Franco Bassanini

Italy at the end of 2017

Overview of the Italian economic and financial situation[1]

A number of good news and some bad news.

- **The good news: the crisis, which has been longer and deeper in Italy than in the other European economies (except Greece), is over; the recovery is increasing in speed and extension; almost all the Italian economic and financial indicators, in the short, medium and long term, are positive.**
- **The bad news: political uncertainty persists: the outcome of the upcoming elections is unpredictable; it could be difficult to form a parliamentary majority; the risk of political instability is high.**

The crisis is over: the recovery in Italy is gaining pace

Italy's economic recovery is strengthening (*Fig.1*). According to the estimates of the Bank of Italy and of the National Institute of Statistic (Istat), in the fourth quarter of last year Italian GDP rose by around 0.4 per cent, confirming the positive trend of the recent quarters, although it is still below the euro-area average. In 2017, it is estimated that GDP (adjusted for calendar effects) expanded by 1.5/1,6 per cent.

Excluding the construction sector (*Fig.2*), the production is growing both in services and in industry (*Fig.3*) even if it has not yet recovered the pre-crisis levels (*Fig.4*). Business surveys confirm that confidence is returning to the levels recorded before the recession (*Fig.5, Fig.6*) Consumer confidence is even higher (*Fig.7*).

Conditions are also favourable for capital formation, confirmed by the acceleration in investment expenditure observed in the second half of the year (*Fig.8*) with growth rates comparable to the German ones, except for constructions (*Fig.9*).

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[1] Report held at the *Fourth Italian-French Dialogue on Financial Services*, organized by Paris Europlace and FeBAF (Italian Banking Insurance and Finance Federation), Rome, January 24th 2018

Growth of exports is strengthening, current account surplus is large

Exports grow rapidly and steadily, imports are recovering pre-crisis levels (*Fig.10*); Italy's share of world exports has stabilized (*Fig.11*) with even a trend to a slight increase; firms' assessments of foreign orders are favorable.

The current account surplus remains large, equal to 2.8 per cent of GDP over the four quarters ending in September (*Fig.12*); the surplus contributes to the improvement in Italy's debtor position, which fell to 7.8 per cent of GDP.

Employment rises, Unemployment decreases

Employment continues to rise returning to the maximum levels reached before the crisis (*Fig.13*). and unemployment continues to decrease (11% in November), although it remains considerably higher compared to the level of the years before the crisis, with highest levels in the southern Regions and among the young people (*Fig.14*). The number of hours worked also increased, recovering the pre-crisis levels (*Fig.15*).

Wage growth remains moderate but, based on the labour contracts renewed in the second half of the year, shows some signs of a recovery (*Fig.16*).

Inflation is still weak

Despite a recovery in producer prices (*Fig.17*), consumer price inflation in Italy remains weak, at 1.0 per cent in December. Core inflation is particularly low, at 0.5 per cent (*Fig.18*).

According to the surveys, firms' inflation expectations are subdued, but stand above the low levels recorded at the end of 2016. The firms interviewed by Bank of Italy expect to increase their list prices by just above 1 per cent this year. According to the estimates of the Bank of Italy, the inflation is expected to dip temporarily this year, before gradually climbing back up again. The drop expected in 2018 (to 1.1 per cent on average for the year) is mostly attributable to the automatic waning of the effect of the increase in the prices of energy and food products registered in early 2017.

Over the next two year prices are expected to increase by a yearly average of 1.5 per cent, reflecting stronger growth in wages (*Fig.19*).

Lending to households and businesses is on the road to recovery

The expansion in lending to households is significant (*Fig.20*); with regards to lending to firms the recovery is, however, more uncertain (*Fig.21*), but is favored by the positive evolution of credit risk, which is driven by the recovery of the economy (*Fig.22*). The firms' demand for bank loans is, to some extent, limited by the increasing availability of internal funds and greater recourse to bond issues. Anyway, lending rates are now at their historical lows (*Fig.23*).

Credit quality is improving

Credit quality continued to improve, bolstered by the firming economic recovery.

The ratio of new non-performing loans to outstanding loans fell to 1.7 per cent (*Fig.24*), close or even below the levels recorded before the global crisis. The share of non-performing loans to total loans declined (*Fig.25*), largely on account of the completion of transactions for the sale of bad loans: the NPL listed transactions (valued at 65 billion) reduced the NPL to total loans ratio from 17,6% to 13,3% (*Fig.26*). The stock of bad loans went down to 66.3 bln € (3.7% as a percentage of loans), 25% less than the pick touched at November 2015 (88.8 bln €) and 24% less than the amount at year end 2016 (*Fig.27*).

NPL ratio is now expected to speedily return to a manageable value: 7.9% at year end 2020 (*Fig.28*).

The banking system has overcome the crisis

Banks critical situation have been dealt with. With the precautionary recapitalization of Momte Paschi di Siena and the orderly liquidation of Banca Popolare di Vicenza and Veneto Banca, headline risks have been removed. This result has been achieved with a very limited State support (*Fig.29*).

A number of important reforms have paved the way for a remarkable consolidation of the banking sector (*Fig.30*).

Banks' capital ratios have strengthened. Capitalization of the Italian banks is now well above minimum regulatory requirements (Common Equity Tier 1 ratio increased from 7% to 12.5%) (*Fig.31*). Italian are now among the best capitalized banks in Europe net of weighting methodologies (*Fig.32*).

Profitability remain the main concern for Italian banks, as for the rest of European banks, even if the latest figures (2q 2017) show a strong improvement in the Return On Equity (*Fig.33*).

Market appreciation of Italian banks progresses are confirmed by the increasing presence of foreign institutional investors in banks' capital (higher than in the rest of major European banks (*Fig.34*).

Public finance on the road to recovery

Fiscal consolidation and public finance recovery are going ahead (*Fig.35*). The reduction of public debt, marginally started in 2017, should strengthen in the coming years (*Fig.36*), thanks to recovery of growth and inflation on the denominator side (*Fig.37*) and, on the numerator side, thanks to a significant primary surplus and to spending review policies carried out in Italy for a long time by different governments (*Fig.38*).

The medium-term objective (MTO) of budget balancing should be achieved in 2020 (*Fig.39*).

Long-term factors of the soundness of Italian public finance

Finally, I would remind you that:

- public pension expenditure, even if still high in Italy, will undergo a gradual reduction in the long term, thanks to the reforms approved in the last twenty years (*Fig.40*), and should therefore be more sustainable than that of most other European countries,
- Italy will not have to face the huge costs that other European countries will have to support for the decommissioning of nuclear energy production plants, which will reach in the next few years the end of their life cycle
- the total amount of government liabilities is lower than that of most European countries (*Fig.41*)
- lower (and declining) is also the total debt of Italian non-financial corporations as a percentage of GDP (*Fig.42*)
- equally lower (and slightly declining) is the ratio of Italian household debt to disposable income (61%, well below the euro-area average of 94%)

(*Fig.43*), as well as the household debt as a share of GDP (41,4% compared to 57,9% of the euro-area)

The main risks stem from the global economy and from the Italian political uncertainty

Following the January issue of the Bank of Italy' *Economic Bulletin* the main risks stem from the global economy trends and from the performance of the global financial markets. An intensification of geopolitical tensions or greater uncertainty surrounding the future course of international economic policies could translate into higher volatility in the financial markets and in risk premiums, with adverse repercussions on the euro-area economy.

Among domestic risks, the Bank of Italy acknowledges that those connected with the weakness of the banking system have abated compared with past years as well as the risks connected with the potential heightening of uncertainty on the part of households and firms over the strength of the recovery under way. But our Central Bank emphasizes that "this positive scenario relies on the continuation of economic policies capable of fostering long-term economic growth by supporting investment and consumption choices, while also lending credibility to public debt reduction objectives by fully exploiting the upturn in the global economy".

In less diplomatic words we could say that this positive scenario depends, to a large extent, on the continuation of public policies carried out in the last years: policies based on a mix of structural reforms, reasonable budgetary discipline and effective measures supporting innovation and competitiveness of the real economy. These policies are needed, on the one hand, to consolidate the recovery of the growth and competitiveness of the Italian economy, launched in recent years, on the other hand they are needed to give to the gradual reduction of the public debt, which has just begun, a faster pace.

It is by no means certain that the forthcoming political elections can secure a government and a stable parliamentary majority in support of such public policies.

The combined effects of an electoral law mainly proportional and of the fragmentation of the Italian political system make it possible and even quite probable that no parliamentary majority can be built after the elections.

The most likely alternative to this impasse is represented by the conquest of the parliamentary majority by the center-right coalition, which is divided almost in half between Eurosceptic/populist parties (Lega and Fratelli d'Italia) and conservative and blandly pro-European parties (Forza Italia and Noi per l'Italia).

Considering the electoral programs presented so far, only the Democratic Party and its allies intend to assume a firm commitment to continue the policies of structural reforms, fiscal discipline and support for innovation and competitiveness adopted with good results in recent years, as well as the commitment to collaborate with France and Germany in the reform and strengthening of the Eurozone. But the chances that the center-left coalition, led by the Democratic Party, could obtain the majority are very modest (it is estimated in the polls close but below 30%).

Nevertheless, some chances could still have a great coalition among the Democratic Party of Renzi and Gentiloni, Berlusconi's Forza Italia and their minor allies of the Democratic Party and of Forza Italia: this issue seems not unpredictable , bud would anyway encounter huge difficulties, but on political and on the programmatic ground, certainly not less than those who must overcome in Germany the Groβe Koalition, first of all the referendum to be held among the members of the SPD to approve the coalition program.

