

# The wealth of Italian households and non-financial corporations: 2005-2017

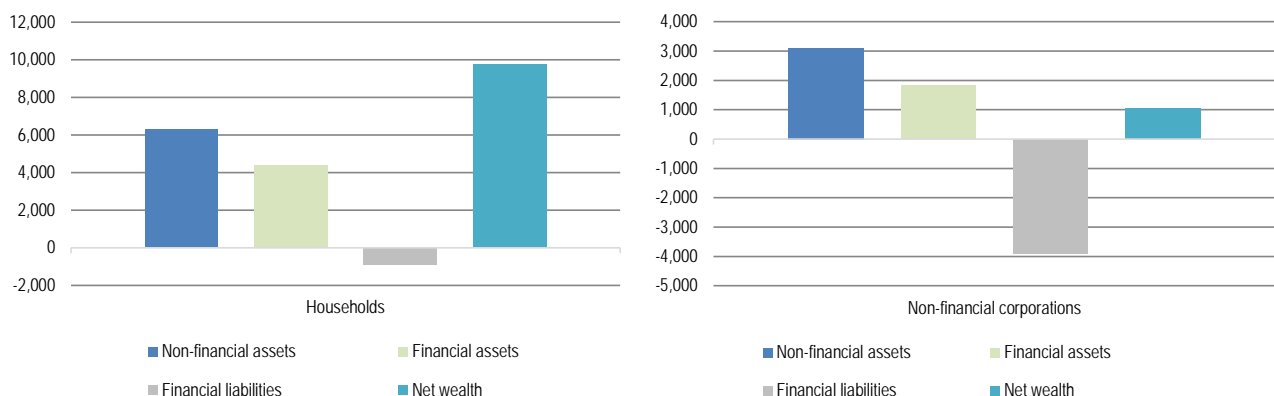
## MAIN FINDINGS

The wealth estimates compiled by Istat and the Bank of Italy released as of today provide a comprehensive description of the assets held by households and non-financial corporations and of how they have changed over time. It is also possible to make a comparison with other advanced economies, bearing in mind that international comparability remains imperfect.

At the end of 2017, the net wealth of Italian households stood at €9,743 billion, eight times the size of their disposable income. Dwellings were the main component of investment for households: with a value of €5,246 billion, they accounted for half of gross wealth. Total household liabilities equalled €926 billion, a level which, compared to income, was lower than in other countries. Financial assets reached €4,374 billion, up compared with the previous year; however, in proportion to net wealth they remained lower than the level recorded in other economies.

The net wealth of non-financial corporations amounted to €1,053 billion. Total assets equalled €4,943 billion, 63 per cent of which were non-financial assets. The financial component grew between 2013 and 2017, up to €1,840 billion. In contrast, there was a decline in the value of real assets, which largely consist of non-residential real estate and machinery and equipment. Recourse to financing through securities and loans equalled €1,233 billion, a limited amount by international comparison.

**Figure 1. Wealth of households and non-financial corporations (a)** (billions of euros; 2017)



(a) Financial liabilities are shown with a negative sign.

Sources: Istat and Bank of Italy.

*Wealth, net of financial liabilities, is the value of all the assets, real and financial, which guarantee an economic benefit to the owner of the asset, either in the form of the income flow they generate or the proceeds from their sale or liquidation.*

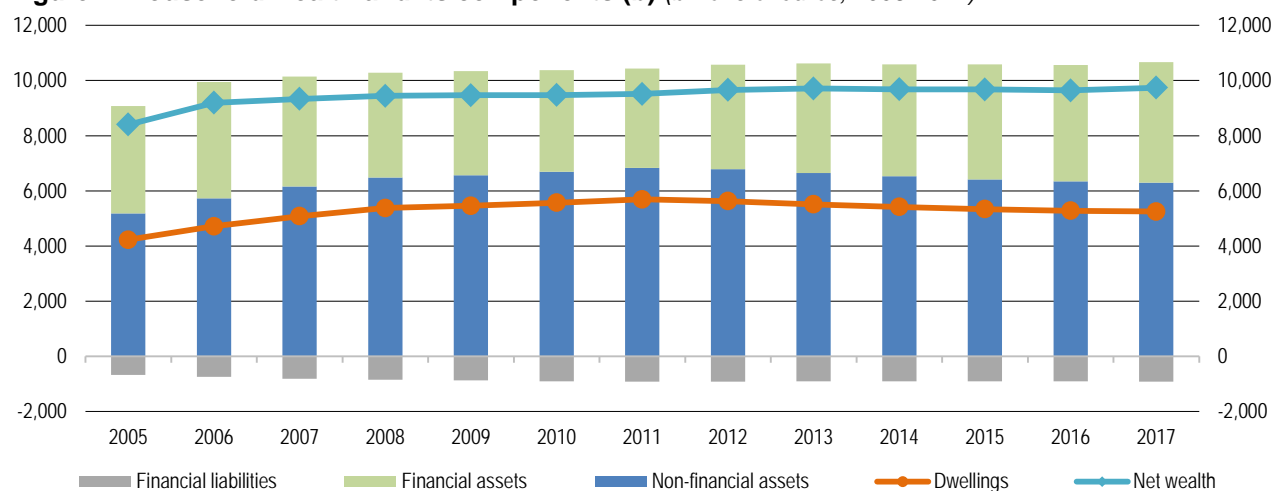
*The purpose of this note is to provide a complete picture of the stock of wealth, net and gross, of two important economic sectors: households, in their dual function as consumers and producers of goods and services, and non-financial corporations.*

*The assessment of the stock of financial assets and liabilities carried out by the Bank of Italy is exhaustive. The assessment of the stock of non-financial assets carried out by Istat is not yet complete, as in other EU countries, due to the unavailability of data on certain assets that are more difficult to measure, such as valuables and some non-financial non-produced assets (e.g. natural resources other than land). Only a limited amount of data is unavailable which does not compromise the information content of the estimates.*

### The net wealth of Italian households returned to growth in 2017

At the end of 2017, the net wealth of Italian households<sup>1</sup>, measured as the sum of real assets (dwellings, land, etc.) and financial assets (deposits, securities, shares, etc.) net of financial liabilities (short-, medium- and long-term loans, etc.) stood at €9,743 billion (Figure 2 and Table 1). Real assets (€6,295 billion) represented 59 per cent of gross wealth (total assets) while financial assets (€4,374 billion) represented the remaining 41 per cent, against a total of €926 billion in financial liabilities.

**Figure 2. Household wealth and its components (b)** (billions of euros; 2005-2017)



(b) As of 2012, non-financial assets also include the value of inventories, which in 2017 accounted for 0.4% of non-financial assets. Financial liabilities are shown with a negative sign.

Sources: Istat and Bank of Italy.

Between the end of 2016 and the end of 2017, net wealth measured at current values grew by €98 billion (+1 per cent), after having declined in the preceding three-year period. The increase reflects the €156 billion growth in financial assets (+3.7 per cent), which more than offset the €45 billion decline in real assets (-0.7 per cent), which had been falling since 2012, and the €13 billion increase in financial liabilities (+1.4 per cent).

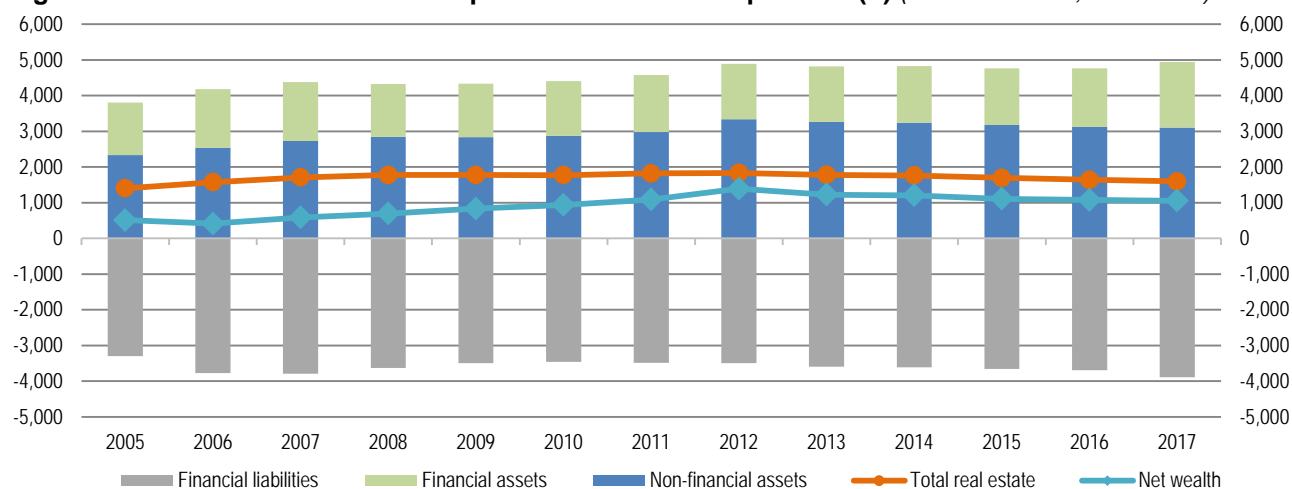
<sup>1</sup> In this publication data on households also include non-profit institutions serving households.

