

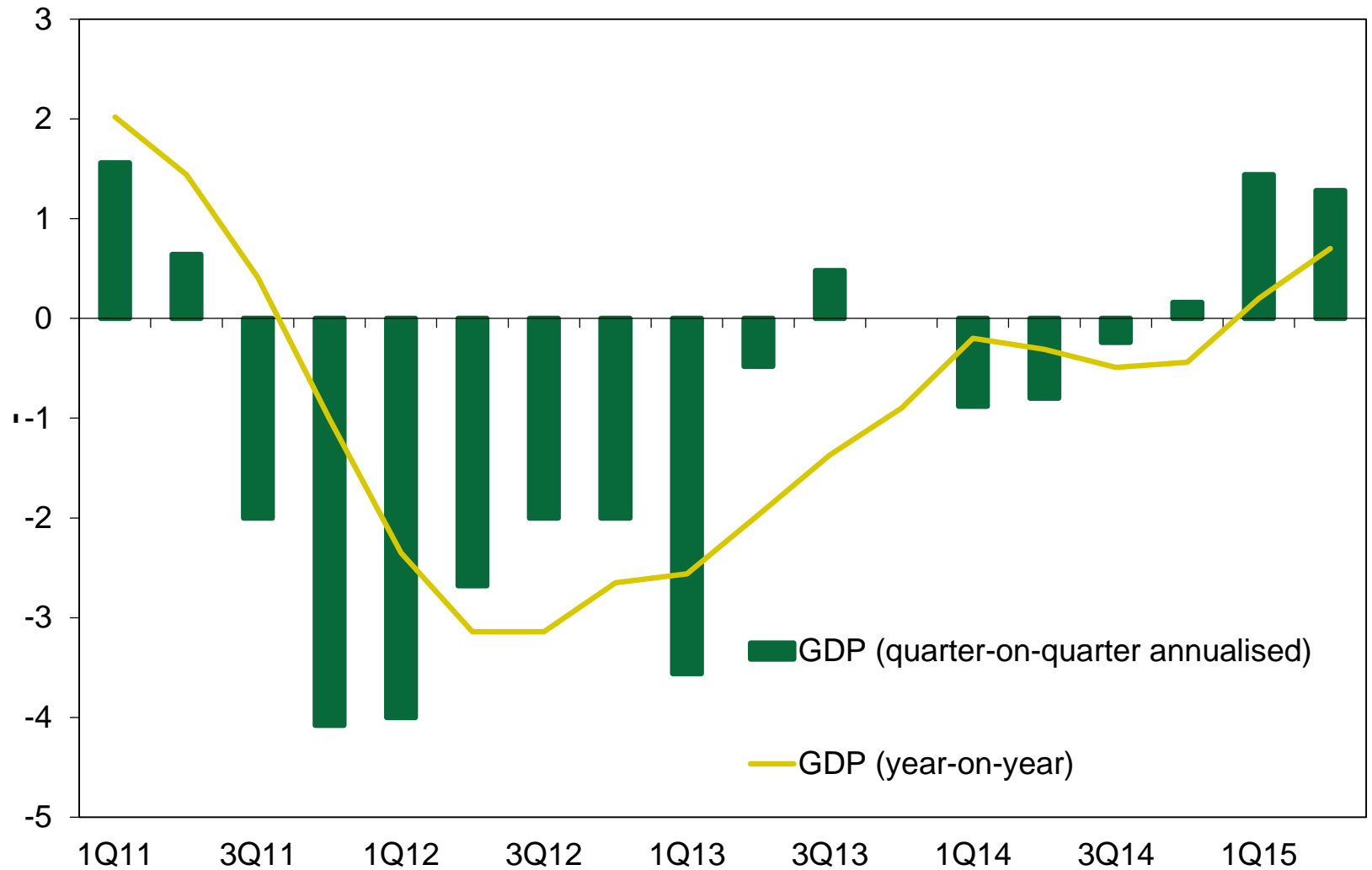
FEBAF – Paris Europlace
Italian – French dialogue on financial services

