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Italian Regions in 2005

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This new series of publications on Economic and Financial Issues will make available studies and documents on matters relevant to the institutional duties of the Bank of Italy and the Eurosystem. The series will flank the Economic Research Department's Temi di Discussione series of original research studies. Economic and Financial Issues will publish work done inside the Bank, sometimes in collaboration with the Eurosystem or other institutions. The essays are the exclusive responsibility of their authors and do not engage their respective institutions.

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This essay on economic developments in the Italian regions is the result of work carried out jointly by the Economic Research Department in Rome and the regional economic research units. Its purpose is to further the study of the geographical aspects of the Italian economy, taking as starting point the Note sull'andamento dell'economia (Notes on Economic Developments) published, in Italian only, in every region by the Bank's branches, and to which readers are referred for more in-depth comments. Luigi Cannari and Massimo Omiccioli coordinated the group of authors consisting of Giorgio Albareto, Enrico Beretta, Raffaello Bronzini, Diego Caprara, Amanda Carmignani, Piero Casadio, Guido de Blasio, Pasqualino Montanaro, Francesco Piersante, and Carmine Porello. Maria Letizia Cingoli was responsible for editing.

ECONOMIC DEVELOPMENTS IN THE ITALIAN REGIONS IN 2005

CONTENTS

	Page
A - REGIONAL ANALYSIS OF THE YEAR'S RESULTS	7
B - ECONOMIC ACTIVITY	13
<i>Agriculture</i>	13
<i>Industry excluding construction</i>	14
<i>Construction</i>	16
<i>Services</i>	17
<i>The profitability and financial position of firms</i>	22
C - GROWTH AND THE STRUCTURE OF PRODUCTION	25
<i>Geographical differences</i>	25
<i>The Italian regions in the European context</i>	26
D - FOREIGN TRADE	31
<i>Exports</i>	31
<i>Internationalization</i>	35
E - LABOUR MARKET AND REGIONAL POLICIES	36
<i>Employment</i>	36
<i>Labour supply and unemployment</i>	39
<i>Local labour systems and industrial districts</i>	39
<i>Regional development policies</i>	42
F - BANKING FINANCIAL INTERMEDIARIES	47
<i>Lending to firms and households</i>	47
<i>Deposits and borrowed funds</i>	53
<i>Asset management</i>	55
<i>The structure of the financial systems and distribution networks</i>	58
APPENDIX	62
STATISTICAL TABLES.....	62
METHODOLOGICAL NOTES.....	87

A – REGIONAL ANALYSIS OF THE YEAR'S RESULTS

Overall the Italian economy stagnated in 2005. GDP fell by 0.1 per cent in the Centre and 0.2 per cent in the North-West and South and Islands; it rose by 0.4 per cent in the North-East.

In the North-West the performance both of industry (with a contraction of 1.9 per cent) and of services (an expansion of 0.7 per cent) was slightly worse than in the rest of the country. In the North-East growth was led by services, whose value added gained 1.3 per cent, while the decline in industry (0.4 per cent) was more modest than in the other parts of Italy, thanks above all to the good performance of machinery and mechanical equipment manufacture. In the Centre the positive contribution of construction was not enough to offset the decline in the other industrial sectors, reflecting above all the difficulties of traditional manufacturing. The result was a contraction of 2.9 per cent for industry as a whole, sharper than in the other areas of the country. In services value added rose at the nationwide rate of 0.8 per cent. In the South and Islands growth came to 0.4 per cent in the service sector, less than in the rest of the country. Despite the strong contribution of construction, industry suffered a contraction of 1.7 per cent, in line with the nationwide average. Agricultural value added declined less sharply than in the rest of the country.

The pace of Italian GDP growth has slowed, since the turn of the century, to an average of scarcely half a percentage point a year, about a third of the euro-area average. On a per capita basis, growth has come to just 0.1 per cent annually. Growth has been particularly anemic in the most advanced parts of the country, the North-West and the North-East. In the southern regions GDP continued to grow slightly faster than in the Centre and North, as it had in the second half of the 1990s, until 2003. In the two years since, the pace of growth in the South and Islands fell below the national average. Over the decade from 1996 through 2005, the average annual rate of per capita GDP growth in the South and Islands was 1.5 per cent. In the Centre and North it was 0.7 per cent, owing in part to significant population growth due to immigration from the South and from abroad. The difference in per capita output between the two parts of the country was reduced, but the ground recouped was slight

compared with the size of the gap separating the South and Islands from the rest of Italy (from 44.3 per cent in 1995 to 40.0 per cent in 2005).

Between 1995 and 2003 growth in the regions of Italy was outpaced by that in their European counterparts that were comparably advanced economically. Unlike the other backward European regions, which moved closer to the European average, those of southern Italy fell further behind in terms of per capita output. The Italian regions that had more than the average European per capita GDP in 1995 had a significantly smaller advantage in 2003, while the distance separating the most advanced regions of Europe from the average had been shortened only marginally.

In the last five years labour productivity has essentially stagnated in the Centre and North and risen only slightly (by 0.4 per cent per year) in the South and Islands. The slowdown with respect to the second half of the 1990s affected most parts of the economy.

In the private service sector, productivity growth since the mid-1990s has been practically nil in Italy as a whole, compared with a gain of 0.7 per cent per year in the euro area and 3.2 per cent in the United States. In many service industries entry barriers and regulatory constraints impede innovation and efficiency, generating rents that heighten costs for firms and damage consumers. In Europe, Italy is one of the countries with the most stringent regulations for all professional services. In retail trade, many regions have enacted measures to limit the expansion of mass outlets. Restrictions on the development of chain stores help to explain the geographical differences in mark-ups and productivity in the retail sector. These are reflected in prices to consumers.

In industry, productivity has fallen in all parts of the country in the past five years, at about the same pace in the South and Islands as in the Centre and North. The changing technological environment and increasing international integration have aggravated the effects. The ability to compete in the advanced sectors is undermined by the small size of firms, which thwarts innovation and the introduction of ICT. In the traditional manufacturing industries the competition of the emerging countries has had particularly severe effects on the industrial districts of the North-East and the Centre specializing in these products and the parts of the South and Islands where similar forms of light industry had developed in the course of the 1990s. The competitive problems have been reflected in a loss of market share for Italian exports.

Between 2000 and 2005 exports of goods at current prices rose by 2.5 per cent per year in the North-West, 2.8 per cent in the North-East, 0.7 per cent in the Centre and 3.5 per cent in the South and Islands. Everywhere, the expansion was slower than that of world trade in goods. An analysis of exports to the 21 leading OECD countries, which take 70 per cent of Italian exports, shows that for all the macroregions except the South and Islands, the loss in market shares between 1996 and 2003 was due mainly to the loss of competitiveness, which was sharpest in the North-West and the Centre. An inability to adapt to the changing geography of world demand has hurt all the areas of the country. The sectoral composition of exports has been especially damaging to the North-East, Tuscany and Marche. Given the difficulty of changing specialty, the firms most successful in meeting the international competition have been those investing in product quality and foreign marketing channels or that have cut costs by internationalizing production, with positive impact also on domestic investment and employment.

In the South and Islands the spread of export industries to new sectors and new geographical areas that had marked the 1990s ceased in the first half of the new decade. Export growth has been concentrated in just a few industries (petrochemicals, basic metals and transport equipment). The number of provinces with significant exports has diminished. The share of the South and Islands in Italian exports of textiles, clothing, footwear and leather, which had gained 0.5 percentage points between 1995 and 2001, fell by 0.6 points thereafter to 7.5 per cent in 2005.

The competitive problems of the Italian regions reflect shortcomings in human capital and in research and development. In the Centre and North, 13.0 per cent of the population aged 25-64 are university-trained; in the South and Islands, 10.7 per cent. In the European Union as a whole, the figure is over 20 per cent. In the regions with the highest per capita output, higher education is scarcely a third as widespread as in regions with similar characteristics in the other countries of Europe. R&D expenditure is 0.4 per cent of GDP in the Centre and North, 0.2 per cent in the South and Islands, compared with 0.9 per cent in the EU. Here too the most advanced regions of Italy – notably Lombardy and Piedmont, which account for a good portion of innovative activity – are far behind their European counterparts. The gap can be attributed to the comparative lack of large corporations in Italy: nearly three quarters of all R&D activity is performed by firms with 500 or more employees.

In 2003 Italian firms had an average of 3.8 workers, against 7.1 in France, 12.2 in Britain and 12.4 in Germany. The gaps were widest in the distribution sector, manufacturing and business services. The impediments to the growth of firms also inhibit the achievement of a sounder, more diversified financial structure that would enable companies to seize the additional opportunities for expansion. The growth of firms and the development of the capital market are mutually reinforcing. Italian firms raise only a sixth of their finance directly in the capital market through share and bond issues, a much smaller portion than in the other industrial countries. Even for the companies of the Centre and North the portion of financial debt consisting in bonds is lower not only than in Britain and America but than the euro-area average. For southern firms, fundraising by bond or share issues is quite marginal.

The reduction in interest rates in connection with membership in the European monetary union enabled Italian firms to lengthen the maturity of their debt and curb the incidence of financial costs on operating profit, keeping this ratio quite low despite poor cyclical conditions (2.4 per cent in the three years from 2002 to 2004, down from 3.7 per cent in the three previous years). For firms in the South and Islands, the ratio of net financial costs to gross operating profit is still 8 percentage points higher than in the rest of the country, owing to poorer profitability and higher debt in proportion to value added.

Notwithstanding the protracted sluggishness of economic activity, the supply of credit remained abundant in all parts of the country. In 2005 unutilized lines of credit increased further. Short-term interest rates on lending to firms remained broadly unchanged for the year. Total bank lending expanded by 8.8 per cent, thanks above all to the longer-term component. The growth of lending was sharpest in the South and Islands, as it had been in the previous two years, with the largest contribution coming from lending to firms. In the past decade, thanks chiefly to intermediaries from the Centre and North, the ratio of lending to fundraising in the southern regions has risen.

Lending to households increased rapidly in all parts of the country, the growth involving both home mortgages (17.0 per cent) and consumer credit (19.2 per cent). Despite the strong growth of recent years, household credit remains far smaller in Italy than in the rest of Europe in relation to GDP. On a per capita basis household credit in the South and Islands is less than half as much as in the other parts of the country. The difference is accounted for mainly by home mortgages, while consumer credit is more evenly distributed.

New bad debts in 2005 amounted to 0.9 per cent of total outstanding lending at the start of the year. This write-off rate declined from 1.4 to 1.3 per cent in the South and Islands while remaining unchanged at 0.8 per cent in the Centre and North.

Households' investment portfolio orientation shifted back towards such higher-risk, higher-yield instruments as shares, investment funds and non-financial corporation bonds. Investment in shares and corporate bonds rose in the Centre and North while falling in the South and Islands. Italian investment funds continued to record negative net fund-raising to the advantage of funds constituted abroad by Italian intermediaries. The overall size of the institutional investor sector remains smaller in Italy than in the other leading industrial countries. At the end of 2004 instruments offered by these intermediaries accounted for 25 per cent of Italian households' financial assets, compared with a proportion of over 40 per cent in Germany, France and the US and 57 per cent in the UK. Even in the economically and financially advanced parts of Italy institutional investors are less important than in those countries. Their role is especially small in the South and Islands; that area accounts for only one sixth of the nationwide total of life insurance premiums, and the ratio of investment fund and portfolio management service assets to direct and indirect bank fund-raising is 40 per cent lower than in the Centre and North.

The gap with other countries reflects not only the more limited presence of insurance policies but also the underdevelopment of pension funds. OECD statistics put pension fund assets in Italy at just 2.6 per cent of GDP. The gap is widest with respect to Britain and America. At the end of 2005 newly instituted pension funds had 1.6 million members. The number of members in proportion to total employment was about half as much in the South and Islands as in the Centre and North.

Bank and postal deposits and government securities continue to weigh heavily on Italian households' financial portfolios, especially in the South and Islands. In 2004 these assets accounted for 80 per cent of total financial investment in the South and Islands, compared with 60 per cent in the Centre and North. The southern regions also lag behind in the use of banking services, especially in the field of payment instruments.

In 2005 bank fund-raising from residents increased by 4.7 per cent. Deposit growth accelerated to 6.9 per cent, while net bond subscriptions by residents contracted slightly; Italian banks' recourse to the Euromarket increased. Bonds represent a third of banks' fund-raising in the North, a

fourth in the Centre and less than a fifth in the South and Islands, where over 70 per cent consists of savings and current accounts.

B – ECONOMIC ACTIVITY

Agriculture

According to Istat data, the value added of agriculture, forestry and fishing contracted by 2.3 per cent in real terms in 2005, after expanding by 13.6 per cent in 2004. The drop was sharpest in the Centre (5.5 per cent) and less pronounced in the North-West and the North East (3.6 and 2 per cent respectively); in the South and Islands value added declined by 0.4 per cent (Table B1).

Farm crop production diminished by 2.4 per cent. Production fell by 7.3 per cent for cereals, 3.5 per cent for wine and grapes and 13 per cent for olives. Production in the livestock sector, declining since 2001, fell again by 1.8 per cent, in part reflecting the decrease in demand for poultry due to the alarm about avian flu (see Note sull'andamento dell'economia del Veneto e dell'Emilia Romagna nel 2005, two regions where around 45 per cent of Italy's poultry farms are located). By contrast, the production of fisheries grew by 5.2 per cent

Table B1

**PRODUCTION AND VALUE ADDED OF
AGRICULTURE, FORESTRY AND FISHING IN 2005**
(at base prices, chained; percentage changes on 2004)

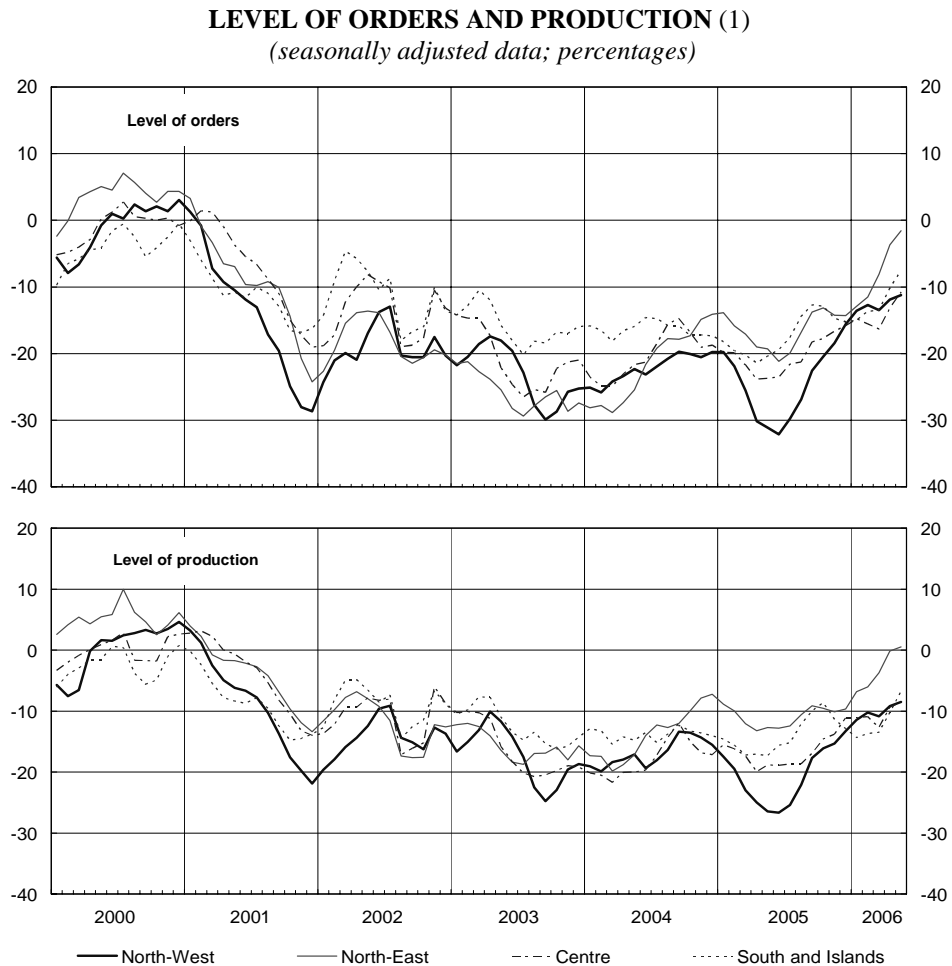
	North-West	North-East	Centre	South and Islands	Italy
Value added	-3.6	-2.0	-5.5	-0.4	-2.3
Production	-2.0	-2.7	-4.4	-0.6	-2.0
Agriculture	-2.0	-2.7	-4.5	-1.4	-2.4
<i>of which:</i>					
Crops	-1.8	-3.1	-5.8	-0.8	-2.4
Livestock	-1.9	-1.9	-1.2	-1.9	-1.8
Related services	-1.5	-2.1	-1.6	-2.2	-2.0
Forestry	1.7	-8.0	-19.9	30.0	-0.9
Fishing	3.7	1.5	4.9	6.9	5.2

Source: Istat. Provisional data.

Industry excluding construction

The value added of industry excluding construction fell by 2.3 per cent in real terms in 2005. Traditional sectors continued to experience difficulty: valued added contracted by 8.9 per cent in textiles and clothing and by 11.7 per cent in leather and leather products. Electrical and electronic machinery and chemical products also recorded decreases (3.8 and 1 per cent respectively). By contrast, value added rose in the mechanical machinery and equipment sector (2.5 per cent) and in basic metals and fabricated metal products (3.3 per cent).

Figure B1



Source: Based on ISAE data.
(1) Difference between the percentage of firms' positive replies ("high") and negative replies ("low") to business surveys. See the Methodological Notes in the Appendix.

The fall in value added was sharpest in the regions of the Centre,

where the incidence of traditional industries is highest. It was least marked in the North-East, where it was moderated by the positive contribution of the mechanical machinery and equipment sector.

Between 2001 and 2004 the value added of industry excluding construction fell in the North-East and the North-West (by respectively 1 and 0.4 per cent per year), while it rose slightly in both the Centre and the South and Islands (by 0.6 and 0.1 per cent per year respectively).

Significant declines were recorded in textiles and clothing and in leather and leather products, where value added contracted by 5.5 and 4.8 per cent per year respectively. Between 2001 and 2003, the latest year for which geographically disaggregated data are available, the fall in value added in both sectors was largest in the North-East (4.9 and 7.5 per cent per year respectively).

Competition from the emerging countries stimulated businesses to curb costs and diversify products and distribution channels. According to a survey conducted in the autumn of 2005 by the Bank of Italy's Ascoli Piceno and Macerata branches in the Marche region, more than half of local footwear manufacturers saw their market shares decline in the last five years. Approximately 80 per cent of the firms interviewed judged that their products were significantly exposed to competition from emerging countries. Firms reacted prevalently by shifting production towards higher quality segments and investing in their brand, R&D and distribution networks. Cost-cutting strategies were also widespread and usually involved shifting production processes abroad (Note sull'andamento dell'economia delle Marche nel 2005).

In the Veneto region, footwear and textile and clothing firms that transferred some phases of processing abroad and reorganized their distribution networks, strengthening their brands and marketing, managed to maintain their production levels, unlike the rest of the firms in these sectors (see Note sull'andamento dell'economia del Veneto nel 2005).

According to the ISAE's qualitative indicators, orders gradually picked up from the summer onwards, though remaining below the levels deemed normal by businesses. After temporarily worsening towards the end of 2005, the cyclical situation in industry improved in the first few months of 2006: in the North-East the indicators of the orders and production regained their 2001 levels (Figure B1), buoyed by the mechanical machinery and equipment sector; in the South and Islands the recovery was more limited.

According to the survey conducted by the Bank of Italy on a sample of industrial firms with at least 20 workers, in 2005 investment decreased by 4.3 per cent at constant prices. The reduction concerned all parts of the country: based on company location, it was of similar intensity in all the macro-regions; based on investment location, it was least pronounced in the Centre and the South and Islands and sharpest in the North-West.

Construction

In 2005 value added in the construction sector grew by 0.7 per cent in real terms, substantially less than in 2004. For the third consecutive year activity was driven by residential building, which accelerated sharply, while it contracted in public works.

According to the indicators published by the National Builders Association (ANCE), geographical trends differed, with a stronger expansion in the South and Islands thanks to the construction of new housing. Growth was in line with the national average both in the North-West, where expenditure on extraordinary housing renovation work grew again, and the Centre, where the contribution of public works was positive. Production fell in the North-East, owing to the simultaneous contraction in public works and in the construction of industrial buildings (see *Note sull'andamento dell'economia del Veneto nel 2005*).

In the period 2000-04 the growth of the construction sector was higher in the North-East and North-West (respectively 5.7 and 2.9 per cent per year); it was more modest in the South and Islands (1.8 per cent per year) and above all the Centre (0.5 per cent per year).

Cresme, a construction industry research institute, estimates that the new residential building, accounting for a quarter of the entire sector's production, returned to the high levels of the early 1990s. In 2005 the growth in volume was 8 per cent in the North-West, one percentage point lower than that in the North-East and Centre and three points higher in the South and Islands.

Spending on extraordinary maintenance work on housing is estimated to have increased moderately in all parts of the country. The slight fall in the number of renovation projects, which nonetheless remained close to historically high levels, appears to have been offset by an increase in their amount, due in part to the greater proportion of higher-quality buildings. From the introduction of the incentives in 1998 up to March 2006, renovation work eligible for tax credits was performed on around 17 per cent of the total stock of dwellings in the North, 11 per cent in the Centre and only 4.3 per cent in the South and Islands.

According to the *Osservatorio dell'Agenzia del Territorio*, in 2005 the number of residential property transactions rose further by 3.6 per cent overall (by 3.3 per cent in the Centre and North and 4.6 per cent in the South and Islands). Prices also increased at a fast pace.

According to the publication Il Consulente immobiliare, in 2005 the prices of new or totally renovated dwellings in Italy's provincial capitals rose by nearly 10 per

cent (7.6 per cent in real terms). Unlike the pattern in the four previous years, house prices rose more in the South and Islands (13.8 per cent) than in the Centre and North (8.4 per cent).

According to the Bank of Italy's survey of 478 mainly large construction firms, in 2005 the production of public works fell by about 2 per cent in real terms, in part owing to the shortage of financial resources for the contracting authorities.

In the North, production of public works fell in the second half of 2005, after growing in real terms by more than 7 per cent in 2003, by about 1 per cent in 2004, and by 2 per cent in the first half of the year. In the South and Islands, where the expansion of public works was less vigorous in the three years 2002-2004, production also contracted in 2005. Activity continued to grow in the Centre alone.

At national level, the share of production due to the start of new works fell to 21 per cent, compared with approximately 27 per cent in 2003 and 23 per cent in 2004. In 2005 nearly three quarters of the firms interviewed reported that there were significant obstacles to the expansion of activity in public works; the percentage was higher in the South and Islands and among firms with fewer than 100 workers.

Services

The sector's value added grew in real terms by 0.8 per cent, as in 2004. The gain was greatest in the North-West (1.3 per cent), modest in the South and Islands (0.4 per cent), and in line with the national average in the North-West and Centre (0.7 and 0.8 per cent respectively).

The increase in value added was due mainly to transport and communications services (3.7 per cent). Value added grew for the second consecutive year in hotel and restaurant services (2.8 per cent). Activity continued to expand at a modest rate in wholesale and retail trade (0.3 per cent), while it contracted by 2.4 per cent in business services. Public social services and healthcare grew by 0.5 per cent, down from 1.7 per cent in 2004.

Wholesale and retail trade. – According to the National Wholesale and Retail Trade Observatory at the Ministry for Productive Activities, in 2005 retail sales at current prices stagnated, reflecting stationary household consumption. In the regions of the Centre and the North-West they increased by an average of 1 per cent, while in the North-East and the South and Islands they remained stable (Table aB6).

While the sales of small and medium-sized retailers fell by 0.5 per cent nationally (but more sharply in the North-East), those of large-scale distribution grew by 3.2 per cent.

Table B2

MAIN INDICATORS ON RETAIL FIRMS IN EUROPE*(monetary amounts in thousands of euros; 2003)*

	Density of outlets (number per 10,000 inhabitants)		Workers per outlet (3)		Value added per worker (3)		Turnover per firm	
	Modern retailing (1)	Traditional retailing (2)	Modern retailing (1)	Traditional retailing (2)	Modern retailing (1)	Traditional retailing (2)	Modern retailing (1)	Traditional retailing (2)
Italy	10.5	20.5	7	2	25	17	1,444	153
France	5.4	7.9	19	2	36	31	5,461	282
Germany	4.0	3.8	26	5	27	21	4,305	455
United Kingdom	6.2	6.1	37	6	22	17	4,606	465
Spain	8.4	29.8	12	2	26	16	1,784	174
Portugal	18.6	25.4	5	2	17	8	615	107
EU 14 (4)	6.7	11.5	18	3	26	19	3,100	272

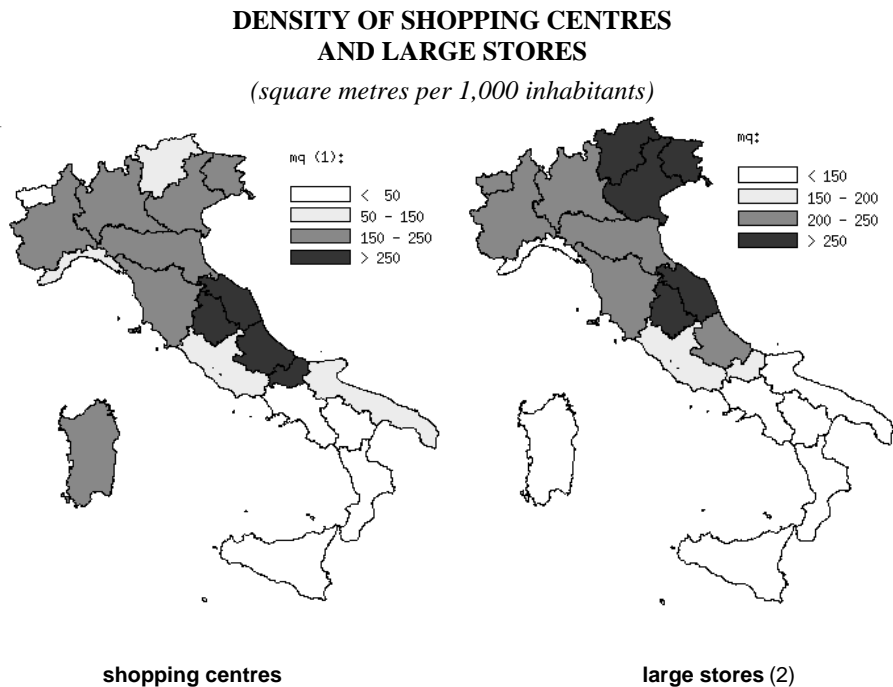
Source: Based on Eurostat data.

