

Key Highlights on Italian Economy

***Incontro con l'Ambasciatore
Reinhard Schäfers e il prof. Roland Berger***

Franco Bassanini
25 Marzo 2014



Cassa depositi e prestiti

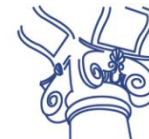


Italian economy / Key highlights



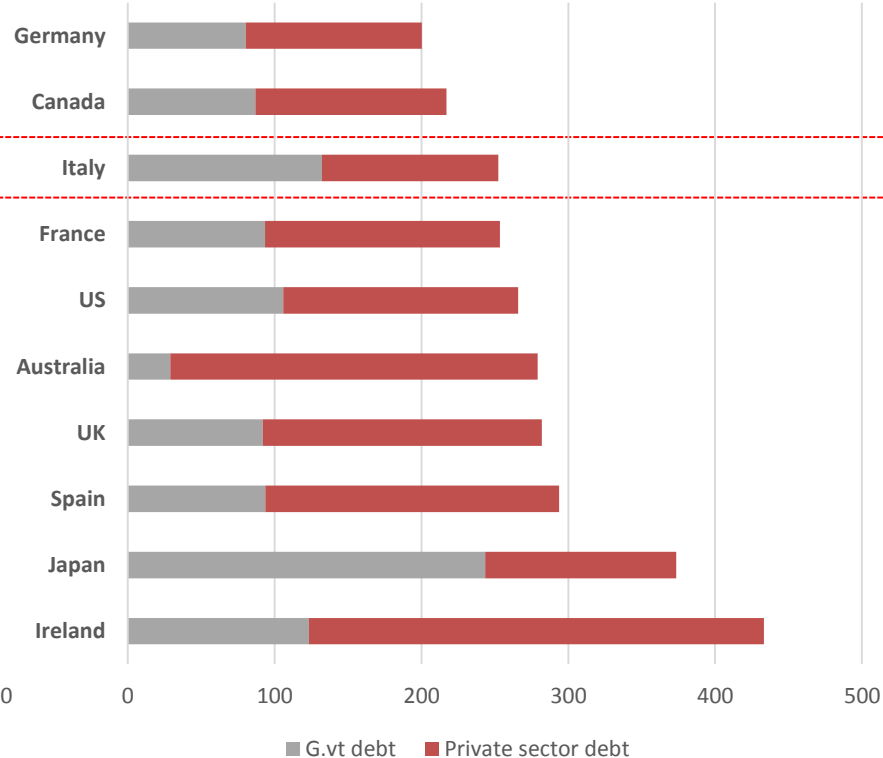
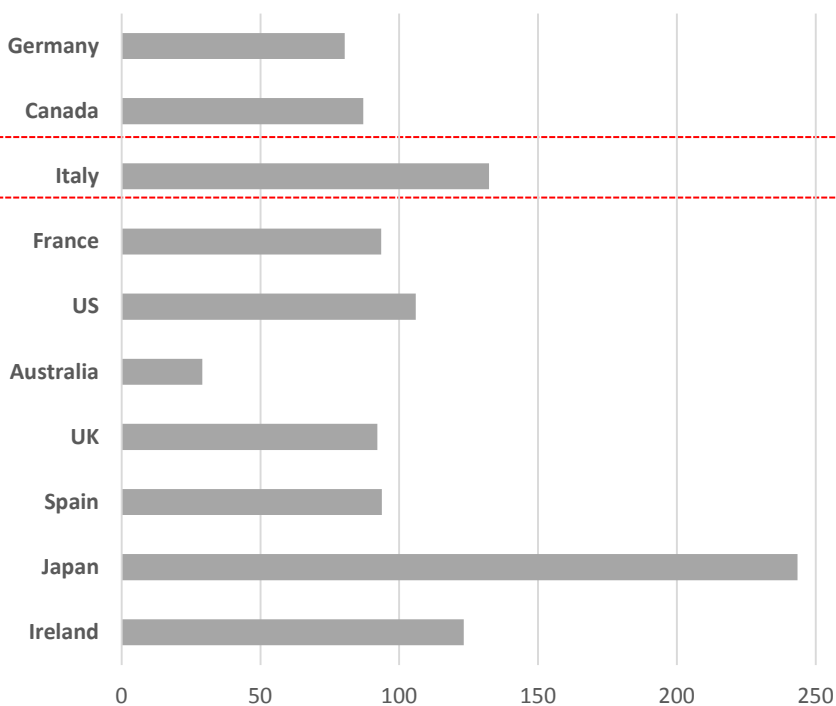
- GDP is expected to decline by 1.7% in 2013 BUT recession ended in 2013 4Q and GDP is forecasted to grow by 1% in 2014.
- Italy has high public debt (132% of GDP) BUT:
 - budget balance is better than those of most peer countries, while primary balance is the best among major advanced economies;
 - private sector has low leverage. Total leverage of the economy is lower than in France, UK and US. Furthermore approx. 60% of public debt is held by domestic households.
- Italy has not been in a need to provide significant Government or central bank support to the financial system as in some of the peer countries.
- Real estate has not experienced major bubbles.
- Italy is a strong exporting country
- Italian equity valuations are significantly lower than in peer countries