The growth in financial assets largely benefited from capital gains stemming from higher asset prices, especially those of equity instruments. In 2017, capital gains accounted for 2.6 per cent of the growth in financial assets, while the purchase of new financial assets accounted for 1.1 per cent. In recent years, capital gains have outweighed the flow of financial savings in other advanced countries as well. The decline in the value of the stock of non-financial assets owned by the sector (-0.7 per cent) was largely due to the fall in the value of residential (-0.6 per cent) and non-residential (-1.9 per cent) real estate at the end of the year, caused by the drop in real estate prices.

### The financial assets of corporations increase, while real assets decline

At the end of 2017, the net wealth of non-financial corporations stood at €1,053 billion (Figure 3 and Table 2). Total assets for the sector amounted to €4,943 (Figure 2 and Table 2), of which 63 per cent consisted of non-financial assets. The gross wealth of corporations grew by €177 billion compared with the end of 2016 (+3.7 per cent), thanks to the increase of €196 billion in the financial component (+11.9 per cent) which offset the contraction in real assets (-0.6 per cent) underway since 2013. This contraction was largely due to lower real estate values (-2.7 per cent), and was partly offset by the increase in the value of other fixed capital goods, especially machinery and equipment (+2 per cent) and intellectual property products (+6.1 per cent). Financial liabilities increased by €200 billion with respect to 2016 (+5.4 per cent), mostly due to changes in the prices of shares and other equity (€143 billion), in the light of a credit dynamic that remains modest.

**Figure 3. Wealth of non-financial corporations and its components (b)** (billions of euros; 2005-2017)



(b) As of 2012, non-financial assets also include the value of inventories, which in 2017 accounted for 11.2% of non-financial assets. Financial liabilities are shown with a negative sign.

Sources: Istat and Bank of Italy.

### Dwellings still represent half of gross household wealth

At the end of 2017, dwellings represented about half of the gross wealth of households (Figure 4 and Table 1). On the financial side, managed assets (mutual fund shares and insurance, pension and standardised guarantee schemes) accounted for 14 per cent of gross wealth, followed by deposits (13 per cent) and shares and other equity (10 per cent).

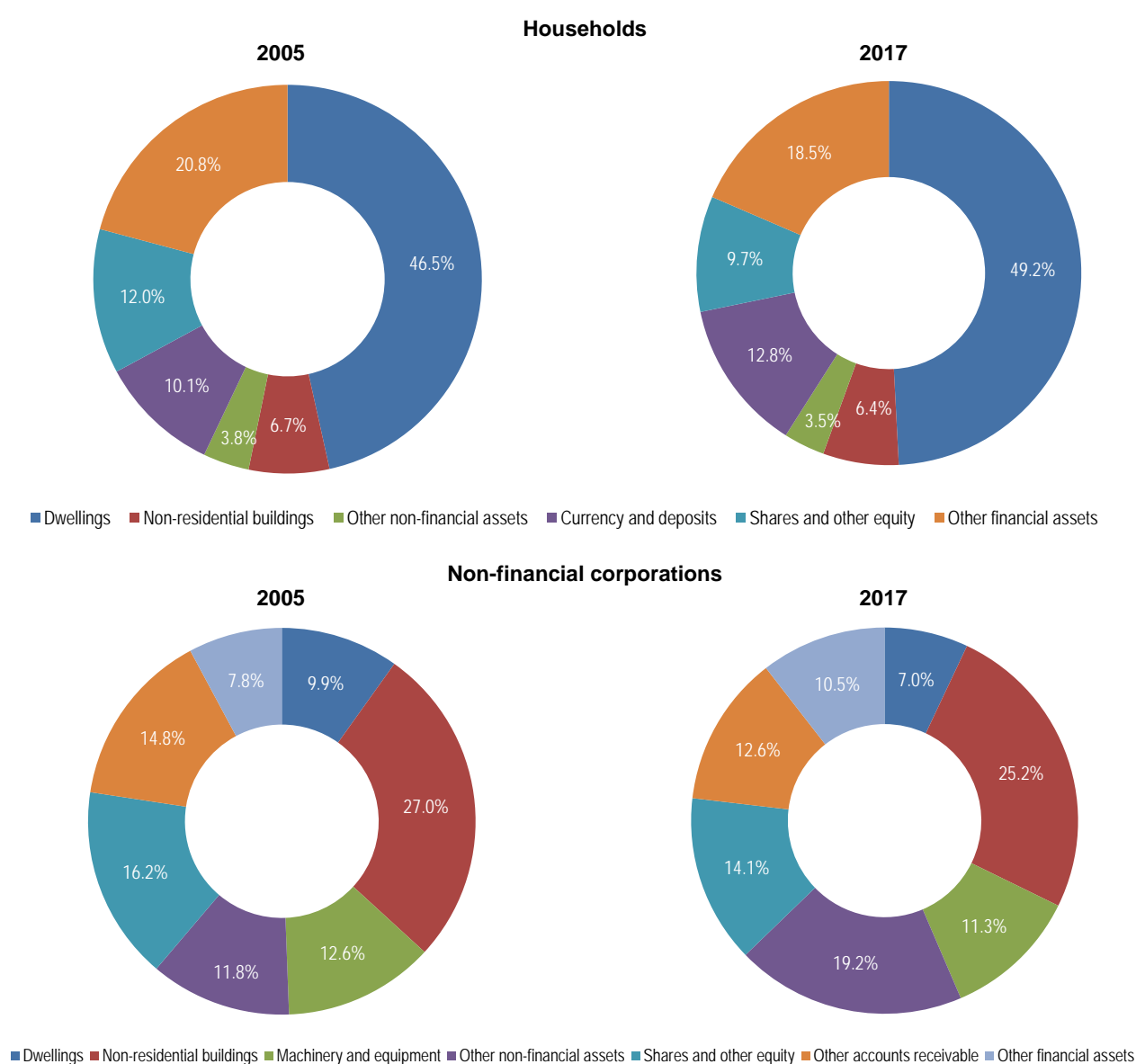
Between 2005 and 2011, the ratio of dwellings to total assets rose from 47 to 54 per cent and then declined in the following years, falling to 49 per cent in 2017. The downward trend in residential housing prices, underway since 2012, has resulted in a reduction in the average value of housing and in the ensuing contraction in the value of housing wealth.

As a result, the ratio of total non-financial assets to total gross wealth rose from 57 per cent to 65 per cent between 2005 and 2011 and fell thereafter, also on account of the increase in the value of financial assets. The share of deposits in the financial portfolio increased from 10 to 13 per cent, while the share of securities declined from 8 to 3 per cent and that of shares and other equity fell from 12 to 10 per cent.

### Corporations: non-residential real estate, machinery and equipment represent more than a third of wealth

With regard to non-financial corporations (Figure 4 and Table 2), at the end of 2017 non-residential real estate represented 25 per cent of gross wealth while machinery and equipment accounted for 11 per cent. The financial portfolio largely consisted of shares and other equity (14 per cent) and of other accounts receivable (13 per cent), most of which were trade credits: these were nearly completely offset by trade debts on the liability side of the balance sheet.

**Figure 4. Assets of households and non-financial corporations (c)** (percentages; 2005 and 2017)



(c) As of 2012, non-financial assets also include the value of inventories.