Paris, 30 september 2015

Overview of the political economic and financial situation in Italy

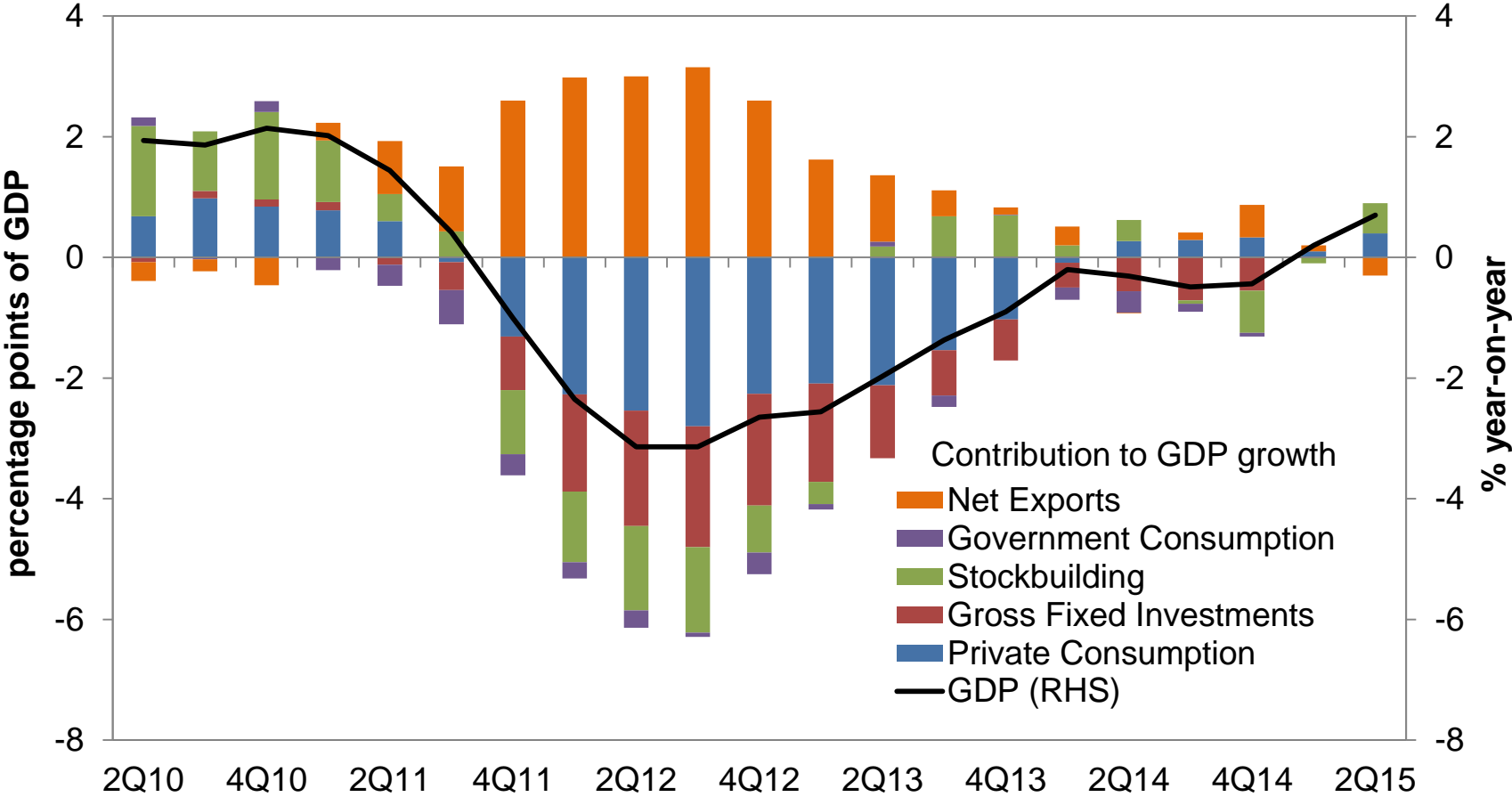
Franco Bassanini

Italy finally out of the recession



Source: ISTAT

Italy finally out of the recession



Source: ISTAT

Update to Economic and Financial Document Sept 2015.