High Government debt, but low private sector debt



Government debt (2013, % of GDP)

Government and private sector debt (% of GDP)

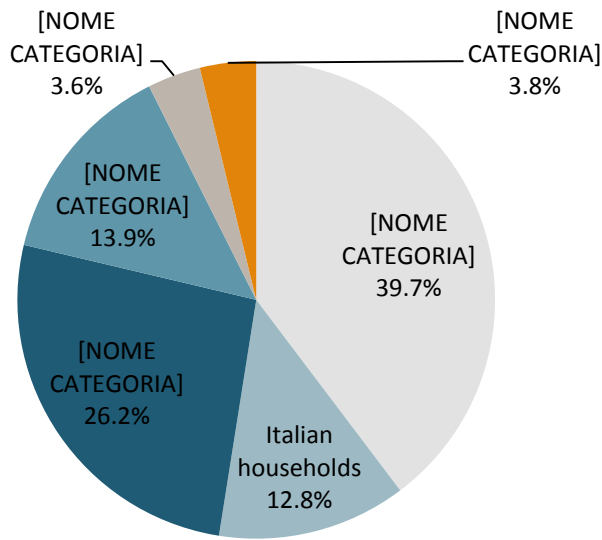


Considering private sector Italy is one of the less levered economies

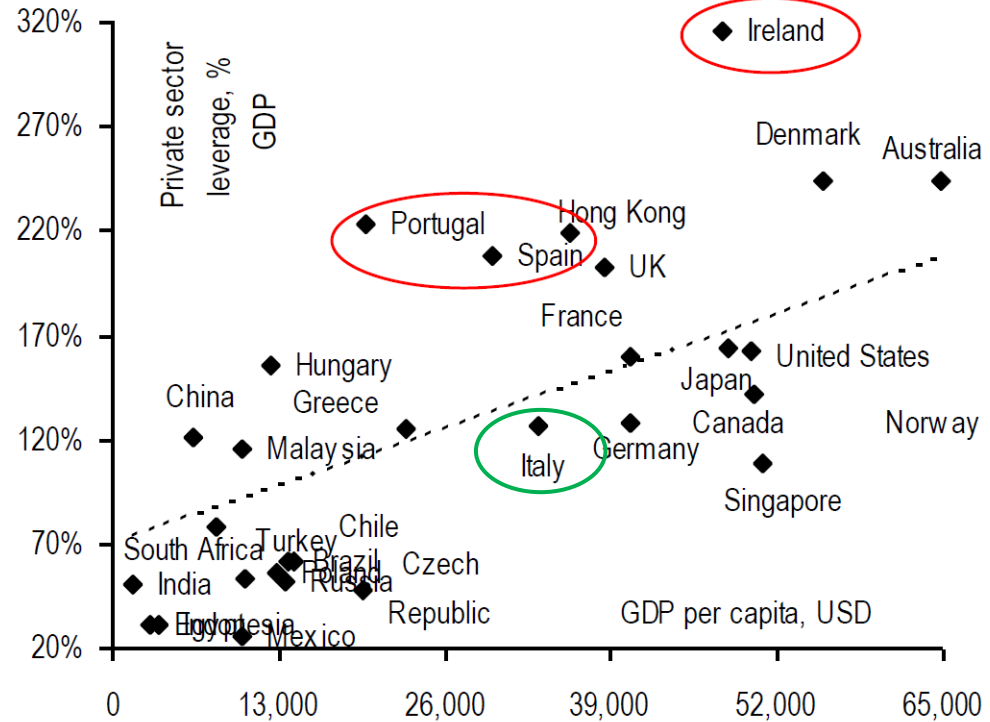
Most government debt is held by Italians