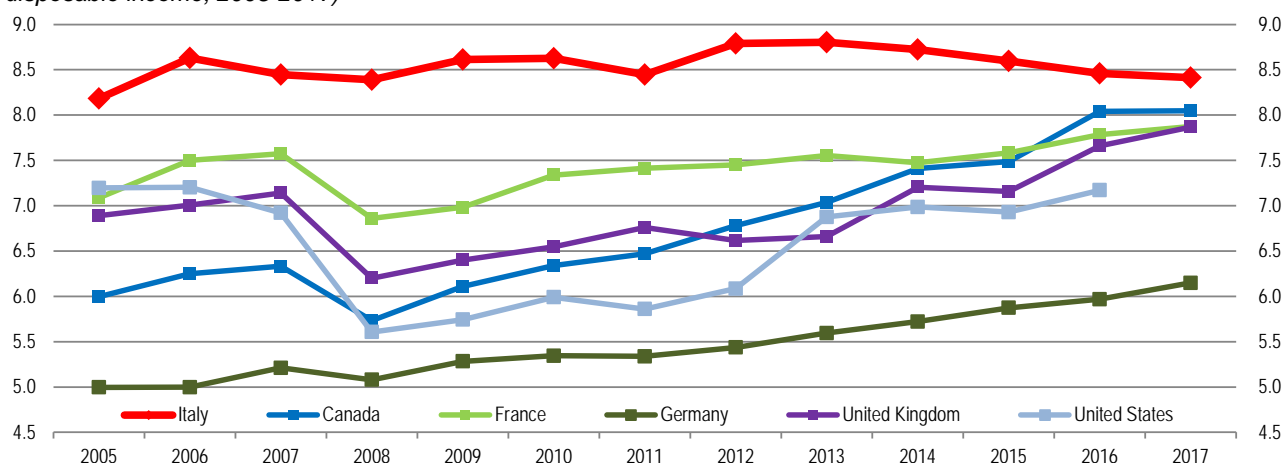
Sources: Istat and Bank of Italy.

Comparing the years 2005 and 2017, net of inventories because they have only been available since 2012, the share of non-financial assets to total assets remained substantially stable (61 per cent in 2005 and 60 per cent in 2017), the share of housing declined (from 10 to 8 per cent) and the share of intellectual property products increased (from 2 to 3 per cent). On the financial side, there was a decline in the proportion of shares and other equity (from 16 to 15 per cent) and in that of other accounts receivable (from 15 to 14 per cent), while the share of deposits rose (from 5 to 7 per cent).

### Household wealth is eight times the size of disposable income

At the end of 2017, the net wealth of Italian households was 8.4 times the size of their disposable income, measured gross of depreciation (Figure 5). According to OECD data, this ratio is higher than that of households in France, the United Kingdom and Canada (about 8), although the gap narrowed significantly during the period. The indicator then declined gradually from the peak recorded in 2013, unlike the trend observed in other countries. The indicator's high level by international comparison is accentuated by the 20-year stagnancy in Italian household income. If measured in proportion to the population, the net wealth of Italian households was higher than that of the other countries in 2008 and in 2009 (Figure 6); in the years that followed it remained stable, while that of the other countries increased. At the end of 2017 the per capita wealth of Italian households was slightly higher than that of German households.

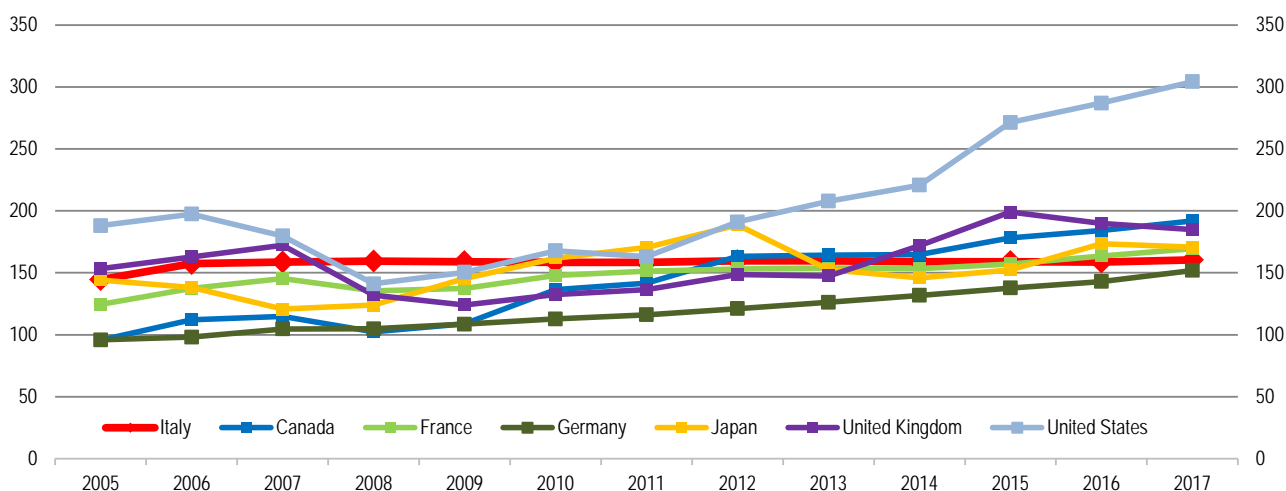
**Figure 5. Net household wealth compared at international level (d) (in relation to households' gross disposable income; 2005-2017)**



(d) To provide greater international comparability, the total of non-financial assets is calculated as the sum of fixed capital and land; inventories are therefore excluded, as figures are not available for some countries or for all the years of the series.

Sources: Istat and Bank of Italy; OECD for the other countries.

**Figure 6. Households' net wealth per capita compared at international level (e)** (thousands of euros; 2005-2017)

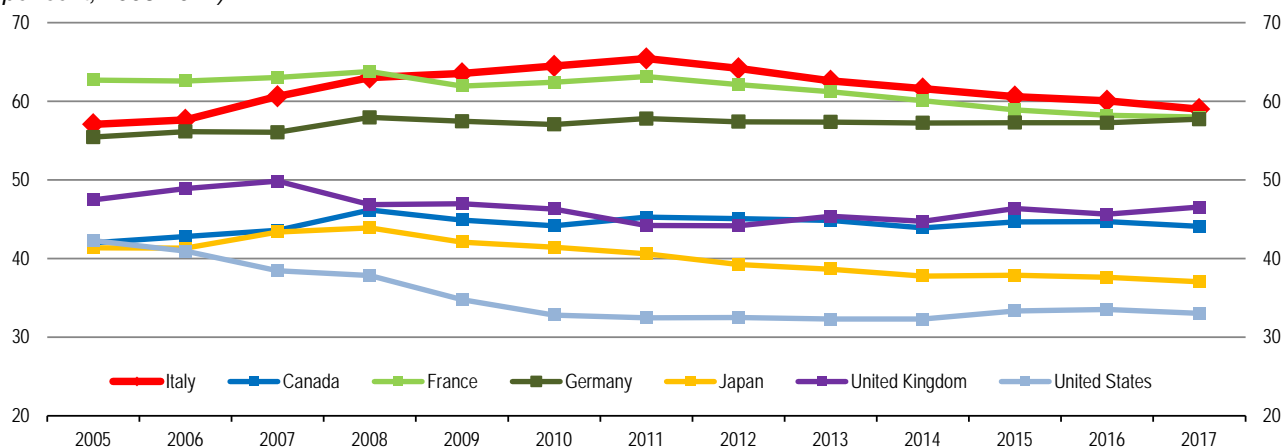


(e) To provide greater international comparability, the total of non-financial assets is calculated as the sum of fixed capital and land; inventories are therefore excluded, as figures are not available for some countries or for all the years of the series. Values at current prices and exchange rates.

Sources: Istat and Bank of Italy; OECD for the other countries.

In Italy, the ratio of real assets to total assets was 59 per cent in 2017, similar to that of France and Germany (near 58 per cent) and higher than that of the United Kingdom (47 per cent), Canada (44 per cent), Japan (37 per cent in 2016) and the United States (33 per cent in 2016), confirming the importance of non-financial investments, especially real estate investments, in Italy (Figure 7).