Italian-French Dialogue on Financial Services
Rome, January 24th 2018

Franco Bassanini

Overview of the Italian political, economic and financial situation

Slides

Unless otherwise stated, the source of data is the Italian Institute of Statistics (Istat)
www.bassanini.it

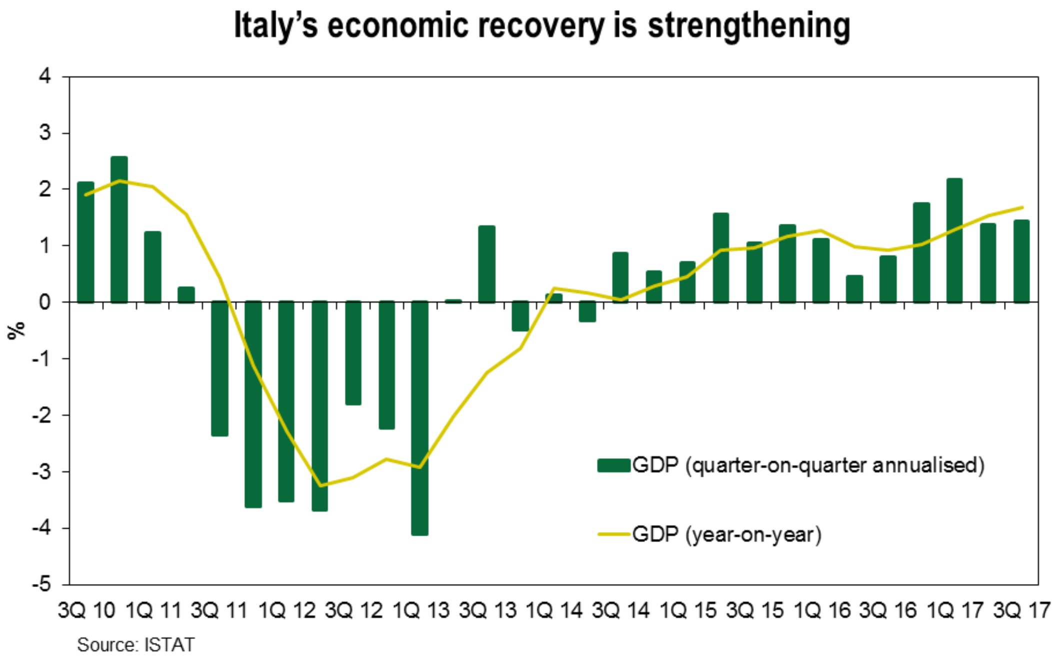
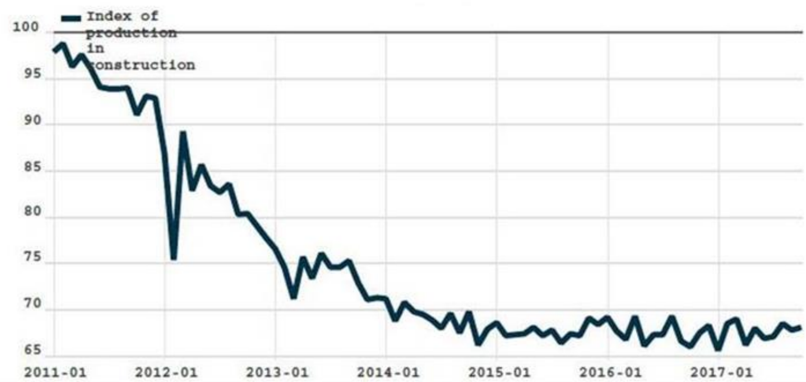


Fig. 1

Production in construction – seasonally adjusted indices 2010=100

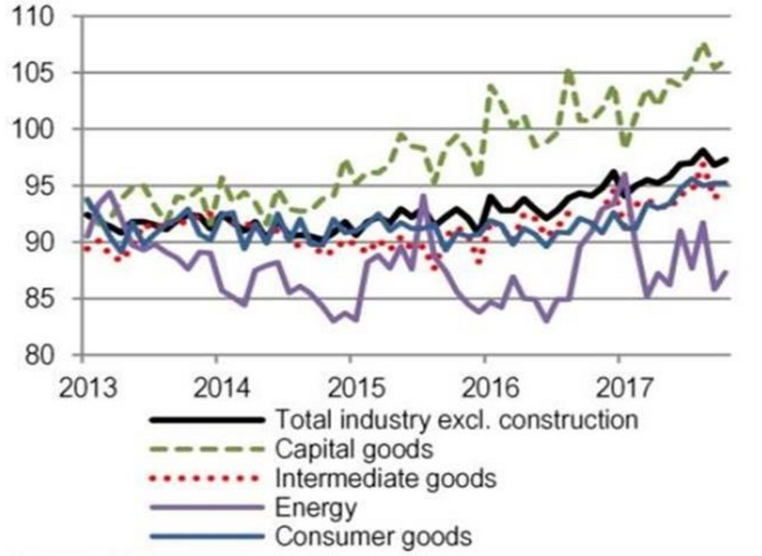


Next update	2018/01/18
Last month available	2017 Oct.

Series	Percentage change compared with the previous period	Percentage change compared with the previous quarter	Percentage change compared with the same period of the previous year
Index of production in construction	0.4	1.2	3.2

Fig. 2

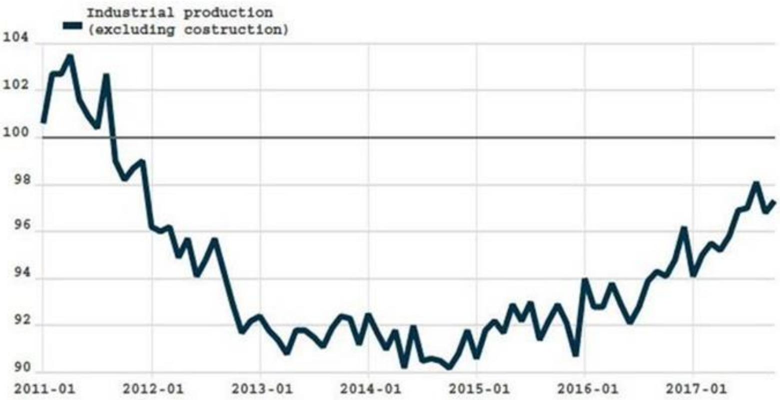
Production indexes (base 2010=100)



Source: Istat

Fig. 3

Industrial production index – seasonally adjusted indices 2010=100



Next update	2018/01/12		
Last month available	2017 Oct.		
Series	Percentage change compared with the previous period	Percentage change compared with the previous quarter	Percentage change compared with the same period of the previous year
Industrial production (excluding costruction)	0.5	0.8	3.1

Fig. 4

Economic Sentiment on the rise

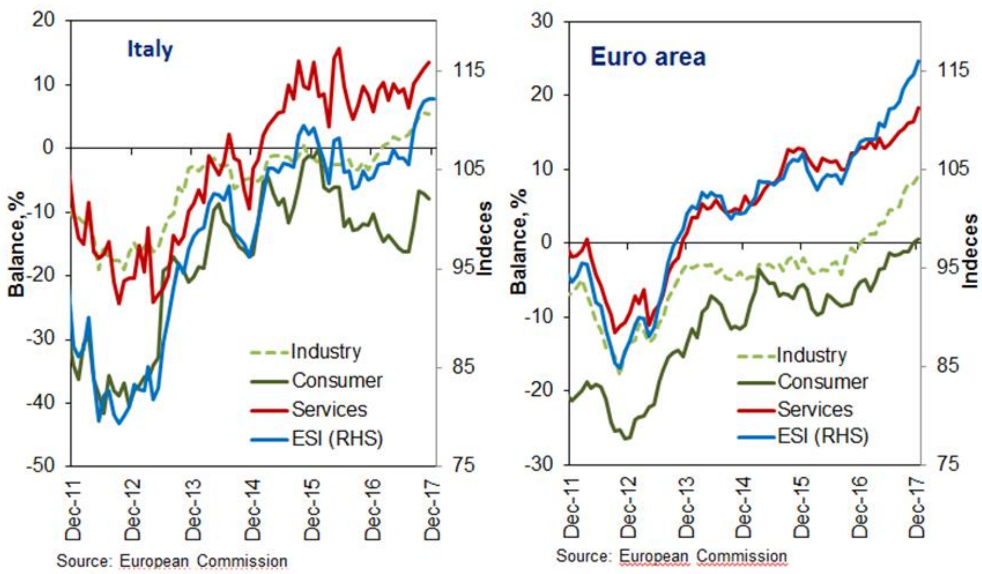
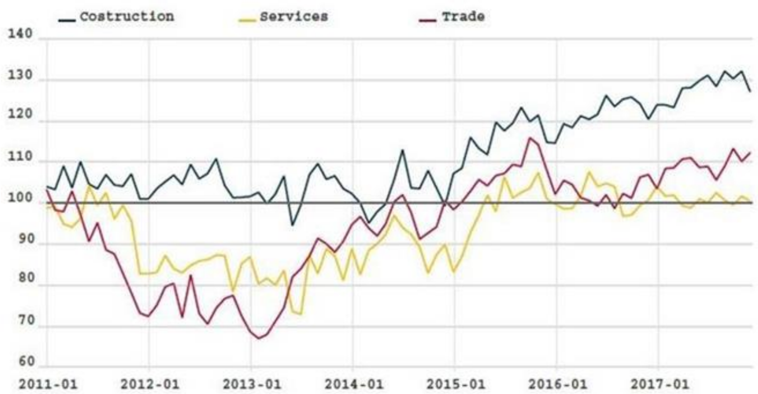


Fig. 5

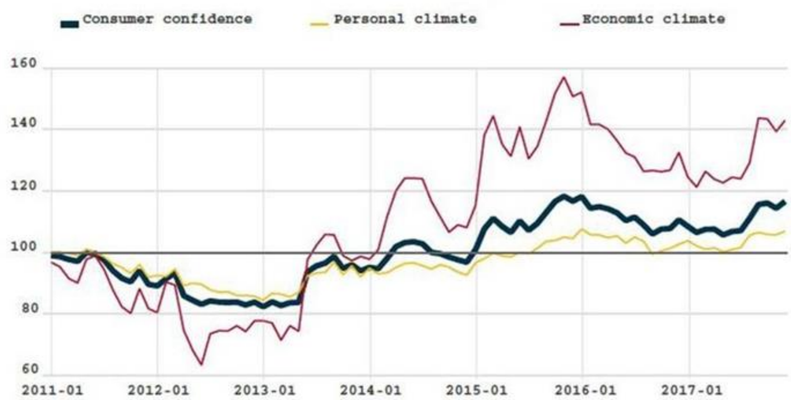
Business confidence indicator – seasonally adjusted indices 2010=100



	Next update	2018/01/30
	Last month available	2017 Dec.
Series	Month	Previous month
Costruction	127.1	132.1
Services	100.5	101.6
Trade	112.3	110.1