Breakdown of holders of Italian public debt (%)



Private sector leverage (% of GDP)

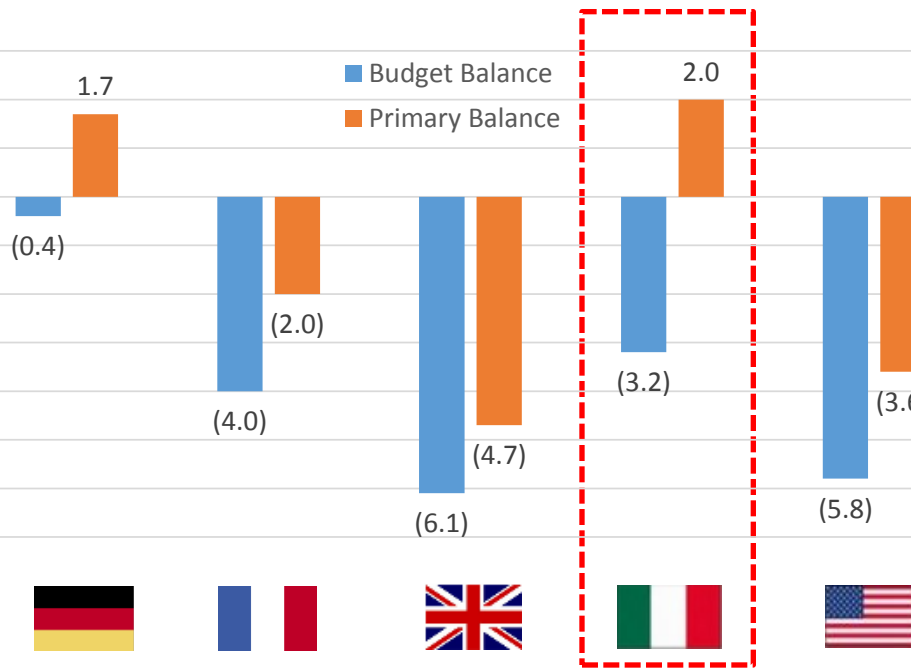


More than 60% of Italian public debt is held by Italians. Among the lowest levered developed economies

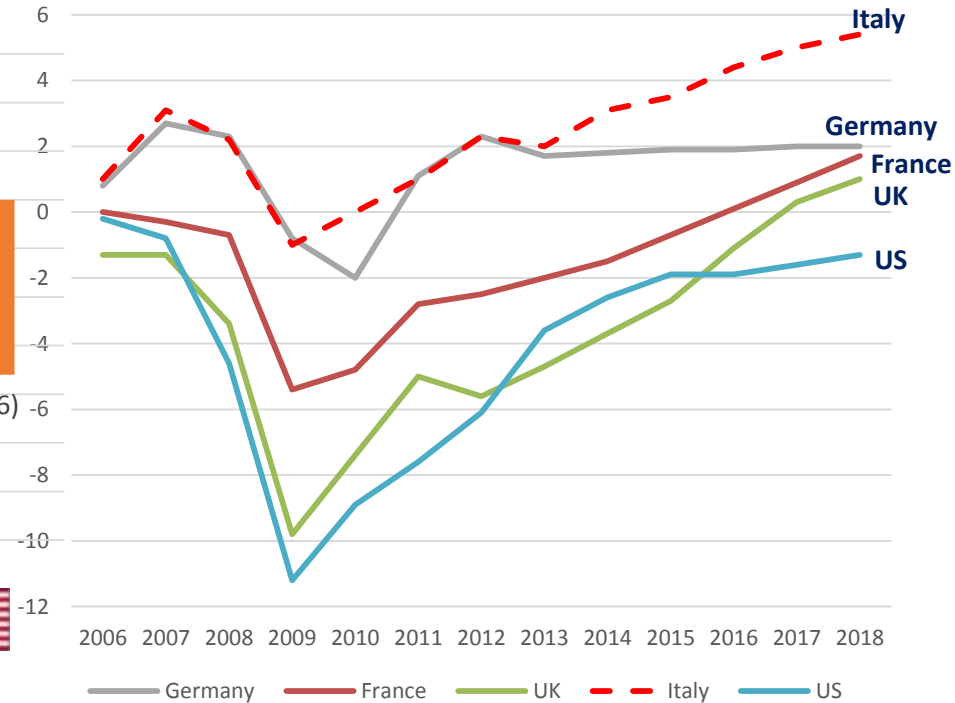
Highest primary balance among major advanced economies