**Figure 7. Households' non-financial assets compared at international level (d)** (in relation to gross wealth; per cent; 2005-2017)



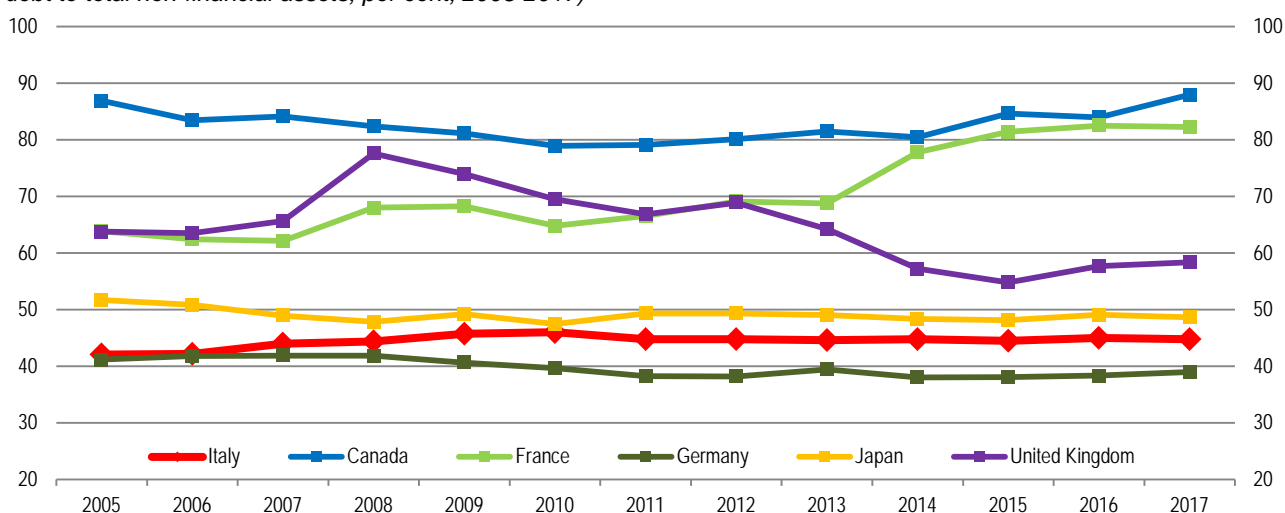
(d) To provide greater international comparability, the total of non-financial assets is calculated as the sum of fixed capital and land; inventories are therefore excluded, as figures are not available for some countries or for all the years of the series.

Sources: Istat and Bank of Italy; OECD for the other countries.

## Italian corporations have a low level of indebtedness by international comparison

At the end of 2017, the ratio of financial debts to non-financial assets amounted to 45 per cent for Italian non-financial corporations (Figure 8), a value that has remained substantially stable since the end of 2005 and one which places Italian corporations among the group of less indebted firms. Higher values for the debt to non-financial asset ratio were recorded for Canadian and French firms (88 and 82 per cent respectively), while borrowing has had a more modest effect on German firms, for whom the ratio stands at 39 per cent.

**Figure 8. Indebtedness of non-financial corporations compared at international level (f)** (ratio of financial debt to total non-financial assets; per cent; 2005-2017)

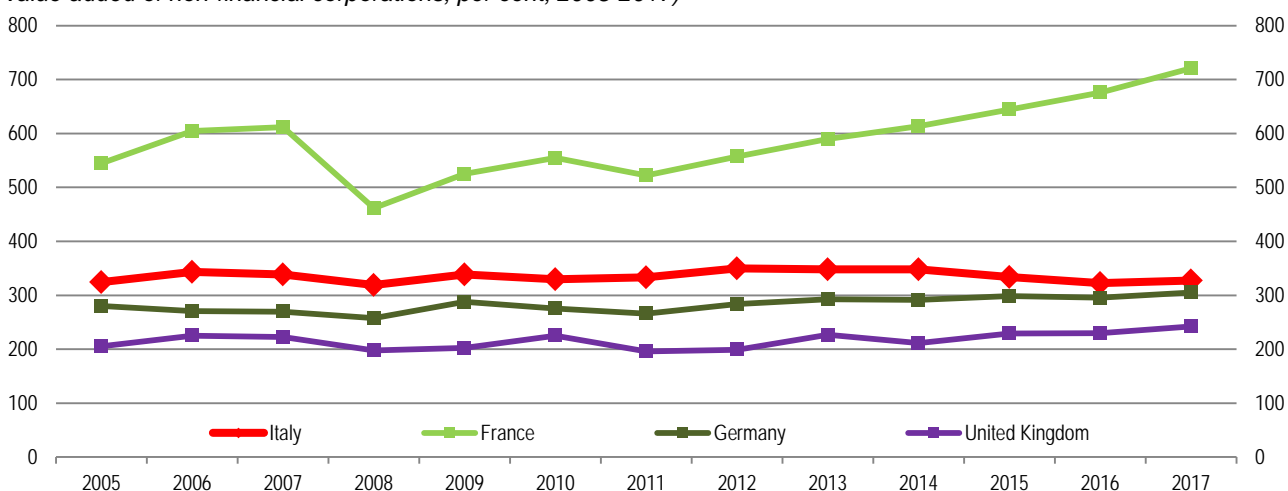


(f) To provide greater international comparability, the total of non-financial assets is calculated as the sum of fixed capital and land; inventories are therefore excluded, as figures are not available for some countries or for all the years of the series. Financial debt is given by the sum of loans and securities on the liability side of non-financial corporations.

Sources: Istat and Bank of Italy; OECD for the other countries.

At the end of 2017, own funds, measured as the difference between assets and debts, stood at 327 per cent of value added for Italian non-financial corporations (Figure 9), slightly higher than the level recorded for German corporations. For France, the ratio of own funds to value added was structurally higher than that of the other European countries, standing at 721 per cent at the end of 2017.

**Figure 9. Own funds of non-financial corporations compared at international level (d)** (in relation to the value added of non-financial corporations; per cent; 2005-2017)



(d) To provide greater international comparability, the total of non-financial assets is calculated as the sum of fixed capital and land; inventories are therefore excluded, as figures are not available for some countries or for all the years of the series.

Sources: Istat and Bank of Italy; OECD for the other countries.