Fig. 6

Consumer confidence indicator – seasonally adjusted indices 2010=100



	Next update	2018/01/30
	Last month available	2017 Dec.
Series	Month	Previous month
Consumer confidence	116.6	114.4
Personal climate	106.9	105.7
Economic climate	143.0	139.4

Fig. 7

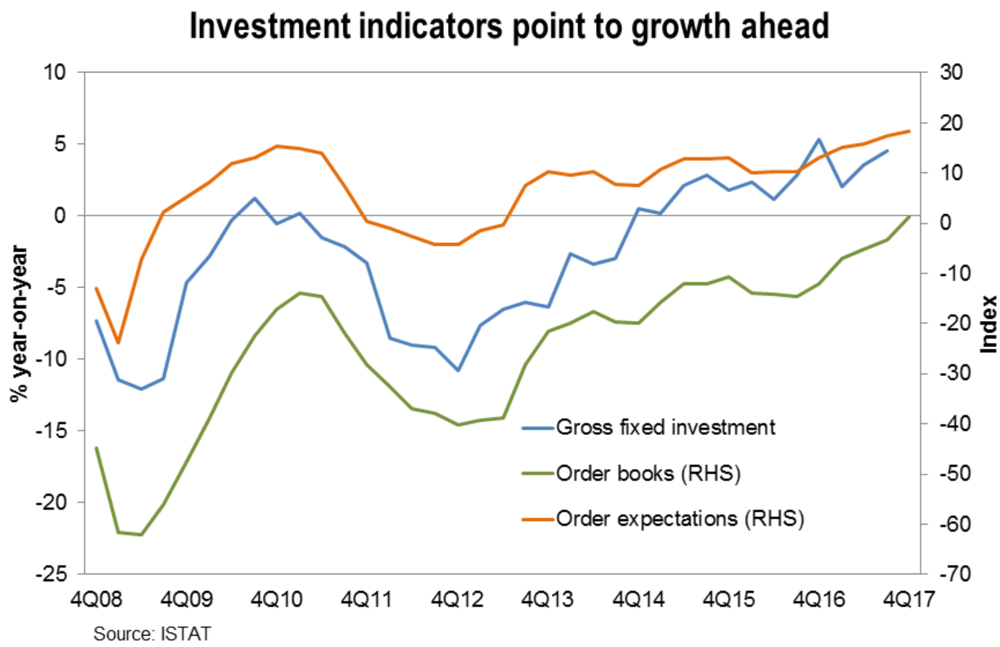


Fig. 8

Investment and exports very dynamic

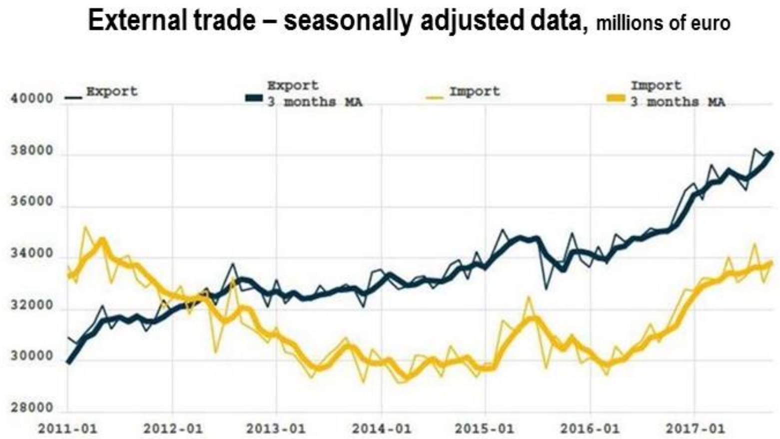
Composition of growth

Year-on-year growth rates in Q3 2017 (%)

	Germany	Italy
Household consumption	2.3	1.5
Government consumption	0.9	1.2
Gross fixed investment	4.8	4.6
Machinery and equipment	5.9	7.7
Construction	4.7	1.1
Exports	5.8	5.3
Imports	6.3	6.0
Contributions to yearly growth		
Domestic demand	2.4	1.9
Inventories	0.2	-0.2
Net foreign trade	0.2	0.0
Real GDP growth	2.8	1.7

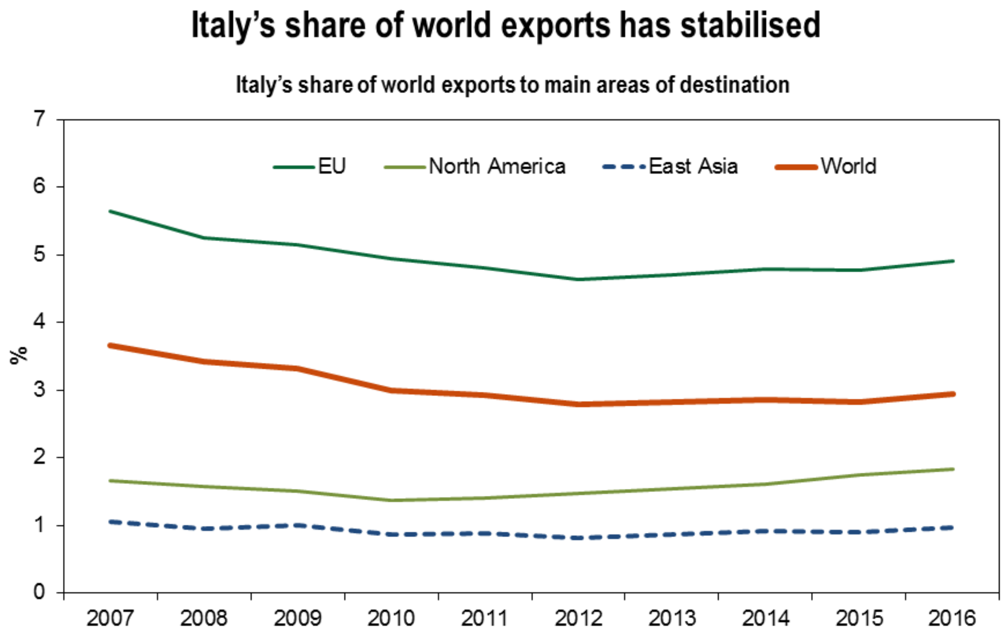
Source: ISTAT and DESTATIS, sa and wda data.

Fig. 9



Next update	2018/01/16		
Last month available	2017 Oct.		
Series	Percentage change compared with the previous period	Percentage change compared with the previous quarter	Percentage change compared with the same period of the previous year
Import	2.6	1.1	10.4
Export	0.5	2.9	11.3

Fig. 10



Source: ICE (computations on IMF-DOTS data). Fig. s for 2016 are preliminary.

Fig. 11

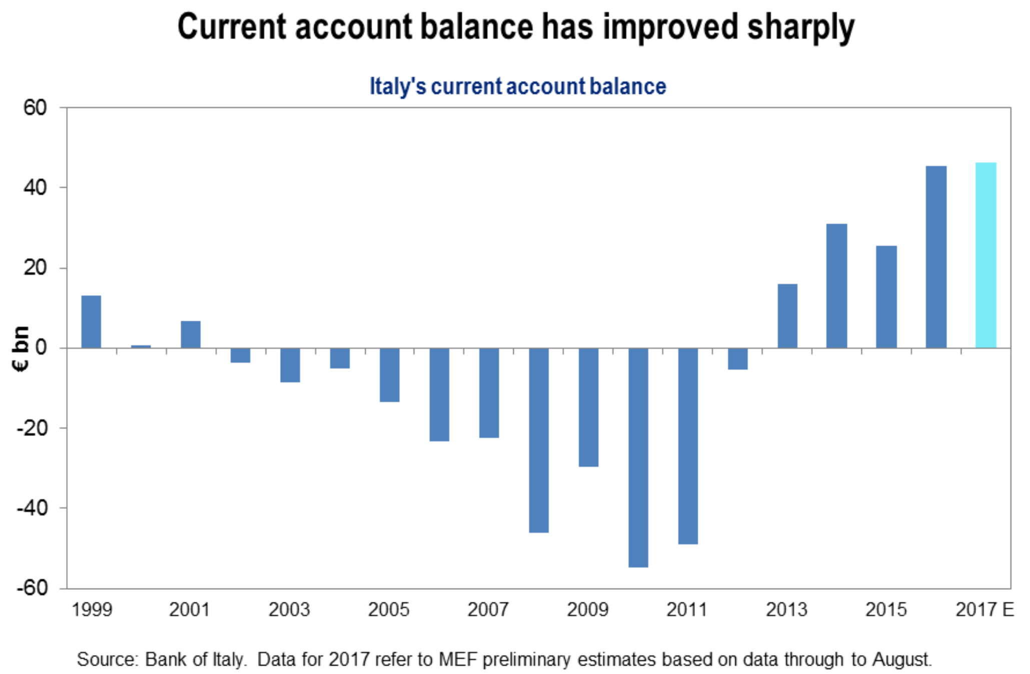

Current account balance has improved sharply
Italy's current account balance
€ bn
60
40
20
0
-20
-40
-60
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017 E
Source: Bank of Italy. Data for 2017 refer to MEF preliminary estimates based on data through to August.