Macroeconomic indicators

	2014	2015	2016	2017	2018	2019
<i>(% change yoy)</i>						
Real GDP	-0.4	0.9	1.6	1.6	1.5	1.3
<i>Domestic demand net of inventories</i>	<i>-0.6</i>	<i>0.6</i>	<i>1.5</i>	<i>1.5</i>	<i>1.4</i>	<i>1.2</i>
<i>Inventories</i>	<i>-0.1</i>	<i>0.4</i>	<i>0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.0</i>
<i>Net export</i>	<i>0.3</i>	<i>-0.2</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
Nominal GDP	0.4	1.2	2.6	3.3	3.4	3.1
GDP deflator	0.9	0.3	1.0	1.7	1.9	1.8
Compensation per employee	0.6	0.9	0.8	1.7	2.1	2.1
Productivity (on GDP)	-0.6	0.2	0.6	0.8	0.7	0.6
Unit labour cost (on GDP)	1.2	0.7	0.3	0.8	1.4	1.4
Employment (FTE)	0.2	0.6	1.0	0.7	0.7	0.7
Unemployment rate	12.7	12.2	11.9	11.3	10.7	10.2
Current account balance	1.9	1.8	1.7	1.6	1.6	1.6

Potential GDP growth rate	-0.4	0.0	0.1	0.3	0.4	0.6
Output gap	-4.8	-4.0	-2.5	-1.3	-0.2	0.5

Confindustria Research Department
New Economic Forecasts for Italy (Changes %)

	2013	2014	2015	2016
Gross domestic product (GDP)	-1,7	-0,4	1,0	1,5
Consumption expenditure of resident households	-2,9	0,3	0,9	1,5
Gross fixed capital formation	-5,8	-3,3	1,2	2,7
<i>of which: machines and transport systems</i>	-4,4	-1,7	4,0	3,8
<i>of which: in the construction sector</i>	-7,2	-4,9	-1,4	1,5
Exports of goods and services	0,5	2,6	4,1	3,9
Imports of goods and services	-2,3	1,8	5,0	4,2
Trade balance ¹	2,2	3,1	3,1	3,5
Total employment	-1,9	0,2	0,7	1,0
Unemployment rate ²	12,1	12,7	12,2	11,8
Retail prices	1,2	0,2	0,2	0,7
Total economic remuneration ³	1,0	0,8	1,2	0,7

¹ Fob-fob, values in % of GDP; ² percentage points; ³ for ULA (Work Unit dependent full-time equivalent). Source: Confindustria calculations based on ISTAT data.

Update to Economic and Financial Document Sept 2015.

Public finance (general government deficit and debt)

