approach).

The thick modelling approach shows that the projections of bank lending rates to non-financial corporations based predominantly on the long-run relationship with official rates are characterised at the current juncture by large uncertainty and tend to be in the lower part of the forecast range. Including among the determinants of corporate rates credit risk, which has increased in the current phase of monetary tightening and could worsen further, results in particularly high loan cost projections.

Full text

No. 809: **A first analysis on the green securitizations in Italy** (October 2023)

Francesco Cusano, Danilo Liberati, Stefano Piermattei and Lorenzo Rubeo

This paper analyses the market for green securitizations in Italy. Green securitizations are financial instruments for which there are currently no universally accepted definitions or standard methodologies to identify them. Firstly, we discuss possible definitions and ways to identify these instruments. Secondly, we describe the main characteristics of the market for green

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securitizations originated by banks in Italy during the decade 2010-19.
Banks' securitized loans to 'brown' (less sustainable) economic activities grew much more rapidly than those to 'green' ones, suggesting that banks preferred to keep loans to 'green' activities in their balance sheets. We also show that the usual indexes of carbon content of Italian banks' loans overestimate the amount of financed emissions if they do not take banks' securitizations into account.
Full text

No. 808: **Subsidies for permanent employment in the time of Covid-19** (October 2023)

Antonio Accetturo, Francesca Modena and Giacomo Ziglio

This paper analyses the impact of a regional policy aimed at fostering permanent employment after the COVID-19 recession. Using administrative micro data from the Italian private sector, we estimate the impact of subsidies on permanent employment by examining variations in their implementation across regions and over time.
In the first half of 2021, compared with the average for the period 2017-20, the effect on the hiring of previously unemployed people is limited, but the impact on the conversion of fixed-term contracts to permanent ones is positive and sizeable (50 per cent). Those who benefited the most were young people and women – for whom subsidies were more generous – and workers with higher education.
Full text

No. 807: **The interplay between prudential and resolution frameworks for large banks: Do we need further improvements?** (October 2023)

Maurizio Trapanese (Coordinator), Sabrina Bellacci, Marcello Bofondi, Giuseppe De Martino, Sebastiano Laviola and Valerio Vacca

This paper examines whether the current prudential and resolution frameworks for large banks, finalized after the 2007-08 financial crisis, work as originally intended and whether there is room for further improvements. We focus our analysis on the banks of the European Banking Union classified as significant. We also analyse the banking crises of March 2023 and the initiatives under way at the international level to draw initial lessons from these episodes.
It is assessed that the interaction between the prudential and resolution frameworks is good. However, could improve: 1) the consistency between the assessments of a bank's systemic importance and its resolvability; 2) the coordination between the recovery and resolution plans; 3) the interaction between capital buffers and minimum requirements; 4) the information sharing between micro-prudential and resolution authorities, on one side, and macro-prudential authorities, on the other side.
Full text

No. 806: **Labour income inequality and in-work poverty: a comparison between euro area countries** (October 2023)

Giulia Bovini, Emanuele Ciani, Marta De Philippis and Stefania Romano

We analyse the dynamics and the determinants of labour income inequality among the working-age population (15-64) and in-work poverty in Italy and in the three other main euro area countries (France, Germany, and Spain). The analysis is based on data from the EU-SILC survey, which contains information on income and employment of all household members, making it possible to analyse inequalities at both individual and household level.
According to the latest available data (year 2018), the inequality of individual and equivalised household labour income among the working-age population is larger in Italy and Spain than in France and Germany. Italy's higher inequality is mainly due to its lower employment rate, which translates into a higher share of people with no earned income and single-earner households. By contrast, the dispersion of labour income among the employed is not significantly higher than in France and Germany.
Full text

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No. 805: **The gravity of offshore financial centers: estimating real FDIs using a binary choice model** (October 2023)

Marco Albori, Alessio Anzuini, Fabrizio Ferriani and Luca Rossi

The work proposes a new econometric methodology to estimate so-called phantom FDIs, i.e. the share of Foreign Direct Investments not explained by the economic structure of the countries alone and therefore attributable to the fiscal and regulatory arbitrage opportunities present in Offshore Financial Centers (OFC).
Using an econometric model that takes into account a large number of variables capable of explaining investments between pairs of countries, our study considers the period 2009-2019 and shows that the amount of phantom FDIs grew over time, stabilizing at around $17,000 billion starting from 2017. In the period analyzed, the share of phantom FDIs out of total FDIs fluctuated between 30 and 40 per cent at a global level.