Fig. 12

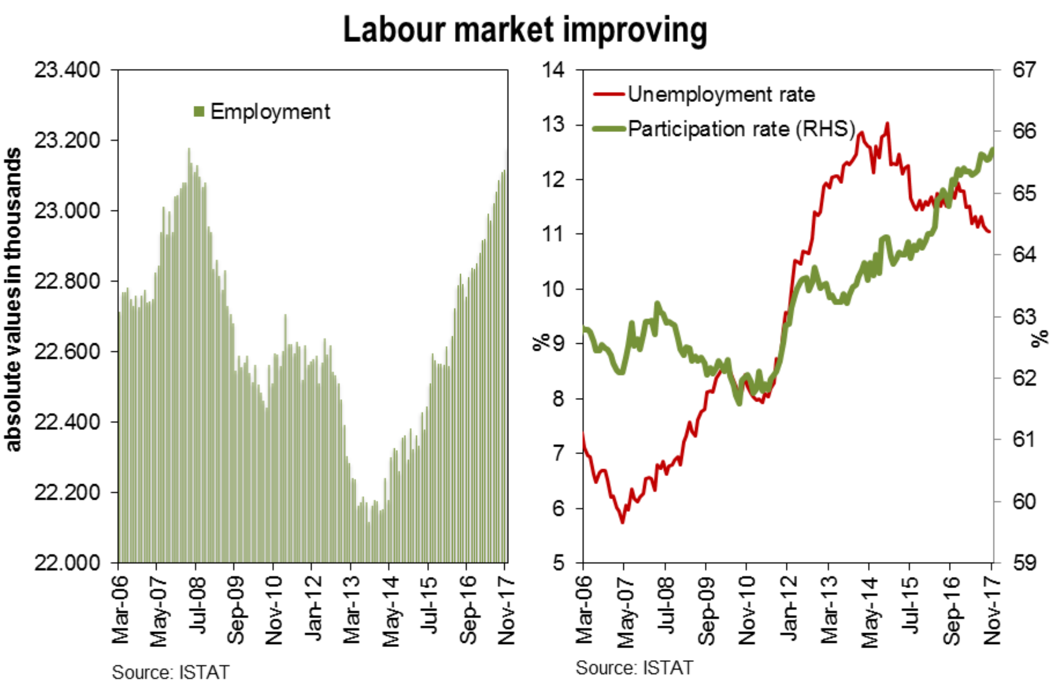

Labour market improving
Employment
absolute values in thousands
23.400
23.200
23.000
22.800
22.600
22.400
22.200
22.000
Mar-06
May-07
Jul-08
Sep-09
Nov-10
Jan-12
Mar-13
May-14
Jul-15
Sep-16
Nov-17
Source: ISTAT
Unemployment rate
Participation rate (RHS)
%
14
13
12
11
10
9
8
7
6
5
67
66
65
64
63
62
61
60
59
Source: ISTAT

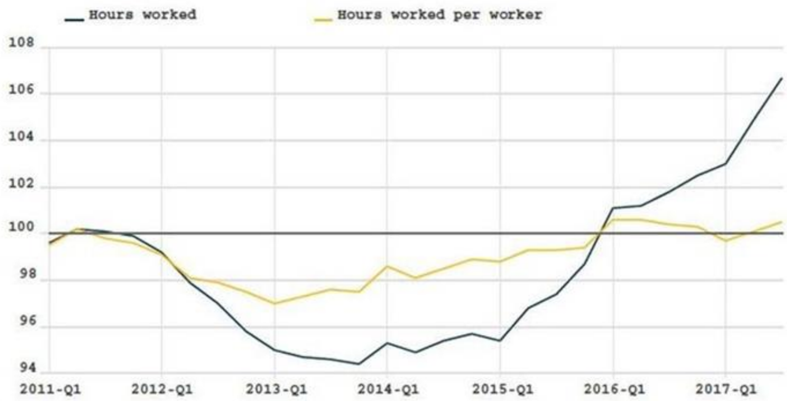
Fig. 13

Employment and unemployment – seasonally adjusted data, persons

Next update	2018/01/31		
Last month available	2017 Nov.		
Series	**Percentage change compared with the previous period**	**Percentage change compared with the previous quarter**	**Percentage change compared with the same month of the previous year**
Employed	0.3	0.4	1.5
Unemployment	-0.6	-1.4	-7.8

Fig. 14

Total number of hours worked, industry and market services (B-N)



Next update	2018/03/13	
Last quarter available	2017-Q3	
Series	**Percentage change compared with the previous period**	**Percentage change compared with the same period of the previous year**
Hours worked	1.7	5.1
Hours worked per worker	0.4	0.1

Fig. 15

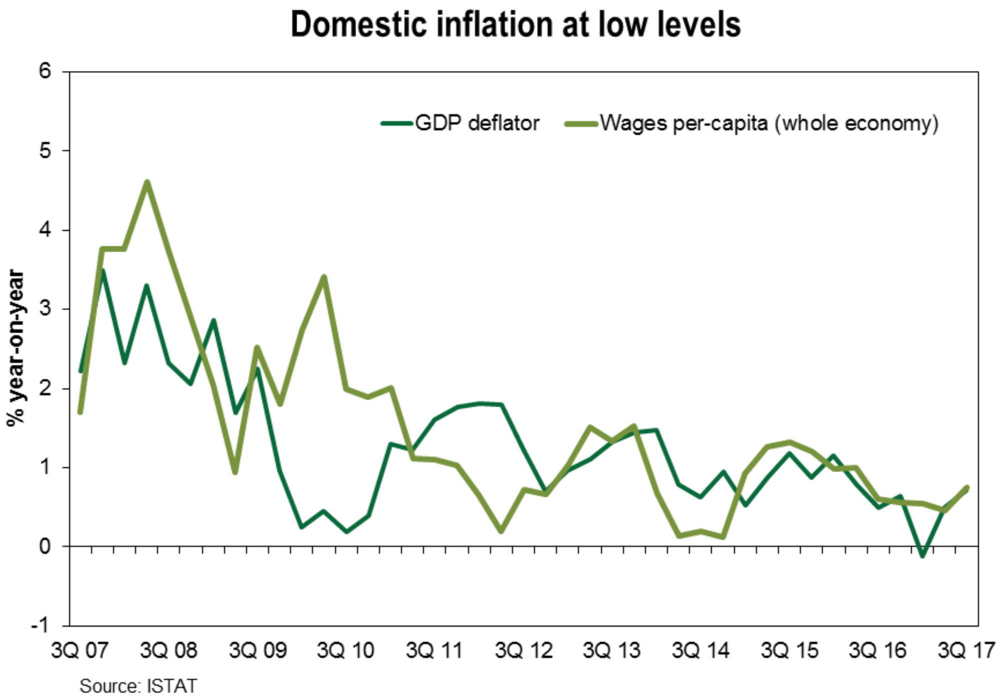
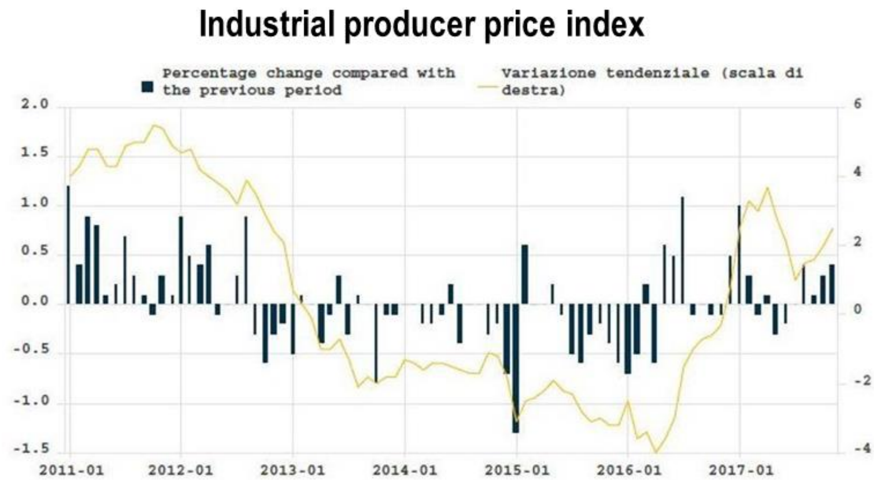


Fig. 16



Next update	2018/03/29		
Last month available	2017 Nov.		
Series	Percentage change compared with the previous period	Percentage change compared with the previous quarter	Percentage change compared with the same period of the previous year
Industrial producer prices	0.4	0.7	2.5

Fig. 17

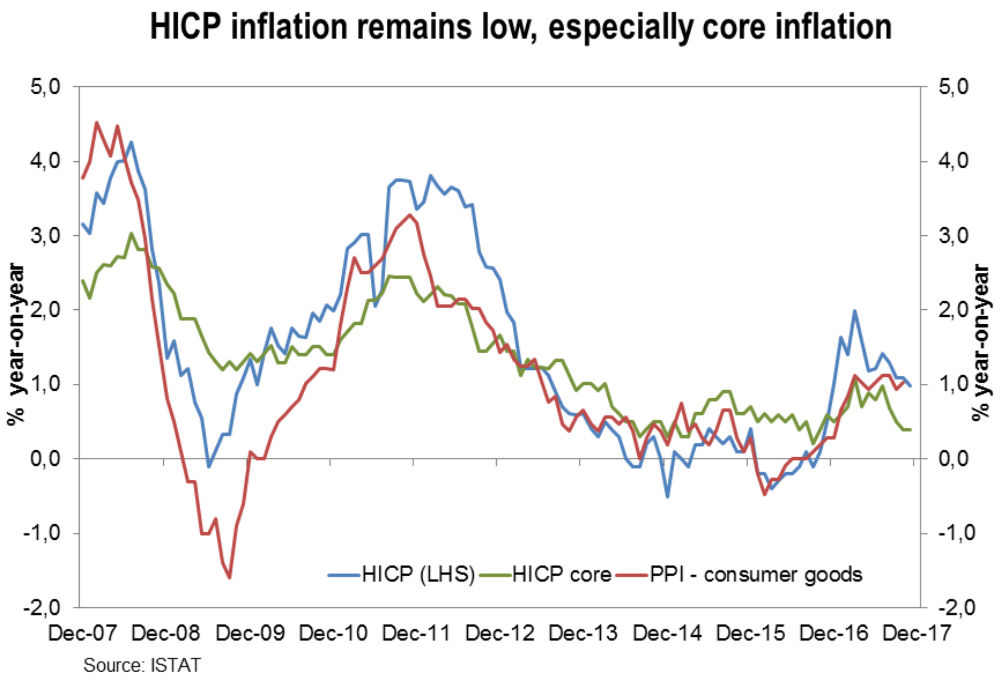
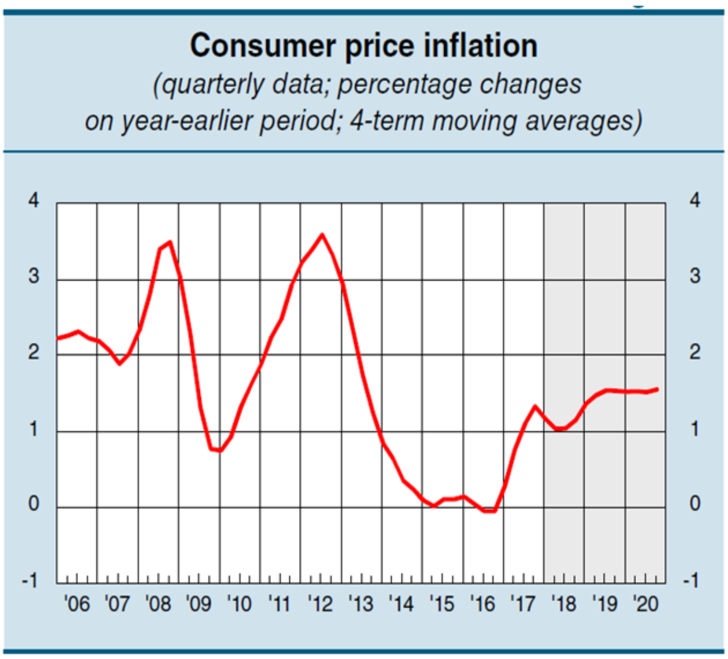