Government budget balance and primary balance (2013E, % of GDP)



Government primary balance (% of GDP)

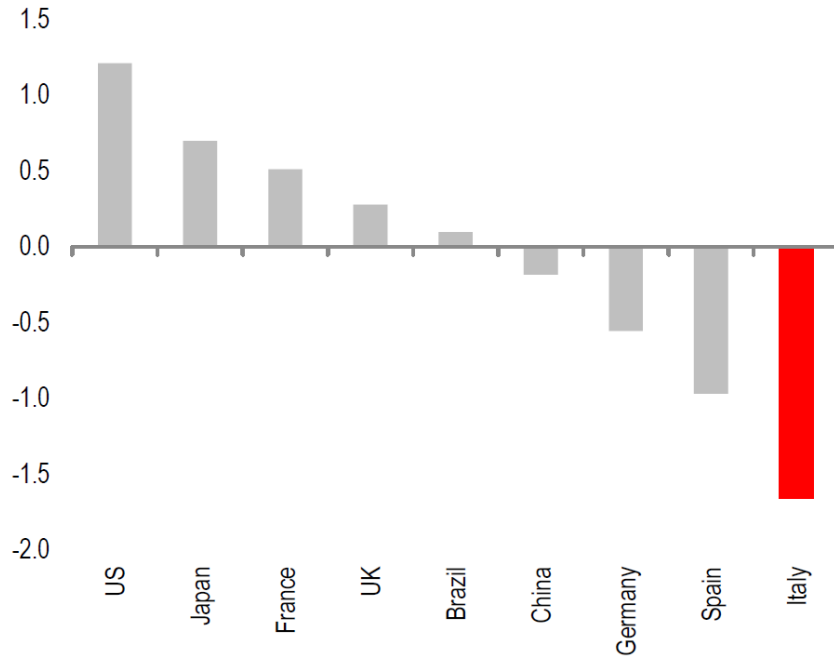


Recent structural reforms (pension system and spending review) expected to produce significant primary balance improvement in future years

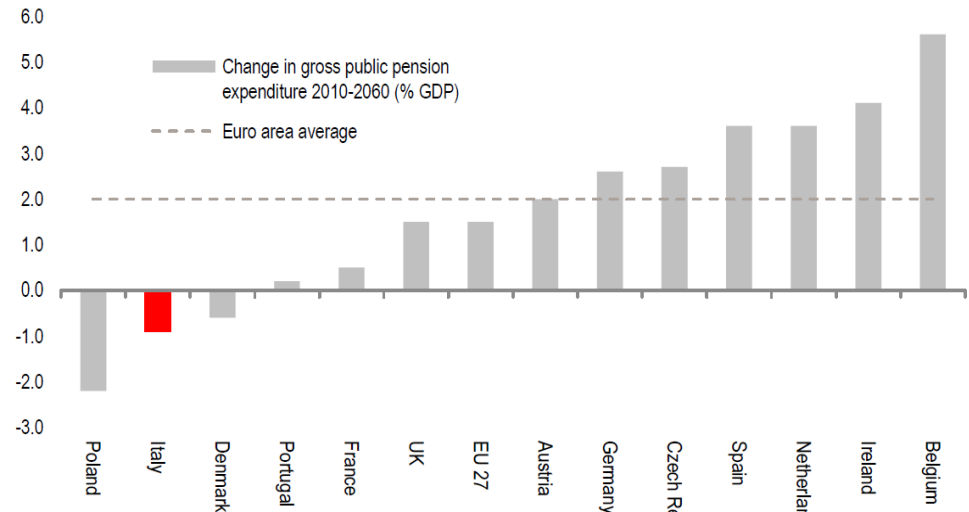
Fiscal tightening and pensions system reforms in past years