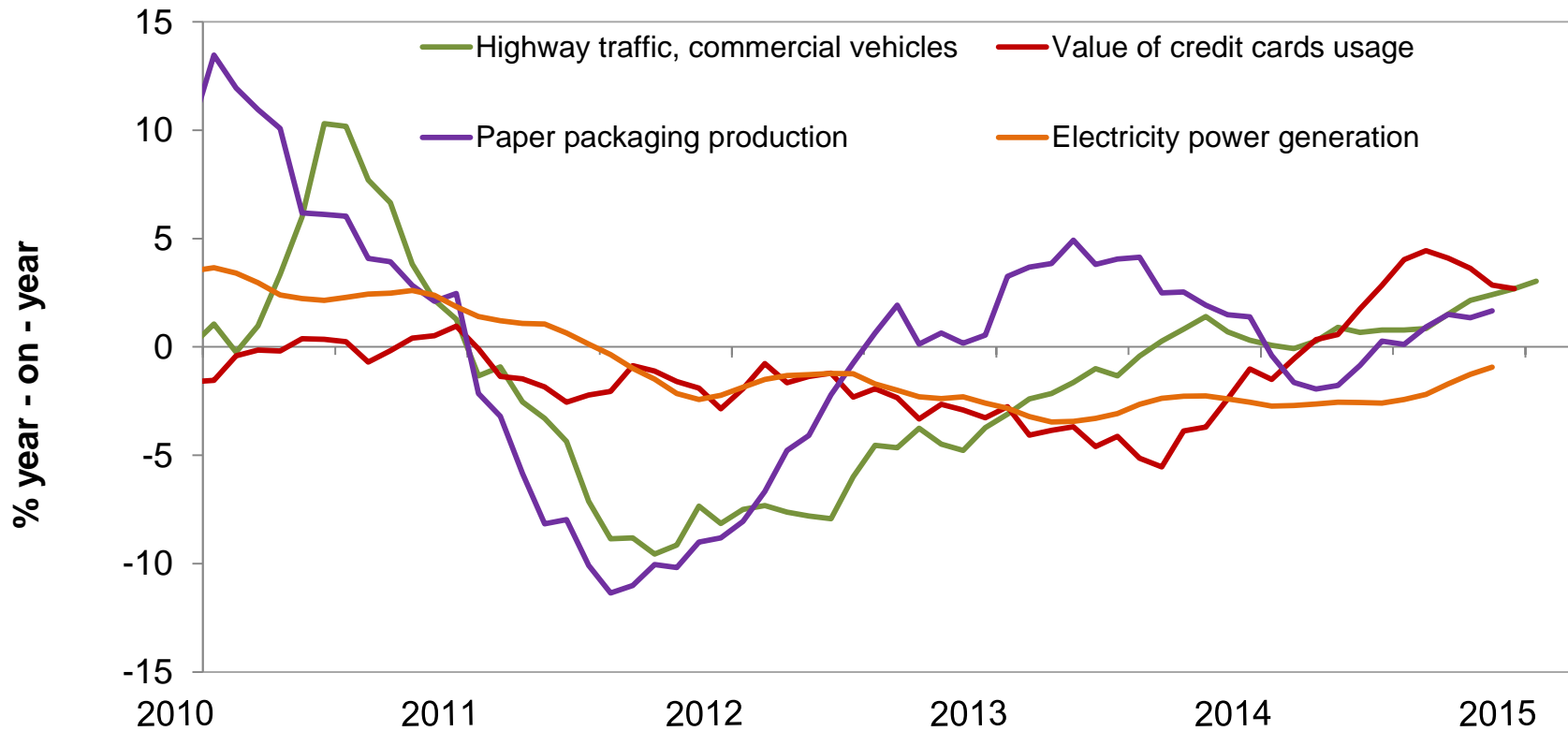
<i>% of GDP</i>	2013	2014	2015	2016	2017	2018	2019
General government balance	-2.9	-3.0	-2.6	-2.2	-1.1	-0.2	0.3
<i>Structural balance (1)</i>	<i>-0.7</i>	<i>-0.7</i>	<i>-0.3</i>	<i>-0.7</i>	<i>-0.3</i>	<i>0.0</i>	<i>0.0</i>
<i>Change in the structural balance</i>	<i>0.4</i>	<i>0.0</i>	<i>0.3</i>	<i>-0.4</i>	<i>0.4</i>	<i>0.3</i>	<i>0.0</i>
Primary balance	1.9	1.6	1.7	2.0	3.0	3.9	4.3
Interest expenditure	4.8	4.7	4.3	4.3	4.1	4.1	4.0
Public debt (2)	128.5	132.1	132.5	130.9	127.4	123.4	120.0
Public debt ex support & arrears (3)	123.9	126.2	126.8	125.5	122.3	118.3	114.6

(1) Net of one-off measures and cyclically adjusted. Discrepancies, if any, are due to rounding.

(2) Gross of financial support to Eurozone countries and payment of general government trade debt to suppliers in arrears. According to ISTAT, the debt-to-GDP ratio has been revised to 128.7 in 2013 and to 132.3 in 2014 on September 23.

(3) Net of financial support given to other Euro area countries and payment of general government trade debt in arrears.