Fig. 18

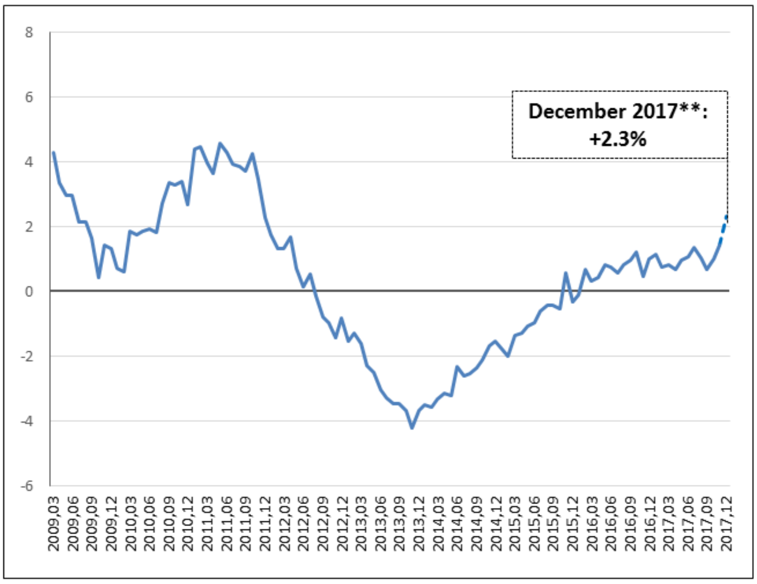


Sources: Based on Bank of Italy and Istat data.

Fig. 19

Loans to households & firms variation in Italy

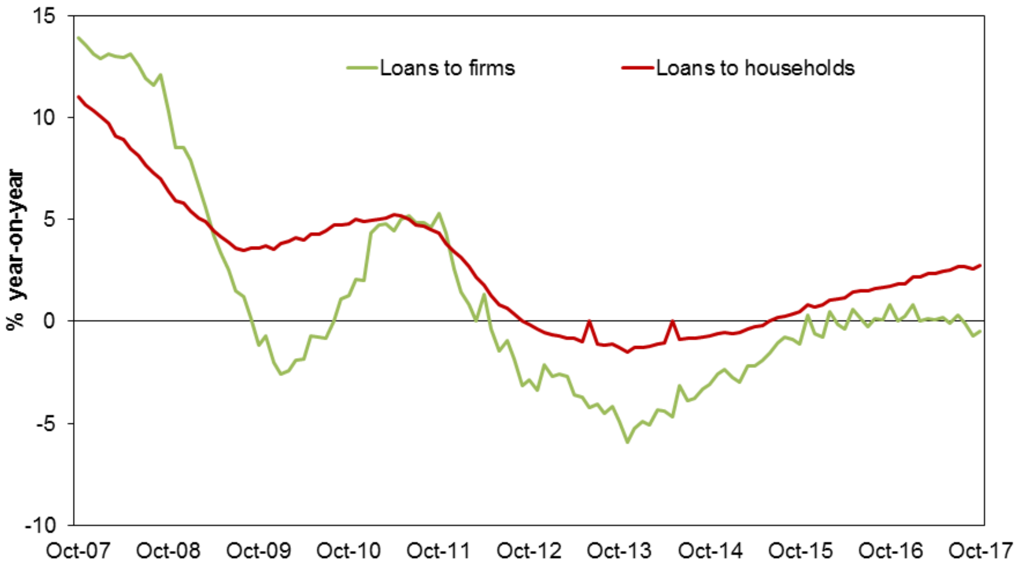
(YoY % var*; monthly data)



(*) Growth rates calculated according to the common Eurosystem methodology, by adjusting the changes in the stocks to take account of loans not reported on banks' balance sheets because securitized or otherwise transferred, exchange rate fluctuations, value adjustments and reclassifications.

Fig. 20

Growth in bank loans recovering



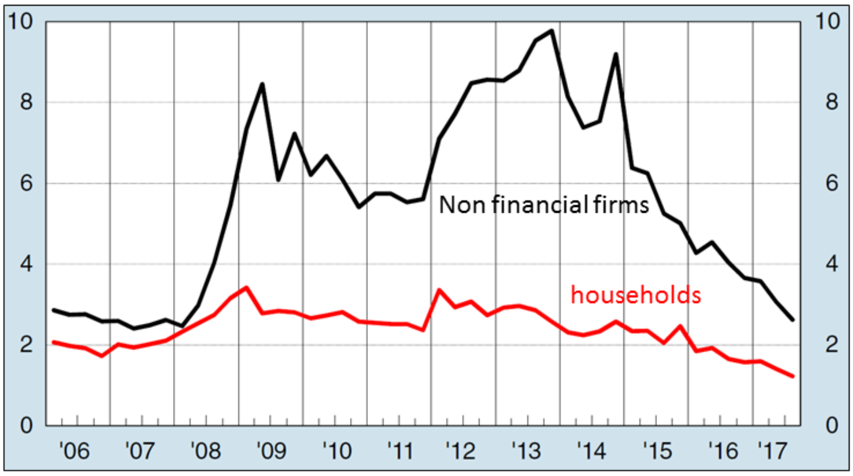
Source: Bank of Italy

Fig. 21

Loans growth mainly due to the positive evolution of credit risk

Loans risk evolution in Italy*

(New NPL/loans; referred to total loans to households & firms)



(*) Annualized quarterly flow of adjusted NPLs (past-due by more than 90 days, other NPLs and bad loans) in relation to the stock of loans net of adjusted NPLs at the end of the previous quarter. Data seasonally adjusted where necessary.

Fig. 22

Lending rates at historical lows

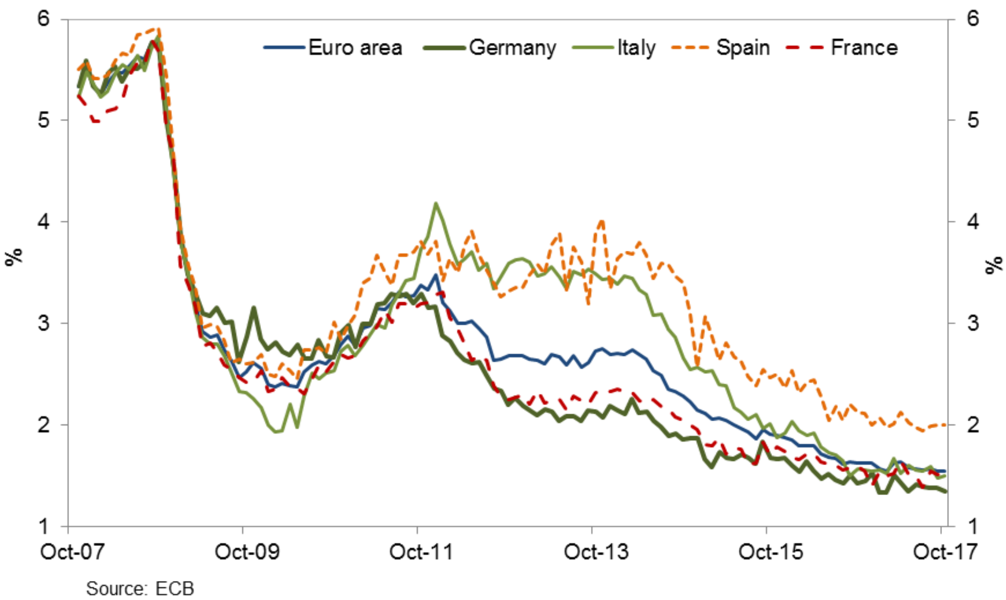


Fig. 23

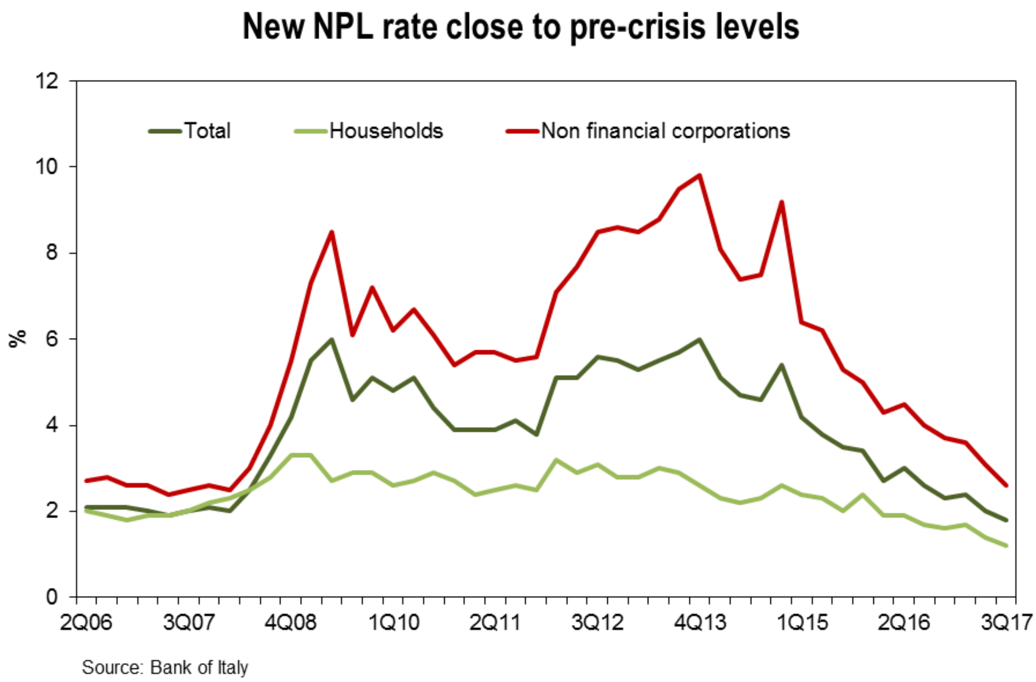

New NPL rate close to pre-crisis levels
Total
Households
Non financial corporations
%
12
10
8
6
4
2
0
2Q06
3Q07
4Q08
1Q10
2Q11
3Q12
4Q13
1Q15
2Q16
3Q17
Source: Bank of Italy