Year-on-year change in fiscal tightening, % of GDP (2013)



Change in gross public pension expenditure 2010-2060 (in % of GDP)

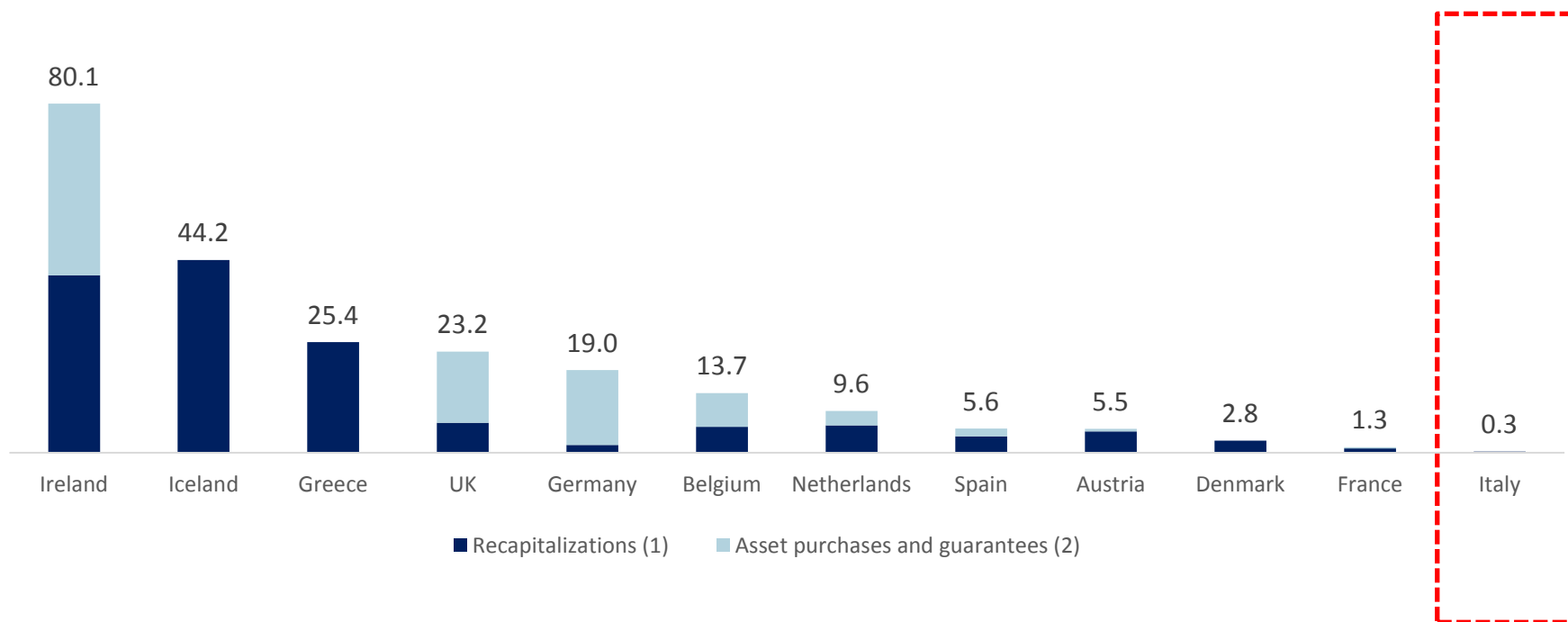


Relatively sound financial system



Government and central banks support to the financial sector

2007-11 (% of GDP)