(1) Unspecialized, equivalent to modern distribution. - (2) Specialized in the sale of food products, equivalent to traditional retailing. - (3) Refers to the total number of workers, not full-time equivalent workers; consequently the indicator is affected by the use of part-time contracts, which is greater in the UK (4) Fourteen of the 15 EU member countries before the May 2004 enlargement.

The convergence of Italy's distributive sector towards the prevailing structure in the main European countries is proceeding slowly. After the significant fall in the number of small shops and the parallel growth in large-scale distribution in the 1990s, between 2000 and 2003 the average size of Italian distributive businesses expanded further, but their average turnover was still only half the European average and less than one third of the figure for Germany and the United Kingdom (Table B2). Productivity as measured by value added per worker has increased slightly in modern retailing, remaining in line with the European average, but has changed little and is below the European average in traditional retailing.

The structure of the distributive sector in Italy displays marked geographical differences. Large-scale distribution is more highly developed in the Centre and North, while small shops prevail in the South and Islands (Figure B2). At the start of 2005, in the North shopping centres and hypermarkets occupied three times as much area in relation to the population as in the South and Islands and twice as much as in the Centre; for supermarkets the geographical disparities are less pronounced (Table aB5). These differences persisted and in some cases increased even after the 1998 reform law (the so-called Bersani Law), which liberalized the sector and assigned broad regulatory powers to local authorities. Subsequently, the reform of Title V of the Constitution gave the regional governments exclusive powers for the matter, and many regions have in fact introduced legislation designed to limit the growth of medium-sized and especially large retail outlets.

Figure B2



Source: Ministry for Productive Activities.

(1) Owned or leased area available to businesses for their sales or service activity. – (2) Hypermarkets, department stores and supermarkets, including those located in shopping centres. Data refer to 1 January 2005.

The presence of restrictions on the expansion of large-scale distribution goes a long way to explaining the differences between regions in margins and productivity in the distributive sector; there are impacts on the prices paid by consumers. A study conducted by the Bank's Economic Research Department on the basis of the Istat System of Company Accounts for the period 1998-2002 shows that markups are generally lower in the regions where there are fewer restrictions on the expansion of large-scale retailing. Restrictions on entry depress both the sector's growth and its productivity.

A study carried out by the Bank of Italy's Turin branch, based on Istat and Nielsen data for 2005, shows that the price of an identical basket of goods is lower in the regions where modern distribution is more developed and competition greater at local level. In the city of Turin, the difference with respect to traditional distribution for packaged products reaches 8 per cent in hypermarkets and supermarkets and is even higher in discount stores (see Note sull'andamento dell'economia del Piemonte nel 2005).

Tourism. – According to provisional Istat data, arrivals of tourists at hotels and other lodging facilities in Italy increased by 1.6 per cent in 2005, compared with 0.3 per cent in 2004. The total number of overnight stays rose by 1.8 per cent, after falling by 2.2 per cent in 2004. The growth in overnight stays was due to the increase of 4.6 per cent in those

by visitors from abroad; overnight stays by Italian tourists edged down by 0.1 per cent.

According to estimates based on data published by the Regional Statistical Offices and Tourist Offices, the increase in overnight stays was largest in the Centre, thanks to the interest of tourists, especially foreigners, in the main art cities (see Note sull'andamento dell'economia della Toscana e Lazio nel 2005). The slight drop in overnight stays in the South and Centre was basically due to the Campania region, where the decline involved the various types of supply (see Note sull'andamento dell'economia della Campania nel 2005).

According to the sample survey conducted by the Italian Foreign Exchange Office (UIC), total spending by foreign visitors diminished by 0.7 per cent compared with 2004 at national level, although a substantial rise was recorded in the Centre (12.3 per cent).

According to the World Tourism Organization, Italy's share of the world tourism market contracted considerably in the ten years 1995-2004, falling from 5.8 to 4.9 per cent of international arrivals and from 7 to 5.7 per cent of international tourism receipts.

Istat data show that in the same ten years the number of arrivals of foreign tourists at Italian lodging facilities rose by just over 30 per cent. The increase was smaller in the Tyrrhenian and northern Adriatic coastal regions, while it was sizable in the South and Islands (about 56 per cent).

In the three years 2002-04 arrivals and overnight stays by foreign tourists in Italy's coastal regions, which account for more than three quarters of total overnight stays, fell by respectively 0.2 and 2.4 per cent per year. The coastal regions of the Centre and North, particularly Tuscany, Veneto and Emilia Romagna, made negative contributions to the growth in foreign tourist traffic. Among the coastal regions of the South and Islands, the contributions of Campania and Sicily were negative, those of Sardinia, Puglia and Calabria positive (see Note sull'andamento dell'economia dell'Emilia Romagna nel 2005).

Transport. – In 2005 the value added of the transport and communications sector grew in real terms by 3.7 per cent (5.8 per cent for communications, 3.5 per cent for land transport and 1.5 per cent for maritime and air transport).

On the basis of statistics provided by the port authorities, goods traffic in Italy's main ports increased by 2.7 per cent overall, the containerized component by 2.4 per cent.

Container traffic growth was weak in all the main Italian ports except Trieste, Naples and Cagliari. Traffic fell sharply at the Gioia Tauro terminal in Calabria, which lost its leadership among Mediterranean transshipment ports to Algeciras, Spain.

Between 2001 and 2005 container traffic grew by 47 per cent in the ports of the

Mediterranean regions of France and Spain and by more than 50 per cent in those of northern Europe, while for the main Italian ports the increase was of the order of 10 per cent (Table B3). Shortages of space, inadequate intermodal links with road and rail networks, and road and rail congestion were factors in the substantial loss of market shares to competing ports (see Note sull'andamento dell'economia della Liguria, Friuli-Venezia Giulia e Calabria nel 2005).

Table B3

CONTAINER TRAFFIC IN THE MAIN EUROPEAN PORTS(1)
(millions of TEUs)

	2001	2002	2003	2004	2005
Main Italian ports (2)	6.9	7.4	7.6	7.6	7.6
<i>of which: in Calabria</i>	2.5	3.0	3.0	3.3	3.2
<i>in Liguria</i>	2.6	2.6	2.7	2.8	2.9
Mediterranean Spain and France (3)	5.8	6.3	7.0	7.9	8.6
Northern range (4)	20.4	22.4	24.9	28.2	31.1

Sources: Based on Eurostat and Port of Hamburg data.

(1) A TEU (Twenty-foot Equivalent Unit) is the standard unit of measurement for containers. – (2) Excludes some minor ports with operations of less than 0.2 million TEUs - (3) Ports of Algeciras, Valencia, Barcelona and Marseilles. – (4) Ports of Rotterdam, Hamburg, Antwerp, Bremen, Zeebrugge and Le Havre.

In 2005 the overall volume of goods carried by rail by Trenitalia fell by 9.3 per cent; international freight traffic declined further by 17.3 per cent, while domestic traffic grew by 2.8 per cent

International traffic made up 55 per cent of total goods traffic handled by Trenitalia; obviously the proportion is higher for the northern regions (over 60 per cent), while in the Centre and South it is below 25 per cent. The decline in international traffic involved all parts of the country, but was sharpest in Lombardy, the regions of the Centre, Campania, Puglia and Sicily. A factor was the progressive entry of foreign carriers into the Italian market for long-distance freight transport on the routes linking the major seaports to the main European rail corridors.

On the basis of Istat data, the turnover of the air transport industry grew by 7.4 per cent at current prices, recouping about half of the decline recorded between 2000 and 2004. According to the Italian Airport Operators Association (Assaeroporti), the number of passengers rose by 5.5 per cent and the volume of freight by 5 per cent.

The growth in passenger traffic came entirely from international flights, demand for which rose significantly at some of the major airports (Milan Malpensa, Rome Fiumicino, Venice and Bologna) but especially at smaller facilities (such as Bergamo, Treviso and Pisa). Major airports also continued to lose market shares to minor ones for domestic passenger traffic.

The market shares of the minor airports have been boosted by the operations of low-cost airlines. Between 2001 and 2003 the number of passengers carried by low-cost airlines on intra-European routes more than doubled, thanks in part to lower fares than those charged for similar flights by traditional carriers. The growth of low-cost airlines has been fostered by the greater availability of landing and takeoff rights and by the lower expenses at the minor airports.

The profitability and financial position of firms

According to the financial accounts, the operating profitability of non-financial firms, measured by the ratio of their gross operating profit to value added, was about 1 percentage point lower than in 2005, reflecting the period of weak economic activity. The low level of interest rates helped to limit the incidence of firms' net interest expense on value added (4.5 per cent). Internally generated funds covered 62 per cent of firms' investment, down from 68 per cent in 2004.

On the basis of statistics from the Company Accounts Data Service on a sample of firms continuously present in the data base between 1999 and 2004, gross operating profit fell to 8.3 per cent of total assets in the three years 2002-04, from 8.8 per cent in the previous three years. The decline mainly involved the low-technology branches of manufacturing and services; companies in high-tech sectors showed an improvement. A breakdown by size class and geographical location shows that the fall primarily involved companies with between 50 and 249 workers, both in the Centre and North and in the South and Islands (Table B4). Nationally, net interest expense fell to 2.4 per cent of gross operating profit, from 3.7 per cent in 1999-2001. A factor was the decline in interest rates and the reduction in the cost of debt connected with the lengthening of maturities. The fall in the ratio was larger in the Centre and North; in the South and Islands, the ratio increased for companies with between 50 and 249 workers. In the period 2002-04 a gap of more than 8 percentage points persisted to the disadvantage of the South and Islands compared with the Centre and North.

Despite the period of weak economic activity, the financial situation of firms remained broadly stable in 2005. Although financial debt increased, leverage, calculated on the basis of shareholders' equity at market prices, was similar to the previous year's level thanks to the revaluation of equity in a rising stock market.

Table B4

**PROFITABILITY AND FINANCIAL POSITION OF FIRMS
BY SIZE AND GEOGRAPHICAL AREA (1)**
(weighted averages; percentages)

Firm size	Centre and North		South and Islands		Italy	
	1999-2001	2002-04	1999-2001	2002-04	1999-2001	2002-04
<i>Gross operating profit/Total assets</i>						
1-49 workers	8.9	7.8	6.9	6.7	8.6	7.7
50-249 workers	9.1	7.8	8.0	6.7	9.0	7.7
250 or more workers	9.1	9.1	7.3	7.1	9.0	8.9
<i>Net interest expense/Gross operating profit (2)</i>						
1-49 workers	16.4	14.9	27.9	23.9	17.5	15.8
50-249 workers	9.2	8.9	13.2	16.8	9.5	9.6
250 or more workers	-6.3	-6.0	4.8	2.6	-5.6	-5.5
<i>Leverage</i>						
1-49 workers	59.9	57.0	62.0	56.1	60.2	56.9
50-249 workers	57.5	52.8	52.1	51.5	57.0	52.6
250 or more workers	44.7	44.4	44.5	47.1	44.6	44.6
<i>Financial debt/Value added</i>						
1-49 workers	172.4	183.6	286.0	254.5	182.8	190.2
50-249 workers	140.3	144.7	136.6	149.7	139.9	144.9
250 or more workers	112.8	120.0	138.8	153.6	114.5	122.2
<i>Bank debt/Financial debt</i>						
1-49 workers	77.4	78.8	84.1	82.1	78.4	79.1
50-249 workers	70.7	72.0	77.1	78.4	71.2	72.5
250 or more workers	55.2	50.5	71.1	64.5	56.5	51.7

Source: Based on Company Accounts Data Service data. The data are for a sample of non-financial firms always present in the archive between 1999 and 2004. See the Methodological Notes in the Appendix.

(1) Book value. The figures for Italy include data for which information on geographical area is not available.

According to information from the Company Accounts Data Service, firms' financial indebtedness, measured by leverage, fell on average from 51.3 per cent in 1999-2001 to 49.2 per cent in 2002-04. Leverage increased only among firms of the South and Islands with 250 or more worker. In Italy as a whole, the ratio of financial debt to value added rose. In the South and Islands, the ratio increased among firms with 50 or more workers but decreased among smaller firms. In the three years 2002-04 financial debt remained higher in relation to value added in the South and the Islands than in the rest of the country, especially for small firms. In Italy as a whole, in 2002-04 the bank component of total financial debt fell on average by two percentage points with respect to the previous period, to 64 per cent. The drop was concentrated in companies with 250 or more workers. Both in the Centre and North and in the South and Islands, for small companies bank debt still represented about 80 per cent of total financial debt.

Evaluating the joint behaviour of four indicators – leverage, the ratio of gross cash flow to interest expense, the ratio of current assets to current liabilities, and the ratio of financial debt to turnover – the percentage of Italian firms in the least favourable financial situation (those that present in each year an anomalous profile for at least two of the indicators; for the methodology, see the box “The financial situation of Italian firms from 1990 to 2003”, Economic Bulletin No. 40, March 2005) rose from 10 per cent of the sample in the period in 1999-2001 to 13 per cent in 2002-04. However, the percentage of such firms in terms of turnover remained relatively stable (10.5 per cent against 10.2 per cent), reflecting the more favourable evolution of the financial situation among large firms. The breakdown by geographical location shows that the number of companies in the least favourable financial situation rose between the two periods both in the Centre and North and in the South and Islands, more markedly in the latter. The incidence of these companies in terms of turnover remained broadly stable in the Centre and North, while it rose slightly in the South and Islands.

The profitability and financial situation of firms in the different regional contexts are examined in the Reports on Piedmont, Liguria, Veneto, Friuli-Venezia Giulia, Emilia Romagna, Tuscany, Marche, Lazio, Campania, Sicily and Sardinia. The Report on Piedmont, in particular, compares the effects on manufacturing firms’ financial statements of the recession that hit the region’s industry between 2001 and 2004 with those of the recession, of comparable intensity and duration, of the early 1990s. In contrast with the earlier recession, when self-financing was also negatively affected by high interest rates, in the more recent episode self-financing suffered above all from the unfavourable trend in operating profit. The interest-expense cover ratio was much higher than in the early 1990s on average, but fell significantly for the most heavily indebted firms.

C – GROWTH AND THE STRUCTURE OF PRODUCTION

In the first part of this decade the average annual rate of growth in GDP in Italy declined to just over half of one per cent (0.1 per cent on a per capita basis), only a little more than one third of the average for the rest of the euro area. The average annual rate of increase in labour productivity fell from more than 1 per cent in the second half of the 1990s, to zero, compared with 1.1 per cent in France and 1.2 per cent in Germany. Total factor productivity, which measures the rate of technological and organizational progress, was virtually unchanged between 1996 and 2005.

Geographical differences

As in the second half of the 1990s, in the first five years of this decade the average rate of growth in GDP was slightly higher in the South and Islands than in the Centre and North (by approximately 0.2 percentage points). Growth was particularly weak in the North-West and the North-East, the most advanced parts of the country.

On a per capita basis, GDP in the South and Islands grew at an annual average rate of 1.5 per cent in the ten years 1996-2005. The figure of 0.7 per cent for the Centre and North was influenced by the significant increase in population as a result of migration both from the southern regions and from abroad. The gap between GDP per inhabitant in the two parts of the country narrowed slightly: in 1995 the figure for the South and Islands was 55.7 per cent of that for the Centre and North, in 2005 it was 60 per cent.

Migration from the South and Islands to the rest of the country accelerated significantly from 1995 onwards. On the basis of municipal civil register entries and cancellations, more than one million persons transferred from the southern regions to the Centre and North. In addition, Law 189/2002 (known as the Bossi-Fini law) led to the regularization of the positions of approximately 650,000 foreign workers, of whom 81.5 per cent were in the Centre and North (see Summary of the Reports on economic developments in the Italian regions in 2004).

In the period 2001-05 labour productivity in the economy as a whole grew at a modest rate in the South and Islands (0.4 per cent per annum) and remained basically unchanged in the Centre and North. In industry labour productivity fell in all the main areas at roughly the same rate in the South and Islands and the Centre and North, where the downturn was sharpest in the North-West (-0.9 per cent per annum). In services the indicator rose in the South and Islands (by 0.4 per cent per annum) but remained unchanged in the rest of the country, this was the result of a small increase in the North, offset by a slight decline in the Centre.

Notwithstanding the slight recovery of the South and Islands with respect to the Centre and North, in 2005 labour productivity in the southern regions was 85.3 per cent of that in the rest of the country overall, corresponding to 83 per cent in industry and 88.7 per cent in services.

In 2003, the latest year for which geographically disaggregated sectoral data are available, the sectors in which the productivity gap of the South and Islands was largest were textiles and clothing and leather products (respectively 63.8 and 71.9 per cent of the level in the Centre and North). In private non-financial services the gap was largest in wholesale and retail trade and transport services (respectively 79.6 and 80.6 per cent. The differences between the sectoral composition of the economy in the two areas explain only one fifth of the corresponding gap between output per worker.

According to the regional accounts, which include an estimate of the irregular economy, in 2004 unit labour costs in private non-financial services were 4.2 per cent lower in the South and Islands than in the Centre and North; in industry excluding construction they were 11 per cent lower. By contrast, according to the company accounts surveyed by CERVED, which do not include an estimate of the irregular economy, in 2004 the unit labour costs of firms in industry excluding construction in the South and Islands were 3.5 per cent higher than those of firms in the Centre and North. The gap was much larger for construction, private non-financial services and smaller companies.

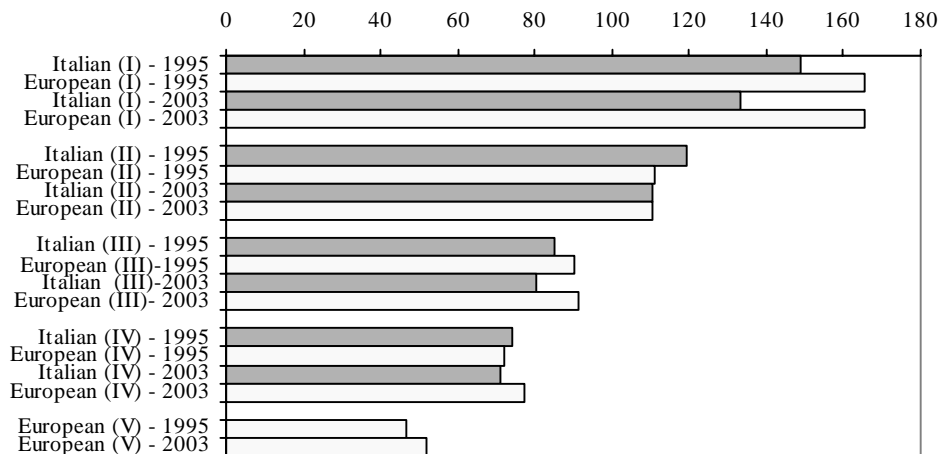
The Italian regions in the European context

Between 1995 and 2003 the backward European regions recorded higher growth in per capita GDP (expressed in terms of purchasing power parity) than the average of the EU-25 countries; by contrast the Italian regions grew less than the European average.

Dividing regions into five groups according to their per capita GDP, it can be seen that between 1995 and 2003 the Italian regions in every group lost ground with respect to their European counterparts (Figure C1).

Figure C1

ITALIAN AND EUROPEAN REGIONS: PER CAPITA GDP (1)
(Indices: EU-25 average = 100)



Source: based on Eurostat data, NUTS2 classification. – (1) Per capita GDP at market prices, adjusted for purchasing power parities, in relation to the European average. Group (I) is made up of regions with a per capita GDP (PPP) of more than 135 per cent of the European average in 1995 (Emilia Romagna, Friuli V.G., Lombardy, Piedmont, Trento and Bolzano, Valle d'Aosta and Veneto). Group (II) is made up of regions with a per capita GDP (PPP) of between 100 and 135 per cent of the European average (Abruzzo, Marche, Lazio, Liguria, Tuscany and Umbria). Group (III) is made up of regions with a per capita GDP (PPP) of between 80 and 100 per cent of the European average (Basilicata, Molise and Sardinia). Group (IV) is made up of regions with a per capita GDP (PPP) of between 65 and 80 per cent of the European average (Calabria, Campania, Puglia e Sicily). Group (V) is made up of regions with a per capita GDP (PPP) of less than 65 per cent of the European average (no Italian regions).

The non-Italian European regions belonging to groups I and II had a per capita GDP that in 2003 was marginally lower in relation to the European average than in 1995; for the Italian regions the indicator fell by more than nine percentage points. The non-Italian European regions belonging to groups III and IV improved their position in relation to the European average, while the Italian regions recorded a deterioration of more than 3 percentage points. The position of the regions in group V, where there are no Italian regions, also improved.

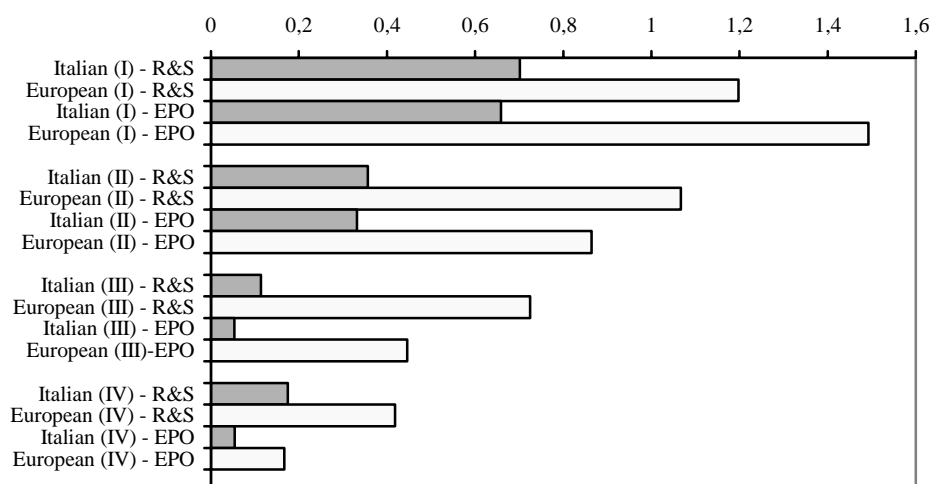
Compared with the other European regions with a similar level of development, the Italian regions are marked by lower levels of innovation, educational qualifications and infrastructure.

The Italian regions in groups I and II have indicators of private-sector R&D expenditure and innovation (measured by the number of applications for patents made to the European Patent Office) that are higher than those of the other Italian regions. For every group both indicators are significantly lower for the Italian regions than for their counterparts in the rest of Europe (for an analysis of the backwardness of the most advanced Italian regions compared with their counterparts in the rest of Europe, see *Note sull'andamento dell'economia della Lombardia nel 2005*).

Figure C2

ITALIAN AND EUROPEAN REGIONS: R&D EXPENDITURE AND PATENT APPLICATIONS SUBMITTED TO THE EUROPEAN PATENT OFFICE (1)

(percentages)



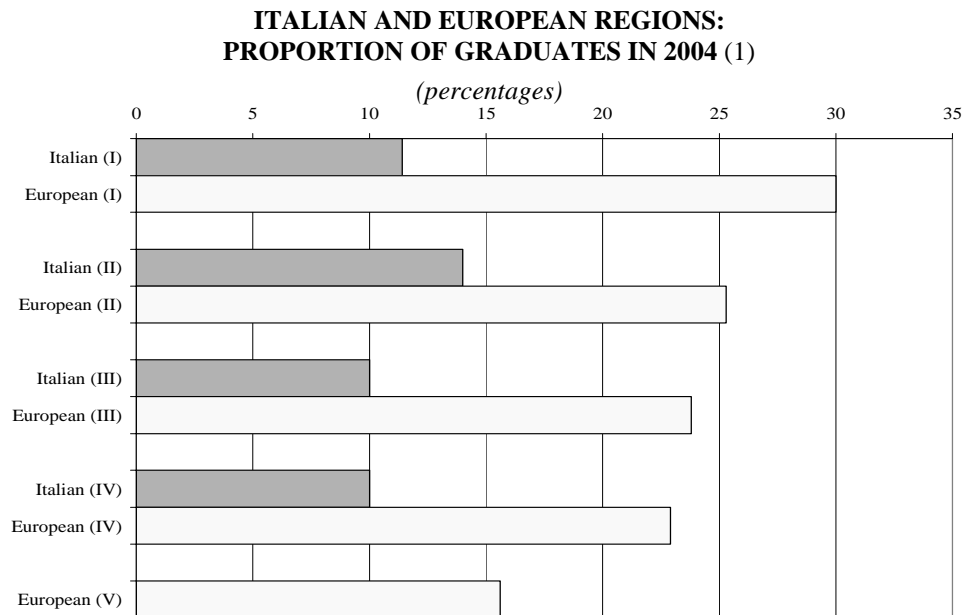
Source: based on Eurostat data, NUTS2 classification. – (1) For the division of the EU-25 regions into five groups, see the notes to Figure C1. R&D expenditure is for 2000, refers only to the private-sector component and is expressed as a percentage of GDP. EPO is the number of patent applications submitted to the European Patent Office in 2003 per 10,000 inhabitants.

Total R&D expenditure in Italy in 2003 amounted to approximately 1.1 per cent of GDP, a figure slightly lower than in 2002 and much lower than those of France (2.2 per cent) and Germany (2.5 per cent) and the European average (1.8 per cent); the gap was especially wide for the private-sector component. Italy's shortfall in innovation, measured by the number of applications for patents made to the European Patent Office, remains even after adjusting for differences in the sectoral composition of output.