Fig. 24

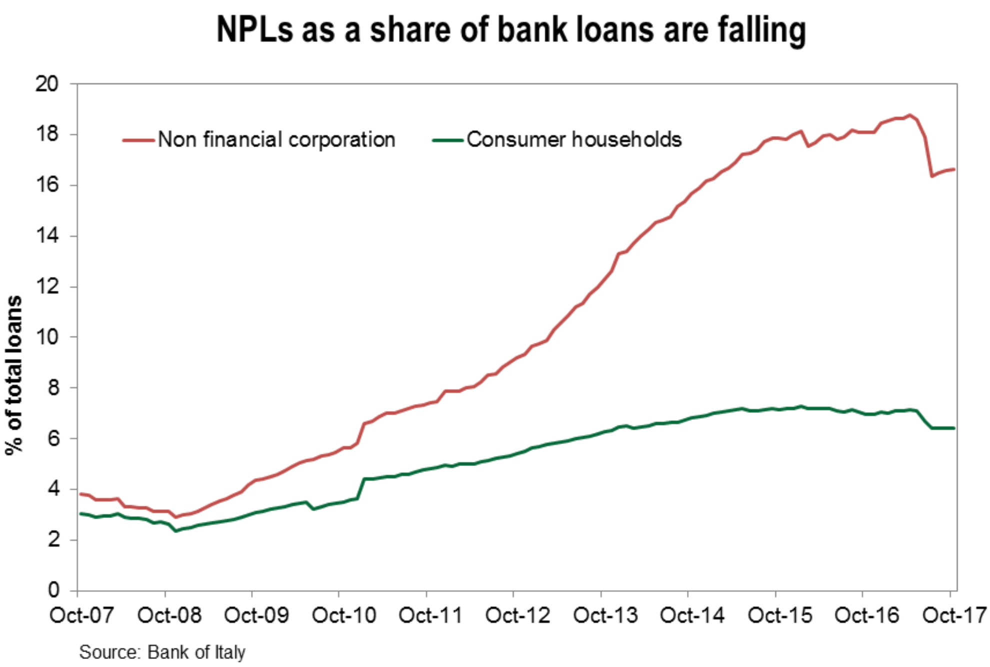

NPLs as a share of bank loans are falling
Non financial corporation
Consumer households
% of total loans
20
18
16
14
12
10
8
6
4
2
0
Oct-07
Oct-08
Oct-09
Oct-10
Oct-11
Oct-12
Oct-13
Oct-14
Oct-15
Oct-16
Oct-17
Source: Bank of Italy

Fig. 25

Recent NPL transactions and impact on the NPL/Total loans ratio

- *December 16th 2016*
  Unicredit: **17.7 billion**
- June 25th 2017
  Banca Popolare di Vicenza and Veneto Banca: **17.5 billion**
- July 5th 2017
  Monte dei Paschi: **28.6 bilion**
- July 11th 2017
  Carige: **1.2 billion**
- Total of listed transactions:
  65.0 billion

	Significant banks	*Total*
NPL - Dec 2016	267,0	349,0
NPL/Total loans	17,6%	17,3%
Disposal of NPLs	~~65,0~~	~~65,0~~
Ex post NPLs	202,0	284,0
NPL/Total loans	13,3%	14,1%
Bad loans	165,0	215,0
Bad loans/Total loans	10,9%	10,7%
Disposals of bad loans	~~56,4~~	~~56,4~~
Ex post bad loans	108,6	158,6
Bad loans/Total loans	7,1%	7,9%

Source: MEF calculations on Bank of Italy at December 2016. Data are in billion euros and refer to gross exposures.

Fig. 26

Bad loans down to 66.3 bln € (3.7% as a percentage of loans), 25% less than the pick touched at November 2015

Italian net bad loans

(total Italian banks; July 2015– November 2017; bln €)

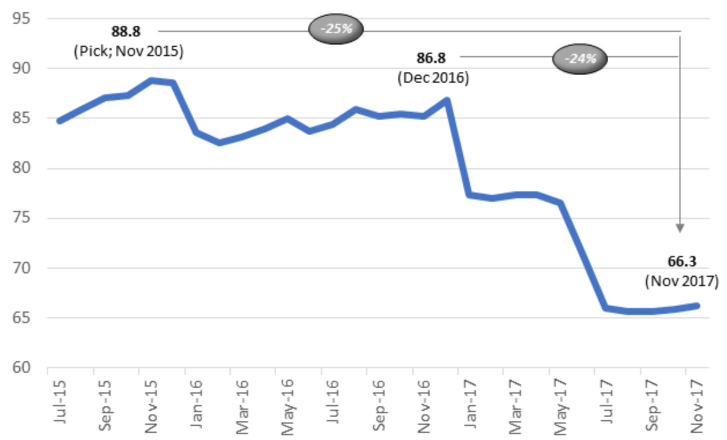
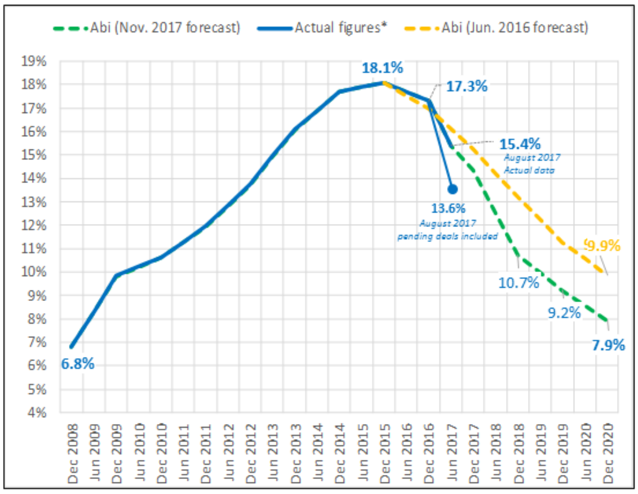


Fig. 27

NPL ratio expected to speedily return to manageable value: 7.9% at year end 2020

NPL ratio: Abi June 2016 forecast[1] vs Abi Nov. 2017 forecast[2] vs actual data updated to August 2017



- Our estimates (released on June 2016 and based on 2015 year-end Fig.) described a fast reduction in the NPL ratio, even net of an acceleration in NPLs disposals
- Latest actual Fig. s (August 2017) show an acceleration over our forecasts
- **NPL ratio as at August 2017** stands at around 15.4%; **it's 13.6%** once included two relevant deals in the pipeline[3]
- **At year end 2020 the NPL ratio to 7.9%**

Fig. 28

Banks' recapitalisation: impact on the public finances

millions of euros	Veneto banks	Monte Paschi	Total
Capital contribution[1]	4785	5400	10185
Fair value of guarantees[2]	400		400
memo items:			
Guarantees[3]	12351		12351
GACS[4]		3256	3256

1. Capital injection into Monte Paschi assumes that all conversion rights of retail bondholders will be exercised
2. Fair value of guarantees provided for the liquidation of Veneto banks
3. Maximum level of guarantees provided for the compulsory liquidation of Veneto Banks
4. Amount of Senior A1 notes in Monte Paschi's NPL securitisation covered by the state guarantee scheme

- Capital contribution, €10.2bn, will be recorded as government debt. Amount is in line with estimate used in Stability Program (0.6% of GDP) to project 2017 debt/GDP ratio.
- Fair value of guarantees for the liquidation of Veneto banks will be recorded as deficit.
- The securitisation of Monte Paschi NPLs will involve the use of GACS for the senior tranche
- The total amount of guarantees provided in the two operations is thus €15.5bn.

Fig. 29

Reforms are paving the way for consolidation …

Over the last few years, the Italian Government introduced **a series of systemic reforms** aimed at **facilitating the consolidation** of the sector:

Cooperative banks ("Popolari") reform

- March 2015
- Cooperative banks (known as "Popolari") with more than €8bn in assets **must change their governance structure** and become regular joint stock companies by 31st December 2016

Mutual banks ("BCC") reform

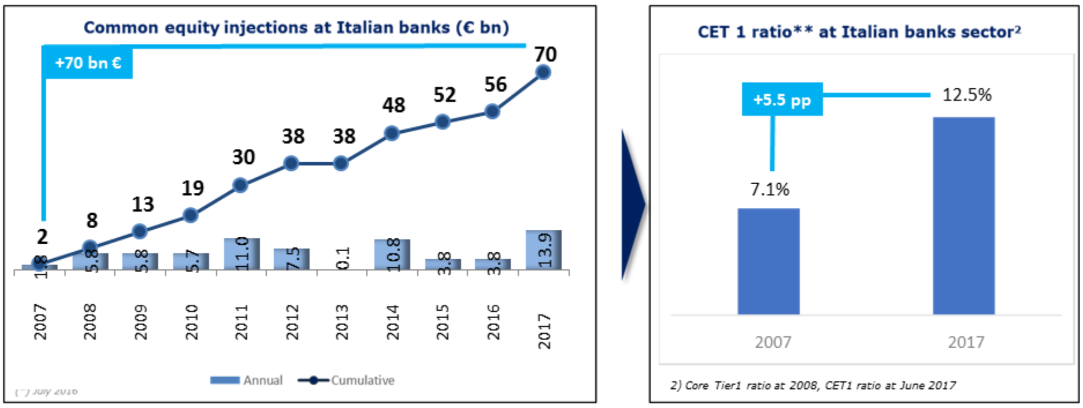
- February 2016 (DL)
- **Over 360 small local mutual lenders** (known as "BCC") will **have to adhere** into centralised institutions with more than €1bn in equity

Cap to Foundations' investments

- April 2015
- The **Ministry of Finance** and **ACRI**, the association of Italian savings banks and foundations, signed an **MoU agreement** forbidding Foundations to invest more than 33% of their equity **in any single asset class.**