- (1) Recapitalizations and other restructuring costs, excluding liquidity support
- (2) Asset purchases and guarantees funded by Treasury and central bank



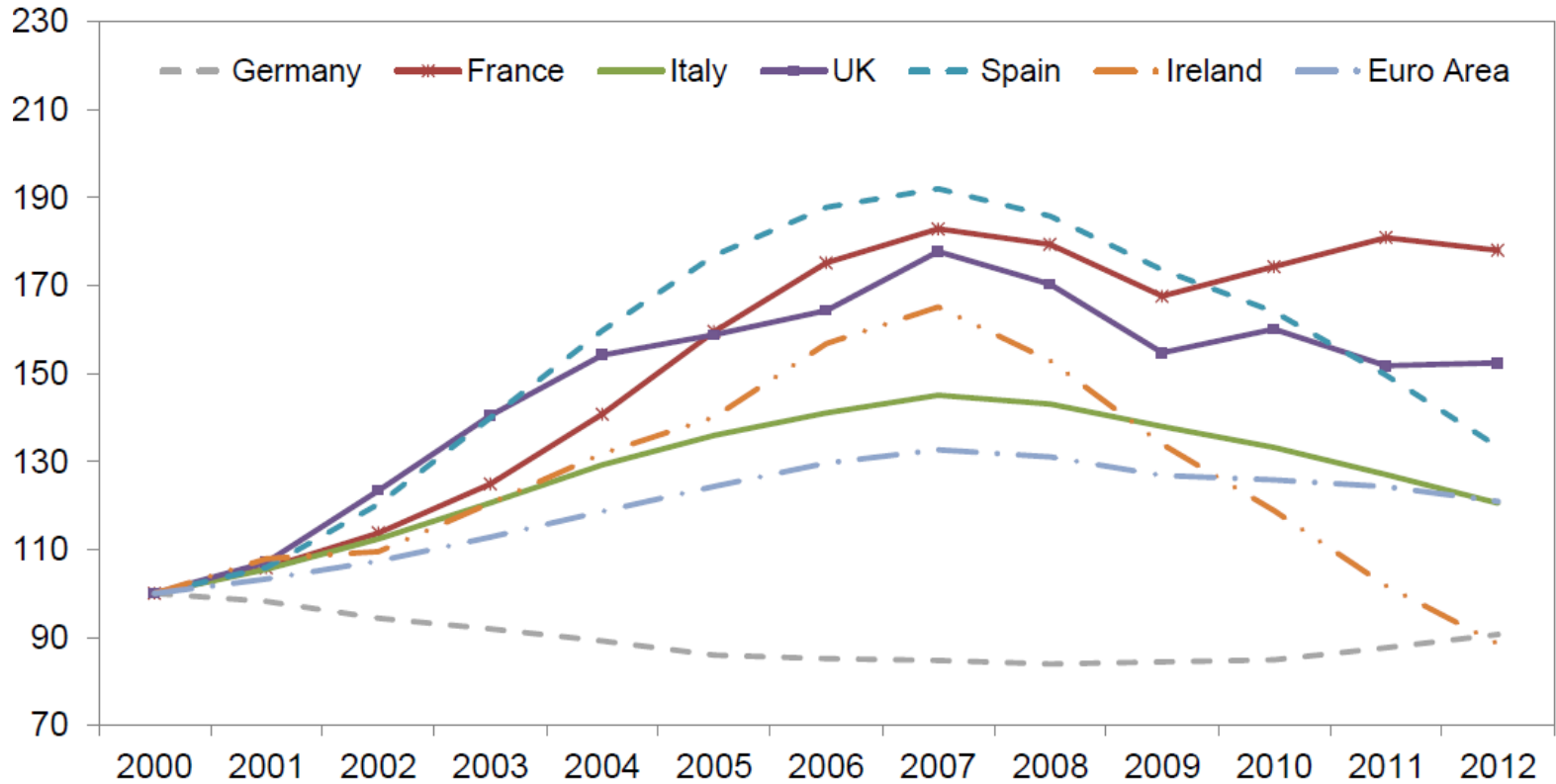