Full text

No. 804: **Connecting the dots of the international debate on the standardization and granularity of regulatory data US** (October 2023)

Massimo Casa

The European banking reporting ecosystem for statistical, prudential and resolution purposes has become increasingly complex and costly for both authorities and financial institutions. This paper analyses the intense debate underway on how to rationalize the system for collecting these data and improve the existing framework, examining both the measures already taken by the European authorities and the two main streams of possible initiatives.
This paper argues that the adoption of the most innovative approaches to replace the existing setup appears to be premature, especially because the available empirical case studies and trials are too simplistic and therefore not yet convincing. Conversely, the implementation of the ESCB's IReF and BIRD projects and the wider integration initiative at the European level, following the EBA's feasibility study, are important and tangible measures to significantly reduce the reporting burden for all stakeholders.

Full text

No. 803: **Procurement managers and effective tendering: The case of Italian public works contracts** (October 2023)

Audinga Baltrunaite, Enza Maltese, Tommaso Orlando and Gabriele Rovigatti

Public managers play a key role in public procurement procedures, as they manage the awarding of contracts and supervise their execution. This paper takes account of regulatory changes that have tightened the eligibility requirements for procurement managers to study how the characteristics of these managers affect the duration of public procurement procedures.
The characteristics of procurement managers account for a significant share of the variation in the effectiveness of public procurement management, regardless of the size and complexity of the contracts. Moreover, we find that the 'quality' of managers in terms of experience and education relates positively to the speed of the awarding of public works.

Full text

No. 802: **Combining survey and administrative data to estimate the distribution of household deposits** (October 2023)

Andrea Neri, Matteo Spuri and Francesco Vercelli

This paper presents a statistical procedure for improving the quality of data on deposits from the Survey on Household Income and Wealth (SHIW) by integrating them with individual records from administrative sources. It also uses bank reports on deposits by asset class to refine the methodology of the Distributional Wealth Accounts (DWA) developed within the ESCB to produce wealth distribution statistics that are consistent with the national accounts.
According to the new estimates, the distribution of deposits is less concentrated than both the original SHIW data and those estimated using the DWA methodology. However, the impact on the

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overall wealth inequality indicators is negligible, as deposits only account for 14 per cent of Italian households' net worth.
Full text

No. 801: **The increase in earnings inequality and volatility in Italy: the role and persistence of atypical contracts** (October 2023)

Domenico Depalo and Salvatore Lattanzio

This paper analyses the evolution of inequality and wage volatility in Italy between 1990 and 2021 using administrative data on non-farm private sector employees from INPS. Furthermore, it considers the impact of the spread of part-time and fixed-term contracts on the pattern of inequality.
The inequality and volatility of annual earnings have increased systematically over the observed period. The increase in inequality is mainly attributable to greater heterogeneity in the number of weeks worked per year due to a wider spread of atypical contracts. Furthermore, the share of workers on atypical contracts for extended periods has increased.
Full text

No. 800: **To eat or to heat: are energy bills squeezing people's spending?** (October 2023)

Andrea Colabella, Luciano Lavecchia, Valentina Michelangeli and Raffaella Pico

This paper evaluates the financial risks associated with the increases in energy prices (electricity and natural gas) observed since mid-2021 using a microsimulation model for the financial vulnerability of Italian households. The analysis takes into account the effects of consumption recomposition by estimating how the demand for energy goods varies depending on prices.
The amount of electricity and gas consumed decreases as a result of price hikes. This reduces households' well-being, but enables them to maintain disposable income for other expenses. It follows that the financial vulnerability of households increases only moderately, much less so than it would under the assumption that energy consumption does not react to rising prices.
Full text

No. 799: **Clever planning or unfair play? Exploring the economic and statistical impacts of tax avoidance by multinationals** (October 2023)

Alessio Anzuini, Elena Pisano, Luca Rossi, Alessandra Sanelli, Enrico Tosti and Ernesto Zangari

The paper gives an overview of tax avoidance by multinationals, analysing its main features and economic implications and providing a review of the empirical literature available globally and for Italy, as well as of the international initiatives adopted to curb it. The work also examines the effects of tax avoidance by multinationals on official external statistics, focusing on the role played by tax havens and providing some empirical evidence, especially for Italy.
Although affected by considerable uncertainty, estimates of tax avoidance indicate that the phenomenon is non-negligible. The impact of the recent international initiatives adopted to curb it will become fully assessable only over the coming years. In addition to competition, tax avoidance biases external statistics due to the significant weight of tax havens (30-40 per cent for foreign direct investments), and Italian data show a greater bias compared with the global average. The reconstruction of actual stocks shows a significantly different picture from the official one.
Full text

No. 798: **Scenes from a marriage: bancassurance and litigation with clients in the Italian market** (October 2023)

Marta Auricchio, Alessandro Bracale, Sara Imposimato and Francesco Privitera

Over the last thirty years, the cooperation between banks and insurance companies (bancassurance) has increased significantly, as both parties pursued higher and more diversified returns. This study empirically examines whether there is a potential relationship between the intensity of capital shares and commercial relationships in bancassurance and the number of disputes related to credit protection insurance products linked to loans.