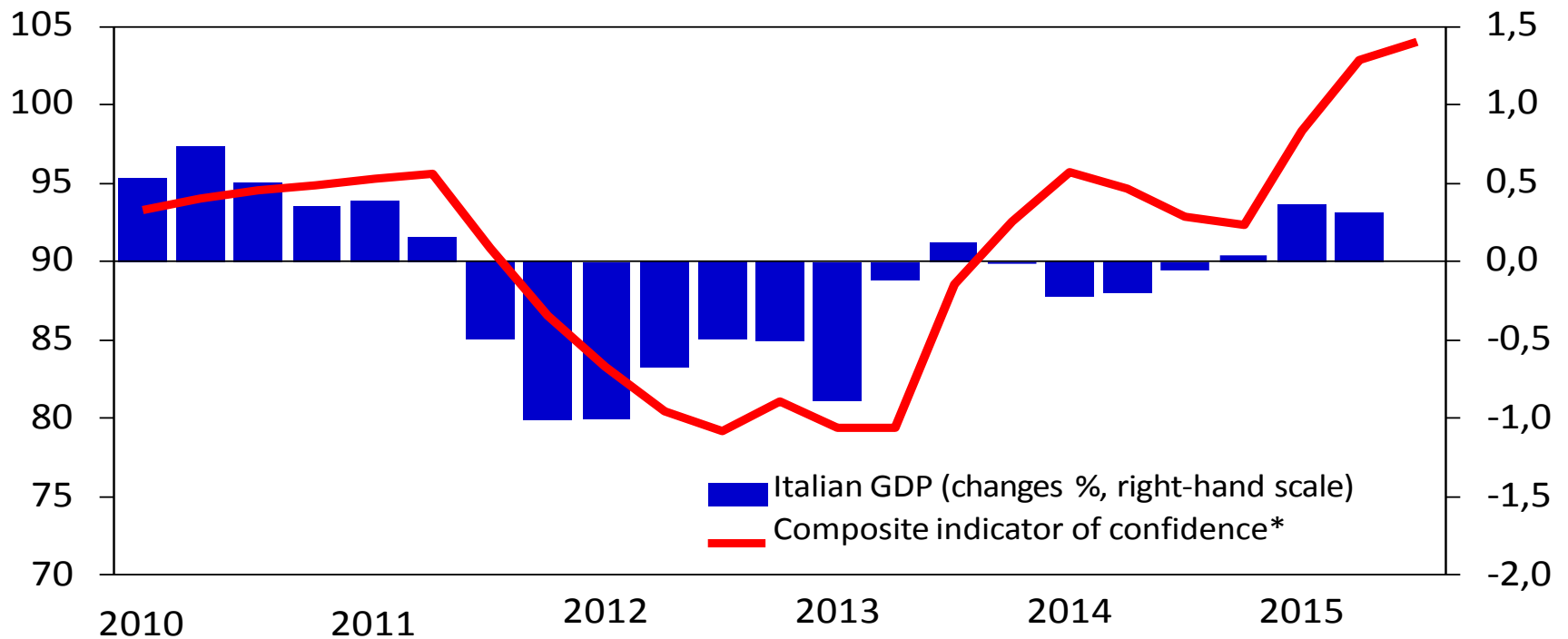
Signs of recovery



Source: Autostrade per l'Italia, Cartasi, Terna, Assocarta

Signs of acceleration due to economical trust

(Italy, Seasonally adjusted quarterly data)



* Formed by the index of confidence among manufacturing firms, building, retail trade and other services. Third quarter 2015: average July-August.
 Source: Confindustria calculations based on ISTAT data.