The ratio of graduates to the population aged between 25 and 64 is significantly lower for all the groups of Italian regions than for their counterparts in the rest of Europe; it is also below that of the group of backward European regions (group V).

In the last ten years the gap between the rates of participation in high school education in the two parts of the country has disappeared. According to Istat, in the mid-1990s the proportion of the population aged between 14 and 18 enrolled in institutes of higher education was 73.6 per cent in the South and Islands and 82 per cent in the Centre and North; the corresponding figures for the 2004-05 school year were 92.6 and 91.7 per cent. Drop-out rates in the southern regions nonetheless remained higher. In the 2003-04 school year 13.4 per cent of those enrolled in the first year of high school dropped out (10.3 per cent in the Centre and North) and 4.4 per cent of those enrolled in the second year (2.3 per cent in the Centre and North).

Figure C3



Source: based on Eurostat data, NUTS2 classification. – (1) For the division of the EU-25 regions into five groups, see the notes to Figure C1. The proportion of graduates is the ratio of graduates to the population aged between 25 and 64.

In university education there continues to be a gap in favour of the Centre and North. In 2005 the percentage of the population aged between 25 and 64 with a university degree was equal to 13 per cent in the Centre and North and 10.7 per cent in the South and Islands. In 2004 in the Centre and North there were 11.7 graduates in scientific and technological subjects per 1,000 inhabitants aged between 20 and 29, against 6 in the South and Islands.

The power of attraction of southern universities continues to be inferior to that of those in the Centre and North. In the academic year 2003-04 the difference between the number of new students in the universities of a macro-region and the number of new students resident in that part of the country is equal to 11.3 per cent of the new students in the area for the Centre and North and to -19.5 per cent for the South and Islands. The universities of Emilia Romagna and Tuscany are those with the greatest power to attract students from other regions. According to the Conference of Italian University Rectors, between 1995 and 1999 the ratio of publications to teaching staff was 4.4 in the main universities in the Centre and North and 2.4 for those in the South and Islands. The ratio of citations in other publications to teaching staff was 19.7 and 9.8, respectively. The average number of citations per publication, which is a measure of the quality of research, was 4.5 in the Centre and North and 3.7 in the South and Islands.

According to Eurostat, in 2002 there were 57.1 kilometres of road for every 100 square kilometres of surface area, compared with 64.9 in Germany and 183.2 in France. Considering only motorways, the value of

the indicator for Italy was 2.1, which was lower than that for Germany (3.3) but higher than that for France (1.8). Turning to railways, Italy had 5.3 kilometres of line for every 100 square kilometres of surface area, compared with 10 in Germany and 5.7 in France; Italy's indicator for dual track lines alone was 40 per cent of Germany's and 65 per cent of France's.

The differences between regions' infrastructure endowment are substantial. According to the Istituto Tagliacarne, in 2004 the summary indicator of economic infrastructure, which covers not only transport networks but also energy and communication networks, was 40 per cent lower in the South and Islands than in the Centre and North; for transport infrastructure alone it was 20 per cent lower for the road network and 25 per cent lower for the railway network. Compared with 2001 the gaps had grown wider.

Although better than those in the South and Islands, the land transport networks in the most economically advanced areas of the country are inadequate in relation to the volume of traffic. According to Istat, goods coming from or directed to Lombardy, Veneto and Emilia Romagna account for approximately 50 per cent of Italian traffic in volume terms. Taken together, the three regions have 25 per cent of the motorway network and just over 20 per cent of the state and provincial road and railway networks. In these regions the congestion of the land transport networks is concentrated, moreover, in some stretches, especially around towns. Shortcomings also exist in the intermodal connections between the various transport systems

According to Istat, 23.8 per cent of households in the South and Islands reported interruptions in their water supply in 2004, compared with 9 per cent in the Centre and North. Some 77.8 per cent of the population in the South and Islands lived in municipalities with methane gas, compared with 96.1 per cent in the Centre and North. In 2005 some 36.1 per cent of southern citizens lived in municipalities linked to the system of civil register access and exchange, compared with 53.6 per cent in the Centre and North.

D – FOREIGN TRADE

Exports

After picking up slightly to 3 per cent in the previous year, in 2005 Italian exports of goods and services at constant prices rose by just 0.3 per cent, compared with 3.8 per cent in the euro area and 7.3 per cent growth in world trade.

According to provisional data released by Istat, at current prices Italian exports rose by 4 per cent (Table aD1). The increase was above the national average in the South and Islands (11.3 per cent) and the North-West (5.6 per cent) but lower in the North-East (2.3 per cent); in the Centre exports were stationary. The expansion in the South was driven mainly by sales of refined petroleum products; if these are excluded, it drops to 3.6 per cent and the national average to 2.8 per cent. In the North-West the growth in exports was boosted by the rise in the prices of chemical products and metals and metal products. In the North-East the increase in exports of machinery and metal products offset a fall in sales of leather and footwear and non-metallic mineral products. In the Centre export growth was curbed by the downturn in textiles and clothing.

In the first quarter of 2006 Italian exports at current prices increased by 11.5 per cent with respect to the year-earlier period. The largest growth was recorded in the South and Islands (15.5 per cent), again owing to the performance of refined petroleum products; in the North-West and the Centre the growth in exports was above the national average, amounting to 12.8 and 14 per cent respectively; in the North-East exports rose by 7.3 per cent.

Italy's share of world trade at constant prices fell from 3.5 per cent in 2000 to 2.7 per cent in 2005 and the share at current prices from 3.8 to 3.7 per cent. In all areas of the country exports grew at a slower pace than world trade. Between 2000 and 2005 export growth in the North-West and the North-East averaged respectively 2.5 and 2.8 per cent, compared with 0.7 per cent in the Centre and 3.5 per cent in the South and Islands.

Using the statistical technique called constant-market-share analysis, the overall change in market share can be broken down into three components, linked respectively

to the sectoral and geographical specialization of exports (structure effect), the adaptation of this structure to the evolution of world markets (adaptation effect) and a residual component deriving from changes in prices, quality and other factors of export competitiveness that are not directly observable (competitiveness effect). For a set of 27 sectors, this method was applied to the markets of 21 OECD countries that take around 70 per cent of Italy's total exports. Between 1997 and 2003 the competitiveness effect, to which most of the loss of share is ascribable, was negative in all areas except the South and Islands and was strongest in the North-West and the Centre. The loss of share in the North-East can be attributed above all to the disadvantageous sectoral specialization of Italian exports (see Note sull'andamento dell'economia del Veneto nel 2005 for a discussion of the continued adoption of the model of specialization). All the areas of the country were penalized by difficulties in adapting to geographical changes in international demand.

Table D1

EXPORT GROWTH IN THE LEADING MARKETS (1)
(percentages and percentage changes)

	Exporters					
	World	Italy (2)				
		North-West	North-East	Centre	South & Islands	Total
Average annual growth 1996-2003						
World	6.6	2.9	4.6	4.3	6.3	4.1
China	15.4	5.3	10.3	8.9	13.1	7.2
Mexico	10.8	12.2	18.7	20.0	14.3	14.2
Spain	9.9	8.3	9.2	10.1	15.6	9.1
United States	8.1	3.8	8.7	4.5	7.7	5.7
Share in each country or area – 2003						
World	100.0	1.7	1.3	0.6	0.4	4.0
China	5.6	0.5	0.4	0.1	0.1	1.1
Mexico	2.1	0.6	0.5	0.3	..	1.4
Spain	2.8	4.2	2.7	1.6	1.4	9.9
United States	16.5	0.7	0.7	0.4	0.2	2.0
Absolute change in shares 1996-2003						
World	::	-0.5	-0.2	-0.1	..	-0.7
China	2.4	-0.5	-0.2	-0.1	..	-0.7
Mexico	0.5	..	0.2	0.1	..	0.3
Spain	0.5	-0.6	-0.2	..	0.4	-0.5
United States	1.5	-0.2	..	-0.1	..	-0.3

Sources: Statistics Canada, *World Trade Analyzer*; Istat.

(1) The leading markets considered here are the countries with a more than 1 per cent share of world imports that recorded the highest average rates of growth. – (2) The national total is taken from Statistics Canada, *World Trade Analyzer*; the total for the macro-regions is taken from Istat.

Italy has lost market shares in the countries that have contributed most to the expansion of world trade in recent years. China's rapid economic growth has greatly increased the importance of its role; in 2003 it was the third largest market after the United States and Germany, accounting for 5.6 per cent of the value of world imports, compared with 3.2 per cent in 1996. Between 1996 and 2003 China was also the fastest expanding market among the main importing countries, with average annual import growth of 15.4 per cent, followed by Mexico, Spain and the United States at 10.8, 9.9 and 8.1 per cent respectively (Table D1). In the same period world trade grew on average by 6.6 per cent. Italy's share of exports to China increased by 7.2 per cent, well below the international average; the shares of all the macro-regions of the country diminished, especially that of the North-West. Italy's share of world exports increased only in Mexico, mainly due to the contribution of the North-East and the Centre. The share of the Spanish market increased only in the South and Islands, with exports up by 15.6 per cent.

Export growth in the South and Islands. – The South's share of Italian exports, excluding refined petroleum products, increased from 8.6 per cent in 1995 to 9.5 per cent in 2000. It then contracted briefly in 2003 before picking up to 9.4 per cent in 2005 (Table D2).

Table D2

SHARES OF TOTAL ITALIAN EXPORTS BY GEOGRAPHICAL AREA

(exports and current prices; percentages)

	Including refined petroleum products			Excluding refined petroleum products		
	1995	2000	2005	1995	2000	2005
North-West	45.7	41.4	41.5	46.0	42.0	42.6
North-East	29.8	30.9	31.5	30.1	31.5	32.5
Centre	15.2	16.7	15.3	15.3	16.9	15.4
South & Islands	9.2	11.0	11.5	8.6	9.5	9.4
Total for Italy (1)	100.0	100.0	100.0	100.0	100.0	100.0

Source: Istat.

(1) The total includes unallocated amounts.

The sectoral and geographical sweep of export growth in the southern regions throughout the 1990s disappeared in the first half of this decade. Since 2001 the expansion has been confined to a few branches (petrochemicals, metallurgy and transport equipment) and smaller areas of the macro-region.

Considering the 114 sectors included in Istat's Ateco classification, those in which export growth was greater in the South than in the Centre and North have fallen in number from 72 in 1991-2001 to 54 between 2001 and 2005; the number of southern provinces in which exports

increased more than in the Centre and North fell from 23 to 14. Between 2001 and 2005 the number of “export poles” in the South and Islands – i.e. provinces whose exports of a specific category of goods are substantially higher than the average for all Italian provinces – went from 114 to 105 (Table D3).

Table D3

NUMBER OF “EXPORT POLES” BY GEOGRAPHICAL AREA (1)
(units)

	1991	1995	2001	2005
North-West	423	447	433	435
North-East	314	379	405	430
Centre	146	153	175	174
South & Islands	75	105	114	105
of which: <i>Abruzzo</i>	9	19	22	19
<i>Molise</i>	0	1	0	2
<i>Campania</i>	18	31	29	27
<i>Puglia</i>	16	23	23	24
<i>Basilicata</i>	0	1	4	3
<i>Calabria</i>	2	1	1	1
<i>Sicily</i>	19	18	23	17
<i>Sardinia</i>	11	11	12	12
Total for Italy	958	1,084	1,127	1,144

Source: Based on Istat data.

(1) In each of the 3-digit ATECO sectors, the provinces exporting more than twice the average for Italian provinces are defined “export poles”. The average is that of the exporting provinces.

Since 2001 there has been a decline in exports at current prices by the main centres of the South specializing in traditional Italian products. In the leather and footwear centres of Avellino, Lecce and Bari exports have fallen by almost half and there has been a large drop in furniture exports in the Bari area; by contrast, clothing exports have increased in Naples and Isernia (Table aD3). The South’s share of exports of traditional Italian products (textiles, clothing, leather and footwear), which had risen by 0.5 percentage points between 1995 and 2001, fell by 0.6 points in the following period, to 7.5 per cent in 2005. Exports of agri-food products were broadly stationary in the Salerno area and declined in the province of Bari. However, average annual increases of over 10 per cent were recorded by the petrochemical industry in Sicily and Sardinia, pharmaceuticals in L’Aquila, metal products in Taranto, motor-vehicle parts in Avellino and the building industry in Naples. Exports of electronic products declined in L’Aquila and Caserta but increased steadily in the Catania area.

Internationalization

Excluding investment in property and the banking sector, foreign direct investment in Italy increased by around 14 per cent in 2005. The direct investment inflow was equal to 1.3 per cent of regional GDP in the North-West and respectively 0.4 and 0.3 per cent in the North-East and Centre; the proportion was particularly low in the South and Islands (0.02 per cent).

Table D4

INWARD AND OUTWARD DIRECT INVESTMENT BY GEOGRAPHICAL AREA (1)

(balances and changes in millions of euros)

	Inward investment		Outward investment		Change 2004-05	
	2004	2005	2004	2005	Inward	Outward
North-West	5,695	5,585	7,565	9,167	-110	1,603
North-East	796	1,079	905	1,159	283	254
Centre	2,371	762	3,025	2,150	-1,609	-874
South and Islands	383	172	374	460	-211	86
Italy(2)	13,215	15,050	14,534	14,474	1,835	-60

Source: Based on UIC data.

(1) A positive balance on inward investment indicates a net capital inflow, one on outward investment a net capital outflow. Excludes investment in property and in or by the banking sector. – (2) Includes unallocated amounts.

After increasing in 2004, Italian direct investment abroad declined slightly last year by around 0.4 per cent. Outward investment amounted to 2.1 per cent of regional GDP in the North-West, 0.4 per cent in the North-East and 0.7 per cent in the Centre; the proportion was just 0.04 per cent in the South and Islands.

A Bank of Italy sample survey of industrial firms conducted in 2004 found that the internationalization of production had positive effects on investment and employment in Italy. Firms that began to produce goods and services abroad between 1985 and 2004 increased investment and employment in Italy more than firms with similar characteristics that did not invest abroad.

E – LABOUR MARKET AND REGIONAL POLICIES

Employment

In 2005 the number of persons in work in Italy, including those unofficially employed and non-residents, increased by 49,000 and 0.2 per cent with respect to the previous year. By contrast, labour input, measured as the number of full-time equivalent workers, declined by 102,000 and 0.4 per cent. According to provisional estimates by Istat, the contraction was large in the South and Islands (-1.2 per cent) but amounted to just 0.2 and 0.3 per cent respectively in the North-West and Centre. The only increase in labour input (0.2 per cent) was recorded in the North-East.

Istat's regional accounts, which does not yet incorporate the methodological changes recently made to the national accounts, indicates that labour input in 2003-05 declined by an average of 0.5 per cent per year in the South and Islands, after an increase of 1.9 per cent in the previous three-year period. In the Centre and the North, however, the number of standard labour units employed also increased in 2003-05, by 0.6 per cent (Figure E1). The South and Islands were the only areas in which employment levels were lower than during the previous cyclical peak of 1992; in the North-East have been higher since 1999 and in the Centre and the North-West since 2000.

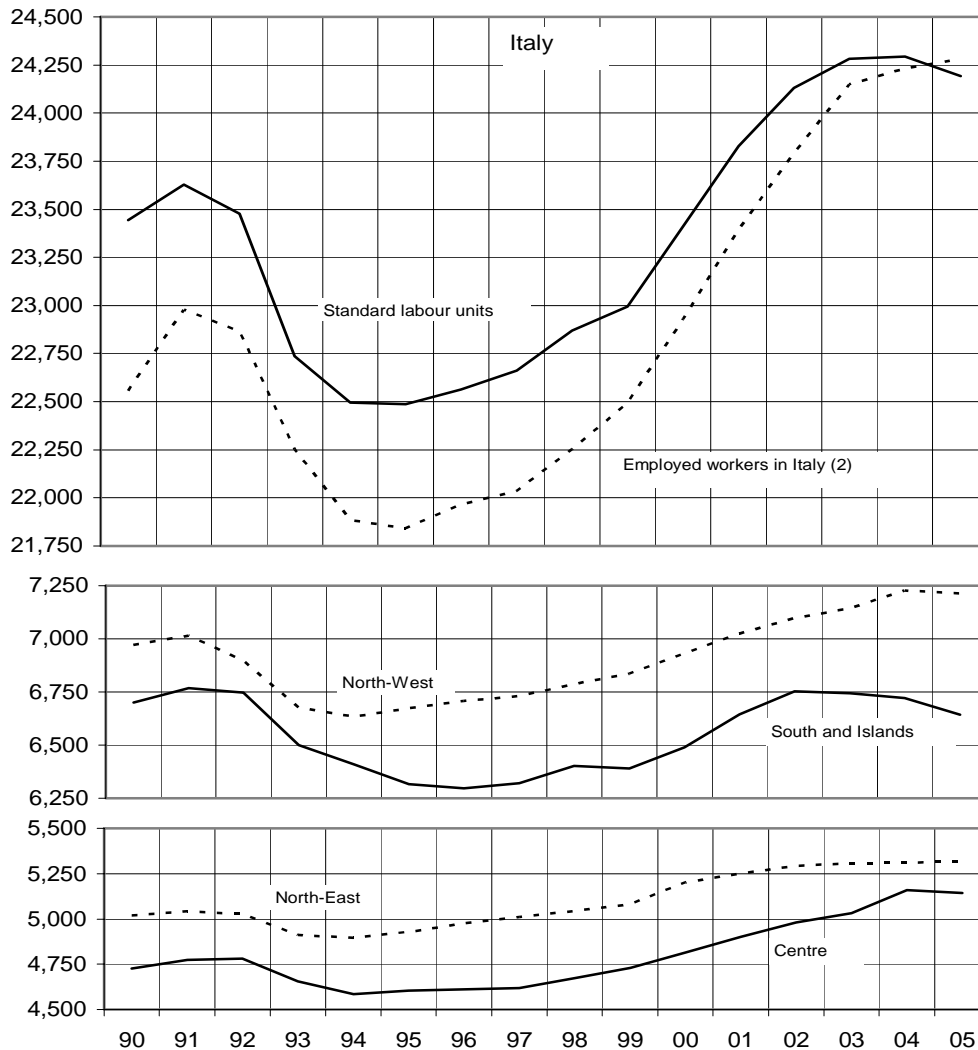
The employment rate. – In 2005 the employment rate for the Italian population of working age was 45.3 per cent for women and 69.7 per cent for men. The gap in female employment rates with respect to the average for the EU-15 was almost 30 percentage points in the South and Islands (Figure E2). Employment rates were also below the European averages for young people and people aged 55 and over, including in the Centre and North.

The female employment rate in the North (55.1 per cent) is in line with the European average, despite a sharp decline among the over-45 year-olds. In the regions of the Centre, it is women under 25 who have the greatest difficulty finding work. In the South and Islands, the female employment rate is extremely low among all age groups, although the gap with respect to the European average is widest in the central age groups, for which the employment rate only tops 60 per cent among women graduates.

Figure E1

EMPLOYMENT BY GEOGRAPHICAL AREA (1)

(thousands of standard labour units and persons)

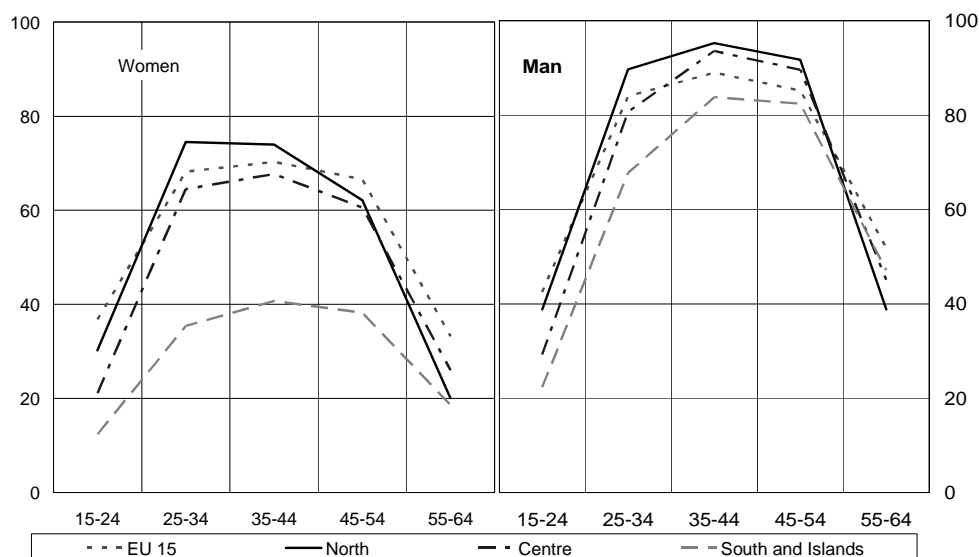


Source: Istat, regional and national accounts. See the Methodological Notes.

(1) The sum of the number of standard labour units per geographical area is not equal to the national total; local values for 2004 and 2005 are provisional and do not yet incorporate adjustments to the total for Italy contained in the national accounts for April 2006. –
 (2) Residents and non-residents officially and unofficially employed in resident firms (Source: Istat, national accounts).

The male employment rate is higher than the average for the EU-15 in the North (75.1 per cent) and similar in the South (71.4 per cent). While in both areas the rate is higher among the central age groups, there is a negative gap for both the under-25s and over-55s. Incentives to encourage people to stay longer in work have produced poor results so far. In the North, in particular, with advancing age the employment rate drops faster than the EU average. In the South and Islands the male employment rate is over 10 percentage points below the European average, although the gap narrows in the 35-54 age groups.

Figure E2

EMPLOYMENT RATE BY AGE GROUP AND GENDER (1)*(percentages)*

Source: Based on Istat and Eurostat data. (1) Ratio of employed workers to same-age population..

Types of employment. – Self-employment decreased in 2005 by 4.1 per cent in Italy as a whole (4.0 per cent in the Centre and North and 4.3 per cent in the South and Islands). This was due to the contraction in the numbers of family workers, members of cooperatives and collaborators (Table aE4), most of which transformed their positions into payroll, temporary or part-time employment.

The shift from self-employment to payroll employment coincided with the deadlines set by the Biagi Law (Law 30 of 14 February 2003) but was also due to changes in Istat's labour force survey (see the chapter II mercato del lavoro in the Bank's Relazione Annuale for 2005).

Fixed-term contracts increased in all parts of the country, especially in the Centre and the North (7.1 per cent). This form of employment continued to represent a larger share of total employment in the South and Islands (17 per cent) than in the Centre and North (10.4 per cent). In the private sector, excluding agriculture and construction, the proportion of fixed-term employment account for respectively 12.9 per cent and 9.5 per cent. In general government the share of fixed-term employees in the southern regions (16.4 per cent) is around 4 percentage points higher than in the Centre and North.

Part-time employment increased by 7.2 per cent in 2005, mainly in the Centre and North, where it reached 13.9 per cent of total payroll

employment. In the South and Islands the proportion remained unchanged at 10.8 per cent. Overall, the incidence of part-time work was still well below the average for the EU-15 countries (19.4 per cent).

In Italy, as in the rest of Europe, part-time work is concentrated among women. In 2005 it accounted for 25.5 per cent of total female payroll employment, 10 percentage points less than the European average. The proportion was only slightly higher than the national average in the Centre and North (around 27 per cent) and in the service sector (approximately 29 per cent).

Labour supply and unemployment

The labour supply increased by 1 per cent in the Centre and North, while in the South and Islands it declined for the third year running, by 1.2 per cent, owing to the 3 per cent contraction in the female labour supply. The gap in the labour force participation rate between the Centre and North and the South and Islands progressively widened between 2002 and 2005, from 10.2 to almost 14 percentage points. However, the gap narrows as the level of education rises, falling to 4 per cent in the case of graduates between 25 and 64 years of age.

The unemployment rate fell from 8 per cent in 2004 to 7.7 per cent in 2005. In the Centre and North it was broadly stationary at 4.8 per cent, while in the South and Islands it declined by 0.7 per cent (Table aE3). In fact, in the southern regions there was a drop of 5.6 per cent in the number of job-seekers aged 15 to 29, which accounted for some 43 per cent of the contraction in total national unemployment.

Between 2000 and 2005 the unemployment rate for 15 to 24 year-olds in the South and Islands diminished by more than 6 percentage points. Since 2002 this contraction has gone hand in hand with the drop in the number of persons in work, mainly owing to increasing school attendance. In the 2003-04 academic year around 140,000 more young people were enrolled in upper secondary school or university than five years earlier (8.6 per cent).

Local labour systems and industrial districts

Istat has used the results of the 2001 population census to update the structure of the local labour systems, groupings of neighbouring towns and villages based on movements of people for reasons of work.

For an analysis of the evolution of the local labour systems and their specialization in the various regions see Note sull'andamento dell'economia del Piemonte, Veneto, Emilia Romagna, Marche, Abruzzo e Basilicata nel 2005.

Table E1

LOCAL LABOUR SYSTEMS IN 1991 AND 2001*(numbers and percentages)*

	Local labour systems in 1991		Local labour systems in 2001		Identical local labour systems in the two Censuses	
	No.	Average population	No.	Average population	No.	% of total LLS in 2001
North-West	140	106,916	114	131,334	10	8.8
North-East	143	72,528	119	88,986	35	29.4
Centre	136	80,436	128	85,639	43	33.6
South	237	58,584	203	68,334	36	17.7
Islands	128	51,677	122	54,106	35	28.7
Italy	784	72,421	686	83,084	159	23.2

Source: Based on data from Istat, 13th and 14th Population Census. See the methodological notes in the Appendix.

The number of local labour systems fell from 784 in 1991 to 686 in 2001 (Table E1) as a result of the increased mobility of workers.

The number of local labour systems declined in all regions of Italy except Tuscany, Umbria and Puglia. In the North-West, where the largest changes were recorded, only 8.8 per cent of the systems remained unaltered, while in the Centre their structure was more stable.

The distribution of the population and of jobs within the local labour systems also changed between the two censuses. The resident population declined in the main towns in favour of municipalities in the hinterland, where the trend in employment was also more favourable by comparison. Owing to the costs of congestion, the decrease in the relative weight of central areas was largest in the case of the local labour systems of towns with over 250,000 inhabitants.