## THE WEALTH OF ITALIAN HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS

**Table 1. Household wealth** (millions of euros)

Assets/Liabilities	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Dwellings	4,223,905	4,714,294	5,081,683	5,374,851	5,455,238	5,569,731	5,687,987	5,627,089	5,510,572	5,418,614	5,333,634	5,278,902	5,246,608
Non-residential buildings	607,951	660,694	708,444	739,183	746,042	755,794	772,355	769,834	750,285	728,592	706,897	691,910	678,819
Land improvements	34,396	35,054	35,994	37,007	36,896	37,367	38,577	37,935	36,786	35,853	35,278	34,468	34,707
Other structures	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	82,191	85,159	87,996	90,235	88,654	89,716	89,932	88,612	84,076	80,632	77,968	76,365	76,421
Transport equipment	21,762	22,492	22,975	23,793	23,411	23,988	23,105	21,498	19,918	18,588	18,096	18,365	19,264
ICT equipment	6,087	5,904	5,734	5,266	5,021	5,018	5,007	5,356	5,161	4,961	5,075	5,250	5,426
Other machinery and equipment	54,342	56,764	59,287	61,176	60,222	60,710	61,820	61,759	58,996	57,082	54,797	52,750	51,731
Cultivated biological resources	3,777	3,865	4,004	3,786	4,023	4,410	4,087	4,928	4,918	5,028	4,942	4,937	4,970
Intellectual property products	5,892	6,032	6,232	6,422	6,597	6,937	6,932	6,965	6,755	6,589	6,443	6,438	6,474
of which: Research and development	384	398	422	448	474	502	523	522	543	563	597	632	687
Inventories	-	-	-	-	-	-	-	28,833	27,322	26,285	25,524	24,018	23,203
Land under cultivation	222,246	224,490	229,466	231,739	232,137	232,050	230,053	226,472	223,905	223,150	222,163	222,578	223,491
<b>Non-financial assets (a)</b>	<b>5,180,358</b>	<b>5,729,588</b>	<b>6,153,819</b>	<b>6,483,223</b>	<b>6,569,587</b>	<b>6,696,005</b>	<b>6,829,923</b>	<b>6,790,668</b>	<b>6,644,619</b>	<b>6,524,743</b>	<b>6,412,849</b>	<b>6,339,616</b>	<b>6,294,693</b>
Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency and deposits	912,537	984,036	1,027,879	1,098,897	1,122,968	1,122,072	1,126,006	1,185,225	1,217,617	1,246,127	1,273,045	1,329,936	1,360,948
Debt securities	736,161	727,615	746,942	802,038	772,826	725,046	734,934	727,863	624,494	513,686	412,210	364,704	314,162
Loans	12,572	12,999	13,239	13,479	13,717	13,954	13,474	12,487	12,939	12,937	12,568	12,021	10,679
Shares and other equity	1,092,963	1,327,185	1,093,891	923,457	811,982	732,829	668,139	744,047	898,435	929,694	1,010,578	969,421	1,038,109
Derivatives	523	205	449	1,600	706	804	964	806	711	650	723	757	787
Mutual fund shares	426,012	406,861	359,065	230,663	271,762	280,349	252,402	288,165	342,621	411,770	451,211	474,465	524,292
Insurance, pension and standardised guarantee schemes	612,782	648,138	645,160	621,875	666,774	702,483	703,751	719,785	758,054	827,868	886,128	940,097	995,103
Other accounts receivable	104,650	105,195	109,834	112,261	107,995	107,935	108,877	107,670	118,847	121,542	124,182	126,748	130,274
<b>Financial assets (b)</b>	<b>3,898,200</b>	<b>4,212,234</b>	<b>3,996,457</b>	<b>3,804,270</b>	<b>3,768,731</b>	<b>3,685,472</b>	<b>3,608,547</b>	<b>3,786,048</b>	<b>3,973,718</b>	<b>4,064,274</b>	<b>4,170,645</b>	<b>4,218,149</b>	<b>4,374,354</b>
<b>Gross wealth (a+b)</b>	<b>9,078,558</b>	<b>9,941,822</b>	<b>10,150,277</b>	<b>10,287,493</b>	<b>10,338,317</b>	<b>10,381,477</b>	<b>10,438,470</b>	<b>10,576,716</b>	<b>10,618,337</b>	<b>10,589,017</b>	<b>10,583,493</b>	<b>10,557,765</b>	<b>10,669,047</b>
Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency and deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	491,053	553,688	614,674	638,049	668,202	700,082	717,269	709,215	697,475	692,501	692,114	697,744	708,055
Shares and other equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	322	209	89	97	156	140	69	68	68	26
Mutual fund shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance, pension and standardised guarantee schemes	32,414	32,994	33,317	33,718	34,114	34,504	34,915	35,310	35,725	36,167	36,663	37,154	37,669
Other accounts payable	150,656	161,082	169,201	173,687	170,230	173,940	173,629	172,857	173,823	175,068	175,961	178,596	180,677
<b>Financial liabilities (c)</b>	<b>674,123</b>	<b>747,764</b>	<b>817,192</b>	<b>845,775</b>	<b>872,755</b>	<b>908,615</b>	<b>925,910</b>	<b>917,538</b>	<b>907,163</b>	<b>903,805</b>	<b>904,806</b>	<b>913,562</b>	<b>926,427</b>
<b>Net wealth (a+b-c)</b>	<b>8,404,435</b>	<b>9,194,058</b>	<b>9,333,085</b>	<b>9,441,718</b>	<b>9,465,562</b>	<b>9,472,862</b>	<b>9,512,560</b>	<b>9,659,178</b>	<b>9,711,175</b>	<b>9,685,212</b>	<b>9,678,687</b>	<b>9,644,203</b>	<b>9,742,620</b>
<i>Memorandum items</i>													
Consumer durables (1)	501,745	526,077	543,894	562,325	566,053	586,358	606,898	606,704	585,204	565,458	560,423	565,211	568,349
Households' gross disposable income	1,027,100	1,065,441	1,105,076	1,125,256	1,099,071	1,097,977	1,126,308	1,095,744	1,100,092	1,107,275	1,122,774	1,137,011	1,155,246
Population (thousands)	58,191	58,428	58,787	59,242	59,578	59,830	60,060	60,339	60,646	60,789	60,731	60,628	60,537

(1) Consumer durables are not included in total non-financial assets.



**Table 2. Non-financial corporation wealth (millions of euros)**

Assets/Liabilities	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Dwellings	375,473	421,824	458,358	480,212	470,178	461,606	447,515	435,827	414,115	399,758	381,830	360,863	346,392
Non-residential buildings	1,026,042	1,149,869	1,248,690	1,295,370	1,303,268	1,308,248	1,370,338	1,397,248	1,364,407	1,360,006	1,312,354	1,277,884	1,247,867
Land improvements	16,942	17,265	17,729	18,228	18,172	18,405	19,001	18,684	18,119	17,659	17,375	16,977	17,094
Other structures	328,965	341,879	362,404	375,794	382,263	401,765	455,748	454,353	449,059	443,515	438,247	423,058	431,261
Machinery and equipment	479,169	506,146	532,479	558,252	547,174	553,292	562,171	568,663	553,509	546,915	546,523	547,480	558,334
Transport equipment	100,009	104,654	108,451	113,908	110,474	112,242	110,254	106,146	98,982	93,518	91,655	93,408	97,977
ICT equipment	26,702	26,369	26,534	25,626	24,978	25,371	25,605	28,503	27,822	27,537	29,438	30,142	30,737
Other machinery and equipment	352,458	375,122	397,494	418,717	411,722	415,679	426,312	434,014	426,705	425,860	425,430	423,929	429,620
Cultivated biological resources	1,308	1,359	1,426	1,372	1,453	1,639	1,522	1,752	1,706	1,659	1,705	1,682	1,701
Intellectual property products	84,599	86,548	90,200	93,937	96,361	102,336	103,657	104,031	106,286	110,900	117,668	124,082	131,707
of which: Research and development	37,981	39,443	41,733	44,338	46,906	49,744	51,736	51,704	53,722	55,705	59,074	62,543	67,998
Inventories	-	-	-	-	-	-	-	341,411	336,420	340,126	344,034	350,266	348,783
Land under cultivation	17,188	17,438	17,896	18,178	18,310	19,942	19,947	19,814	18,638	18,719	18,790	18,973	19,055
<b>Non-financial assets (a)</b>	<b>2,329,686</b>	<b>2,542,329</b>	<b>2,729,182</b>	<b>2,841,343</b>	<b>2,837,180</b>	<b>2,867,233</b>	<b>2,979,899</b>	<b>3,341,783</b>	<b>3,262,259</b>	<b>3,239,257</b>	<b>3,178,526</b>	<b>3,121,265</b>	<b>3,102,195</b>
Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency and deposits	172,975	196,509	210,891	206,253	220,191	227,769	221,480	241,020	251,968	265,304	295,005	316,867	344,473
Debt securities	36,745	34,963	53,432	51,046	57,094	73,044	59,987	58,818	61,420	63,790	60,966	63,427	65,250
Loans	45,751	50,819	65,955	67,736	71,713	69,079	71,815	63,027	67,576	71,233	64,975	70,890	68,227
Shares and other equity	616,847	686,973	679,664	525,331	533,550	496,705	504,223	523,095	521,119	549,279	543,022	592,721	696,632
Derivatives	9,361	12,318	7,942	12,013	12,753	12,375	16,888	16,204	12,361	16,841	15,425	13,421	12,145
Mutual fund shares	13,969	13,604	11,989	8,809	8,872	10,375	6,721	7,506	9,316	10,073	12,980	13,448	16,731
Insurance, pension and standardised guarantee schemes	19,170	19,887	19,821	18,659	18,798	18,011	18,406	17,937	17,488	17,281	16,896	17,420	12,199
Other accounts receivable	562,219	625,457	597,097	596,679	573,811	625,986	695,517	621,548	610,360	591,355	576,959	556,207	624,768
<b>Financial assets (b)</b>	<b>1,477,037</b>	<b>1,640,530</b>	<b>1,646,791</b>	<b>1,486,525</b>	<b>1,496,782</b>	<b>1,533,344</b>	<b>1,595,037</b>	<b>1,549,155</b>	<b>1,551,609</b>	<b>1,585,156</b>	<b>1,586,229</b>	<b>1,644,401</b>	<b>1,840,424</b>
<b>Gross wealth (a+b)</b>	<b>3,806,723</b>	<b>4,182,859</b>	<b>4,375,973</b>	<b>4,327,868</b>	<b>4,333,962</b>	<b>4,400,577</b>	<b>4,574,936</b>	<b>4,890,938</b>	<b>4,813,868</b>	<b>4,824,413</b>	<b>4,764,755</b>	<b>4,765,666</b>	<b>4,942,619</b>
Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency and deposits	-	-	25,038	26,144	27,703	28,264	27,903	30,369	32,102	32,558	34,979	41,777	45,066
Debt securities	64,963	73,791	70,645	64,791	84,080	98,852	90,838	125,910	141,477	156,202	149,416	146,014	167,238
Loans	915,488	998,770	1,129,246	1,195,719	1,213,161	1,219,940	1,242,665	1,217,573	1,163,667	1,141,122	1,112,034	1,100,205	1,065,553
Shares and other equity	1,688,574	1,990,048	1,890,949	1,675,995	1,539,779	1,423,050	1,355,828	1,442,237	1,570,598	1,616,525	1,697,224	1,761,046	1,904,081
Derivatives	10,541	12,551	13,074	9,882	11,208	9,531	14,305	11,959	9,776	13,220	14,292	12,997	9,350
Mutual fund shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance, pension and standardised guarantee schemes	103,687	110,480	110,201	109,431	107,328	105,387	103,935	94,145	93,450	89,354	90,172	91,808	93,765
Other accounts payable	514,163	583,923	550,650	551,584	515,698	578,412	648,309	577,248	580,553	567,839	558,259	535,973	604,930
<b>Financial liabilities (c)</b>	<b>3,297,416</b>	<b>3,769,563</b>	<b>3,789,803</b>	<b>3,633,545</b>	<b>3,498,956</b>	<b>3,463,436</b>	<b>3,483,782</b>	<b>3,499,441</b>	<b>3,591,623</b>	<b>3,616,820</b>	<b>3,656,375</b>	<b>3,689,821</b>	<b>3,889,983</b>
<b>Net wealth (a+b-c)</b>	<b>509,307</b>	<b>413,296</b>	<b>586,170</b>	<b>694,323</b>	<b>835,005</b>	<b>937,141</b>	<b>1,091,153</b>	<b>1,391,497</b>	<b>1,222,245</b>	<b>1,207,593</b>	<b>1,108,380</b>	<b>1,075,845</b>	<b>1,052,636</b>
<i>Memorandum items</i>													
Gross value added of non-financial corporations	678,011	699,369	731,050	742,286	701,447	715,445	733,634	711,835	706,195	713,924	737,501	771,461	796,541

