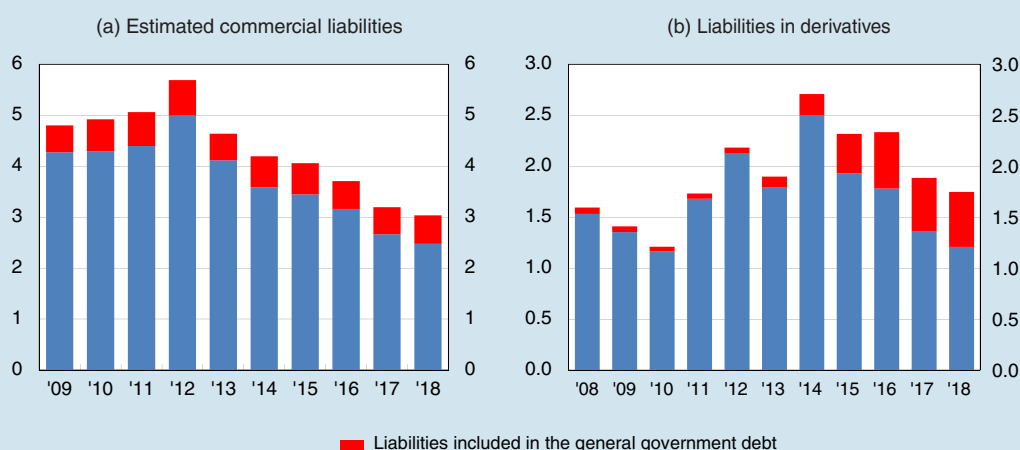


LOOKING BEYOND THE PUBLIC DEBT: COMMERCIAL LIABILITIES AND LIABILITIES IN DERIVATIVES

In 2018 commercial debts and liabilities in derivatives continued to decline, though as a share of GDP they remain at high levels by international standards. It is estimated that at the end of 2018 the overall amount of these liabilities, net of those already counted in the general government debt, came to 3.7 per cent of GDP (4.0 per cent in 2017).

Commercial liabilities – General government commercial liabilities – estimated by the Bank of Italy based on its statistical surveys of firms and supervisory reports¹ – fell from 3.2 per cent of GDP in 2017, to 3.0 per cent in 2018 (see panel (a) of the figure), amounting to around €53 billion. In accordance with the European statistical rules, a portion of the liabilities (around €10 billion at the end of 2018, equal to 0.6 per cent of GDP) is already included in the general government debt.² Though it has halved compared with the peak of 2012, according to Eurostat estimates the stock of commercial debts as a share of GDP remains the highest in Europe.³

General government commercial liabilities and liabilities in derivatives
(per cent of GDP)



Source: For GDP, Istat.

It is estimated that again in 2018 around half of the total commercial liabilities were attributable to delays in payments made by general government entities with

¹ L. D'Aurizio, D. Depalo, S. Momigliano and E. Vadalà, 'I debiti commerciali delle amministrazioni pubbliche italiane: un problema ancora irrisolto', *Politica economica*, 31, 3, 2015, 421-458. Looking ahead, the new general government transactions information system, Siope+, launched during 2018, is expected to provide more precise estimates of the total stock of commercial liabilities. The 2019 Budget Law also made it obligatory for general government entities to notify in April of each year the amount of commercial liabilities due and unpaid at the end of the previous year. Starting in the year 2020, if the debt thus calculated has not fallen by at least 10 per cent, or in the event of delays in payments, the government will have to make provisions to the commercial liability guarantee fund.

² These are the commercial liabilities transferred without recourse by creditors to financial intermediaries.

³ See on Eurostat's website: 'Note on stock of liabilities of trade credits and advances (April 2019)'.

respect to contractual deadlines. Last year actual average payment times continued to come down, to around 85 days. Based on the results of Intrum's *European Payment Report 2019*, payment times in Italy are almost one month longer than the average for the countries considered.

Financial derivatives. – Most of the derivatives contracts of Italy's general government entities are held by the Ministry of Economy and Finance (MEF), whose portfolio in derivatives at the end of 2018 had a notional value of around €111 billion (more than 90 per cent consisted in interest rate swaps, almost 5 per cent in cross currency swaps and a little more than 2 per cent in swaptions).⁴

In the last decade the MEF's strategy has been primarily geared towards managing the outstanding contracts, whereby it usually pays a fixed rate of interest and receives a variable rate (normally linked to Euribor).⁵ The decline in rates following the financial crisis led to a sharp increase in the market value of these instruments (negative overall for the MEF), which was only partly recouped in recent years, also owing to the effect of the expiry of some contracts.⁶

In 2018 general government liabilities in derivatives fell from 1.9 to 1.7 per cent of GDP (€30.7 billion; see panel (b) of the figure). As in the case of commercial debts, some of these liabilities (€9.5 billion at the end of 2018, equal to 0.5 per cent of GDP) are already included in the general government debt.⁷ While there has been a reduction in recent years, the share of liabilities in derivatives relative to GDP in Italy is still equal to more than half the average in the euro area.

⁴ Since June 2008, there has been a ban on the stipulation of new derivatives contracts by local government entities.

⁵ M. Bucci, I. De Angelis and E. Vadalà, '(Don't) look back in anger. L'utilizzo dei derivati nella gestione del debito pubblico italiano', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), forthcoming.

⁶ Ministry of Economy and Finance, *Rapporto sul debito pubblico 2017*, 2018.

⁷ In particular, the reclassification concerns swaps that from the outset or following a restructuring or the exercise of a swaption show a negative value for the government counterpart.