There are 259 local systems based on tourism, which Istat defines as those with a large proportion of workers in consumer services, and they account for 37.8 per cent of the total. More than half the systems in the North-East and Centre specialize in tourism, and over the decade the proportion of these hubs increased in all areas of Italy except the South and Islands.

Some 38 per cent of local systems specialize in manufacturing, compared with 36 per cent in 1991. Their number increased considerably in the southern regions during the decade.

Istat has identified 156 industrial districts among the local labour systems specialized in manufacturing; districts are groupings of small and medium-size enterprises belonging to the same branch of production (see the methodological notes in the Appendix). Overall, in 2001 these districts employed 39.3 per cent of manufacturing workers and 25.4 per

cent of total workers and 22.1 per cent of the population resided in them. In the 199 districts identified in the 1991 Census, the respective figures were 42.5, 29 and 24.2 per cent (Table E2).

Table E2

INDUSTRIAL DISTRICTS IN 1991 AND 2001
(number and percentages)

	Industrial districts in 1991				Industrial districts in 2001			
	No.	% of population	% workers in industry & services	% manufacturing workers	No.	% of population	% workers in industry & services	% manufacturing workers
North-West	59	35.8	35.0	44.0	39	34.0	33.1	43.7
North-East	65	49.0	50.0	60.6	42	35.8	35.4	46.5
Centre	60	24.3	26.9	43.7	49	23.4	24.8	44.1
South & Islands	15	3.0	3.7	7.2	26	5.6	6.1	11.3
Italy	199	24.2	29.0	42.5	156	22.1	25.4	39.3

Source: Based on data from Istat, 13th and 14th Population Census and 7th and 8th Census of Industry and Services. See the methodological notes in the Appendix.

The local labour systems that qualify as industrial districts are concentrated in a small number of regions (Piedmont, Lombardy, Veneto, Emilia Romagna, Tuscany and Marche). However, between the two censuses the number of industrial districts declined in the areas of the country where they first developed but increased in the South and Islands.

In the southern regions industrial districts represented 8 per cent of local labour systems and employed 6.1 per cent of local workers in 2001, compared with 4.1 and 3.7 per cent in 1991. Between the two years the proportion of workers in industrial processing industries employed in southern districts rose from 2.7 to 4.7 per cent of those in all districts; about half of the workers employed in districts in the South and Islands were located in Puglia.

The main industries located in industrial districts are those producing typical Italian goods (textiles and clothing, leather and footwear, household goods, food products, jewellery and musical instruments) and light engineering industries. The proportion of fashion districts declined after 1991, while that of light engineering districts increased to just under a third of the total. The latter are located in four main regions (Piedmont, Lombardy, Veneto and Emilia Romagna) and employ 31.5 per cent of all district workers; there was an above-average increase in employment in such districts between the two censuses.

The Legge Finanziaria for 2006 introduces certain fiscal and financial benefits for enterprises in industrial districts. The district becomes a tax-payer, with the faculty to consolidate taxation and negotiate beforehand the amount of local taxes and dues. The new rules will be implemented in a decree issued by the Minister for the Economy.

Regional development policies

Aggregate capital expenditure. – According to the regional public accounts, in 2003 ordinary and additional capital spending by the enlarged public sector amounted to 7.9 per cent of GDP in the South and Islands and 5.3 per cent in the Centre and North. Spending in the South and Islands amounted to €25.7 billion, a third of total resources and 4 percentage points less than in the two years 2000-01 (Table E3). A smaller part of public capital expenditure in the South and Islands consisted of investments and a larger part of transfers to firms and households. Investment accounted for 76 per cent of capital spending in the Centre and North in 2003, as against 62 per cent in the South and Islands. In both areas the percentages were only slightly higher than the average for the five years 1996-2000.

Table E3

ORDINARY AND ADDITIONAL CAPITAL EXPENDITURE OF THE ENLARGED PUBLIC SECTOR

(millions of euros and percentages)

	2000	2001	2002	2003
Centre and North	38,420	43,584	49,738	51,478
of which: <i>investment expenditure</i>	27,844	33,126	37,651	39,159
<i>capital transfers</i>	9,281	9,103	10,606	10,587
<i>current expenditure on training</i>	1,295	1,355	1,482	1,732
South and Islands	22,946	26,073	26,462	25,664
of which: <i>investment expenditure</i>	13,801	15,937	15,939	15,794
<i>capital transfers</i>	8,442	9,464	10,010	9,369
<i>current expenditure on training</i>	703	672	513	501
	As a percentage of GDP			
Centre and North	4.4	4.7	5.2	5.3
South and Islands	8.1	8.7	8.5	7.9

Source: Ministry for the Economy and Finance, *Conti pubblici territoriali*.

Preliminary data for 2004 released by the Ministry for the Economy and Finance for the public sector alone indicate that capital spending in the South and Islands increased by around 4 per cent in nominal terms, sustained by disbursements of European structural funds. In the Centre and North the increase was almost double that figure. Tentative indications for 2005 can be garnered from the cash accounts of the state sector, which specify only additional capital spending net of ordinary expenditure.

This item diminished slightly as a result of the budgetary adjustments. According to the Ministry for the Economy and Finance expenditure by the enlarged public sector also declined owing to difficulties in financing road and rail infrastructure.

Fund for Underutilized Areas. – Contributions to this fund, which were allocated in the budget and assigned by the Interministerial Committee for Economic Planning, peaked at around €9 billion in 2003, before declining to just under €8 billion in 2004 and €6.7 billion in 2005.

European structural funds. – The Community Support Framework for 2000-2006 envisaged around €46 billion in funding for the less developed regions of the South and Islands (Objective 1), half of which was to come from EU contributions. The annual flow of payments, including national co-financing, effected in 2005 rose to €5.7 billion, compared with €5.1 billion in 2004.

Table E4

**COMMUNITY SUPPORT FRAMEWORK (2000-06) FOR OBJECTIVE 1
REGIONS: STATE OF IMPLEMENTATION IN DECEMBER 2005**

(millions of euros and percentages)

Programme	Planned expenditure 2000-06 (1)		Cumulative disbursement at end of year			
	Total cost		2004		2005 (2)	
		of which: Community contribution	Amount	Percentage of total cost	Amount	Percentage of total cost
Multiregional	14,124	7,149	7,268	51.5	9,008	63.8
Regional	31,950	16,809	9,688	30.3	13,666	42.8
of which: <i>Molise</i>	469	201	177	37.7	250	53.3
<i>Campania</i>	7,748	4,281	2,358	30.4	3,080	39.7
<i>Puglia</i>	5,282	2,947	1,552	29.4	2,180	41.3
<i>Basilicata</i>	1,696	848	547	32.2	722	42.6
<i>Calabria</i>	4,036	2,131	1,407	34.9	2,048	50.7
<i>Sicily</i>	8,460	4,284	2,148	25.4	3,333	39.4
<i>Sardinia</i>	4,260	2,118	1,498	35.2	2,054	48.2
Total	46,074	23,958	16,956	36.8	22,674	49.2

Source: Ministry for the Economy and Finance. The data on planned expenditure and disbursements include the share of the private sector. (1) Projects included in 2000-2006 programming, to be completed by the end of 2008. – (2) Provisional until 31 December 2005.

All the programmes reached the state of implementation needed to avoid revocation of European funds. In December 2005 the cumulative flow of payments came to 49.2 per cent of planned spending to be used by the end of 2008 (Table E4). At the end of March 2006, actual payments made in connection with programmes for the

less developed areas of the Centre and North (Objective 2) totalled €4 billion, or 55 per cent of planned spending.

EU funds for 2007-2013. – In December 2005, the European Union, including the 10 new member countries, drew up the *Financial Prospects for 2007-2013*, which envisage aggregate funding of €860 billion, just over 1 per cent of the area's GDP. About a third of the expenditure will again be allocated to agricultural policy, around 36 per cent to support for less-developed areas (territorial cohesion policy) and 8.4 per cent will be for incentives to support research and competitiveness.

From 2007, European regional policy for cohesion will have three structural objectives: i) *convergence*, for regions with a per capita GDP under 75 per cent of the average for the EU-25; ii) *competitiveness and employment* for the other regions; iii) *cooperation* to enhance the integration of cross-border regions.

The funds for convergence will be available to the majority of the new member countries, as well as some regions of the Iberian peninsula, Greece and Italy (Calabria, Campania, Puglia and Sicily). The four southern regions will receive a total of €18.9 billion, which is higher in real terms than the amount allocated in 2000-06. Basilicata, whose per capita GDP is over 75 per cent of that of the EU only since the arrival of the new members, will receive €388 million; Sardinia, which would have been above the threshold anyway, will receive €879 million, which will be progressively reduced.

Incentives for enterprises. – Italy offers a large number of incentives in favour of enterprises. According to the Ministry for Productive Activities, in 2004, 51 measures were launched at national level, 14 were administered by the regional authorities under Legislative Decree 112/98 and 314 regional actions were implemented and managed under regional legislation.

In 2004 subsidies to enterprises totalled €8.9 billion, equal to 0.6 per cent of Italy's GDP. About three-quarters of this assistance was granted under national programmes and half was in the form of incentives for investment.

According to the results of a survey conducted by the Bank of Italy in the early months of 2006, about a quarter of industrial firms received public funds in 2005, in the form of subsidies, incentives or other direct and indirect support (Table E5). Without this assistance, the firms in question would have reduced their investments by an amount equal to 13.5 per cent of the funds received – 28.9 per cent in the South and

Islands and 10.9 per cent in the Centre and North.

Without subsidies, 67.6 per cent of firms would have made the same volume of investment in the same projects, 6.1 per cent would have invested the same amount but partly in different projects, and the remaining 26.3 per cent would have made fewer investments. Only a tenth of the firms that would not have invested without subsidies reported difficulties in obtaining funds from other sources.

Table E5

EFFECTS OF PUBLIC SUBSIDIES ON INDUSTRIAL FIRMS' INVESTMENT DECISIONS (1)

(percentages)

	Head office		Total
	Centre and North	South and Islands	
Percentage of firms obtaining public subsidies in 2005	24.2	20.0	23.3
Additional investments as a percentage of funds received	10.9	28.9	13.5
<i>Reactions of beneficiary firms to hypothetical absence of subsidies (percentage breakdown)</i>			
Same amount of investments in same projects	70.9	44.1	67.6
Same amount of investments in different projects	5.9	7.7	6.1
Fewer investments	20.7	36.4	22.6
No investments	2.5	11.8	3.7
Total	100.0	100.0	100.0

Source: Bank of Italy, *Survey of Industrial and Service Firms*. See methodological notes in the Appendix.

(1) Industry excluding construction.

Law 488/92 is the main means of intervention in support of investment. Studies conducted by the Bank's Economic Research Department show, however, that it has little effect in encouraging additional investment. Comparing the volume of investment of subsidized firms with that of firms that applied unsuccessfully for funds, it emerges that the main result of the incentives is simply to alter the time frame of investment decisions. During the period of availability of the subsidies, the average change in the capital stock of beneficiary firms is greater than that of non-recipients; at the end of the period, however, the beneficiaries substantially reduce their investments, on average to below the level of firms that did not receive any subsidies. The studies did not find any financial constraints affecting the subsidized firms.

Law 488/92 was amended by decree of the Ministry of Productive Activities and Ministry of the Economy and Finance issued on 1 February 2006. Under the new rules subsidized financing will be given preference over outright grants, and the banks will

become more involved in examining the profitability of investment projects. Financing will consist of three elements: an ordinary bank loan, a subsidized loan from Cassa depositi e prestiti SpA, and an outright grant from the Ministry, the amount of which will vary from one region to another. In order to receive subsidized finance, the firm must already have taken out a bank loan at market rates for an amount and duration equal to that of the subsidy in order to cover the eligible investments, and in no case amounting to less than 15 per cent of their value. The outright grant may not be greater than the amount of borrowed capital, consisting of bank loan and subsidized finance. Lastly, at least 25 per cent of the investment must be covered by funds that contain no part of public aid.

F – FINANCIAL INTERMEDIARIES

Lending to firms and households

In 2005 bank lending net of repos and bad debts grew at a faster pace in the South and Islands than in the Centre and North (14.1 as against 8 per cent). The differential was mainly due to lending to firms, which expanded almost twice as fast in the South and Islands as in the rest of Italy (Table F1). Lending to consumer households maintained a high rate of growth, though somewhat lower than in the previous year. In both parts of the country the bulk of the growth in lending came in the medium and long-term component. The rate of growth in short-term lending rose to 8.7 per cent in the South and Islands, turned positive in the North-East and Centre (3.8 and 2 per cent respectively), and was slightly negative in the North-West (-0.2 per cent).

Firms. – Lending to firms based in the South and Islands grew by 11.3 per cent, compared with 7.8 per cent in 2004, gaining pace in all the main sectors of economic activity. In the Centre and North growth averaged 5.9 per cent, with higher figures in the North-West and North-East (6.3 and 7.4 per cent respectively).

Between 2003 and 2005 lending to firms grew almost twice as fast in the South and Islands as in the rest of the country (average annual growth of 9.4 and 5 per cent respectively), a pattern that prevailed in the majority of sectors of activity and size classes of firm.

The growth in lending to southern firms is largely ascribable to banks belonging to banking groups based in the Centre and North. A factor in the rapid expansion was the more unfavourable liquidity conditions of southern firms, exacerbated by the slowdown of the economic cycle. Banks accommodated the greater demand for loans, maintaining easy lending conditions, thanks in part to the improvement in credit risk: the ratio of bad debts to total loans to southern firms, which had been close to or above 8 per cent between 1993 and 1996, fell below 2 per cent in 2004 and 2005, approaching the average ratio for the Centre and North.

Despite the strong growth recorded in the past few years, lending to the South and Islands is markedly lower as a percentage of GDP than loans to the other regions. Contributing to the gap (almost 20 percentage points if bad debts and securitizations

are counted) is the wide diffusion in the South and Islands of unreported or informal economic activity, which brakes the growth of credit. Econometric estimations show that the shadow economy has a negative impact on the ratio of lending to value added in the different Italian regions; however, they do not identify significant feed-back effects of the volume of credit on the incidence of off-the-books employment.

Table F1

BANK LENDING BY AREA AND SECTOR (1)
(percentage changes on previous year)

	General government	Financial and insurance companies	Non-financial corporations (a)		Households		Firms = (a) + (b)			Total	
			With fewer than 20 workers (2)	Producer (b) (3)	Consumer	Manufacturing industry	Construction	Services			
North-West											
2004	2.2	-2.3	4.9	4.1	7.9	15.2	5.1	-1.1	6.8	10.9	5.2
2005	5.3	1.9	6.2	3.9	7.6	14.9	6.3	0.1	15.0	8.6	7.1
North-East											
2004	-3.1	0.4	5.6	3.1	5.8	14.8	5.6	-0.7	10.9	9.0	7.1
2005	2.6	19.7	7.5	3.3	7.1	13.7	7.4	3.3	11.3	8.8	9.5
Centre											
2004	-3.3	-2.2	0.7	4.9	7.0	16.7	1.3	-2.3	7.6	1.1	3.5
2005	6.2	15.9	3.1	4.5	6.3	15.4	3.4	2.3	12.6	4.9	7.9
Centre and North											
2004	-2.2	-2.0	4.0	3.8	6.9	15.5	4.3	-1.2	8.3	7.6	5.3
2005	5.6	6.8	5.8	3.8	7.0	14.7	5.9	1.7	13.0	7.7	8.0
South and Islands											
2004	1.9	4.7	7.7	7.7	8.1	16.5	7.8	3.4	10.4	10.2	10.5
2005	13.4	34.6	11.0	7.5	10.8	16.8	11.3	9.5	14.1	12.0	14.1
Italy											
2004	-1.6	-1.8	4.4	4.3	7.2	15.7	4.7	-0.7	8.7	7.9	5.9
2005	6.7	7.5	6.4	4.3	7.9	15.1	6.6	2.5	13.2	8.2	8.8

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.
(1) Lending does not include repos and bad debts. The percentage changes are calculated without taking account of the effects of reclassifications, exchange rate variations and other changes not due to transactions. – (2) Includes non-profit institutions serving households and units n.e.c. – (3) Partnerships and sole proprietorships with up to 5 workers.

In the South and Islands the annual growth in lending to manufacturing industry rose from 3.4 to 9.5 per cent and that in lending to the construction industry from 10.4 to 14.1 per cent. Lending to service businesses expanded by 12 per cent, driven by the increase in credit to the hotel, distributive and transport sectors.

In the Centre and North the pick-up in lending to firms mainly

concerned the construction sector (13 per cent, compared with 8.3 per cent in 2004). Lending to manufacturing firms showed modest growth of 1.7 per cent, after contracting by 1.2 per cent in 2004; the expansion was greater in the North-East and Centre (3.3 and 2.3 per cent respectively). Lending to the service sector grew by 7.7 per cent, about the same as in 2004.

In the northern regions the demand for loans was fueled by extraordinary corporate actions on the part of some large groups (see Note sull'andamento dell'economia della Lombardia nel 2005).

The largest contributions to the growth in lending to manufacturing industry in the Centre and North came from the machinery and electrical supplies, minerals, metal products, rubber and plastic products, and food products sectors (see Note sull'andamento dell'economia del Piemonte, Lombardia e Veneto nel 2005).

Lending to firms expanded in both the medium and long-term and the short-term component. The former registered strong growth in both the Centre and North (10.6 per cent) and the South and Islands (15.3 per cent). The annual rate of growth in short-term loans rose from 4.2 to 5.7 per cent in the South and Islands, turned positive in the North-West and North-East (from -2.6 and -0.2 per cent respectively in 2004 to 0.5 and 4.2 per cent), and remained negative in the Centre (-3.6 per cent, compared with -6.7 per cent in 2004). The growth in demand for short-term financing in the South and Islands was concentrated in bank advances against trade credit receivable, which increased by 16.8 per cent (2.7 per cent in the Centre and North).

Lending to small enterprises (sole proprietorships and partnerships with fewer than 20 workers) accelerated in the South and Islands from annual growth of 8 per cent in 2004 to 9.5 per cent in 2005 and maintained its pace in the Centre and North (5.3 per cent in 2005, 5.2 per cent in 2004). In both parts of the country loans to small enterprises grew less than lending to other firms. The proportion of such loans backed by loan guarantee consortia has risen in recent years.

Loan guarantee consortia intervene in the bank-firm relationship by providing collateral and personal guarantees to their members, collectively negotiating interest rates and other terms and conditions with banks, and selecting and monitoring member firms.

At the end of 2004 the loans backed by loan guarantee consortia amounted to more than €20 billion, about 12 per cent of total bank credit outstanding to small enterprises; more than 60 per cent consisted of medium and long-term exposures. The collateral and personal guarantees provided by the consortia amounted to €7.7 billion, or somewhat over one third of the amount of loans secured.

Econometric analyses indicate that, other conditions being equal, firms backed by the consortia are 1 percentage point less likely than other firms with similar characteristics to have their loans classified as bad debts and also obtain overdraft interest rates that are 0.2 points lower on average than those charged to the other firms. Both of these effects are more pronounced in the South and Islands.

Table F2

LOAN GUARANTEE CONSORTIA BY GEOGRAPHICAL AREA (1)

(end-of-period data; number of consortia, percentage changes and percentage shares)

	1995	2005	% change 1995-2005	% share 1995	% share 2005
North-West	164	184	12.2	20.7	17.6
North-East	171	182	6.4	21.6	17.4
Centre	199	218	9.5	25.1	20.8
South and Islands	259	462	78.4	32.7	44.2
Italy	793	1,046	31.9	100.0	100.0

Source: UIC.

(1) Intermediaries operating in the financial sector pursuant to Articles 106, 113 and 155 of Legislative Decree 385/1993 (the Consolidated Law on Banking): loan guarantee consortia entered in the section referred to in Article 155.4.

Between 1995 and 2005 the number of loan guarantee consortia in Italy rose by 253 to 1,046 (Table F2). The increase was especially sharp in the South and Islands, where the number nearly doubled to make up a little less than half of the national total. However, the data of the main federations of consortia indicate that operations are concentrated in the northern regions, where small and medium-sized enterprises and industrial districts are most widespread. In the South and Islands the consortia are underdeveloped in terms of the total value of the collateral and guarantees provided, number of member firms and, above all, average size. At the end of 2004 guarantee consortia backed 8 per cent of total loans to small enterprises in the South and Islands, compared with 13 per cent in the Centre and North. The lesser importance of the consortia in the South in Islands depends largely on the smaller number of eligible firms, but presumably is also a consequence of the greater opacity of firms and of the fact that the consortia have not been operating as long there as in the rest of Italy.

Leasing credit granted by banks and financial companies gained pace in all the macro-regions except the North-East. The largest increase was in the South and Islands (13.9 per cent, compared with 7.9 per cent in the Centre and North). The growth in the component granted by financial companies, some 80 per cent of the total, rose sharply both in the Centre and in the South and Islands (to 22.6 and 14.9 per cent respectively), turned positive in the North-West (6.2 per cent) and was about the same as in 2004 in the North-East (2.7 per cent; Table F3).

Factoring credit granted by financial companies remained unchanged at national level, diminishing in all the geographical areas

except the Centre, where it surged in connection with the transfer of claims on general government (Table F3).

Table F3

**LENDING BY FINANCIAL COMPANIES
BY GEOGRAPHICAL AREA(1)**
(percentage changes on previous year)

	Total							
			of which:					
			Factoring		Leasing		Consumer credit	
	2004	2005	2004	2005	2004	2005	2004	2005
North-West	-3.9	5.8	-12.6	-4.4	-0.7	6.2	17.9	18.9
North-East	3.4	3.8	0.5	-6.3	2.5	2.7	23.4	22.3
Centre	6.0	18.7	0.4	13.9	3.6	22.6	22.0	20.0
South and Islands	11.2	13.8	3.1	-9.2	6.9	14.9	23.6	26.0
Italy	4.2	9.9	-4.1	0.2	1.8	9.1	21.6	22.1

Source: Supervisory reports of companies entered in the special register referred to in Article 107 of the Consolidated Law on Banking. See the Methodological Notes in the Appendix.

(1) Data classified by customer location. The changes are calculated taking account of the transformation of some financial companies into banks. Consumer credit includes credit cards.

Consumer households. – Lending to consumer households grew nationally by 15.1 per cent (15.7 per cent in 2004). Only the Centre and North recorded a slowdown (from 15.5 to 14.7 per cent).

Despite its vigorous growth in the last few years, at 31 December 2005 the stock of loans outstanding to households in the South and Islands in relation to the population was less than half the figure registered in the rest of Italy; the difference was concentrated in the component consisting of loans for house purchases.

The annual growth in mortgage lending to households eased from 19.3 to 17 per cent. The expansion was slightly greater in the Centre and the South (18.3 and 18.7 per cent respectively). During 2005 new loans for house purchases amounting to some €60 billion were disbursed, of which about 80 per cent in the Centre and North; around 85 per cent of the new loans are at variable rate.

There was further rapid growth in consumer credit granted by banks and financial companies (17.1 and 22.1 per cent respectively). The expansion involved all parts of the country. In the South and Islands lending by both banks and financial companies gained pace, growing by 19.7 and 26 per cent respectively.

In the past few years consumer credit has increased appreciably faster in Italy than in the euro-area on average, but it is still less widespread in Italy. The growth of the domestic market has been accompanied by a shift in composition in favour of credit cards and generic loans with respect to dedicated loans, most of them connected with purchases of durable goods. The role of specialized intermediaries has grown.

The geographical distribution of consumer credit differs from that of overall household debt. The level of consumer credit outstanding per inhabitant is very similar in both parts of the country (€1,274 in the South and Islands, €1,249 in the Centre and North). According to the Bank of Italy's Survey on Household Income and Wealth, in 2004 13 per cent of households had debt in the Centre and North and 11.8 per cent in the South and Islands. Consumer credit was relatively more widespread among middle-income households. At the end of 2005 the ratio to GDP of consumer credit outstanding was higher in the South and Islands (7.8 per cent, compared with 4.4 per cent in the Centre and North).

The diffusion of consumer credit varies greatly at provincial level even within the same geographical area. This heterogeneity is due in part to the differing geographical distribution of large-scale retailing.

Lending conditions. – Credit remained in abundant supply in 2005. At the end of 2005 the interest rates on short-term loans to non-MFIs were lower than a year earlier in all the macro-regions (Table aF6).

Interest rates on short-term loans averaged 7.9 per cent in the South and Islands and 6 per cent in the Centre and North, compared with 8 and 6.1 per cent respectively at the end of 2004. Adjusting for the different geographical composition of customers by sector and size, the gap narrows to 1.5 percentage points, unchanged from a year earlier (see the Methodological Notes in the Appendix). The gap reflects the greater risk of firms based in the South and Islands.

In the last three months of 2005 the annual percentage rate of charge (APRC) on medium and long-term loans of more than €75,000 to households for house purchases averaged 3.8 per cent in the Centre and North and 4 per cent in the South and Islands.

During 2005 the undrawn margin on firms' overdraft facilities increased both in the Centre and North and in the South and Islands: the ratio of credit drawn to credit granted was respectively 40.5 and 51.9 per cent.

Credit risk. – The ratio of adjusted new bad debts to total loans outstanding at the end of the previous year remained unchanged at

national level at 0.9 per cent in 2005 (Table aF3). It fell from 1.4 to 1.3 per cent in the South and Islands and was stable at 0.8 per cent in the Centre and North. In the South and Islands the incidence of new bad debts declined in lending to both firms and consumer households.

The ratio of the stock of bad debts to total loans decreased by 1 percentage point to 3.7 per cent, thanks mainly to several large-scale securitization transactions. The decrease was greater in the South and Islands, where the ratio fell from 11.2 to 7.8 per cent.

Banks' exposure to borrowers in temporary difficulty (substandard loans) diminished in the North-West by 5.7 per cent and in the Centre by 6.9 per cent, but turned upwards in the South and Islands by 2.3 per cent and in the North-East by 0.2 per cent (Table aF3). The ratio of substandard loans to total loans was 1.1 percentage point higher in the South and Islands than in the Centre and North at the end of the year.