## METHODOLOGICAL NOTES

### Balance sheets in the national accounts framework

The national accounts framework, as defined by ESA 2010, is built around a sequence of interconnected accounts. The full sequence of accounts for the institutional sectors consists of current accounts, accumulation accounts and balance sheets.

This way it is possible to describe, in a coherent and complete framework, not only all the flows generated by current economic activities but also the accumulation process that stems from them. Institutional units use their savings, accumulating financial and non-financial assets whose value at the end of the accounting period is shown in their balance sheet. Therefore balance sheets present the value of the wealth in non-financial and financial assets and liabilities owned by institutional units; the balancing item in a balance sheet is called net worth.

**Chart. 1 Sequence of accounts**

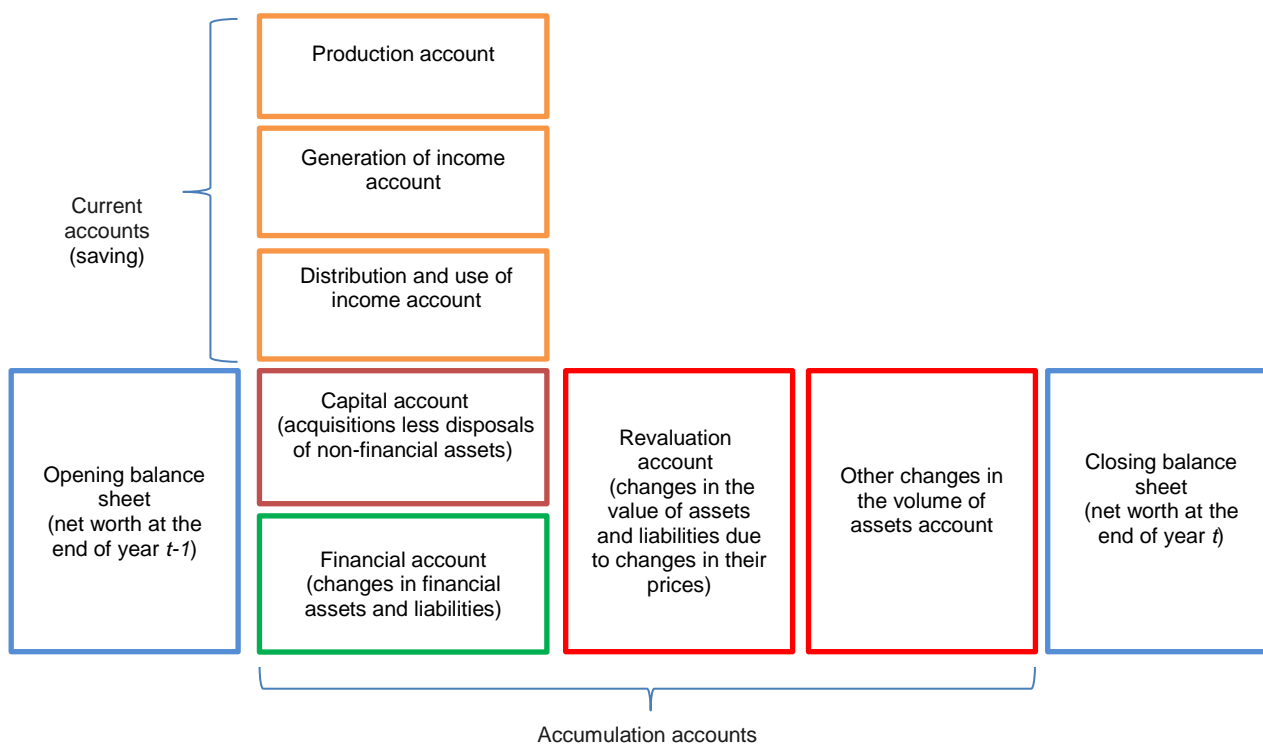


Chart 1 presents the sequence of accounts. From left to right, starting from the opening balance sheet, all changes in the values of assets and liabilities occurring in the accounting period (one year, in the statement) are recorded. Current accounts cover production and the associated generation, distribution and redistribution of income and its use in the form of final consumption. The income not directly used for final consumption is revealed in the balance sheet item 'savings', which is used for acquisitions of real and financial assets. Transactions in non-financial assets and in financial assets and liabilities are shown respectively in the capital account and in the financial account. If no other events occur, it would be possible to calculate the net worth at the end of the period by just adding all these transactions to the initial net worth figure. However, changes other than economic transactions may occur that affect the final value of assets and liabilities. Two types of other changes are distinguished. The first one is through nominal holding gains and losses, that is, increases or decreases in the asset's value accruing to its economic owner as a result of increases or decreases in its price; these flows are recorded in the revaluation account. The second change concerns other changes in the volume of assets, including flows other than transactions, such as external events that are not economic in nature (for example catastrophic

losses); they are recorded in the other changes in the volume of assets account. The ultimate effect of all these flows which occurred in the relevant period on the value of the initial stock is recorded in the closing balance sheet. Balance sheets record the values of financial and non-financial assets owned by each institutional sector and the value of liabilities held to finance its activity. Total assets, financial and non-financial, are also defined as gross wealth; net wealth is obtained by subtracting the value of liabilities from it.

Chart 2 shows all assets and liabilities for which estimates are published in this note.

**Chart 2. Net wealth composition**

ASSETS		LIABILITIES
<b>A. NON FINANCIAL ASSETS</b>	Dwellings	
	Non residential buildings	
	Land improvements	
	Other structures	
	Machinery and equipment	
	Transport equipment	
	ICT equipment	
	Other machinery and equipment	
	Cultivated biological resources	
	Intellectual property products	
	of which: Research and development	
Inventories		
Land under cultivation		
<b>B. FINANCIAL ASSETS</b>	Monetary gold and SDRs	Monetary gold and SDRs
	Currency and deposits	Currency and deposits
	Debt securities	Debt securities
	Loans	Loans
	Equity	Equity
	Derivatives	Derivatives
	Mutual fund shares/ units	Mutual fund shares/ units
	Insurance, pension and standardised guarantee schemes	Insurance, pension and standardised guarantee schemes
Other accounts receivable/payable	Other accounts receivable/payable	
	<b>NET WEALTH (A+B-C)</b>	

In addition to the value of non-financial assets by institutional sector, the estimate of consumer durables is also published. These are durable goods that are comparable to fixed assets from an economic point of view, as they are used by households repeatedly over periods of time longer than one year (such as automobiles), but they are classified as final consumption in the national accounts.