Source: IMF Economic Review 2013

Strictly private and confidential

Relatively stable real estate sector

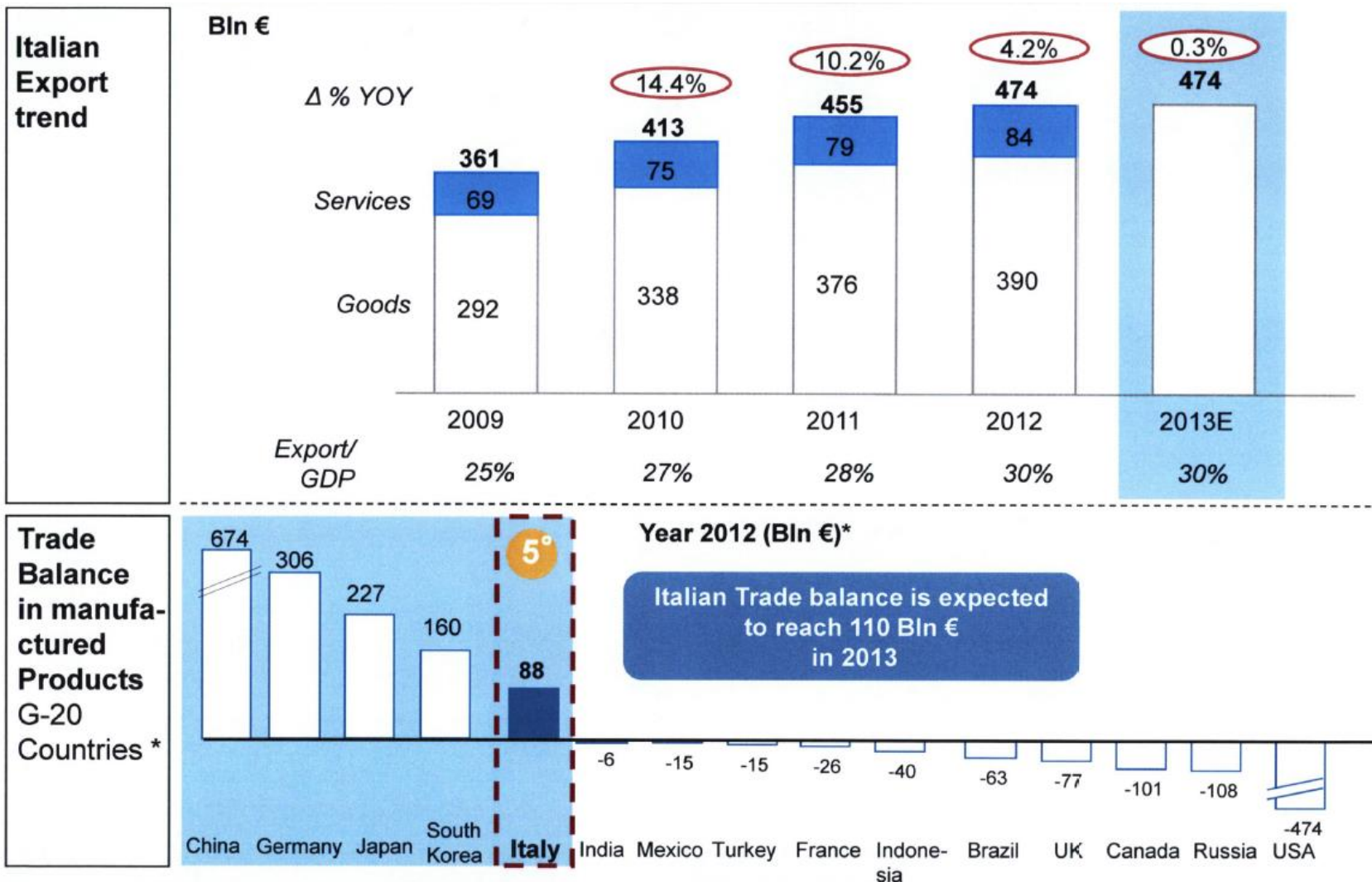


Residential property price index (31/12/2000 = 100)