Fig. 30

Capitalisation of Italian banks well above minimum regulatory requirements with limited State support



Raised €70 billions of additional capital from 2007

CET1 ratio increased from 7% to 12.5%

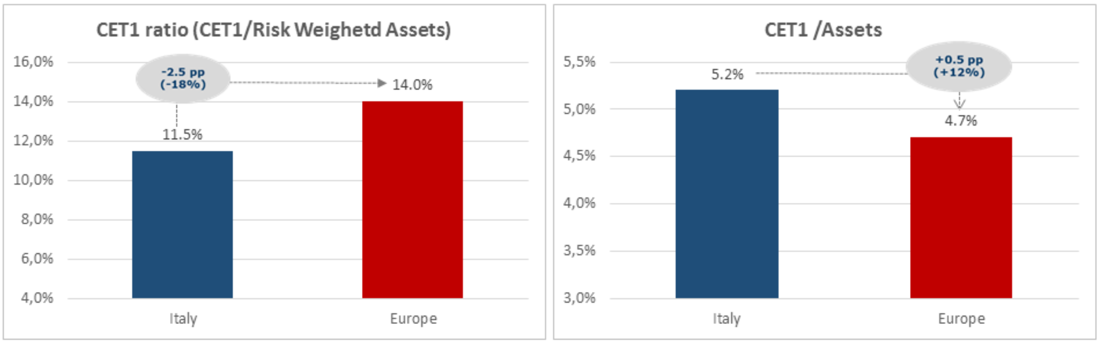
Source: ABI on Bank of Italy

Fig. 31

Capitalisation of Italian banks

Prudential capital ratios: Italy vs EU average (based on RWAs)

Capitalization levels: Italy vs EU average (net of RWAs)



While, on average, Eu banks result more capitalised than the Italians in terms of prudential capital requirement ratios (based on Risk Weighted Assets – RWAs -)…

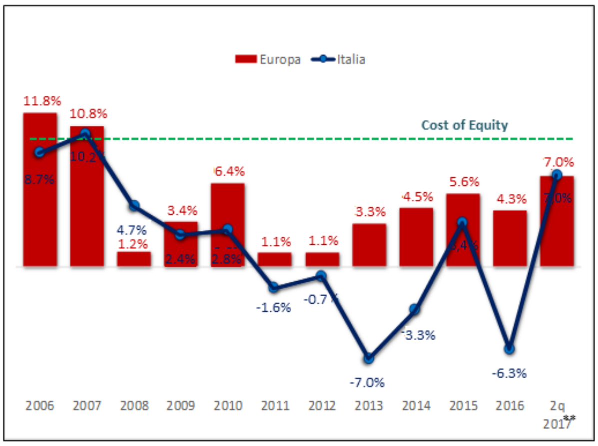
… an opposite result comes out by taking into account the total Assets instead of the RWAs: Italian banks result sounder than the EU average

Source: Abi on EU banks' annual reports and on Fig. provided by the EBA (105 EU banking groups). Dec 2016

Fig. 32

Profitability remain the main concern for Italian banks

Return On Equity of largest European banking groups*



Drivers of low banks' profitability

Cyclical factors (economic linked)

- Low Interest rates
- Subdued demand (volume of business)
- Financial markets volatility
- Cost of funding
- Loan loss provisions

Structural factors

- Digital revolution (cost base)
- Regulatory revolution:
  - extraordinary costs
  - Capital increase (impact on ROE)
  - Uncertainty

*RoE (Net result/Equity) of largest European banks (sample of 120 banking groups; of which 14 Italians). (**) 2q 2017 annualized Fig. s. Net result as reported in the P&L accounts, which means included non recurrent component of revenues. Italian banks annualized 2q 2017 ROE adjusted excluding non recurrent revenues stands at about 2%

Fig. 33

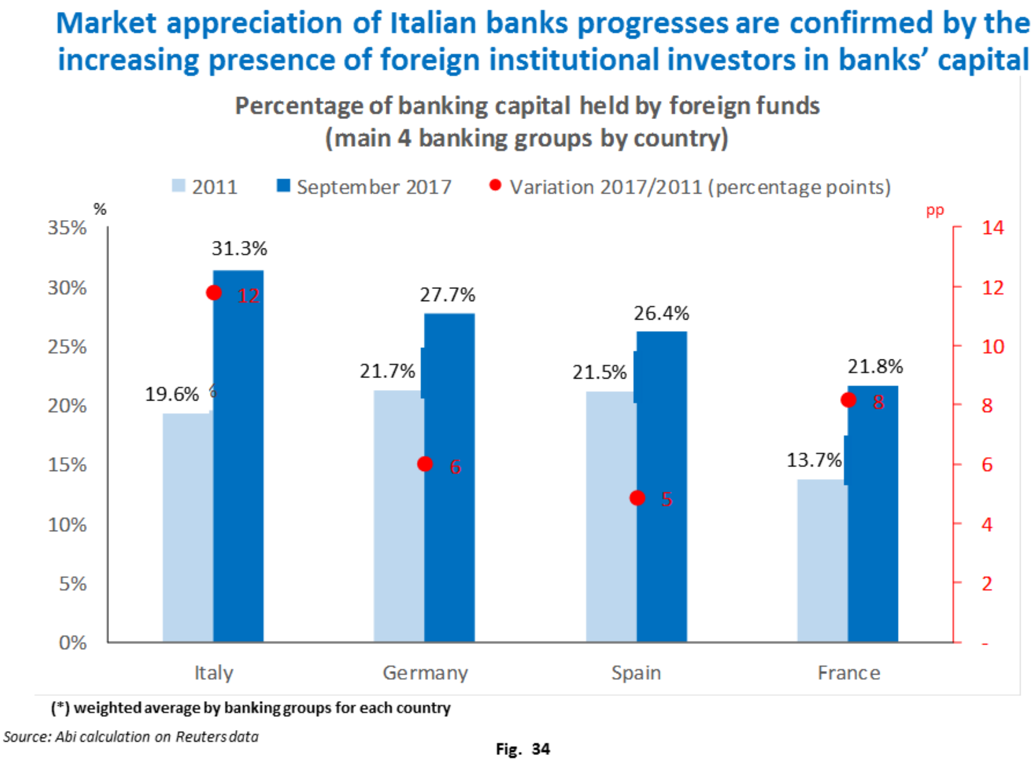


Fig. 34

The outlook for the public finances

Update to the EFD2017 and 2018 Draft Budgetary Plan

Policy scenario						
% of GDP	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General government balance	**-2.6**	**-2.5**	**-2.1**	**-1.6**	**-0.9**	**-0.2**
Structural balance (1)	*-0.1*	*-0.9*	*-1.3*	*-1.0*	*-0.6*	*-0.2*
Change in the structural balance	*0.3*	*-0.8*	*-0.4*	*0.3*	*0.4*	*0.4*
Primary balance	**1.5**	**1.5**	**1.7**	**2.0**	**2.6**	**3.3**
Interest expenditure	**4.1**	**4.0**	**3.8**	**3.6**	**3.5**	**3.5**
Public debt (2)	**131.5**	**132.0**	**131.6**	**130.0**	**127.1**	**123.9**
Public debt ex support EZ (3)	**128.0**	**128.5**	**128.2**	**126.7**	**123.9**	**120.8**

(1) Net of one-off measures and cyclically adjusted. Discrepancies, if any, are due to rounding.
(2) Gross of financial support to Eurozone countries.
(3) Net of financial support given to other Euro area countries.

Source: ISTAT and Government projections for 2017-2020 (Update of the Economic and Financial Document 2017 and 2018 Draft Budgetary Plan)

Fig. 35

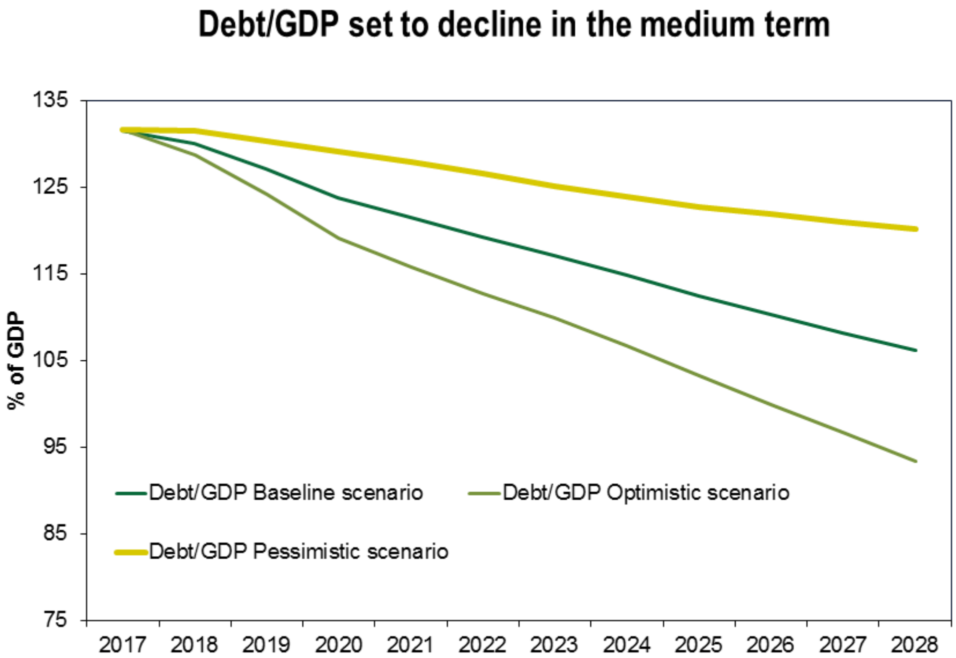


Fig. 36

Medium-term official forecasts in the DBP 2018

October 2017 forecast: GDP components

Policy scenario					
	2016	**2017**	**2018**	**2019**	**2020**
GDP	**0.9**	**1.5**	**1.5**	**1.5**	**1.3**
Imports	3.1	5.5	4.1	3.9	3.3
Final national consumption	1.3	1.3	1.1	1.1	0.9
Household consumption and NPISH	1.5	1.4	1.4	1.3	1.0
Government expenditure	0.5	1.0	0.3	0.7	0.5
Investment	2.8	3.1	3.3	3.0	2.3
- machinery, equipment and other	1.6	1.4	4.3	3.6	3.1
- construction	1.1	1.4	1.8	2.3	1.5
Exports	2.4	4.8	3.6	3.7	3.7