## Non-financial assets

Information on the value of real assets is taken from statistics on the stock of non-financial assets by institutional sector published by Istat twice a year, in April and December.<sup>2</sup> Estimates are revised in accordance with the policy of revisions of annual accounts by institutional sector.<sup>3</sup>

In Italy, information on some types of non-financial assets defined by ESA 2010 is not available: to date, the measurement of real wealth for households and non-financial corporations does not cover assets such as valuables, natural resources other than land, and other non-produced non-financial assets. Furthermore, the value of residential and non-residential buildings includes the value of the underlying land, in contrast to the classification of assets defined by ESA 2010 (see also the section *International comparisons*). Non-financial assets are valued at current prices, based on prices observed on the market (such as dwellings, some types of non-residential buildings and land under cultivation) or through indirect estimation methods (for example, some types of non-residential buildings and other fixed assets; the latter are estimated applying the perpetual inventory method<sup>4</sup>). Further details on estimation methods and data sources are available in the notes to the *Statistics Report 'Non-financial wealth in Italy'* published by Istat once a year.

## Financial assets and liabilities

Information on financial assets and liabilities used for compiling balance sheets statistics is obtained from the financial accounts. For each institutional sector, the financial accounts report the overall amount of financial wealth, the financial instruments in which it is invested (assets) and those through which it is financed (liabilities). Stocks of negotiable instruments are evaluated at end-of-period market prices.

Financial instruments defined in ESA 2010 and reported in the present publication are: monetary gold and special drawing rights (SDRs); currency and deposits; debt securities; loans; shares and other equity; derivatives; mutual fund shares; insurance, pension and standardised guarantee schemes; and other accounts payable or receivable. Financial accounts provide more detailed information for some instruments (for example, the distinction of debt securities according to original maturity and the sector of the issuer). Tables 1 and 2 of this publication report the same asset and liability items both for households and non-financial corporations, even when the phenomenon does not occur for the specific sector. For example, mutual fund shares can be held by households but cannot be issued by them: therefore they are equal to zero among households' liabilities.

Financial account statistics published by the Bank of Italy are non-consolidated within sectors: for each sector and instrument there can be stocks and flows both on the asset and liability side. For example, debt securities issued by a non-financial corporation and held by another non-financial corporation appear both on the asset and the liability side of the non-financial corporations sector. Clearly, this does not impact net wealth.

More information on financial instruments and institutional sectors are available in the *Glossary* section. Further details on the methodology and the main sources used for compiling the financial accounts are available in the manual '[Italy's financial accounts](#)', Bank of Italy, *Statistics Series, Methods and Sources: Manuals*, 12 June 2018.

<sup>2</sup> Estimates are available in the [data warehouse I.Stat](#). In this note, data have been integrated with the value of land improvements and of other structures by institutional sector that Istat transmits to Eurostat annually. The above values are obtained through the perpetual inventory method.

<sup>3</sup> The annual economic accounts by institutional sector are published twice a year, in April and September. Estimates included in this report are consistent with the national accounts published on 21 September 2018.

<sup>4</sup> Estimates of 'other structures', obtained through the perpetual inventory method, do not include the value of the underlying land.

## International comparisons

The rules for preparing the national accounts are described at European level in ESA 2010 and at global level in the System of National Accounts 2008 (SNA).<sup>5</sup> The availability of concepts and definitions that are uniform across countries is necessary but insufficient in guaranteeing data comparability. The compilation of financial assets and liabilities is well-developed across the world and statistics are considered sufficiently harmonized and comparable. Instead, the compilation of non-financial assets is more recent and the harmonization process is currently underway because of the lack of sources.

The international comparisons available in this publication are based on non-financial asset statistics published by the OECD.<sup>6</sup> Information is incomplete for some countries in terms of items, reference period, and details on the institutional sector. Moreover, produced non-financial assets<sup>7</sup> are separated from non-produced non-financial assets,<sup>8</sup> in line with international accounting rules (ESA 2010 and SNA 2008); therefore buildings<sup>9</sup> do not include the value of underlying land, which is entered under non-produced non-financial assets.<sup>10</sup> The statistics published by the national statistical offices of some countries, e.g. Italy, do not distinguish between buildings and the value of the underlying land, arguing that the concept is clearer for users. In Italian statistics, land under cultivation is entered in a separate category.

The lack of perfect homogeneity affects international comparisons, restricting the analysis to some major economies for which non-financial asset statistics are comparable with Italian ones. Non-financial assets are computed as the sum of fixed capital and land; it excludes inventories, which are available for Italy since 2012 and are not available for several advanced countries, like Germany. The United States are excluded from the international comparison on non-financial corporations because of the lack of data on land held by this sector (Figures 8 and 9); Canada and Japan are excluded from Figure 9 because of the lack of sectoral data on gross value added. Per capita net wealth of households (Figure 6) is computed as the ratio between net wealth and population.

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<sup>5</sup> System of National Accounts 2008 (United Nations Statistical Commission-UNSC).

<sup>6</sup> Sources: OECD.Stat, <https://stats.oecd.org/> (accessed on 29 April 2019).

<sup>7</sup> 'AN1 – Produced non-financial assets'.

<sup>8</sup> 'AN2 – Non produced non-financial assets'.

<sup>9</sup> 'AN111 – Dwellings', 'AN1121 – Non-residential buildings', 'AN1122 – Other structures', 'AN1123 – Land improvements'.

<sup>10</sup> The value of land under buildings should be included in 'AN211 – Land', together with land under cultivation.

## GLOSSARY

### Balance sheet

A balance sheet is a statement, drawn up for a particular point in time, of the values of assets owned and liabilities owed by an institutional unit or group of units. The positive balance is called net worth. The stocks of assets and liabilities recorded in the balance sheet are valued at the relevant prices, which are usually the market prices prevailing on the date to which the balance sheet relates, but for some categories at their nominal values. A balance sheet is drawn up for resident institutional sectors and subsectors, the total national economy and the rest of the world. The balance sheet completes the sequence of accounts, showing the ultimate effect of the entries in the production, distribution and use of income, and accumulation accounts on the stock of wealth of an economy.

### Consumer durables

Consumer durables are durable goods used by households repeatedly over periods of time of more than one year for final consumption. They are included in the balance sheets as memorandum items. They are excluded from the main balance sheet because they are recorded as a use in the household sector's use of income account that is consumed in the period of account, and not gradually used up. The stocks of consumer durables held by households as final consumers — transport equipment and other machinery and equipment — are valued at market prices in the memorandum item, net of the equivalent accumulated charges for consumption of fixed capital. Durable goods, such as vehicles, are classified as either fixed assets or as consumer durables depending on the sector classification of the owner and the purpose for which they are used.

### Cultivated biological resources

Livestock for breeding, dairy, draught, etc. and vineyards, orchards and other plantations of trees yielding repeat products that are under the direct control, responsibility and management of institutional units.

### Currency and deposits

Includes: notes and coins; transferable deposits; other deposits. Notes and coins have to be issued by monetary authorities; in Italy coins are issued by the *Zecca dello Stato* but conventionally they are attributed to the central bank, which in turn records a loan towards the Central Government. Transferable deposits can be exchanged immediately for currency at par and can be used as means of payment; current accounts are a typical example. Other deposits cannot be converted immediately into currency without penalty or restriction; for example, they include fixed-term deposits, savings accounts and repos.

### Debt securities

Financial instruments serving as evidence that the issuer has a debt towards the holder. They are characterized by an issuing date and a maturity date, by an interest rate accepted by the investor and by a currency (domestic or foreign). The financial accounts distinguish securities according to their original maturity (less or more than one year) and according to the issuing sector.

### Derivatives

Derivatives are financial instruments whose value depends on an underlying financial instrument, indicator or commodity. Examples include options, futures, swaps and forward rate agreements. Stocks of derivatives are recorded in the financial accounts at fair value, i.e. at the net present value of future payments received less commissions. The item also includes employee stock options.

### Dwellings

Buildings that are used entirely or primarily as residences, including any associated structures, such as garages, and all permanent fixtures customarily installed in residences. The purchasers' costs of transferring ownership of dwellings are included in the balance sheet value. In this note, the value of dwellings includes the value of the land underneath the dwellings.

### ESA - European System of Accounts

ESA 2010 is an internationally compatible accounting framework for a systematic and detailed description of a total economy, its components and its relations with other total economies. ESA 2010 is consistent with the System of National Accounts (SNA) 2008, but adapted to the circumstances and needs of the European Union. It has legal status in the European Union.

**Fair value**

See: market prices

**Financial assets and liabilities**

Financial assets are stores of value representing benefits accruing to the owner by holding them over a period of time. They are a means of carrying forward values from one accounting period to another. Liabilities are established when debtors are obliged to provide payments or a series of payments to creditors. Financial assets and liabilities can be classified into different financial instruments: monetary gold, special drawing rights, currency and deposits, debt securities, loans, shares and other equity, derivatives, mutual fund shares, insurance and pension reserves and standardized guarantee schemes, other accounts payable or receivable.