The transition of firms from a situation of regular operations to a declared crisis (start of bankruptcy procedure or court-ordered liquidation) or voluntary liquidation shows that a significant number of firms exit the market before their crisis degenerates into insolvency (see Note sull'andamento dell'economia della Lombardia nel 2005). According to Cerved data, the frequency of voluntary liquidation has increased in recent years while the number of bankruptcies has remained broadly stable. Since the second half of the 1990s the number of liquidations in proportion to the number of active firms at the end of the previous year has risen slowly in all the macro-regions. Since 2003, in particular, the data show an acceleration in liquidation procedures, which is consistent with the picture of widespread difficulty among firms. An examination of the data on firms belonging to the industrial sector confirms the trend for the economy as a whole, with a sharper increase recorded in the South and Islands.

An incentive to seek compositions with creditors derives from the scant efficiency of the civil justice system, which leads to high costs in terms of time and money for the recovery of claims when the debtor is insolvent. According to civil court statistics, in 2004, the latest year for which data are available, the closing of a bankruptcy procedure took an average of 7 years and 11 months, 15 months more than in 2000. The data show considerable geographical variability: in 2004 the average duration of a bankruptcy procedure ranged from under 6 years in Trentino-Alto Adige to at least 10 years in Calabria, Marche and Puglia. The recent reform of bankruptcy law, introduced with Legislative Decree 5/2006, has streamlined and modernized liquidation procedures so as to reduce the time and monetary costs of claims recovery; however, only about half of Italy's firms fall within the scope of the reform.

Deposits and borrowed funds

Bank's domestic fund-raising grew by 4.7 per cent, about the same as in 2004. While the rate of growth in deposits rose to 6.9 per cent, bond funding declined slightly.

Despite the decrease in bond funding from customers, the total stock of bonds issued by Italian banks rose by more than 10 per cent. A substantial share of new issues in 2005 was placed on the Euromarket (see Note sull'andamento dell'economia della Lombardia nel 2005).

Table F4

BANK FUND-RAISING (1)
(percentage changes on previous years)

	Total fund-raising						
	Deposits						Bonds (3)
	of which (2):						
Current accounts	Certificates of deposit	Repos	Savings deposits				
North-West							
2004	4.0	2.1	5.5	-18.3	-16.7	10.4	7.9
2005	3.3	4.9	6.2	-15.0	-6.4	16.8	-0.1
North-East							
2004	3.4	6.1	6.8	-12.5	11.2	4.2	-1.4
2005	5.3	8.5	10.5	-10.4	10.4	2.1	-0.8
Centre							
2004	9.3	9.5	7.5	-4.3	29.4	4.5	8.8
2005	7.4	8.9	8.5	-7.7	12.4	8.1	2.8
South and Islands							
2004	3.1	4.2	6.7	-13.0	10.6	1.9	-0.8
2005	3.7	6.3	9.4	-9.8	7.2	1.0	-5.9
Italy							
2004	4.8	5.1	6.5	-12.5	0.4	4.6	4.2
2005	4.7	6.9	8.2	-10.7	3.3	6.3	-0.5

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.
(1) Net of funds raised from monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments. – (3) Data at face value derived from information on third parties' securities held for custody by banks.

As in 2004, the rate of growth in funding was especially high in the Centre (7.4 percent). In the other macro-regions the fall in bonds partly offset an increase in the more liquid forms of funding (Table F4).

Current accounts continued to grow rapidly in every macro-region, with a boost from the narrow yield spread vis-à-vis money-market instruments.

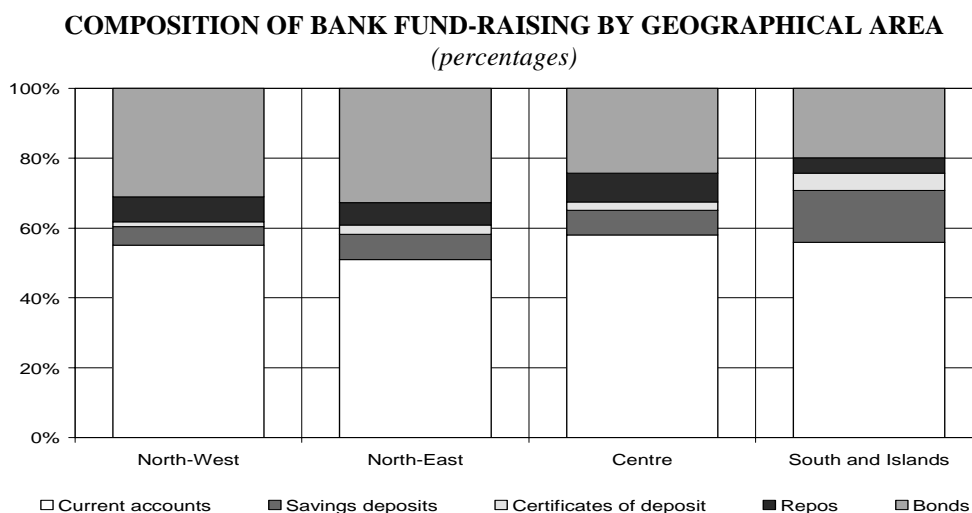
In 2005 the average deposit rate on consumer households' current accounts was 0.6 per cent nationally. The differences between macro-regions were limited.

As in 2004, repos grew in all the macro-regions except the North-West, where short-term time deposits held by firms and financial companies expanded.

Deposits redeemable at notice or with agreed maturity make up 8 per cent of total domestic funding in Italy. This is not as high as the proportion in the euro area, owing in part to the tax rules in Italy that penalize time deposits compared with bonds of similar maturity.

Bond funding from non-MFIs diminished by 0.5 per cent. There was a significant decrease in the South and Islands and a smaller one in the North, in contrast with a limited increase in the Centre (Table F4).

Figure F1



Source: Based on supervisory reports. See the Methodological Notes in the Appendix.

Bonds account for almost a third of bank fund-raising in the North, but less than a quarter in the Centre and less than a fifth in the South and Islands. The share of current accounts and that of savings deposits are higher in both the Centre and the South and Islands; in the latter their combined share exceeds 70 per cent (Figure F1).

Asset management

Securities held for custody by the banking system grew by 1.1 per cent (Table F5). Government securities decreased, offsetting some of the

previous year's gain. Purchases of bonds issued by non-bank private-sector resumed growing, as did those of shares, albeit to a lesser extent. Units of collective investment undertakings (CIUs), measured at face value, diminished; as in 2004, the decline was concentrated in Italian investment funds, money-market funds especially.

Table F5

**SECURITIES HELD FOR CUSTODY BY BANKS
AND INDIVIDUALLY MANAGED PORTFOLIOS AT BANKS (1) (2)**
(millions of euros and percentage changes on previous year)

	North-West	North-East	Centre	South and Islands	Italy
Year-end stocks					
Securities held for custody	462,130	210,895	180,302	59,287	912,615
<i>of which:</i>					
<i>Italian govt securities</i>	160,636	70,560	68,286	26,193	325,675
<i>bonds</i>	116,780	57,270	41,415	7,507	222,971
<i>shares</i>	48,380	27,922	27,602	4,909	108,813
<i>Units of CIUs</i>	89,048	35,652	23,466	17,837	166,003
Individually managed portfolios	50,013	21,093	17,814	5,349	94,270
Total	512,143	231,988	198,116	64,636	1,006,885
Percentage changes					
Securities held for custody	-0.9	4.4	3.3	-2.0	1.1
<i>of which:</i>					
<i>Italian govt securities</i>	-8.4	-12.2	5.3	-1.4	-6.2
<i>bonds</i>	10.6	21.6	12.1	-12.0	12.5
<i>shares</i>	4.1	18.6	-4.3	-1.9	4.8
<i>Units of CIUs</i>	-8.9	-3.2	-16.3	-2.4	-8.2
Individually managed portfolios	10.4	-7.9	7.5	7.4	5.1
Total	0.1	3.2	3.7	-1.3	1.4

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes in the Appendix.

(1) At face value. – (2) Excludes debt securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries), and securities deposited by collective investment undertakings and by foreign supplementary pension funds in connection with the performance of the depositary bank function.

Nationally, 44.8 per cent of the securities held for custody by the banking system belong to consumer households; the remainder belong to financial and insurance companies (31 per cent), trust and financial intermediation companies (13.3 per cent), non-financial enterprises (9.1 per cent) and general government (1.8 per cent). The share belonging to financial and insurance companies is especially high with regard to non-bank bonds, while for units of CIUs it is households that hold the largest portion. About a third of the shares held for custody by banks belong to non-enterprises.

As regards consumer households alone, the face value of securities held for custody fell by 2.7 per cent at national level, declining in all parts of the country. In the North the contraction was due exclusively to government securities and investment fund units, while in the Centre and South non-bank bonds diminished as well. Households' investment in shares grew everywhere, most markedly in the Centre.

According to the Bank of Italy's Survey on Household Income and Wealth, in 2004 there were appreciable geographical differences in households' allocation of financial wealth. In the Centre and North the more traditional forms of investment (deposits and government securities) made up more than 60 per cent of households' portfolios, while relatively substantial portions of savings were held in investment funds and shares (12.2 and 10.2 per cent respectively). By contrast, in the South and Centre deposits and government securities still absorbed more than 80 per cent of households' financial investment.

In the South and Islands post-office savings accounted for 34.2 per cent of overall bank and post-office fund-raising, compared with 11.6 per cent in the Centre and North. Nevertheless, the growth in post-office savings (savings certificates and deposit books) was lower in the South and Islands than in the Centre and North (7.8 as against 10.4 per cent).

Net fund-raising by Italian investment funds and SICAVs was negative in all the geographical areas. Foreign investment funds' further growth was encouraged by Italian intermediaries themselves for tax reasons.

Total assets under management by banks, investment firms and asset management companies grew by 16 per cent at market value. As in the past, the increase was higher than average for asset management companies, to which banking groups have assigned a growing share of management services.

At national level asset management companies' share of assets under management exceeds 64 per cent, while that of the banks is equal to 31 per cent. In the South and Islands their respective shares are similar (49 per cent).

The securities in customers' individually managed portfolios at banks grew by 5.1 per cent at face value, increasing in all the macro-regions except the North-East (Table F5). The portion of individually managed portfolios invested in government securities declined to the benefit of all the other components.

The technical reserves for insurance products of the life sector distributed by bank branches rose by 13.9 per cent at national level. The growth was higher in the Centre and North (14.7 per cent), lower in the South and Centre (10.2 per cent).

At the end of 2005 newly instituted open and occupational pension funds counted almost 1.6 million members, or 7 per cent of the employed population, and managed resources amounting to more than €11 billion. A higher proportion of the employed subscribed to supplementary pension plans in the Centre and North (over 8 per cent) than in the South and Islands (4 per cent).

The structure of the financial system and distribution networks

The consolidation of the Italian banking system continued in 2005, which saw 11 mergers and takeovers that involved banks with 2.4 per cent of total system assets. Major control-transfer transactions, some of them concluded in the early months of 2006, accelerated the Italian banking system's integration with the European system.

The total number of banks rose for the first time since the 1980s. The increase of 5 (Table aF1) reflected the growth in the number of branches of foreign banks. The number of banking groups rose from 83 to 85, of which more than 90 per cent are based in the Centre and North.

In the period 1993-2005 a total of 198 banks were formed in Italy. There was significant entry by branches of foreign banks, most of them established in Milan. Excluding this component, the bulk of the newly created banks were formed as companies limited by shares or cooperative banks in the North and as mutual banks in the Centre and South and Islands (Table F6).

Table F6

NEWLY ESTABLISHED BANKS IN THE PERIOD 1993-2005 BY GEOGRAPHICAL AREA AND LEGAL FORM (1) (numbers of banks)

Legal form	North-West	North-East	Centre	South	Islands	Italy
Mutual bank	8	2	16	31	5	62
Cooperative bank	6	5	2	8	1	22
Limited company bank, independent	9	9	1	0	0	19
Limited company bank, member of group	12	2	11	2	1	28
Branch of foreign bank	52	8	7	0	0	67
Total	87	26	37	41	7	198

Source: Registry archives of intermediaries.

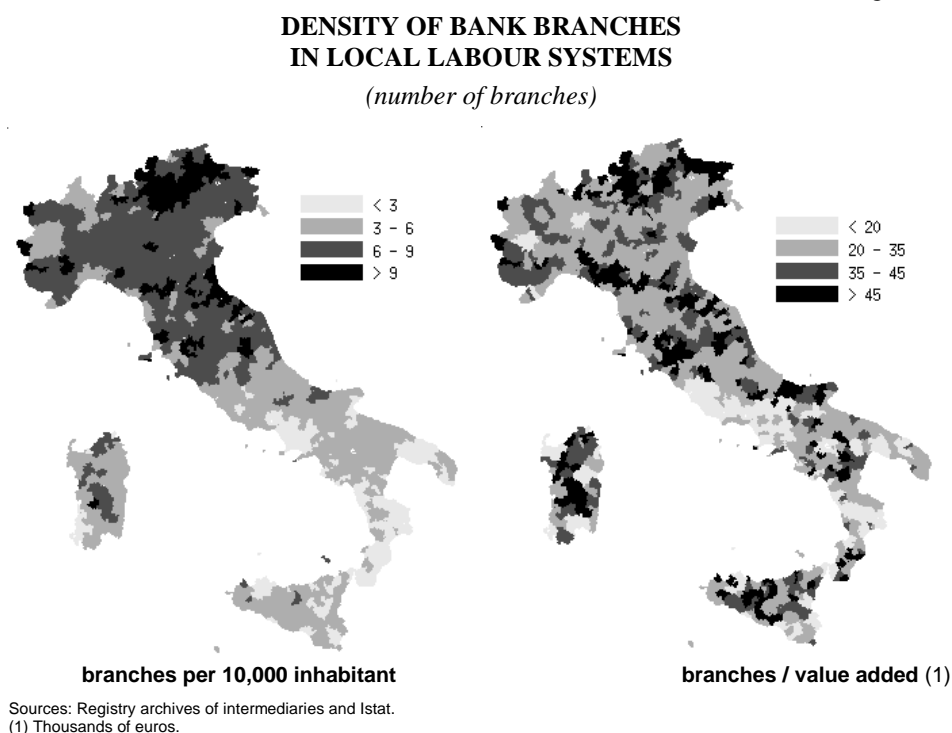
(1) Newly established banks that began operating between 1993 and 2005.

The South and Islands accounted for around 25 per cent of the total number of newly established banks, similar to their share of GDP. In the same period, not counting branches of foreign banks and limited company banks belonging to groups, 64 per cent of the newly created banks based in the South and Islands left the market, mainly as a consequence of mergers. The new banks were targets in these transactions, ordinarily showing indicators of profitability lower than the average of banks of the same category based in the same geographical area. The percentage of newly formed banks that exited the market was much lower in the Centre and North.

The number of bank branches in operation rose by 1.8 per cent in 2005; the growth was largest in the Centre (2.3 per cent). Contrasting

with the increase in branches was the rationalization of the networks for door-to-door selling: the number of financial shops fell by 11 per cent to 1,972 (556 in the North-West, 439 in the North-East, 451 in the Centre and 526 in the South and Islands); that of financial salesmen contracted by more than 5 per cent.

Figure F2



The expansion of the territorial network in the period 1996 to 2005 increased the average number of branches for every 10,000 inhabitants from 4 to 5 and the number of municipalities served by banks from 5,700 to 5,900. Branch density is greatest in the North-East, where there are 8 bank branches per 10,000 inhabitants, followed by the North-West and the Centre with 6, and the South and Islands with 3 (Figure F2). Setting the number of branches in relation to value added, the gap between the South and Islands and the Centre and North-West diminishes, while that vis-à-vis the North-East and the other geographical areas remains considerable.

Points of access to remote services had expanded vigorously until 2002, in part under the impetus of the growth of large-scale retailing. In the most recent years the rate of growth has declined, remaining higher in the South and Islands, where in 2005 the number of POS terminals rose by 7.8 per cent and that of ATMs by 2.5 per cent (compared with a national average of 3.6 and 0.9 per cent respectively).

The number of users of banking services via the telephone, the

Internet and direct electronic access continued to grow rapidly. The overall increase, exceeding 20 per cent, involved all the macro-regions and both services with information functions only and those with both information and transaction functions.

According to the Bank's Survey on Household Income and Wealth, 72 per cent of households in the North have a payment card (debit or credit); the proportion falls to 62 per cent in the Centre and 38 per cent in the South and Islands. Similarly, use of remote banking services is more widespread among households in the North and Centre (7.8 and 6.4 per cent respectively) than in the South and Islands (1.4 per cent).

Empirical analyses show that Internet banking is complementary to the supply of banking services through the branch network. There is no evidence that e-banking is used more heavily in suburban and rural areas, where there are fewer bank branches, than in cities.

Table F7

USE OF NON-CASH PAYMENT INSTRUMENTS

(percentage changes and percentages shares)

	Bank cheques and banker's drafts	Credit transfers		Collection orders (1)	Debit card payments at POS terminals	Total
			of which: automated			
<i>Average annual percentage changes, 1999 H1 – 2005 H1; number</i>						
North-West	-5.6	4.7	9.7	8.2	17.5	5.9
North-East	-6.0	5.7	10.4	4.4	13.5	4.6
Centre	-6.3	1.7	2.0	6.0	17.6	3.2
South and Islands	-3.4	4.9	16.1	12.3	26.9	6.2
Italy	-5.3	4.2	8.2	7.2	17.5	5.1
<i>Percentage shares 2005; amount</i>						
North-West	8.7	79.0	17.5	11.9	0.5	100.0
North-East	13.1	69.5	19.6	16.6	0.7	100.0
Centre	16.2	74.1	13.6	9.1	0.6	100.0
South and Islands	41.9	44.7	10.6	12.4	1.0	100.0
Italy	14.1	73.1	16.4	12.2	0.6	100.0

Source: Sample survey on the payment system. See Banca d'Italia, *Supplement to the Statistical Bulletin – Payment System*.
(1) Direct debits, automated bank receipts (RIBA) and notified payments-(MAV), and bills of exchange.

The spread of new channel of access to banking services has fostered the development of non-cheque, non-cash payment instruments in all parts of Italy. Although the growth of these has been fastest in the South and Islands, use of traditional payment instruments continues to be significantly higher in those areas than in the Centre and North.

Between 1999 and 2005 the number of credit transfers, collection orders and payments made at POS terminals increased rapidly everywhere while the circulation of cheques diminished (Table F7). The value of cheques negotiated in the first half of 2005 accounted for 14.1 per cent of the total amount of payments made with non-cash instruments (18 per cent in the first half of 1999). In the South and Islands the percentage was triple the national average.

Table F8

**INCOME RECEIVED BY HOUSEHOLDS
BY TYPE OF PAYMENT INSTRUMENT**

(percentage shares)

	North		Centre		South and Islands		Italy	
	1995	2004	1995	2004	1995	2004	1995	2004
Cash	24.1	14.6	34.0	23.3	54.0	35.5	33.7	20.7
Cheque, money order	18.2	7.7	20.9	9.4	12.2	6.7	17.3	7.9
Direct credit to current account	57.6	77.6	44.9	67.3	33.1	57.8	48.9	71.4
Other	0.0	0.1	0.2	0.1	0.3	0.0	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Banca d'Italia, *Survey on Household Income and Wealth*. See the Methodological Notes in the Appendix.

According to the Bank's Survey on Household Income and Wealth, between 1995 and 2004 the share of income received by households in the form of cash and cheques fell from 51 to 29 per cent of the total, while that directly credited to current accounts rose. Although it declined significantly, in the South and Islands the share of income received in cash remained high (Table F8).

A variety of factors affect transaction completion time and the terms and conditions applied to customers in the South and Islands. These include the high proportion of unsettled bank receipts and of cheques issued without funds or authorization, the tendency of banks to defer debiting their own customers' accounts for uncovered instruments, and the widespread use of correspondent current accounts in foreign credit transfers. According to the survey on the quality of payment services that the Bank of Italy carried out in 2002-03, the average collection time for a cheque was 8 working days in the South and Islands, compared with 7.4 in the Centre and North; the average fees charged on domestic and foreign credit transfers were €3.30 and €19.50 respectively in the South and Islands, compared with €2.10 and €16.50 in the Centre and North.

APPENDIX

STATISTICAL TABLES

B – ECONOMIC ACTIVITY

Table	aB1	Sectoral composition of value added in 2004
”	aB2	Composition of manufacturing value added in 2003
”	aB3	Composition of service value added in 2003
”	aB4	Investment, turnover and employment in firms with 20 or more workers
”	aB5	Structure of large-scale distribution in 2005
”	aB6	Value of sales in retail trade

C – GROWTH AND THE STRUCTURE OF PRODUCTION

Table	aC1	GDP growth
”	aC2	GDP per capita growth
”	aC3	Labour productivity by sector and geographical area
”	aC4	Value added in manufacturing in 2000-03

D – FOREIGN TRADE

Table	aD1	Exports (FOB) by region in 2005
”	aD2	Indices of export specialization by region and sector in 2005
”	aD3	Main “export poles” in the South and Islands

E – LABOUR MARKET AND REGIONAL POLICIES

Table	aE1	Employment and the labour force in 2005
”	aE2	Total employment: 1993-2005
”	aE3	Main labour market indicators
”	aE4	Employment by geographical area and type of work contract

F – BANKING

Table	aF1	Number of banks and bank branches by region
”	aF2	Bank lending by sector in 2005
”	aF3	Bad debts and substandard loans by region
”	aF4	Bank deposits by region
”	aF5	Securities held for custody individually managed portfolios by region
”	aF6	Short-term bank lending and deposit rates

SYMBOLS AND CONVENTIONS

The following symbols are used in the tables in the text and the Appendix:

- the phenomenon in question does not occur;
- the phenomenon in question occurs but its value is not known;
- .. the value is known but is nil or less than half the final digit shown;
- :: the data are not statistically significant.

SECTORAL COMPOSITION OF VALUE ADDED IN 2004 (1)
(percentage shares and amounts in millions of euros at 1995 prices)

	Agriculture, forestry & fishing	Industry excluding construction	Construction	Wholesale & retail trade, hotels, transport & communication	Financial intermediation; real-estate & business services	Other services	Total	Weight by region (2)
Piedmont	2.3	27.0	5.4	25.3	24.9	15.1	100.0	8.4
Valle d'Aosta	1.6	14.7	5.0	28.6	22.3	27.9	100.0	0.3
Lombardy	1.8	31.4	4.4	23.1	26.5	12.8	100.0	20.5
Liguria	2.2	14.4	4.8	31.6	27.2	19.8	100.0	3.0
North-West	2.0	28.5	4.7	24.5	26.1	14.2	100.0	32.1
Trentino-Alto Adige	3.5	16.0	11.6	29.3	20.0	19.6	100.0	2.2
Veneto	3.3	28.3	6.0	25.9	22.7	13.8	100.0	9.1
Friuli-Venezia Giulia	2.5	21.9	5.6	26.2	25.7	18.0	100.0	2.4
Emilia-Romagna	3.9	27.0	6.0	25.2	23.0	14.9	100.0	8.7
North-East	3.5	25.9	6.5	26.0	22.9	15.3	100.0	22.3
Tuscany	2.1	23.8	4.7	27.1	23.9	18.4	100.0	6.7
Umbria	3.9	22.1	5.6	26.3	21.8	20.2	100.0	1.4
Marche	2.9	26.9	5.6	23.9	22.3	18.3	100.0	2.6
Lazio	1.5	14.4	3.6	27.3	28.5	24.7	100.0	10.6
Centre	2.0	19.4	4.3	26.7	25.9	21.6	100.0	21.3
Abruzzo	4.1	24.1	5.1	24.6	21.3	20.8	100.0	1.8
Molise	4.7	17.4	5.7	20.6	25.7	26.0	100.0	0.4
Campania	3.3	15.4	5.5	25.1	25.5	25.2	100.0	6.5
Puglia	6.2	15.6	5.7	23.7	25.9	22.8	100.0	4.5
Basilicata	6.4	20.2	6.4	19.2	21.5	26.3	100.0	0.7
Calabria	7.9	9.9	5.9	25.6	24.4	26.4	100.0	2.3
Sicily	4.9	10.8	6.1	24.1	26.4	27.7	100.0	5.8
Sardinia	4.4	14.7	6.8	26.6	23.5	24.1	100.0	2.1
South and Islands	4.9	14.6	5.8	24.5	25.1	25.1	100.0	24.3
Italy	3.0	22.7	5.3	25.3	25.1	18.7	100.0	100.0

Source: Based on Istat data. Conti economici regionali. See the Methodological Notes.

(1) Value added at base prices, gross of imputed financial intermediation services. - (2) The total for Italy does not correspond to the sum of the individual regions or areas owing to geographically unattributed value added.