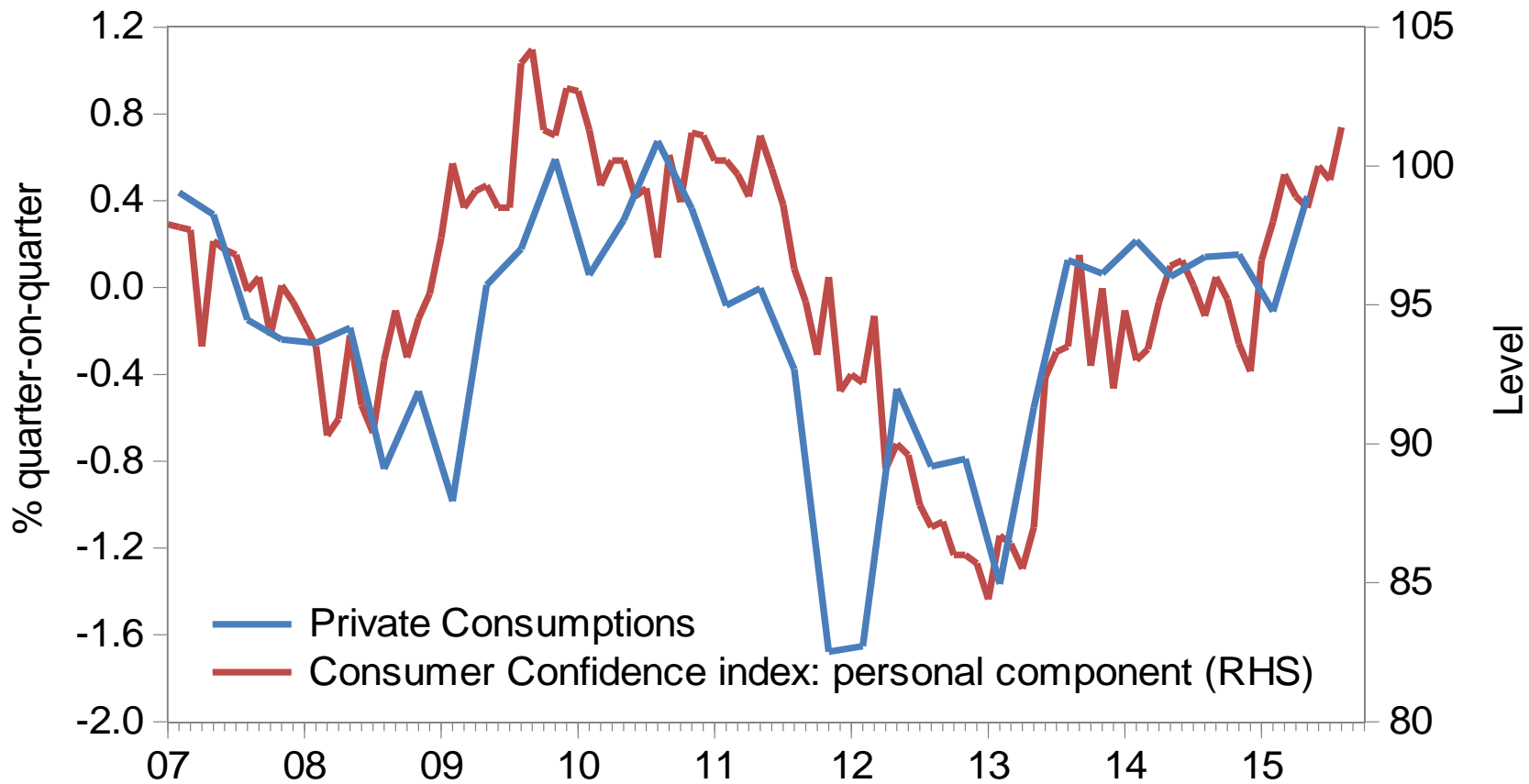
TABLE 1 – CONSUMER CONFIDENCE CLIMATES, ISTAT ECONOMIC SENTIMENT INDICATOR AND BUSINESS CONFIDENCE CLIMATE (SEASONALLY ADJUSTED INDEXES 2010=100)

	2015				
	May	Jun	Jul	Aug	Sep
Confidence climate	106.0	109.6	106.9	109.3	112.7
Economic climate	130.1	139.3	128.8	133.1	143.2
Personal climate (a)	98.5	100.0	99.5	101.4	103.6
Current climate (a)	101.0	103.3	101.7	104.0	108.0
Future climate	114.7	119.5	115.0	117.7	122.0
Confidence climate IESI	101.8	104.7	104.5	103.9	106.2
Manufacturing	103.4	103.9	103.6	102.7	104.2
Construction (a)	111.8	119.7	117.6	119.5	123.3
Market services	105.3	109.2	110.3	110.0	112.2
Retail trade	103.9	106.2	106.9	107.8	108.8

(a) Not seasonal effect present.