**Financial accounts and balance sheets**

The financial accounts are national accounting statistics that report the financial assets and liabilities of the institutional sectors of a country in terms of both stocks and flows. A financial transaction is a negotiation between two institutional units by mutual agreement. It implies either the simultaneous creation of both a financial asset and a liability or the property change of a financial asset. For each instrument, financial transactions within an institutional sector are recorded on a net basis, both on the asset and the liability sides.

**Fixed assets**

Produced non-financial assets that are used repeatedly or continuously in production processes for more than one year.

**Gross capital stock**

The stock of assets surviving from past investment and revalued at purchasers' prices of new capital goods in the current period.

**Gross fixed capital formation**

Gross fixed capital formation consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units.

**Gross wealth**

Financial and non-financial assets at the disposal of an institutional unit or sector as shown in the balance sheet. The assets involved in this category generate or have the potential to generate future income.

**Households**

The household sector consists of individuals or groups of individuals as consumers and as entrepreneurs producing market goods and non-financial and financial services (market producers): own account workers and sole proprietorships (*imprese individuali*) and simple partnerships (*società semplici and società di fatto*) with up to 5 employees; and financial auxiliaries with no employees. Producer households are market-oriented units; actual rents are a market production included in the output of producer households also with reference to dwellings and non-residential buildings owned by natural persons and acquired in order to rent them (a market output of households is identified). In this note, households also include non-profit institutions serving households.

**Household disposable income**

Household disposable income is the total amount of money households have available for spending and saving after subtracting income taxes and pension contributions.

**ICT equipment**

Information and communication technologies (ICT) equipment: devices using electronic controls and the electronic components used in the devices. Examples include products in Classification of Products by Activity 2008 (CPA 2008) groups 261: electronic equipment and boards, and 262: computers and peripheral equipment.



### **Intellectual property products**

Fixed assets that consist of the results of research and development, mineral exploration and evaluation, computer software and databases, entertainment, literary or artistic original works and other intellectual property products intended to be used for more than one year.

### **Institutional sector**

A grouping of institutional units. Institutional units are economic entities that are capable, in their own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

The institutional units are grouped into sectors on the basis of the type of producer they are and depending on their principal activity and function, which are considered to be indicative of their economic behaviour:

- 1) Non-financial corporations;
- 2) Financial corporations;
- 3) General government;
- 4) Households and non-profit institutions serving households (NPISHs);
- 5) Rest of the world.

### **Insurance, pension and standardized guarantee schemes**

The item is represented by the amounts accumulated by the issuers in order to face future payments to the holders. They include life insurance, pension entitlements and non-life insurance technical reserves. Examples of standardized guarantee schemes are export credit guarantees and student loans.

### **Inventories**

Produced assets that consist of goods and services that came into existence in the current period or in an earlier period held for sale, use in production or other use at a later date. They consist of materials and supplies, work-in-progress, finished goods and goods for resale.

### **Land improvements**

The value of actions that lead to major improvements in the quantity, quality or productivity of land, or prevent its deterioration. Examples include the increase in asset value arising from land clearance, land contouring, creation of wells and watering holes.

### **Land under cultivation**

Land on which agricultural or horticultural production is carried out for commercial or subsistence purposes, including, in principle, plantations, orchards and vineyards.

### **Loans**

Loans are financial instruments created when creditors lend funds directly to debtors. Loans have the following characteristics: the debtor asks for a loan, not vice versa; debt has to be repaid by an agreed date; loan conditions are set by the creditor or jointly determined by both the creditor and the debtor; a loan cannot be negotiated.

### **Machinery and equipment**

Transport equipment, information and communication technologies (ICT) equipment, and other machinery and equipment, other than that acquired by households for final consumption. Machinery and equipment such as vehicles, furniture, kitchen equipment, computers, communications equipment, etc., that are acquired by households for final consumption are not treated as an asset. They are instead included in the memorandum item "consumer durables" in the balance sheet for households.

### **Market price**

The amount of money willing buyers pay to acquire something from willing sellers.

### **Monetary gold and special drawing rights**

Monetary gold is held as a reserve asset by central banks. Special drawing rights (SDRs) are international reserve assets created by the International Monetary Fund and held by its members to



supplement existing reserve assets. Only central banks and the rest of the world hold monetary gold and special drawing rights.

### **Mutual fund shares**

Shares issued by a specific subsector of financial corporations, i.e. by investment funds, which pool funds and invest them in financial and non-financial assets. Stocks are recorded at current redemption value or, if they are listed, at the current stock exchange price.

### **Net capital stock**

The stock of assets surviving from past investment adjusted for price changes and depreciation and other volume changes.

### **Net wealth**

The difference between gross wealth (financial and non-financial assets) and financial liabilities.

### **Non-financial assets**

Non-financial items over which ownership rights are enforced by institutional units, individually or collectively, and from which economic benefits may be derived by their owners by holding, using or allowing others to use them over a period of time. Consists of produced non-financial assets and of non-produced non-financial assets.

### **Non-financial corporations**

In Italy the institutional sector S.11 includes all incorporated enterprises (*Società per azioni, Società in accomandita per azioni, Società a responsabilità limitata, consorzi*) and cooperatives, together with all partnerships (*società in nome collettivo, società in accomandita semplice*) and sole proprietorships with more than 5 employees, whose economic behaviour is consistent with the definition of a quasi-corporation. The sector also includes Non Profit Institutions serving non-financial corporations (for instance, trade associations like Confindustria and Confcommercio), and market NPIs.

### **Non-produced non-financial assets**

Non-financial assets that come into existence other than through processes of production. Non-produced assets consist of natural resources, contracts, leases and licenses, and goodwill and marketing assets.

### **Non-profit institutions serving households**

Non-profit institutions serving households (NPISHs) are private non-market producers such as cultural associations, sports associations, foundations, political parties, trade unions and religious bodies that serve households. In this note, data for NPISHs are included in the household sector estimates.

### **Non-residential buildings**

Buildings other than dwellings. Examples of non-residential buildings include warehouses and industrial buildings, commercial buildings, buildings for public entertainment, hotels, restaurants, educational buildings, healthcare buildings. The purchaser's costs of transferring ownership of non-residential buildings are included. In this note, the value of the land underlying non-residential buildings is included.

### **Other accounts receivable or payable**

Other accounts receivable or payable are financial assets and liabilities originated by timing differences between the transaction and the actual payment. They include, for example, trade credits and debts as well as taxes which still have to be paid.

### **Other machinery and equipment**

Machinery and equipment not elsewhere classified. Examples include products other than parts, installation, repair and maintenance services included in Classification of Products by Activity 2008 (CPA 2008) division 26: computer, electronic and optical products (except groups 261 and 262), division 27: electrical equipment, division 28: machinery and equipment n.e.c., division 31: furniture, and division 32: other manufactured goods.

### **Other structures**

Structures other than residential and non-residential structures. Examples include highways, streets, roads, railways and airfield runways; bridges, elevated highways, tunnels and subways; waterways, harbours, dams and other waterworks; long-distance pipelines, communication and power lines; local pipelines and cables, ancillary works; construction for mining and manufacture; and construction for sport and recreation.

### **Own funds**

The item is obtained as the difference between total assets and debts; in turn, debts are equal to total liabilities minus shares and other equity.

### **Produced non-financial assets**

Non-financial assets that are outputs of production processes. Produced non-financial assets consist of fixed assets, inventories and valuables.

### **Research and development**

Consists of the value of expenditure on creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of humanity, culture and society, and use of this stock of knowledge to devise new applications.

### **Shares and other equity**

The item includes: shares and other equity issued by limited liability companies and equity issued by quasi-corporations (microenterprises), i.e. unlimited liability companies with at least 5 employees (see: non-financial corporations). For listed companies, the market value of shares is obtained through market capitalization; for unlisted companies and quasi-corporations, the estimation method is described in the manual '[Italy's Financial Accounts](#)', Bank of Italy, *Statistics Series*, Methods and Sources: Manuals, 12 June 2018.

### **Transport equipment**

Equipment for moving people and objects. Examples include products other than the parts included in the Classification of Products by Activity 2008 (CPA 2008) division 29: motor vehicles, trailers and semi-trailers, and division 30: other transport equipment.