COMPOSITION OF MANUFACTURING VALUE ADDED IN 2003 (1)

(percentage shares)

	Food products, beverages & tobacco products	Textiles & clothing	Leather & leather products	Paper, paper products, printing & publishing	Coke, refined petroleum products, chemicals & pharmaceuticals	Non-metallic mineral products	Basic metals & fabricated metal products	Machinery, equipment, electrical apparatus, precision instruments & transport equipment	Wood, rubber & other products of industry	Total manufacturing industry
Piedmont	11.1	9.7	0.2	7.6	5.6	4.1	17.2	32.2	12.2	100.0
Valle d'Aosta	23.3	1.6	0.2	5.4	2.6	3.9	31.0	14.2	17.8	100.0
Lombardy	7.0	10.9	0.7	7.7	14.2	4.0	18.7	25.0	11.8	100.0
Liguria	14.4	2.2	0.1	6.5	5.6	6.5	20.1	36.4	8.1	100.0
North-West	8.4	10.2	0.6	7.6	11.6	4.1	18.4	27.4	11.7	100.0
Trentino-Alto Adige	11.8	3.9	0.4	11.5	4.5	7.4	15.6	22.7	22.3	100.0
Veneto	7.2	11.8	4.7	6.4	6.7	7.6	15.0	24.5	16.0	100.0
Friuli-Venezia Giulia	7.6	4.5	0.5	6.9	4.0	7.9	17.8	24.2	26.5	100.0
Emilia-Romagna	12.8	8.1	0.9	5.6	4.6	12.7	14.9	31.0	9.4	100.0
North-East	9.8	9.1	2.5	6.4	5.4	9.7	15.3	27.1	14.6	100.0
Tuscany	6.9	19.6	8.7	7.7	7.0	7.3	9.2	20.5	13.2	100.0
Umbria	14.3	12.6	0.4	6.9	8.3	12.1	18.2	15.4	11.8	100.0
Marche	8.8	7.8	13.4	5.6	6.2	3.6	12.2	22.7	19.6	100.0
Lazio	10.2	4.2	0.1	12.8	24.2	7.4	6.5	25.6	8.9	100.0
Centre	8.9	11.9	6.1	8.9	12.5	7.1	9.6	22.1	12.9	100.0
Abruzzo	11.7	10.4	1.4	6.9	8.7	12.4	12.2	26.5	9.9	100.0
Molise	26.3	11.1	0.1	2.9	11.0	8.8	8.4	21.7	9.9	100.0
Campania	18.5	7.3	3.5	6.2	6.5	5.5	11.0	32.0	9.5	100.0
Puglia	17.4	12.1	2.9	4.9	6.6	8.0	17.0	18.0	13.1	100.0
Basilicata	13.9	3.9	0.2	2.4	5.2	7.1	7.9	43.3	16.1	100.0
Calabria	27.1	5.5	0.3	4.7	7.5	13.9	9.5	17.9	13.6	100.0
Sicily	18.2	2.9	0.2	4.4	25.9	10.3	10.5	15.5	12.1	100.0
Sardinia	19.4	4.5	0.2	3.8	23.3	11.3	9.1	14.9	13.6	100.0
South and Islands	17.8	7.6	1.9	5.2	11.4	8.8	11.9	23.8	11.5	100.0
Italy	10.3	9.8	2.3	7.1	10.0	6.9	15.0	25.8	12.7	100.0

Source: Based on Istat data. Conti economici regionali. See the Methodological Notes.

(1) Value added at base prices, gross of imputed financial intermediation services.

COMPOSITION OF SERVICE VALUE ADDED IN 2003 (1)

(percentage shares)

	Retail & wholesale trade & repair services	Hotels & restaurants	Transport, storage & communication	Financial intermediation	Services to households & business (2)	Public administration (3)	Education	Health & social work	Other community, social & personal services; domestic services	Total services
Piedmont	21.6	3.5	13.4	8.7	30.1	4.9	5.1	6.9	5.9	100.0
Valle d'Aosta	11.0	11.1	13.9	5.2	23.9	16.9	4.9	6.3	6.9	100.0
Lombardy	22.0	4.4	10.7	13.0	29.9	3.8	4.2	5.6	6.4	100.0
Liguria	18.1	7.7	13.8	7.4	28.4	7.1	4.8	7.8	4.9	100.0
North-West	21.3	4.6	11.8	11.2	29.7	4.6	4.5	6.2	6.1	100.0
Trentino-Alto Adige	17.1	13.7	11.6	8.1	21.3	11.2	4.8	6.2	6.0	100.0
Veneto	23.4	6.4	11.2	8.6	28.3	4.9	5.3	6.3	5.5	100.0
Friuli-Venezia Giulia	18.2	6.0	13.0	8.8	28.6	8.8	5.5	6.0	5.0	100.0
Emilia-Romagna	21.1	6.6	12.1	9.6	27.6	5.4	5.0	6.4	6.2	100.0
North-East	21.3	7.2	11.8	8.9	27.3	6.2	5.2	6.3	5.8	100.0
Tuscany	21.8	5.9	10.9	9.3	26.2	6.3	5.7	6.9	6.9	100.0
Umbria	20.4	5.4	11.6	7.6	25.2	8.4	7.4	8.0	6.0	100.0
Marche	20.1	6.7	10.6	8.7	26.4	6.9	6.9	7.6	6.2	100.0
Lazio	15.2	3.4	15.2	9.9	25.6	10.5	5.5	6.1	8.7	100.0
Centre	18.0	4.6	13.2	9.5	25.8	8.7	5.8	6.6	7.8	100.0
Abruzzo	19.6	5.4	12.1	7.3	25.4	8.9	7.7	8.4	5.1	100.0
Molise	15.2	3.7	9.4	7.2	28.4	11.7	9.0	9.4	6.0	100.0
Campania	17.3	3.9	12.1	5.7	28.1	9.0	10.0	8.5	5.4	100.0
Puglia	20.1	3.7	9.3	6.8	29.1	8.1	9.2	8.1	5.7	100.0
Basilicata	17.1	3.7	8.0	6.9	26.3	12.5	11.3	9.0	5.2	100.0
Calabria	18.3	4.2	11.3	5.6	26.2	10.2	10.6	8.6	5.0	100.0
Sicily	16.3	3.6	10.7	5.8	28.8	11.4	9.2	8.9	5.2	100.0
Sardinia	19.4	5.2	10.5	5.8	26.2	11.0	8.8	8.2	4.9	100.0
South and Islands	18.0	4.0	10.9	6.1	27.9	9.9	9.5	8.5	5.3	100.0
Italy	19.7	5.0	11.9	9.0	27.9	7.3	6.3	6.9	6.2	100.0

Source: Based on Istat data. Conti economici regionali. See the Methodological Notes.

(1) Value added at base prices, gross of imputed financial intermediation services. - (2) Includes real-estate, renting and business services. - (3) Includes defence and compulsory social security.

**INVESTMENT, TURNOVER AND EMPLOYMENT
IN FIRMS WITH 20 OR MORE WORKERS**

(percentage changes on previous year at constant prices)

	Location of registered office				Actual location (2)			
	Industry excluding construction		Non-financial private services		Industry excluding construction		Non-financial private services	
	2004	2005	2004	2005	2004	2005	2004	2005
North-West								
Investment (5)	-3.1	-4.3	-8.2	3.1	-6.1	-7.9	-6.5	5.4
Sales	1.2	-0.2	3.3	2.3	...	...	...	...
Employment	-2.0	-1.3	1.4	1.0	-2.1	-1.1	2.0	1.5
North-East								
Investment (5)	1.5	-3.3	-2.4	-0.6	0.3	-4.3	-4.0	-3.0
Sales	1.7	1.2	2.1	0.5	...	...	...	...
Employment	-0.9	-0.8	2.1	1.5	-1.0	-0.8	0.9	1.1
Centre								
Investment (5)	-5.0	-5.2	-1.5	4.0	-2.5	-1.2	-5.3	6.4
Sales	5.4	-1.4	2.4	1.4	...	...	...	...
Employment	-1.5	-0.3	1.2	-0.4	-0.9	-1.1	1.5	-0.4
South and Islands								
Investment (5)	-2.3	-4.9	0.0	-0.8	0.7	-0.6	-2.0	6.3
Sales	-0.1	0.8	5.9	1.8	...	...	...	...
Employment	-0.3	-0.5	3.5	1.0	-1.1	-0.5	3.2	0.4
Italy								
Investment (5)	-2.4	-4.3	-4.8	2.2	-2.4	-4.3	-4.8	2.2
Sales	2.1	-0.1	3.0	1.5	4.0	-0.1	3.0	1.5
Employment	-1.4	-0.9	1.8	0.8	-1.4	-0.9	1.8	0.8

Source: Banca d'Italia. *Indagine sulle imprese industriali e dei servizi*. See the Methodological Notes.

(1) The deflator of investment was calculated as the average of the price changes reported by sample firms. – (2) Investment and employment are classified by geographical area according to actual location; the breakdown of sales by geographical area is estimated on the basis of employment. – (3) "Winsorized" robust averages obtained by reducing the outliers of the distribution of annual changes in investment on the basis of the 5th and 95th percentiles. The method was applied taking account of the proportions polled in each stratum of the sample ("Winsorized Type II estimator").

STRUCTURE OF LARGE-SCALE DISTRIBUTION BY REGION IN 2005*(number and square metres)*

	Shopping centres			Hypermarkets (1)			Department stores (2)			Supermarkets(3)		
	No.	Surface per 1000 inhabs (4)	Workforce	No.	Surface per 1000 inhabs	Workforce	No.	Surface per 1000 inhabs	Workforce	No.	Surface per 1000 inhabs	Workforce
Piedmont	71	199	13.777	54	64	8.909	49	24	1.365	633	124	11.045
Valle d'Aosta	-	-	-	2	121	485	4	35	79	12	83	285
Lombardy	140	223	38.008	112	76	20.747	139	34	4.573	1.300	135	31.157
Liguria	14	113	3.291	5	19	1.308	35	41	774	176	82	4.425
North-West	225	203	55.076	173	67	31.449	227	32	6.791	2.121	126	46.912
Trentino Alto Adige	19	143	1.893	7	22	539	33	35	445	247	194	3.938
Veneto	76	199	14.461	48	57	6.728	71	38	2.302	967	186	15.455
Friuli Venezia Giulia	13	225	3.783	14	54	1.508	22	49	834	269	190	4.396
Emilia Romagna	93	233	18.119	33	49	7.591	53	33	1.853	653	128	14.860
North-East	201	210	38.256	102	50	16.366	179	37	5.434	2.136	165	38.649
Tuscany	57	155	10.872	28	45	5.128	107	43	1.979	449	114	12.457
Umbria	31	295	3.203	5	32	748	35	60	576	181	181	3.056
Marche	31	251	6.542	21	70	2.614	48	40	619	285	141	3.813
Lazio	30	80	8.023	21	22	3.911	168	46	3.596	606	97	12.840
Centre	149	143	28.640	75	36	12.401	358	45	6.770	1.521	114	32.166
Abruzzo	29	250	4.811	11	57	2.208	25	33	446	239	146	3.046
Molise	8	272	1.294	2	30	270	12	29	93	55	129	634
Campania	16	32	4.010	12	12	1.723	60	13	937	440	53	5.141
Puglia	20	111	6.947	15	30	3.468	47	12	580	396	66	3.990
Basilicata	-	-	-	2	17	366	4	9	52	54	59	570
Calabria	5	29	1.055	7	17	528	64	36	883	202	84	2.361
Sicily	10	27	2.505	10	10	1.741	122	28	1.733	519	83	7.139
Sardinia	16	150	4.614	8	27	1.690	28	28	585	138	68	2.377
South and Islands	104	72	25.236	67	20	11.994	362	21	5.309	2.043	74	25.258
Italy	679	146	147.208	417	41	72.210	1.126	32	24.304	7.821	113	142.985

Source: Ministry of Productive Activities. Data on 1 January 2005.

(1) Retail stores with selling space over 2500 sq. m. divided into sections (food and non-food) each of which has the characteristics of a supermarket and a department store – (2) Retail stores not selling food with selling space over 400 sq. m. and at least five separate departments, each selling products from different goods categories and mostly for mass consumption. – (3) Retail stores selling food, mainly self-service with payment at a cash desk near the exit, with selling space over 400 sq. m. and a large assortment of widely consumed goods, mostly pre-packaged, as well as some non-food products for daily household use – (4) Space owned or rented by retailers for the sale of goods or provision of services.

Table aB6

VALUE OF RETAIL SALES
(percentage changes at current prices)

	2002	2003	2004	2005
Piedmont	7.4	1.5	-0.2	0.6
Valle d'Aosta	1.7	0.4	-0.4	0.4
Lombardy	-0.6	2.4	0.2	1.0
Liguria	4.8	1.8	-0.3	0.5
North-West	2.2	2.1	0.0	0.9
Trentino Alto Adige	1.9	2.0	-0.5	0.5
Veneto	3.8	1.9	-0.7	0.3
Friuli Venezia Giulia	2.1	1.6	-0.9	0.0
Emilia Romagna	-0.7	1.6	-0.9	0.1
North-East	1.7	1.8	-0.8	0.2
Tuscany	-1.4	-0.7	-1.0	-0.1
Umbria	-0.6	2.3	0.4	1.4
Marche	2.6	1.0	-0.1	0.8
Lazio	5.0	2.9	0.7	1.7
Centre	2.2	1.5	0.0	1.0
Abruzzo	0.8	2.6	-0.7	0.8
Molise	-5.9	1.6	-1.2	0.2
Campania	-3.9	2.2	-0.9	0.4
Puglia	6.5	1.9	-1.0	0.3
Basilicata	0.9	1.2	-1.5	-0.1
Calabria	-1.2	1.7	-1.1	0.1
Sicily	4.3	0.4	-1.7	-0.5
Sardinia	4.3	1.8	-1.1	0.3
South and Island	1.5	1.6	-1.2	0.1
Italy	1.9	1.7	-0.5	0.5

Source: Ministry of Productive Activities.

GDP GROWTH*(time averages and percentage changes on previous year; constant prices)*

	1983-91	1992-93	1994-95	1996-2000	2001	2002	2003	2004	2005 (1)
Piedmont	2.2	-0.6	3.4	1.5	0.8	-0.5	-0.5	1.1	...
Valle d'Aosta	2.2	-0.2	0.2	0.5	3.6	-0.7	1.5	-1.9	...
Lombardy	3.2	-0.9	3.3	1.6	1.9	0.2	-0.6	1.1	...
Liguria	1.7	-2.3	1.6	1.9	2.9	-1.0	1.2	-0.6	...
North-West	2.8	-0.9	3.1	1.6	1.7	-0.1	-0.4	0.9	-0.2
Trentino-Alto Adige	2.5	0.5	1.6	2.3	0.5	0.4	0.8	2.0	...
Veneto	2.6	1.2	4.0	2.3	0.6	-0.7	0.4	1.1	...
Friuli-Venezia Giulia	2.6	0.2	5.8	1.3	1.8	1.2	1.2	0.5	...
Emilia-Romagna	2.1	0.9	4.3	2.1	1.3	0.7	0.0	0.0	...
North-East	2.4	0.9	4.1	2.1	1.0	0.1	0.4	0.7	0.4
Tuscany	1.7	0.5	2.9	2.1	1.7	-0.2	0.0	0.9	...
Umbria	1.9	1.2	2.6	2.1	1.4	-0.5	0.2	2.0	...
Marche	2.1	0.9	4.9	2.4	1.7	-0.3	0.8	1.2	...
Lazio	3.2	0.6	1.3	1.5	2.4	1.5	0.9	5.0	...
Centre	2.5	0.7	2.3	1.9	2.0	0.6	0.6	3.0	-0.1
Abruzzo	2.9	-0.9	2.0	2.0	1.8	0.1	-0.1	-1.9	...
Molise	2.9	-0.2	1.9	1.6	2.1	2.4	-0.7	0.9	...
Campania	1.8	-0.1	0.8	2.2	2.7	1.8	0.7	0.6	...
Puglia	3.0	-0.8	1.4	2.4	1.3	0.6	-0.8	0.7	...
Basilicata	2.3	2.1	3.4	3.1	-1.3	1.7	-1.5	-0.6	...
Calabria	2.7	1.1	1.1	2.0	2.7	1.1	1.4	1.4	...
Sicily	2.2	-1.2	-0.8	2.1	3.2	0.7	2.2	0.9	...
Sardinia	2.3	0.8	0.1	1.7	3.1	1.2	0.8	2.1	...
South and Islands	2.4	-0.3	0.7	2.1	2.4	1.1	0.7	0.7	-0.2
Italy (regional accounts)	2.5	-0.1	2.6	1.9	1.8	0.4	0.3	1.2	0.0
for comparison Italy (new national accounts)	....	....	....	1.9	1.8	0.3	0.0	1.1	0.0

Source: Based on Istat data. *Conti economici regionali*. See the Methodological Notes.(1) Projections based on Istat's *Conti economici territoriali*.

Table aC2

GDP PER CAPITA GROWTH
(yearly averages; percentage changes at 1995 prices)

	1983-91	1992-93	1994-95	1996-2000	2001	2002	2003	2004	2005	Values at current 2005 prices (1)
Piedmont	2.6	-0.6	3.5	1.5	0.7	-0.6	-1.0	0.4	-1.1	26.3
Valle d'Aosta	1.9	-1.1	-0.2	0.2	3.3	-1.3	0.7	-2.8	-1.7	29.3
Lombardy	3.2	-1.1	3.1	1.3	1.3	-0.4	-1.5	-0.2	-1.7	28.8
Liguria	2.5	-1.9	1.7	2.3	3.3	-0.7	1.2	-0.9	0.1	25.6
North-West	3.0	-1.0	3.1	1.4	1.4	-0.5	-1.1	-0.1	-1.4	27.8
Trentino-Alto Adige	2.3	-0.2	1.0	1.7	-0.3	-0.4	-0.2	0.9	-2.1	30.4
Veneto	2.5	0.8	3.8	1.9	0.0	-1.4	-0.7	-0.2	-0.9	25.8
Friuli-Venezia Giulia	2.9	0.4	5.9	1.4	1.5	0.8	0.6	-0.1	-0.9	26.8
Emilia-Romagna	2.2	0.7	4.3	1.7	0.6	-0.1	-1.1	-1.2	-0.7	28.4
North-East	2.4	0.6	3.9	1.7	0.4	-0.6	-0.7	-0.4	-1.0	27.3
Tuscany	1.8	0.5	2.9	2.0	1.4	-0.5	-0.6	0.1	-1.4	25.2
Umbria	1.9	0.9	2.2	1.8	0.9	-1.0	-0.8	0.8	-1.5	22.0
Marche	2.0	0.6	4.7	2.1	1.2	-0.9	-0.2	0.2	-1.3	23.2
Lazio	2.9	0.3	1.1	1.2	1.8	1.1	0.3	4.0	-0.7	27.1
Centre	2.4	0.4	2.2	1.6	1.5	0.2	-0.1	2.0	-1.1	25.6
Abruzzo	2.7	-1.3	1.6	1.9	1.6	-0.1	-0.6	-2.5	0.9	19.5
Molise	2.8	-0.4	1.8	1.9	2.4	2.5	-0.8	0.9	-1.8	18.1
Campania	1.5	-0.7	0.2	2.1	2.7	1.6	0.5	0.2	-2.4	15.6
Puglia	2.5	-1.2	1.2	2.3	1.3	0.6	-0.9	0.6	-2.7	15.5
Basilicata	2.3	2.0	3.5	3.3	-1.1	1.9	-1.4	-0.5	-1.3	16.2
Calabria	2.7	1.0	1.2	2.3	3.2	1.5	1.5	1.5	-2.6	15.0
Sicily	2.0	-1.6	-1.5	2.1	3.5	0.9	2.3	0.8	2.3	16.5
Sardinia	2.0	0.5	0.0	1.8	3.4	1.2	0.6	2.0	0.4	18.5
South and Islands	2.1	-0.7	0.3	2.1	2.5	1.1	0.6	0.5	-0.8	16.3
Italy	2.5	-0.3	2.3	1.8	1.5	0.1	-0.3	0.5	-1.0	23.2

Source: Based on Istat and Svimez data. Istant, Conti economici regionali, for GDP until 2004; SVIMEZ estimates for 2005. Population estimated by SVIMEZ. See the Methodological Notes.

(1) Thousand euros.

Table aC3

LABOUR PRODUCTIVITY BY SECTOR AND GEOGRAPHICAL AREA (1)

(percentage changes; yearly averages)

	Centre-North				South and Island	Italy
	North-West	North-East	Centre			
Industry excluding construction						
1991-1995	3.4	4.2	2.6	3.4	2.1	3.2
1996-2000	1.1	0.7	1.5	1.0	1.0	1.0
2001-2004	-0.4	-0.5	1.0	-0.1	0.0	-0.1
2001	0.2	-0.3	2.6	0.5	-0.6	0.3
2002	-1.7	-1.0	1.0	-0.9	-0.2	-0.8
2003	-0.5	-1.3	-0.2	-0.7	-0.3	-0.7
2004	0.4	0.6	0.6	0.6	0.9	0.7
Construction						
1991-1995	-0.2	0.8	-1.4	-0.2	-1.7	-0.6
1996-2000	0.8	0.8	1.0	0.9	-0.3	0.5
2001-2004	-1.5	2.0	-2.7	-0.6	-1.0	-0.7
2001	1.3	1.8	-6.5	-0.7	-3.4	-1.5
2002	-3.1	6.1	-2.3	0.3	-1.1	0.0
2003	-2.6	-0.8	-2.0	-1.7	2.1	-0.5
2004	-1.4	0.9	0.0	-0.3	-1.6	-0.7
Non-financial private services (2)						
1991-1995	2.5	2.6	3.0	2.7	3.1	2.9
1996-2000	0.8	0.9	1.1	0.9	2.0	1.2
2001-2004	0.3	0.3	0.1	0.2	0.3	0.3
2001	1.2	0.6	3.3	1.6	0.6	1.3
2002	0.1	-0.5	-1.9	-0.6	-0.4	-0.6
2003	-1.6	0.1	-1.0	-0.9	-0.8	-0.9
2004	1.4	0.9	0.3	0.9	1.9	1.2
Non-financial private goods and services (2)						
1991-1995	2.7	3.2	2.4	2.7	2.0	2.6
1996-2000	0.9	0.8	1.2	0.9	1.3	1.0
2001-2004	-0.3	0.1	0.1	-0.1	-0.1	-0.1
2001	0.5	0.2	1.9	0.7	-0.5	0.4
2002	-1.1	-0.1	-1.0	-0.7	-0.3	-0.7
2003	-1.4	-0.6	-0.9	-1.0	-0.3	-0.9
2004	0.6	0.7	0.3	0.6	0.8	0.7

Source: Based on Istat, Conti economici regionali.

(1) Labour productivity is calculated as the ratio between value added at constant prices and total full-time equivalent workers. - (2) not include the following branches of the service sector: money and financial intermediation, real-estate and business activities, general government, education, health care, household services and other social and personal public services..

Table aC4

VALUE ADDED IN MANUFACTURING IN 2000-03
(percentage changes at 1995 prices)

	Italy	North-West	North-East	Centre	South and Islands
Cumulative percentage changes					
Food products, beverages and tobacco	4.9	5.8	-2.2	7.9	9.9
Textiles and clothing	-12.0	-10.6	-13.9	-12.8	-10.8
Leather and leather products	-16.2	-20.2	-20.8	-12.3	-14.7
Paper, paper products, printing and publishing	1.7	3.0	6.1	-6.2	4.1
Coke, refined petroleum products, chemical and pharmaceuticals	2.1	-0.4	-1.2	8.3	4.7
Non-metallic mineral products	3.9	10.7	-1.3	-0.2	11.5
Basic metals and fabricated metal products	1.2	0.0	2.6	3.4	0.9
Machinery, electrical apparatus, precision instruments and transport equipment	-9.0	-14.6	-6.4	-4.2	0.1
Wood, rubber and other products of industry	0.3	-0.3	-1.4	-0.2	6.8
Total manufacturing industry	-3.0	-4.8	-3.7	-2.2	2.9
Sectoral contribution to growth					
Food products, beverages and tobacco	0.5	0.4	-0.2	0.6	1.7
Textiles and clothing	-1.3	-1.2	-1.4	-1.7	-1.0
Leather and leather products	-0.4	-0.1	-0.6	-0.8	-0.3
Paper, paper products, printing and publishing	0.1	0.2	0.4	-0.6	0.2
Coke, refined petroleum products, chemical and pharmaceuticals	0.2	0.0	-0.1	0.9	0.5
Non-metallic mineral products	0.3	0.4	-0.1	0.0	0.9
Basic metals and fabricated metal products	0.2	0.0	0.4	0.3	0.1
Machinery, electrical apparatus, precision instruments and transport equipment	-2.5	-4.5	-1.8	-0.9	0.0
Wood, rubber and other products of industry	0.0	0.0	-0.2	0.0	0.8
Total manufacturing industry	-3.0	-4.8	-3.7	-2.2	2.9
Geographical contribution to growth					
Food products, beverages and tobacco	4.9	1.9	-0.6	1.2	2.5
Textiles and clothing	-12.0	-4.4	-3.6	-2.7	-1.3
Leather and leather products	-16.2	-2.1	-6.7	-5.5	-1.8
Paper, paper products, printing and publishing	1.7	1.3	1.4	-1.5	0.4
Coke, refined petroleum products, chemical and pharmaceuticals	2.1	-0.2	-0.2	1.7	0.8
Non-metallic mineral products	3.9	2.4	-0.5	0.0	2.1
Basic metals and fabricated metal products	1.2	0.0	0.7	0.4	0.1
Machinery, electrical apparatus, precision instruments and transport equipment	-9.0	-6.6	-1.8	-0.6	0.0
Wood, rubber and other products of industry	0.3	-0.1	-0.4	0.0	0.9
Total manufacturing industry	-3.0	-2.0	-1.0	-0.4	0.4

Source: Based on Istat data. Conti economici regionali. See the Methodological Notes.