No major real estate bubble

Italy is a strong exporting country



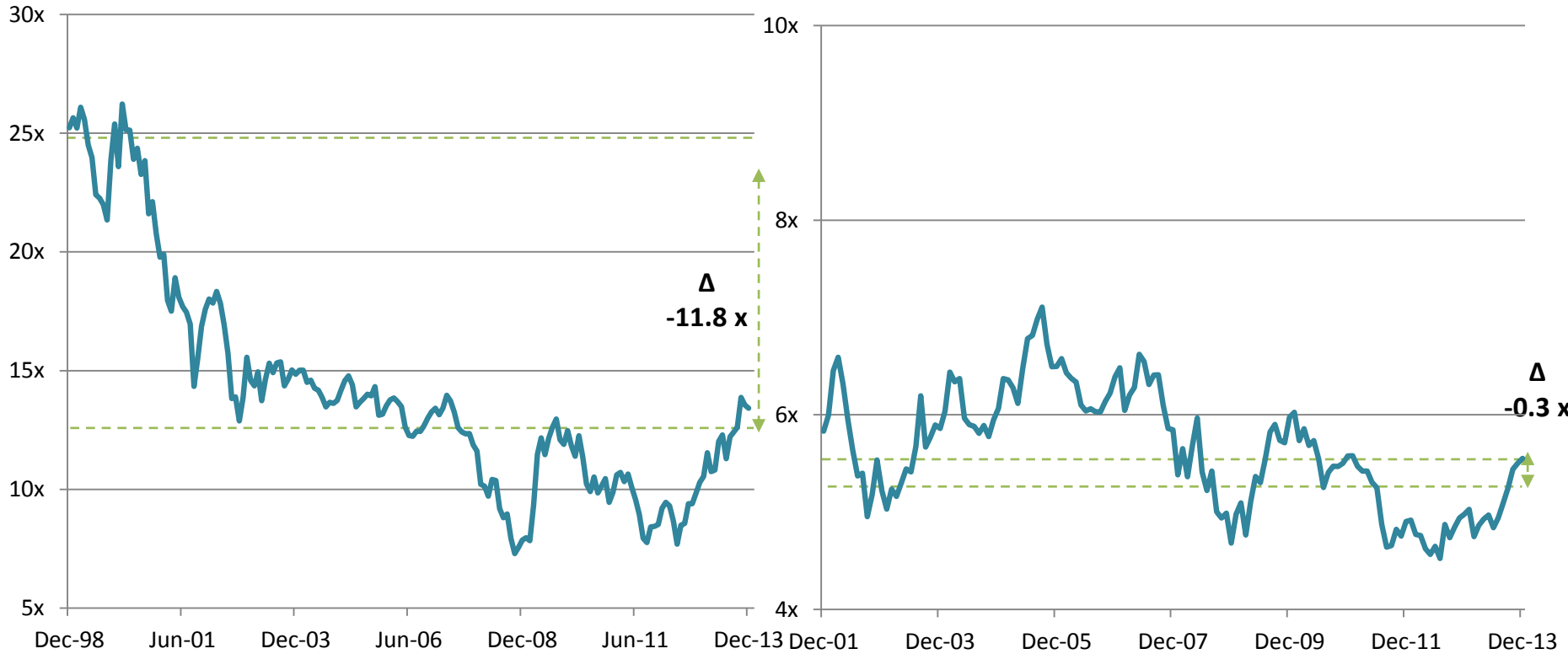
* Excluding Argentina, South Africa, Saudi Arabia and Australia
 Source: Eurostat, European Commission, CSC Confindustria, WTO

Stock exchange valuation multiples are close to 15 years low



P/E – FTSE MIB

EV/LTM EBITDA – FTSE MIB



Stock exchange valuations lower than peer countries



Italian equities P/B, relative to Continental Europe



12m fwd. P/E: Italy relative to EU ex. UK