Source: ISTAT and Government projections for 2017-2020 (Update of the Economic and Financial Document 2017 and 2018 Draft Budgetary Plan)

Fig. 37

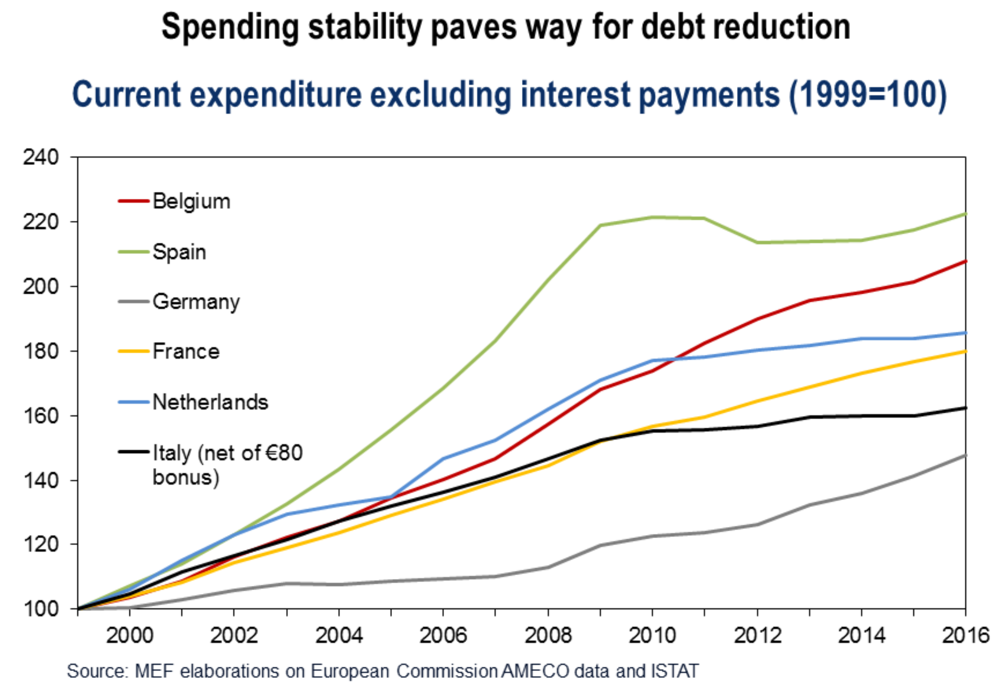


Fig. 38

The outlook for the public finances

Update to the EFD2017 and 2018 Draft Budgetary Plan

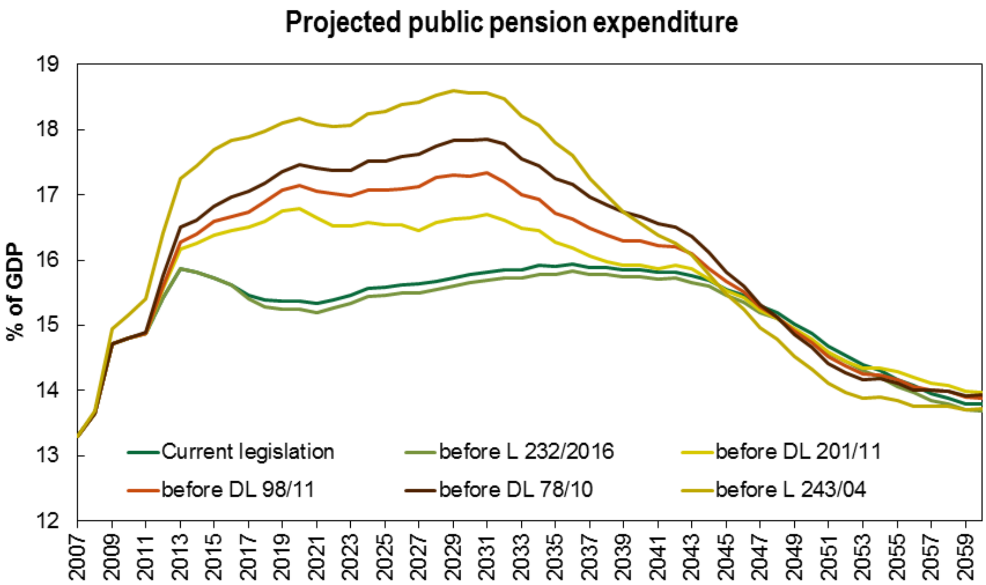
Policy scenario						
% of GDP	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General government balance	**-2.6**	**-2.5**	**-2.1**	**-1.6**	**-0.9**	**-0.2**
Structural balance (1)	*-0.1*	*-0.9*	*-1.3*	*-1.0*	*-0.6*	*-0.2*
Change in the structural balance	*0.3*	*-0.8*	*-0.4*	*0.3*	*0.4*	*0.4*
Primary balance	**1.5**	**1.5**	**1.7**	**2.0**	**2.6**	**3.3**
Interest expenditure	**4.1**	**4.0**	**3.8**	**3.6**	**3.5**	**3.5**
Public debt (2)	**131.5**	**132.0**	**131.6**	**130.0**	**127.1**	**123.9**
Public debt ex support EZ (3)	**128.0**	**128.5**	**128.2**	**126.7**	**123.9**	**120.8**

(1) Net of one-off measures and cyclically adjusted. Discrepancies, if any, are due to rounding.
(2) Gross of financial support to Eurozone countries.
(3) Net of financial support given to other Euro area countries.

Source: ISTAT and Government projections for 2017-2020 (Update of the Economic and Financial Document 2017 and 2018 Draft Budgetary Plan)

Fig. 39

Public pension expenditure: impact of past reforms



Source: EFD 2017, State General Accounting Department long-term forecasting model

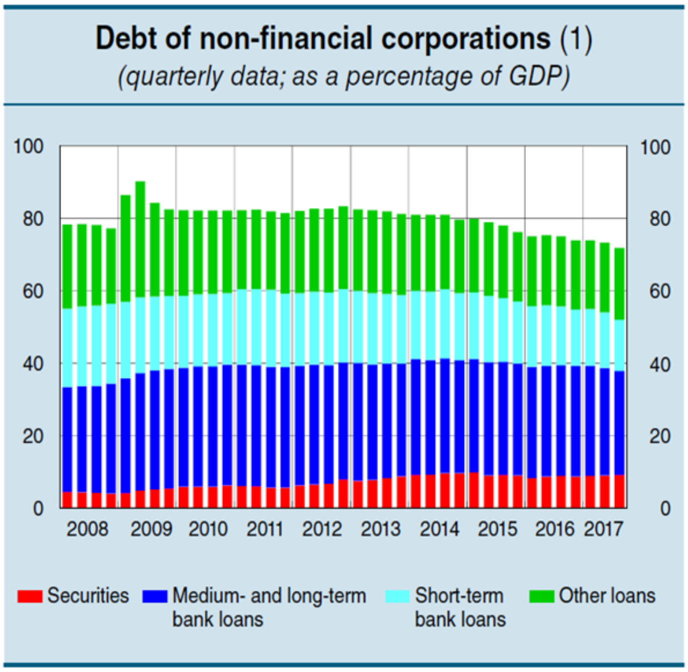
Fig. 40

Total general government contingent liabilities

	2010	2011	2012	2013	2014	2015	2015	
	Government guarantees						Total liabilities of government controlled entities classified outside general government	of which: Entities involved in financial activities
	% of GDP							
Germany	20.3	18.7	17.3	16.8	15.7	15.4	110.4	105.8
Spain	12.7	14.9	21.0	18.8	12.9	9.6	29.6	26.2
France	6.6	5.5	4.5	5.5	4.5	4.2	62.7	18.5
Italy	0.8	3.5	6.2	6.2	2.7	2.2	47.4	20.6
Netherlands	10.4	9.6	7.5	6.8	3.7	4.0	108.1	17.8
United Kingdom	27.5	15.3	10.2	9.3	8.8	8.7	45.2	5.0

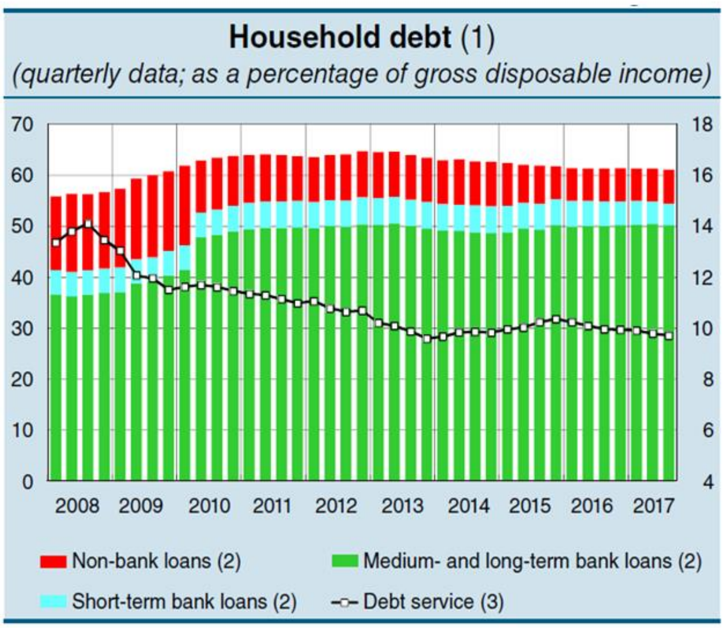
Source: Eurostat

Fig. 41



Sources: Based on Bank of Italy and Istat data.
(1) The data refer to the 12 months ending in the quarter in question. Debt includes securitized loans. The data for the last quarter are provisional.

Fig. 42



Sources: Based on Bank of Italy and Istat data.
(1) End-of-quarter stocks and flows in the 12 months to the end of the quarter. The data for the last quarter are provisional. Debt includes securitized loans. – (2) In the second quarter of 2010 there was a methodological break in the computation of the statistics on the distribution between bank and non-bank loans. For the methodology, see the note in 'Monetary and Financial Indicators. Financial Accounts', in *Supplements to the Statistical Bulletin*, 58, 2010. – (3) Right-hand scale. Estimated cost of debt service (interest plus repayment of capital) for consumer households only.

Fig. 43