Table aD1

EXPORTS (FOB) BY REGION IN 2005
(percentage changes on previous year at current prices)

	Food, beverages, tobacco	Textiles, clothing	Leather, footwear	Paper, printing, publishing	Chemicals, rubber, plastics	Non-metal minerals	Basic metals metal products	Electrical machinery, precision tools	Means of transport	Other manufacturing, wood, furniture	Coke, oil products, other	Total
Piedmont	2.0	-1.8	10.1	-4.3	3.8	-6.7	7.0	0.0	0.9	0.3	33.3	1.6
Valle d'Aosta	50.8	-87.9	92.6	-0.3	10.3	-14.4	17.1	-33.1	-3.1	5.5	40.1	4.0
Lombardy	6.1	-0.2	4.5	5.4	11.7	-1.5	10.2	4.1	10.9	3.1	12.3	6.6
Liguria	-3.2	-16.2	37.4	-4.6	8.8	-15.4	7.9	10.7	47.4	-13.1	57.2	17.0
North-West	4.2	-0.9	6.0	1.6	10.1	-4.1	9.7	3.3	6.3	2.0	29.9	5.6
Trentino-Alto Adige	3.2	-2.8	-13.5	7.2	-1.2	-6.2	11.8	13.3	-6.8	-0.9	10.4	4.5
Veneto	-3.6	-5.2	-7.1	2.1	2.1	-1.1	5.1	2.8	-11.8	-9.1	19.2	-1.5
Friuli-Venezia Giulia	9.8	-16.0	1.5	15.6	5.0	-9.9	10.7	12.5	-53.0	-4.4	10.0	-2.5
Emilia-Romagna	3.7	9.0	4.0	-1.8	9.0	-2.2	8.2	8.9	14.2	6.1	8.6	7.7
North-East	1.4	-0.6	-5.8	4.2	5.0	-2.3	7.4	7.0	-6.6	-5.7	13.1	2.3
Tuscany	2.6	-3.7	-1.6	-1.6	5.4	-3.4	12.4	-11.9	5.7	5.7	7.8	-1.2
Umbria	14.4	-7.9	4.1	-19.5	10.6	-13.8	7.0	11.1	-3.1	-12.0	45.2	5.1
Marche	6.4	-3.4	5.2	11.9	41.8	-6.8	1.2	-1.6	31.1	-3.0	66.1	4.6
Lazio	6.9	2.3	23.2	-2.0	-3.7	-7.0	22.8	-11.2	-18.9	18.0	24.1	-2.7
Centre	5.0	-3.6	1.4	-0.5	3.5	-5.1	9.4	-7.3	-2.8	3.9	20.4	0.0
Abruzzo	6.7	-1.4	4.5	7.1	26.4	-10.6	2.1	-5.6	8.6	-1.7	6.6	3.9
Molise	13.4	7.3	41.1	-10.4	9.1	-22.2	366.4	35.2	-43.6	120.4	-33.0	13.3
Campania	-4.6	5.1	-7.2	20.6	-10.7	14.4	13.6	-1.6	20.3	-3.7	-14.5	3.9
Puglia	8.8	-7.6	-13.9	1.8	10.6	6.9	17.2	23.0	-19.5	-18.5	35.8	5.0
Basilicata	-10.5	44.7	22.2	18.2	-9.3	-35.7	-20.3	-5.2	-9.8	-23.0	-56.7	-13.1
Calabria	-0.1	-44.0	-17.7	-24.2	-12.2	54.8	88.4	-25.4	-6.0	-19.5	-0.6	-10.5
South	-0.7	0.2	-8.8	14.4	5.6	-2.2	14.2	1.8	7.3	-14.9	13.2	3.2
Sicily	6.5	-24.1	26.8	48.8	20.4	14.3	-27.9	-5.0	6.6	-13.7	50.1	31.2
Sardinia	-1.2	-9.1	131.0	28.4	13.5	-0.2	-22.3	6.3	-21.4	2.8	55.1	34.2
Islands	4.3	-18.7	32.2	41.4	18.0	12.6	-24.0	-4.3	3.4	-3.6	51.9	32.2
Italy	2.6	-1.3	-2.0	2.5	7.9	-2.9	8.8	3.2	1.8	-2.5	20.1	4.0

Source: Based on Istat data. See the Methodological Notes.

INDICES OF EXPORT SPECIALIZATION
BY REGION AND SECTOR IN 2005 (1)

	Food, beverages, tobacco	Textiles, clothing	Leather, footwear	Paper, printing, publishing	Chemicals, rubber, plastics	Non-metal minerals	Basic metals metal products	Electrical machinery, precision tools	Means of transport	Other manufacturing, wood, furniture	Coke, oil products, other
Piedmont	1.41	1.01	0.19	1.41	0.91	0.47	0.81	0.92	2.28	0.60	0.32
Valle d'Aosta	1.07	0.03	0.13	0.45	0.22	0.19	6.50	0.44	0.59	0.71	0.01
Lombardy	0.70	1.08	0.33	0.95	1.47	0.43	1.42	1.18	0.70	0.75	0.18
Liguria	0.99	0.31	0.14	0.50	1.05	0.95	0.87	0.98	1.18	0.44	2.94
North-West	0.90	1.03	0.29	1.05	1.30	0.46	1.26	1.10	1.13	0.70	0.31
Trentino-Alto Adige	2.77	0.53	0.44	2.69	0.79	0.89	0.93	0.95	0.93	0.80	1.07
Veneto	0.92	1.33	2.35	1.12	0.55	1.18	0.96	1.11	0.55	1.74	0.33
Friuli-Venezia Giulia	0.80	0.21	0.07	1.36	0.53	0.67	1.54	1.32	0.67	3.24	0.30
Emilia-Romagna	1.25	0.92	0.40	0.35	0.64	3.27	0.67	1.38	1.13	0.49	0.28
North-East	1.15	1.00	1.21	0.92	0.60	1.96	0.90	1.23	0.82	1.34	0.35
Tuscany	0.98	2.05	3.38	1.85	0.62	1.20	0.60	0.65	0.76	1.80	0.45
Umbria	1.42	1.35	0.55	0.55	0.63	0.82	3.46	0.72	0.34	0.61	0.40
Marche	0.27	0.78	4.74	0.90	0.75	0.29	0.68	1.32	0.31	1.63	0.15
Lazio	0.70	0.35	0.26	1.02	2.79	0.74	0.33	0.68	0.96	0.58	1.73
Centre	0.79	1.32	2.73	1.37	1.18	0.87	0.73	0.80	0.69	1.39	0.69
Abruzzo	0.82	1.10	0.37	1.03	1.00	1.56	0.61	0.80	2.68	0.70	0.13
Molise	1.27	5.48	1.01	0.08	2.03	0.10	0.22	0.26	0.02	0.28	0.07
Campania	3.26	0.66	1.34	1.55	0.78	0.65	0.53	0.37	3.00	0.39	0.53
Puglia	0.98	0.54	2.07	0.16	0.79	0.38	2.43	0.46	0.68	2.05	1.76
Basilicata	0.22	0.27	0.50	0.50	0.64	0.10	0.19	0.13	5.21	3.60	0.26
Calabria	2.97	0.46	0.06	0.19	2.02	0.51	0.41	0.62	0.32	0.32	3.22
South	1.70	0.85	1.22	0.88	0.89	0.78	1.09	0.51	2.21	1.12	0.80
Sicily	0.89	0.03	0.02	0.09	1.02	0.50	0.14	0.28	0.41	0.05	9.47
Sardinia	0.64	0.04	0.00	0.09	0.95	0.11	0.65	0.04	0.07	0.19	10.67
Islands	0.80	0.04	0.02	0.09	0.99	0.37	0.31	0.19	0.29	0.10	9.88

Source: Based on Istat data. (1) Ratio of sector's share to total regional exports and of sector's share to total exports of Italy.

Table aD3

MAIN "EXPORT POLES" IN THE SOUTH AND ISLANDS (1)

(million euros at current prices)

	Goods categories	Exports			
		1991	1995	2001	2005
Bari	Farm crops	274	351	544	416
Salerno	Preserves of fruit and vegetables	192	422	619	636
Naples	Articles of clothing	50	124	210	260
Isernia	Articles of clothing	24	110	204	245
Avellino	Leather	92	396	484	169
Lecce	Footwear	130	341	350	179
Bari	Footwear	214	281	261	197
Siracusa	Refined petroleum products	919	809	2,176	3,780
Cagliari	Refined petroleum products	489	632	1,307	2,701
Caltanissetta	Refined petroleum products	32	20	293	156
Messina	Refined petroleum products	38	7	153	303
Siracusa	Basic chemicals	161	138	271	439
Brindisi	Basic chemicals	102	129	178	293
Sassari	Basic chemicals	57	110	129	266
Naples	Pharmaceuticals	9	109	301	328
L'Aquila	Pharmaceuticals	1	15	170	390
Taranto	Iron, cast iron, steel	295	532	440	1,160
Taranto	Pipes	88	161	228	363
Bari	Machinery and equipment	15	23	198	280
Chieti	Machinery and equipment	4	17	337	378
L'Aquila	Electronic valves and tubes	0	181	409	383
Catania	Electronic valves and tubes	36	130	404	465
Caserta	Broadcasting equipment	1	1	307	150
Naples	Motor cars	309	528	1,346	864
Chieti	Motor cars	685	1,097	1,179	1,664
Potenza	Motor cars	0	42	693	545
Palermo	Motor cars	164	366	273	63
Bari	Car spare parts and accessories	6	25	266	219
Avellino	Car spare parts and accessories	1	4	8	263
Naples	Boats and ships	10	32	92	350
Naples	Airplanes and spacecraft	486	398	846	593
Bari	Furniture	159	583	1,058	724
Matera	Furniture	17	43	199	214

Source: Based on Istat data.

(1) Provinces whose exports of the products specified in 2001 or 2005 amounted to more than twice the average for all Italian provinces and exceeded €200 million in at least one of the years.

Table aE1

EMPLOYMENT AND THE LABOUR FORCE IN 2005*(thousands of persons and percentage changes)*

	Employment					Job seekers	Labour force
	Agriculture	Industry excluding construction	Construction	Services	Total		
Average values							
Piedmont	71	525	136	1,098	1,829	89	1,918
Valle d'Aosta	3	7	7	38	55	2	57
Lombardy	71	1,279	339	2,505	4,194	179	4,373
Liguria	13	84	49	474	620	38	658
North-West	158	1,895	530	4,115	6,697	308	7,005
Trentino-Alto Adige	29	77	40	294	440	14	454
Veneto	75	632	177	1,179	2,063	91	2,155
Friuli-Venezia Giulia	14	141	34	315	504	22	525
Emilia-Romagna	83	528	136	1,127	1,872	74	1,947
North-East	200	1,377	387	2,915	4,879	202	5,081
Tuscany	58	349	121	982	1,510	84	1,594
Umbria	15	78	33	220	346	22	368
Marche	22	201	50	361	635	31	666
Lazio	32	243	148	1,663	2,085	174	2,260
Centre	127	870	352	3,226	4,575	312	4,887
Abruzzo	21	107	44	320	492	42	534
Molise	7	22	12	67	107	12	119
Campania	83	238	177	1,230	1,727	302	2,029
Puglia	108	213	122	779	1,221	209	1,431
Basilicata	19	33	23	118	193	27	220
Calabria	75	55	61	412	603	101	705
Sicily	113	145	137	1,076	1,471	285	1,756
Sardinia	38	73	69	417	597	89	685
South and Islands	462	886	644	4,419	6,411	1,067	7,479
Italy	947	5,028	1,913	14,675	22,563	1,889	24,451
Percentage changes on 2004							
Piedmont	4.6	0.6	0.2	2.5	1.8	-10.2	1.2
Valle d'Aosta	18.3	-3.5	4.2	-3.0	-1.3	7.1	-1.0
Lombardy	-2.4	0.4	6.9	0.7	1.0	2.1	1.1
Liguria	14.7	7.4	4.4	0.8	2.2	2.0	2.2
North-West	2.3	0.7	4.8	1.2	1.3	-1.8	1.2
Trentino-Alto Adige	-1.0	0.7	3.9	0.0	0.4	9.0	0.6
Veneto	-12.6	-0.2	6.3	2.0	1.0	1.1	1.0
Friuli-Venezia Giulia	-7.3	10.7	-5.9	-2.0	0.8	6.0	1.0
Emilia-Romagna	-7.5	1.2	4.7	1.9	1.4	4.7	1.5
North-East	-8.6	1.4	4.3	1.3	1.1	3.4	1.2
Tuscany	-1.6	-3.1	7.4	2.7	1.5	2.6	1.6
Umbria	14.6	-0.4	17.4	-0.4	1.7	9.3	2.1
Marche	-4.3	-3.6	22.3	0.2	0.2	-12.4	-0.5
Lazio	-16.7	-5.7	7.0	1.2	0.4	-2.6	0.2
Centre	-4.8	-3.7	10.0	1.4	0.8	-1.6	0.7
Abruzzo	-9.0	1.1	3.0	4.1	2.7	1.8	2.6
Molise	-26.7	3.7	3.8	-1.6	-2.1	-14.3	-3.5
Campania	-6.0	-5.8	4.0	-1.7	-2.0	-7.3	-2.8
Puglia	-11.1	3.9	1.6	-1.3	-1.1	-7.5	-2.1
Basilicata	-12.6	-8.7	-0.4	4.1	-0.6	-5.8	-1.3
Calabria	0.9	1.1	-3.5	-3.7	-2.7	-2.0	-2.6
Sicily	3.2	1.8	0.4	2.4	2.2	-5.0	1.0
Sardinia	2.0	-2.6	-1.6	1.4	0.6	-7.4	-0.5
South and Islands	-4.4	-0.7	1.2	0.0	-0.3	-6.0	-1.2
Italy	-4.3	-0.2	4.4	0.9	0.7	-3.7	0.4

Source: Istat, Rilevazione continua sulle forze di lavoro. See the Methodological Notes.

TOTAL EMPLOYMENT: 1993-2005*(thousands of persons)*

	1993	1995	1998	2001	2002	2003	2004	2005
Men and women								
Piedmont	1,689	1,667	1,652	1,745	1,752	1,777	1,796	1,829
Valle d'Aosta	54	53	54	56	57	56	56	55
Lombardy	3,700	3,660	3,737	3,916	3,983	4,086	4,152	4,194
Liguria	630	603	617	642	636	608	607	620
North-West	6,074	5,984	6,061	6,360	6,427	6,528	6,609	6,697
Trentino-Alto Adige	393	389	410	422	429	431	438	440
Veneto	1,786	1,780	1,840	1,942	1,953	2,027	2,042	2,063
Friuli-Venezia Giulia	473	476	483	509	511	504	500	504
Emilia-Romagna	1,734	1,701	1,726	1,820	1,851	1,870	1,846	1,872
North-East	4,385	4,346	4,460	4,694	4,745	4,832	4,827	4,879
Tuscany	1,344	1,326	1,330	1,417	1,426	1,484	1,488	1,510
Umbria	315	305	312	339	335	330	340	346
Marche	562	556	562	594	601	623	633	635
Lazio	1,765	1,702	1,739	1,829	1,899	1,990	2,076	2,085
Centre	3,985	3,890	3,943	4,179	4,261	4,427	4,537	4,575
Abruzzo	482	477	481	508	511	495	479	492
Molise	117	109	107	112	112	108	109	107
Campania	1,732	1,632	1,678	1,707	1,759	1,775	1,761	1,727
Puglia	1,243	1,180	1,180	1,262	1,279	1,243	1,235	1,221
Basilicata	187	179	180	186	189	196	194	193
Calabria	614	576	563	577	591	609	620	603
Sicily	1,400	1,330	1,384	1,439	1,449	1,437	1,439	1,471
Sardinia	546	539	554	581	590	591	593	597
South and Islands	6,321	6,021	6,127	6,371	6,480	6,454	6,431	6,411
Italy	20,765	20,240	20,591	21,604	21,913	22,241	22,404	22,563
Women								
Piedmont	659	656	666	742	747	750	754	766
Valle d'Aosta	21	21	22	23	23	25	24	23
Lombardy	1,406	1,414	1,477	1,605	1,647	1,694	1,717	1,729
Liguria	246	243	257	279	278	259	254	257
North-West	2,333	2,334	2,423	2,650	2,695	2,728	2,749	2,775
Trentino-Alto Adige	140	140	159	165	166	177	183	182
Veneto	637	642	690	763	772	801	810	825
Friuli-Venezia Giulia	149	156	167	185	189	202	207	212
Emilia-Romagna	711	704	733	798	818	819	802	806
North-East	1,637	1,642	1,748	1,910	1,944	2,000	2,002	2,025
Tuscany	482	492	508	570	580	615	619	634
Umbria	123	119	129	148	145	142	143	142
Marche	207	209	214	240	246	260	266	263
Lazio	612	605	640	719	748	793	852	873
Centre	1,425	1,424	1,492	1,676	1,719	1,810	1,879	1,912
Abruzzo	196	190	199	208	217	200	186	191
Molise	41	38	38	40	40	38	40	38
Campania	541	523	539	549	565	578	573	548
Puglia	381	360	363	409	423	405	399	372
Basilicata	60	58	59	61	63	67	67	67
Calabria	190	183	173	186	192	203	214	208
Sicily	391	365	401	445	455	458	457	476
Sardinia	171	167	184	202	208	211	218	213
South and Islands	1,971	1,884	1,956	2,100	2,162	2,159	2,153	2,113
Italy	7,366	7,284	7,618	8,337	8,521	8,697	8,783	8,825

Source: Istat, *Rilevazione continua sulle forze di lavoro*. See the Methodological Notes.

Table aE3

MAIN LABOUR MARKET INDICATORS*(percentage ratios to population aged 15-64)*

	Participation rate		Employment rate		Unemployment rate (1)	
	2004	2005	2004	2005	2004	2005
Piedmont	66.9	67.2	63.4	64.0	5.3	4.7
Valle d'Aosta	69.1	68.5	67.0	66.3	3.0	3.2
Lombardy	68.3	68.3	65.5	65.5	4.0	4.1
Liguria	63.9	64.8	60.2	61.0	5.8	5.8
North-West	67.5	67.6	64.4	64.6	4.5	4.4
Trentino-Alto Adige	69.5	69.3	67.4	67.1	2.9	3.2
Veneto	67.2	67.4	64.3	64.6	4.2	4.2
Friuli-Venezia Giulia	65.1	65.8	62.5	63.1	3.9	4.1
Emilia-Romagna	70.9	71.1	68.3	68.4	3.7	3.8
North-East	68.5	68.8	65.8	66.0	3.9	4.0
Tuscany	66.7	67.4	63.2	63.7	5.2	5.3
Umbria	65.2	65.6	61.4	61.6	5.7	6.1
Marche	67.4	66.7	63.8	63.5	5.3	4.7
Lazio	63.6	63.3	58.5	58.4	7.9	7.7
Centre	65.2	65.2	60.9	61.0	6.5	6.4
Abruzzo	61.2	62.2	56.3	57.2	7.9	7.9
Molise	58.7	56.8	52.0	51.1	11.3	10.1
Campania	53.5	51.9	45.0	44.1	15.6	14.9
Puglia	53.4	52.1	45.0	44.4	15.5	14.6
Basilicata	56.4	56.2	49.1	49.2	12.8	12.3
Calabria	53.7	52.1	46.0	44.5	14.3	14.4
Sicily	52.3	52.7	43.2	44.0	17.2	16.2
Sardinia	59.6	59.2	51.2	51.4	13.9	12.9
South and islands						
Islands	54.3	53.6	46.1	45.8	15.0	14.3
Italy	62.5	62.4	57.4	57.5	8.0	7.7

Source: Istat, *Rilevazione continua sulle forze di lavoro*. See the Methodological Notes.

(1) Percentage ratio of job seekers and labour force; includes people over 65 years of age.

Table aE4

**EMPLOYMENT BY GEOGRAPHICAL AREA AND TYPE OF
EMPLOYMENT RELATIONSHIP**

(thousands of persons and percentage shares)

	Employment						Share	Percentage change		
	1995	2000	2003	2003 (1)	2004 (1)	2005 (1)	2005	1995-2003 (2)	2004 (1)	2005 (1)
North-West										
Self-employment	1,642	1,678	1,716	1,761	1,810	1,747	26.1	0.6	2.8	-3.5
of which: entrepreneur, professional (3)	1,342	1,384	1,423	...	1,477	1,473	22.0	0.7	...	-0.3
other (4)	299	293	293	...	333	274	4.1	-0.3	...	-17.7
Payroll employment	4,354	4,616	4,857	4,766	4,799	4,950	73.9	1.4	0.7	3.1
of which: permanent	4,142	4,282	4,514	4,337	4,385	4,509	67.3	1.1	1.1	2.8
fixed-term	212	334	343	429	414	442	6.6	6.2	-3.5	6.8
North-East										
Self-employment	1,314	1,367	1,349	1,407	1,382	1,317	27.0	0.3	-1.8	-4.7
of which: entrepreneur, professional (3)	1,056	1,091	1,105	...	1,124	1,105	22.7	0.6	...	-1.7
other (4)	258	276	244	...	258	211	4.3	-0.7	...	-18.0
Payroll employment	2,992	3,247	3,436	3,424	3,445	3,562	73.0	1.7	0.6	3.4
of which: permanent	2,777	2,961	3,113	3,048	3,087	3,173	65.0	1.4	1.3	2.8
fixed-term	214	285	322	376	358	390	8.0	5.2	-4.8	8.9
Centre										
Self-employment	1,174	1,204	1,260	1,241	1,313	1,260	27.5	0.9	5.8	-4.0
of which: entrepreneur, professional (3)	956	982	1,018	...	1,048	1,034	22.6	0.8	...	-1.3
other (4)	218	222	242	...	265	226	4.9	1.3	...	-14.8
Payroll employment	2,855	3,050	3,235	3,186	3,224	3,315	72.5	1.6	1.2	2.8
of which: permanent	2,692	2,768	2,927	2,796	2,850	2,920	63.8	1.1	1.9	2.5
fixed-term	163	282	307	390	374	395	8.6	8.2	-4.1	5.6
South and Islands										
Self-employment	1,692	1,700	1,684	1,793	1,782	1,706	26.6	-0.1	-0.6	-4.3
of which: entrepreneur, professional (3)	1,384	1,379	1,366	...	1,515	1,496	23.3	-0.2	...	-1.3
other (4)	308	321	318	...	267	210	3.3	0.4	...	-21.6
Payroll employment	4,004	4,218	4,519	4,663	4,649	4,706	73.4	1.5	-0.3	1.2
of which: permanent	3,552	3,591	3,909	3,886	3,885	3,906	60.9	1.2	0.0	0.5
fixed-term	452	628	610	777	764	800	12.5	3.8	-1.7	4.7
Italy										
Self-employment	5,821	5,949	6,008	6,202	6,287	6,029	26.7	0.4	1.4	-4.1
of which: entrepreneur, professional (3)	4,738	4,837	4,911	...	5,164	5,108	22.6	0.5	...	-1.1
other (4)	1,083	1,111	1,097	...	1,123	921	4.1	0.2	...	-18.0
Payroll employment	14,205	15,131	16,046	16,039	16,117	16,534	73.3	1.5	0.5	2.6
of which: permanent	13,163	13,601	14,464	14,069	14,208	14,507	64.3	1.2	1.0	2.1
fixed-term	1,041	1,530	1,583	1,970	1,909	2,026	9.0	5.4	-3.1	6.1

Source: Istat. *Rilevazione continua sulle forze di lavoro e Indagine trimestrale sulle forze di lavoro*. See the Methodological Notes.

(1) New continuing survey of labour force not entirely comparable with previous survey. - (2) Percentage changes in the period. - (3) Includes entrepreneurs, professionals and self-employed workers. - (4) Includes members of cooperatives, family helpers, collaborators and occasional workers.

Table aF1

NUMBER OF BANKS AND BANK BRANCHES BY REGION
(*end-of-year data*)

	2003		2004		2005	
	Banks	Branches	Banks	Branches	Banks	Branches
Piedmont	90	2,530	90	2,541	92	2,558
Valle d'Aosta	15	97	16	96	16	97
Lombardy	242	5,841	243	5,940	248	6,068
Liguria	55	904	59	914	62	933
North-West	273	9,372	272	9,491	276	9,656
Trentino-Alto Adige	132	912	130	920	131	932
Veneto	135	3,266	135	3,278	135	3,332
Friuli-Venezia Giulia	53	922	55	914	57	914
Emilia-Romagna	126	3,148	129	3,218	134	3,300
North-East	320	8,248	319	8,330	323	8,478
Tuscany	119	2,218	122	2,257	120	2,297
Umbria	45	524	48	530	50	540
Marche	69	1,043	76	1,072	76	1,119
Lazio	167	2,407	166	2,463	168	2,511
Centre	261	6,192	261	6,322	260	6,467
Abruzzo	51	613	51	625	51	646
Molise	29	140	29	140	28	142
Campania	87	1,509	86	1,548	87	1,559
Puglia	67	1,332	70	1,354	71	1,372
Basilicata	32	242	30	242	31	244
Calabria	37	507	40	511	42	522
South	171	4,343	171	4,420	171	4,485
Sicily	66	1,679	66	1,706	70	1,729
Sardinia	24	668	29	677	30	683
Islands	72	2,347	75	2,383	79	2,412
Italy	788	30,502	778	30,946	783	31,498

Source: Supervisory returns. See the Methodological Notes.

BANK LENDING BY SECTOR IN 2005(1)
(percentage changes on previous year)

	General government	Financial and insurance companies	Non-financial corporations (a)		Famiglie		Imprese = (a) + (b)			Total	
			Con meno di 20 addetti (2)	Produttrici (b) (3)	Consumatrici	Industria manifatturiera	Costruzioni	Servizi			
Piedmont	41.3	14.7	-4.4	2.4	6.9	10.4	-3.2	-5.9	14.7	-5.8	4.1
Valle d'Aosta	-5.9	-16.5	2.0	5.5	6.2	14.9	2.5	-10.9	6.5	2.5	4.0
Lombardy	-17.4	0.7	9.2	4.5	7.7	16.6	9.1	2.0	15.7	12.6	8.0
Liguria	-7.0	-72.2	3.0	4.1	9.0	13.4	3.7	-0.3	8.6	3.1	4.9
North-West	5.3	1.9	6.2	3.9	7.6	14.9	6.3	0.1	15.0	8.6	7.1
Trentino-Alto Adige	32.8	18.0	11.2	5.6	6.8	13.1	10.5	7.9	7.2	11.0	11.8
Veneto	-0.7	8.0	7.9	3.4	7.9	13.6	7.9	2.6	12.7	11.7	9.1
Friuli-Venezia Giulia	0.4	-28.4	1.5	2.3	6.6	12.0	2.1	-6.5	13.7	8.4	2.4
Emilia-Romagna	-0.7	40.6	7.3	2.2	6.5	14.4	7.2	5.4	11.2	5.5	10.9
North-East	2.6	19.7	7.5	3.3	7.1	13.7	7.4	3.3	11.3	8.8	9.5
Tuscany	10.8	38.8	5.3	0.9	5.3	13.0	5.3	2.5	7.2	6.3	11.0
Umbria	-2.3	-33.2	9.7	4.4	3.7	13.9	8.8	7.5	14.6	8.5	9.3
Marche	8.4	66.5	5.4	0.9	5.9	15.9	5.5	-2.3	14.1	7.9	11.3
Lazio	6.0	3.1	0.3	20.9	9.0	17.1	0.8	4.8	14.5	3.3	5.5
Centre	6.2	15.9	3.1	4.5	6.3	15.4	3.4	2.3	12.6	4.9	7.9
Abruzzo	12.2	3.9	11.4	7.8	7.8	14.3	10.8	10.0	17.3	8.8	11.8
Molise	-45.5	-4.7	7.1	4.1	11.9	11.0	8.1	-4.1	14.8	10.0	5.0
Campania	5.5	12.2	13.5	8.8	13.7	19.7	14.8	14.8	15.8	14.4	15.6
Puglia	5.5	-13.8	10.3	6.1	9.8	17.4	10.2	9.7	13.1	10.9	12.6
Basilicata	15.2	-20.8	7.3	6.7	10.6	13.6	7.9	2.3	-0.4	12.2	9.8
Calabria	9.7	318.7	11.0	8.7	6.4	15.1	9.7	9.2	22.4	7.2	21.6
South	5.0	42.7	11.6	7.6	10.1	17.4	11.8	10.8	15.0	11.8	14.3
Sicily	63.7	-5.6	10.3	9.6	12.3	16.6	10.8	6.3	11.7	13.4	14.9
Sardinia	5.3	6.5	8.3	3.1	11.3	14.3	8.9	3.3	13.0	10.3	10.7
Islands	45.7	4.8	9.7	7.3	12.0	15.9	10.2	5.2	12.2	12.5	13.6
Italy	6.7	7.5	6.4	4.3	7.9	15.1	6.6	2.5	13.2	8.2	8.8

Source: Supervisory returns. The data are classified by the customer's location. See the Methodological Notes.