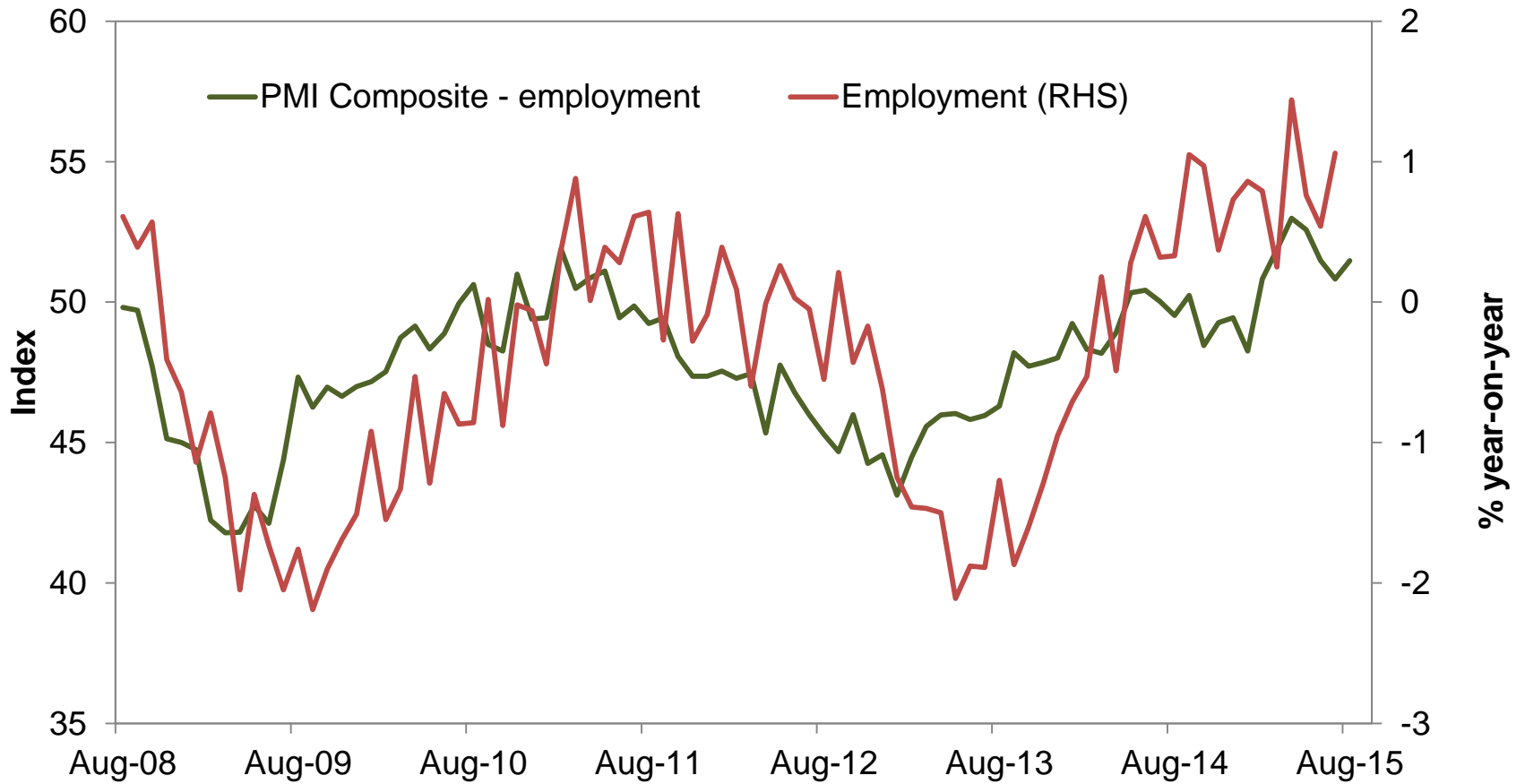
Source: ISTAT

Private consumption



Source: ISTAT