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Our analysis shows that a greater intensity in the linkage between banks and insurance companies does not affect the number of disputes or their outcome. Similarly, when the impact of disputes on the intensity of integration between banks and insurance companies is analyzed to account for possible causal identification problems, no significant impact is found.
Full text

No. 797: **The distribution and use of Italian households' savings after the pandemic** (October 2023)

Andrea Colabella, Elisa Guglielminetti and Concetta Rondinelli

The dramatic drop recorded by household consumption in Italy during the COVID-19 pandemic contributed to the sudden rise in the propensity to save and to the accumulation of substantial financial resources. This paper quantifies these resources and their distribution across households. It also formulates considerations on future developments in savings and consumption using data from the ECB's Consumer Expectations Survey.
It is estimated that the additional financial assets accumulated from 2020Q1 until 2023Q1 total about €130 billion. More than 60 per cent of the accrued savings are held by the highest-income households, though the phenomenon characterized the less affluent ones as well. The direct contribution of the accumulated savings drawdown to the recovery in aggregate consumption is probably limited; better-off households are likely providing heftier support, in particular for leisure-related expenses.
Full text

No. 796: **The four ages of banking regulation: What to do today?** (September 2023)

Riccardo De Bonis and Maurizio Trapanese

This paper illustrates the four ages into which the evolution of banking regulation from the 19th century to today can be divided. The emphasis is on the banking deregulation and on the regulatory response to the 2007-09 financial crisis, in particular, on the Basel Accords on capital requirements. The work explains how some jurisdictions, like the US, in recent years have introduced deviations from the international standards, in particular those established by the Financial Stability Board. It is to these elements that the causes of the crises of some American regional banks in 2023 can be traced.
For the future, the paper draws the attention to the opportunity for the authorities to resist the pressures to deregulate the system, introducing possible corrective measures suggested by the recent crises. The importance of proceeding to reduce regulatory complexity, while pursuing the right balance between regulatory proportionality and financial stability is underlined. Prudential authorities would increase their capacity to deal with unexpected events and intermediaries would reduce compliance costs and incentives to bring risks outside the regulatory perimeter.
Full text in Italian only

No. 795: **Assessing the liquidity premium in the Italian bond market** (September 2023)

Maria Ludovica Drudi and Giulio Carlo Venturi

This paper studies the effects of time-varying liquidity on Italian government bond yields. Moreover, it proposes a new methodology to estimate the liquidity premium through analysis of the spread between the yield on the most recently issued BTP (on-the-run) and that on the previously issued BTP (off-the-run) in relationship to several liquidity metrics proposed in the literature.
Results confirm that the on- and off-the-run spread is highly influenced by market liquidity conditions, as measured in particular by the bid-ask spread, the Hui-Heubel indicator (a price impact measure) and volumes. Between 2000 and 2021, the liquidity premium was small on average, although it recorded three peaks during the global financial crisis, the sovereign debt crisis and the Covid-19 pandemic.
Full text

Latest Occasional Papers

No. 794: **Hidden drop-outs: secondary education (unseen) failure in pandemic times** (September 2023)

Lorenzo Alderighi, Rosario Maria Ballatore and Marco Tonello

We estimate the effects of the COVID-19 pandemic on hidden drop-outs, a new indicator of school failure that measures the likelihood that students do not acquire adequate skills by the end of high school, despite having formally completed school and having obtained a diploma.

Looking at students with the same characteristics (such as existing skills), hidden drop-outs increased by 8.6 percentage points in the school year 2020-21 compared with 2018-19, roughly 50 per cent higher than the indicator for the same year. This translates into a loss of about one year of learning progress. The pandemic has severely affected students with pre-existing learning difficulties and those coming from poorer socio-economic backgrounds.

Full text

No. 793: **The economy of Rome in the years two-thousands** (September 2023)

Raffaello Bronzini (Coordinator), Massimiliano Bolis, Federica Daniele, Claudia Di Carmine, Luigi Leva, Francesco Montaruli, Elena Romito, Daniele Ruggeri and Elisa Scarinzi

In terms of per capita value added, Rome's economy performed relatively worse than those of the other major Italian and European cities in the 2000s. This trend is the result of an unsatisfactory output-per-employee dynamic combined with sustained employment rate growth. This paper investigates the root causes of this poor performance.

The decline of the public sector, large enterprises, and investments, as well as the shift in production toward low value-added services, were the main factors that harmed the capital's economy. However, Rome's economy retains many strengths, including the continued importance of advanced services and workers with a higher education, a high rate of company birth, and a significant weight of public research.

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