(1) Excluding repos and bad debts. Changes do not take account of reclassifications, exchange rate variations and other changes not due to transactions. – (2) Includes private non-profit institutions and units not elsewhere classified. – (3) Partnerships and sole proprietorships with up to 5 workers.

Table aF3

BAD DEBTS AND SUBSTANDARD LOANS BY REGION (1)
(percentages and percentage changes on previous year)

	Ratio of new bad debts to outstanding loans (2)		Substandard loans	
	2004	2005	2004	2005
Piedmont	0.8	1.0	-5.9	5.2
Valle d'Aosta	0.9	1.3	3.1	-45.5
Lombardy	0.6	0.6	4.2	-7.0
Liguria	1.9	0.8	-1.9	-18.6
North-West	0.7	0.7	1.8	-5.7
Trentino-Alto Adige	0.8	0.8	1.8	6.1
Veneto	0.9	0.9	12.9	0.3
Friuli-Venezia Giulia	0.7	0.5	-5.4	9.5
Emilia-Romagna	0.8	0.9	-16.2	-4.9
North-East	0.8	0.8	-2.1	0.2
Tuscany	1.0	1.0	14.2	-7.4
Umbria	1.3	1.1	5.3	-0.7
Marche	1.3	1.1	13.5	0.6
Lazio	0.6	0.6	-10.5	-9.2
Centre	0.8	0.8	-0.5	-6.9
Abruzzo	1.4	0.9	-26.5	11.4
Molise	3.2	0.9	-19.8	-10.8
Campania	1.3	1.3	-2.4	-2.4
Puglia	1.5	1.3	12.5	0.4
Basilicata	1.8	1.8	45.2	10.2
Calabria	2.0	2.0	0.9	-4.9
South	1.5	1.4	0.4	0.4
Sicily	1.3	1.3	-7.1	8.2
Sardinia	1.1	0.9	6.4	2.7
Island	1.3	1.2	-2.8	6.3
Italy	0.9	0.9	-0.3	-3.0

Sources: Supervisory reports and Central Credit Register. See the Methodological Notes.

(1) Data on transactions in euros, classified by customer location. - (2) New adjusted bad debts in the last 12 months as a percentage of the stock of loans (excluding adjusted bad debts) outstanding at the end of the preceding year.; the stock of loans includes positions smaller than €75,000.

Table aF4

BANK DEPOSITS BY REGION (1)*(end-of-year stocks in millions of euros and percentage changes)*

	2004		2005		% change 2004-05	
	Total deposits		Total deposits		Total deposits	
		of which: (2) current accounts		of which: (2) current accounts		of which: (2) current accounts
Piedmont	55,725	42,380	58,480	45,864	4.9	8.2
Valle d'Aosta	1,736	1,378	1,831	1,478	5.5	7.2
Lombardy	179,478	142,282	188,000	150,052	4.7	5.5
Liguria	18,192	14,734	19,420	15,856	6.8	7.6
North-West	255,131	200,774	267,731	213,250	4.9	6.2
Trentino-Alto Adige	15,277	11,006	15,955	11,760	4.4	6.9
Veneto	57,446	42,827	61,612	45,952	7.3	7.3
Friuli-Venezia Giulia	16,738	12,807	17,533	13,964	4.8	9.0
Emilia-Romagna	61,589	45,309	68,774	52,004	11.7	14.8
North-East	151,051	111,948	163,874	123,680	8.5	10.5
Tuscany	45,040	34,438	47,106	36,886	4.6	7.1
Umbria	8,405	5,891	8,894	6,378	5.8	8.3
Marche	17,120	10,703	17,728	11,323	3.5	5.8
Lazio	98,066	74,171	109,909	81,309	12.1	9.6
Centre	168,632	125,204	183,637	135,896	8.9	8.5
Abruzzo	11,821	7,464	12,455	8,093	5.4	8.4
Molise	1,943	1,391	2,142	1,537	10.2	10.4
Campania	40,000	28,229	42,832	30,812	7.1	9.2
Puglia	27,813	17,334	29,297	18,958	5.3	9.4
Basilicata	3,613	2,261	3,738	2,388	3.4	5.6
Calabria	9,947	6,491	10,400	6,973	4.5	7.4
Sicily	31,539	20,823	33,781	23,189	7.1	11.4
Sardinia	12,082	8,920	12,873	9,686	6.5	8.6
South and Islands	138,760	92,912	147,518	101,635	6.3	9.4
Italy	713,574	530,838	762,759	574,462	6.9	8.2

Source: Supervisory reports. Data are classified by customer location. See the Methodological Notes.

(1) Excludes deposits of monetary financial institutions (banks and other intermediaries). – (2) Excludes deposits of central government departments.

**SECURITIES HELD FOR CUSTODY AND
INDIVIDUALLY MANAGED PORTFOLIOS BY REGIONS**

(1)(2)

(end-of-period stocks in millions of euros and percentage changes)

	Securities held for custody			Individually managed portfolios		
	2004	2005	% change 2004-05	2004	2005	% change 2004-05
Piedmont	91,198	109,851	20.5	11,578	14,829	28.1
Valle d'Aosta	1,847	1,981	7.2	88	110	25.9
Lombardy	349,023	326,249	-6.5	31,025	32,893	6.0
Liguria	24,084	24,049	-0.1	2,597	2,181	-16.0
North-West	466,151	462,130	-0.9	45,288	50,013	10.4
Trentino-Alto Adige	8,340	8,758	5.0	1,068	1,029	-3.7
Veneto	50,965	52,012	2.1	8,893	7,694	-13.5
Friuli-Venezia Giulia	58,077	64,841	11.6	1,298	1,108	-14.7
Emilia-Romagna	84,562	85,284	0.9	11,633	11,262	-3.2
North- East	201,943	210,895	4.4	22,892	21,093	-7.9
Tuscany	50,208	46,560	-7.3	6,143	6,589	7.3
Umbria	5,473	5,455	-0.3	1,002	882	-12.0
Marche	9,625	9,121	-5.2	1,106	1,171	5.9
Lazio	109,199	119,166	9.1	8,318	9,173	10.3
Centre	174,505	180,302	3.3	16,570	17,814	7.5
Abruzzo	4,556	4,473	-1.8	344	441	28.3
Molise	767	618	-19.4	24	27	12.6
Campania	18,010	17,947	-0.3	1,428	1,592	11.5
Puglia	13,905	13,280	-4.5	1,310	1,252	-4.4
Basilicata	1,371	1,357	-1.0	91	93	2.0
Calabria	3,685	3,766	2.2	295	266	-9.8
Sicily	13,598	13,357	-1.8	1,080	1,227	13.7
Sardinia	4,634	4,489	-3.1	411	451	9.8
South and Islands	60,525	59,287	-2.0	4,982	5,349	7.4
Italy	903,124	912,615	1.1	89,733	94,270	5.1

Source: Supervisory reports. Data classified by customer location. See the Methodological Notes.

(1) At face value. – (2) Excludes debt securities issued by banks, securities deposited by monetary financial institutions (banks and other intermediaries) and securities deposited by collective investment undertakings and private pension funds in connection with depositary bank duties.

**SHORT-TERM BANK LENDING AND DEPOSIT RATES BY
REGION**
(percentages)

	Loans (2)					Deposits				
	Dec. 2004	Mar. 2005	June 2005	Sept. 2005	Dec. 2005	Dec. 2004	Mar. 2005	June 2005	Sept. 2005	Dec. 2005
Piedmont	6.17	6.31	6.20	5.95	5.94	0.67	0.67	0.68	0.66	0.72
Valle d'Aosta	7.56	6.89	6.95	7.03	7.58	0.75	0.74	0.77	0.77	0.79
Lombardy	5.46	5.34	5.31	5.36	5.30	0.82	0.79	0.82	0.83	0.85
Liguria	7.25	6.99	6.88	6.72	6.82	0.60	0.59	0.58	0.58	0.61
North-West	5.66	5.57	5.53	5.52	5.48	0.77	0.75	0.77	0.77	0.80
Trentino-Alto Adige	4.77	4.80	4.52	4.52	4.55	0.97	1.00	1.02	1.05	1.07
Veneto	6.12	6.01	5.82	5.81	5.92	0.75	0.75	0.75	0.76	0.80
Friuli-Venezia Giulia	6.31	6.17	6.01	5.80	6.00	0.84	0.93	0.95	0.89	0.96
Emilia-Romagna	5.45	5.36	5.24	5.23	5.31	0.82	0.81	0.83	0.83	0.88
North- East	5.71	5.63	5.46	5.43	5.51	0.80	0.81	0.82	0.82	0.87
Tuscany	6.09	5.73	5.69	5.55	5.59	0.78	0.79	0.80	0.80	0.84
Umbria	6.76	6.76	6.57	6.54	6.66	0.77	0.74	0.77	0.77	0.82
Marche	5.53	5.56	5.30	5.20	5.41	0.80	0.78	0.82	0.81	0.87
Lazio	6.34	6.42	6.17	6.08	6.19	1.05	1.05	1.10	1.09	1.13
Centre	6.15	6.04	5.88	5.77	5.88	0.95	0.95	0.99	0.98	1.03
Abruzzo	6.88	7.03	6.94	6.76	6.75	0.87	0.85	0.82	0.81	0.87
Molise	7.79	7.85	7.71	7.59	7.82	0.78	0.77	0.75	0.74	0.84
Campania	7.53	7.42	7.52	7.31	7.37	0.58	0.58	0.58	0.56	0.61
Puglia	8.01	8.19	7.72	7.72	7.86	0.68	0.65	0.66	0.65	0.71
Basilicata	7.28	7.49	7.21	7.01	6.81	0.66	0.64	0.67	0.69	0.69
Calabria	8.19	8.84	8.17	8.23	8.82	0.52	0.50	0.51	0.51	0.55
South	7.59	7.67	7.52	7.38	7.48	0.64	0.63	0.63	0.62	0.67
Sicily	7.85	7.93	7.69	7.48	7.53	0.80	0.78	0.78	0.76	0.74
Sardinia	7.05	7.21	6.97	7.10	7.08	0.87	0.80	0.82	0.82	0.85
Islands	7.61	7.72	7.48	7.37	7.41	0.83	0.79	0.79	0.78	0.78
Italy	6.02	5.93	5.82	5.77	5.82	0.81	0.80	0.82	0.81	0.85

Source: Central Credit Register. Thee the Methodological Notes.

(1) Data on transactions in euros, classified by customer location. (2) Matched loans and revocable loans.

METHODOLOGICAL NOTES

B - ECONOMIC ACTIVIT

Figure B1

Indicators for industry excluding construction

ISAE conducts a monthly and quarterly survey of a sample of approximately 4,000 manufacturing and mining and quarrying firms as part of the harmonized EU project. The aim of the survey is to obtain information on the current level of the main corporate variables and the related expectations three months ahead. The series are seasonally adjusted using the TRAMO-SEATS procedure. For further information, see ISAE's quarterly and monthly surveys on industrial firms.

Table B4

Information provided by the Company Accounts Data Service

The Company Accounts Data Service engages in the collection, classification and database storage of the financial statements of the leading Italian companies. The figures shown in the table are based on a sample of 30,700 non-financial corporations present in the archive without interruption from 1999 to 2004. The following definitions are used:

Gross operating profit: the difference between value added and labour costs;

Leverage: the ratio of financial debt to the sum of financial debt and shareholders' equity;

Coverage of financial expense: ratio of self-financing gross of financial expense to financial expense.

Tables aB1 – aB3 and aC1 – aC4

Value added, GDP, labour units and productivity in the regional consolidated accounts

As of December 2005 there have been major changes in the national accounts, with the shift to 2000 as the base year and the alignment of the data with the 2001 census and subsequent regularization of immigrants. Istat's regional consolidated accounts, updated to 2004, do not yet incorporate these revisions (see Istat, "Nota metodologica alle Statistiche in breve", 20 December 2005). In particular, the total for Italy of the regional consolidated accounts shows an overall increase in GDP that was half a percentage point higher than that of the new national accounts. A similar result is found for standard labour units. For 2005 Istat has issued preliminary figures by macro-region for the percentage change in value added and standard labour units (Istat, "Conti economici territoriali", 8 June 2006). The estimates of regional GDP in 2005 were prepared by Svimez; this organization also provides homogeneous data on the resident population, which have been used to calculate GDP per inhabitant (Table aC2).

Tables aB4 and E5

Bank of Italy surveys of firms in industry and services

In 2005 the survey of firms in industry excluding construction with 20 or more workers covered 3,231 firms (of which 1,954 with at least 50 workers). Since 2002 this survey has been accompanied by an annual survey covering firms with at least 20 workers providing market services in the following sectors: wholesale and retail trade; hotels and restaurants; transport and communication; and business services. In 2005 the sample included about 1,159 firms (of which 715 with more than 50 workers). The response rate was 77.6 per cent for industrial firms and 75.1 per cent for service firms. For the methodology used for both surveys, see the July 2006 issue of *Supplements to the Statistical Bulletin* (www.bancaditalia.it).

Survey of construction and public works

Since 2002 the Bank of Italy has conducted a half-yearly survey one of the aims of which is to monitor the value of the output of the construction industry and the implementation of public works. For the purposes of the survey, public works include both works financed by central and local government and works of public utility, even if they are financed by the private sector (such as some roads, hospitals and schools). The sample includes nearly 500 firms and temporary associations of firms whose main activity is linked to the implementation of public works located throughout Italy. The interviews are carried out by the branches of the Bank of Italy in February-March and September-October of each year. In the last survey 169 firms in the North were interviewed, 161 in the Centre and 148 in the South and Islands. The results of the survey need to be considered as indicative and not as an estimate of the corresponding variables of the universe on a geographical basis.

C – GROWTH AND THE STRUCTURE OF PRODUCTION

Figures C1-C3

Comparison between Italian and European regions

The data on the regions of the EU-25 were obtained from Eurostat's REGIO archive, which contains information on the main economic and social aspects of the European Union at the first three levels of disaggregation (NUTS, *Nomenclature of Statistical Territorial Units*).

For the purpose of the analyses conducted in Chapter C, the regions are divided into five groups according to their GDP (PPP) in 1995.

D – FOREIGN TRADE

Table aD1

Regional exports (*fob*) by sector

The data on trade with EU countries are obtained using the Intrastat system; those on trade with other countries using customs documentation. The regional data are the result of the aggregation of the data classified by province of origin and destination. The province of origin is that in which goods for export were produced or obtained following the processing, transformation or repair of temporarily imported goods. The importing region is considered to be the region to which goods are sent for final use or for processing, transformation or repair. Businesses that in the reference year carry out (or expect to carry out) a volume of trade with EU countries that exceeds the thresholds fixed annually by the Ministry for the Economy and Finance are required to fill in the Intrastat form monthly, while other businesses can submit their data quarterly or annually. The monthly estimates of the latter data for 2003 are included in sector 999 ("goods procured in port") and those for 2004 in "Sundry unspecified provinces" and therefore excluded from the regional data. For further information, see the "Note metodologiche" section in *Commercio estero e attività internazionali delle imprese*, published by Istat.

E - THE LABOUR MARKET AND REGIONAL POLICIES

Figures. E1 and E2; Tables aE1-aE4

The labour force survey

As of January 2004 Istat's labour force survey has undergone far-reaching changes as regards the questionnaire, the timetable and the manner of interviewing households. The data are now collected continuously during the reference quarter instead of in just one week. Consequently, the seasonality of the data has changed. The new questionnaire permits a more accurate identification of both persons in employment and those actively seeking a job. A new network of professional interviewers is now used. They have replaced the persons previously made available by municipalities and are specially trained and benefit from the use of computers. The population used for the survey, consisting of persons resident and present in Italy, has changed considerable compared with the past, in order to take account of the 2001 Population Census and the effects of the regularization of foreigners between 2003 and 2004. For this survey the labour force does not include persons performing compulsory military service, prisoners, members of religious orders and non-resident aliens, all of whom who are comprised in the national accounts. For further information, see the "Glossario" section in the Appendix to the Bank's Annual Report in Italian.

Figure E1

Standard labour units and employed persons in the national accounts

Employed persons, for the National Accounts, in addition to those found by the labour force survey, comprise persons performing compulsory military service, prisoners, members of religious orders and foreigners (legally present or not) who perform an activity. Standard labour units, as defined in the national accounts, measure the amount of labour employed in productive activity in Italy, reduced to homogeneous quantities in terms of work time. Labour input as measured in standard units (or "full-time equivalent workers") is net of Wage Supplementation. The Wage Supplementation Fund is administered by INPS for the partial compensation of the wages lost by employees in the case of short-time working or lay-off provided for by law. In estimating the total labour input of the economy, the number of hours of Wage Supplementation benefits is translated into the corresponding number of persons employed (equivalent workers on Wage Supplementation) by dividing it by the contractual working hours.

Tables E1 and E2

Local labour systems and industrial districts

Istat defines industrial districts as local labour systems where: *a)* the ratio of employment in manufacturing industry to total non-farm employment is higher than the national average; *b)* the share of total manufacturing employment accounted for by firms with less than 250 workers is above the national average; *c)* for at least one manufacturing sector the share of total manufacturing employment accounted for by that sector is above the national average; *d)* In at least one of the sectors in which the condition established in point *c)* is satisfied, the share of total employment accounted for by firms with less than 250 workers is above the national average.

F – BANKING

Tables F1, F4, F5, Figure F1, Tables aF2-aF5

Supervisory returns

The data are drawn from the statistical reports (third section of the supervisory returns) that the Bank of Italy requires banks to send pursuant to Article 51 of the Consolidated Law on Banking

(Legislative Decree 385/1993). As of 1995 the former special credit institutions have submitted identical reports to those sent by other banks; from the same date the information on the former special credit sections has been included in the reports of their parent institutions. For details on the classification of customers by economic activity, see the Glossary of the Bank of Italy's *Statistical Bulletin* ("Customer sectors and segments of economic activity").

The aggregates are consistent with those adopted by the European System of Central Banks for the euro area and are based on end-of-period data.

The definitions of some items in the tables are given below:

Deposits: savings accounts, certificates of deposit, savings certificates, current accounts and repos with resident non-bank customers.

Loans: loans disbursed by banks to resident non-banks. The aggregate includes the bill portfolio, current account overdrafts, matched loans (advances on bills, other credit instruments and documentary credits subject to final payment), bills of exchange and other import and export documentary credits, mortgage loans, repos advances not settled via current accounts, stock exchange repos, sundry secured loans not settled via current accounts, pledge loans, loans secured by pledge of salaries, loans granted from funds administered for third parties, and other financial investments (traded banker's acceptances, commercial paper, etc.). Short-term loans have a maturity of up to 18 months, medium and long-term loans of more than 18 months.

Substandard loans: claims on borrowers in a temporary situation of objective difficulty whose solution can be expected within a reasonable period of time. The data are available half-yearly.

Bad debts: loans to persons in a state of insolvency (even if not judicially declared) or basically equivalent situations.

Unless otherwise specified, the data refer to the residence of the borrower.

Table F3

Consumer credit, leasing and factoring

The figures shown are obtained from the statistical supervisory reports of non-bank financial intermediaries entered in the special list referred to in Article 107 of the Consolidated Banking Law. The data refer to customers resident in each region and are those provided for in Section II ("Other information"), subsection 6 ("Distribution by economic activity and geographical area") of the reports.

Further information can be found in the "Note metodologiche" section in the Appendix to the Bank's Annual Report in Italian and in *Manuale per la compilazione delle Segnalazioni di Vigilanza per gli Intermediari Finanziari iscritti nell' "Elenco Special"* (Circular No. 217 of 5 August 1996).

Table. F7

Payment instruments other than cash

The data refer to a sample of 66 banks, representing on average more than 80 per cent of current account deposits, that participate in the half-yearly survey on the payment system. The geographical breakdown is by province and based on the location of the branch at which the current account debited is held; in the case of transactions carried out against the deposit of cash, the province of the branch at which the transaction was arranged is considered. Some components of the data are estimated. Bank cheques refer only to those used to make payments and thus do not include those used by account holders to withdraw cash (this component is estimated). The instructions for paperless credit transfers are transmitted electronically or inputted via ATMs. In the case of direct debits, clients authorize their bank to accept debit orders from named sources; they include direct debits for instalments (RIDs) and those for regular payments (RIAs). Debit card payments at POS terminals comprise payments for the purchase of goods and services by means of automated equipment located on the premises of the commercial outlet that can be activated by the entry of the payer's PIN. For further information, see the "Methodological

appendix” in the Bank of Italy’s *Supplements to the Statistical Bulletin*, “Monetary and Financial Indicators: Payment System”.

Tables F8

Survey of household income and wealth

Since the 1960s the Bank of Italy has conducted a sample survey of household income and wealth in order to obtain a deeper knowledge of households’ economic behaviour. The data collected supplement the microeconomic and macroeconomic information coming from other sources. The sample, which comprised 8,000 households in the last survey, is selected using a two-stage sampling procedure. In the estimation phase account is taken, by means of weighting coefficients, of the different probabilities of households being selected in light of the sampling method used. The main results of the surveys and more detailed information on the methods adopted are published in *Supplements to the Statistical Bulletin – Methodological Notes and Statistical Information*.

Differential between interest rates on loans to firms in the geographical areas and the average for Italy

The information refers to non-financial corporations and producer households; from December 1997 to December 2001 the survey only considered loans above 150 million lire (€77,468). The geographical distribution is based on the location of the branch disbursing the loan. Short-term interest rates are calculated at the weighted average of the interest rates on revocable and matched loans.

The cost of borrowing for the same sectoral composition and size class is calculated by dividing the firms in each geographical area into 12 groups obtained by combining the four macro branches of economic activity (agriculture, industry excluding construction, construction and services) and three size classes of total credit granted (less than €0.5 million, from €0.5 million to €5 million, €5 million and over). The cost of borrowing in the various geographical areas adjusted for differences in the sectoral and size composition with respect to the average for Italy (r_{ct}^A) is given, for each year t , by the formula:

$$r_{ct}^A = \sum_{i=1}^3 \sum_{j=1}^4 q_{ijt}^{IT} * r_{ijt}^A$$

where

q_{ijt}^{IT} is the share, at time t , of Italian firms’ total short-term loans granted to firms in the j th branch of industry and the i th class of total credit granted.

r_{ijt}^A is the interest rate on short-term loans applied in year t to firms in geographical area A belonging to the j th branch of production and the i th class of total credit granted.

Table aF3

Reports to the Central Credit Register

The Central Credit Register records the exposures of banks (including the Italian branches of foreign banks exclusively as regards credit granted to residents of Italy) for which the amount granted or drawn or the guarantee provided exceeds €75,000. Bad debts are covered regardless of the amount.

Definitions of some items:

Facilities granted: the amount of credit that the customer can use directly insofar as it derives from a fully effective contract that has been concluded.

Used margin: the amount of credit actually disbursed to a customer.

Overshoot: the positive difference between credit used, excluding bad debts, and credit granted.

Adjusted bad debts: the total loans outstanding when a borrower is reported to the Central Credit Register:

- a) as a bad debt by the only bank that disbursed credit;
- b) as a bad debt by one bank and as having an overshoot by the only other bank exposed;
- c) as a bad debt by one bank and the amount of the bad debt is at least 70% of its exposure towards the banking system or as having overshoots equal to or more than 10% of its total loans outstanding;
- d) as a bad debt by at least two banks for amounts equal to or more than 10% of its total loans outstanding.

Factoring: amounts corresponding to the nominal value of claims involved in factoring transactions with the amounts with and without recourse reported separately; the amounts are reported by both the assignor and the assignee.

Additional information is contained in the Statistical Appendix and in the Glossary of the Bank of Italy's *Statistical Bulletin*.

Table aF6

Bank interest rates

The quarterly sample survey of lending and deposit rates was completely overhauled in March 2004: the number of reporting banks was increased and the form for submitting reports was expanded and amended. The two groups of banks, which include the main Italian credit institutions, are made up of about 250 for lending rates and about 125 for deposit rates (compared with respectively 70 and 60 in the previous survey).

The information on lending rates is collected separately for each customer. The data refer to loans non-bank customers and record each position, at the end of the reference quarter, for which the amount granted or drawn reported to the Central Credit Register exceeds €75,000. For new fixed-term loans the banks report the amount granted and the annual percentage rate of charge.

For deposit rates the data refer to the terms offered on the sight deposits of non-bank customers outstanding at the end of the quarter.

For further information, see the "Methodological appendix" in the Bank of Italy's *Statistical Bulletin*.

Tables. F2, F6 and aF1

The archives containing data on intermediaries

The information on credit and financial intermediaries are drawn from the registers kept by the Bank of Italy, Consob and the UIC, as prescribed by law.

For additional information, see the "Methodological appendix" in the Bank of Italy's *Statistical Bulletin*.