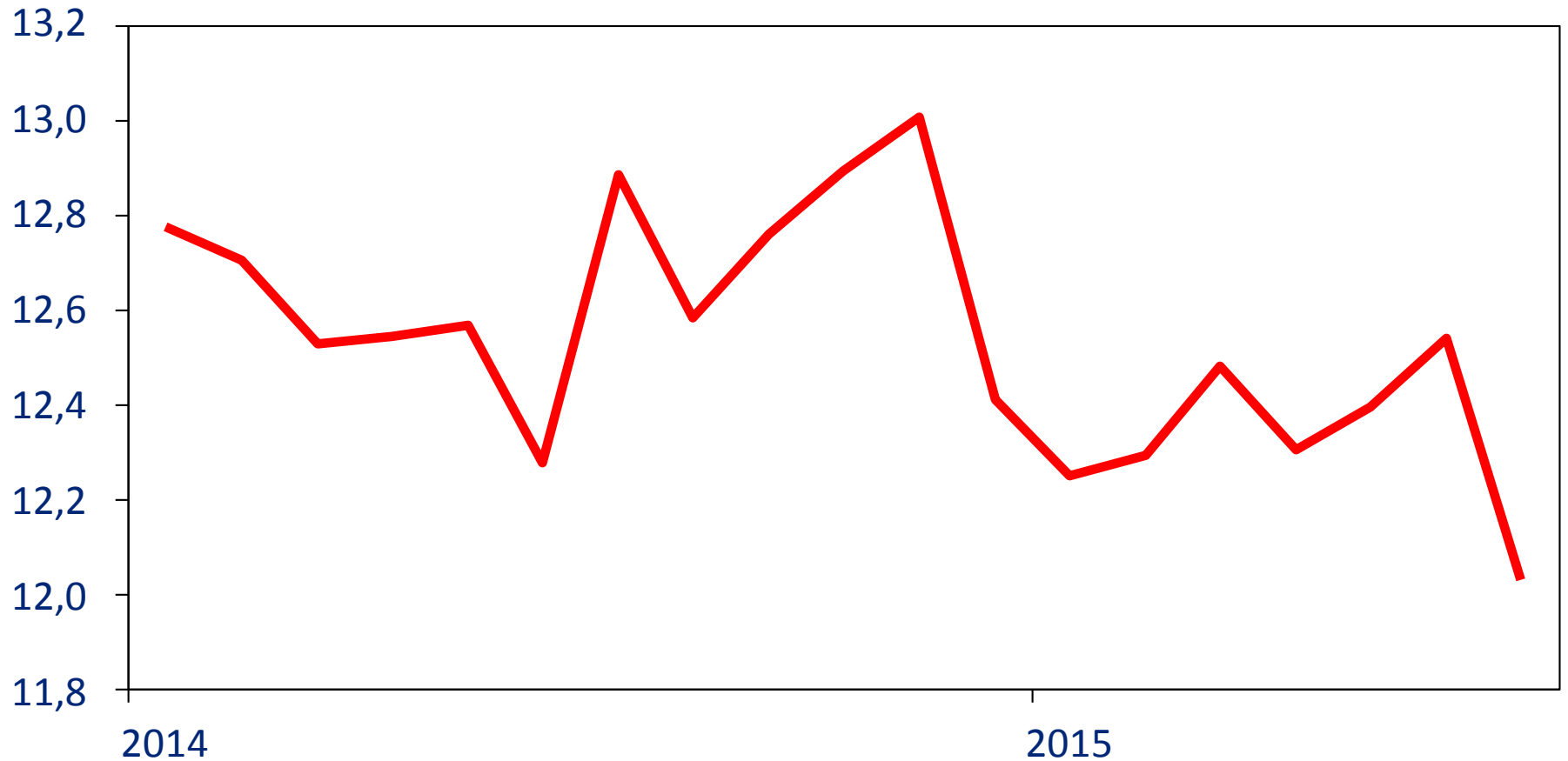
Employment



Source: ISTAT and Markit

Unemployment

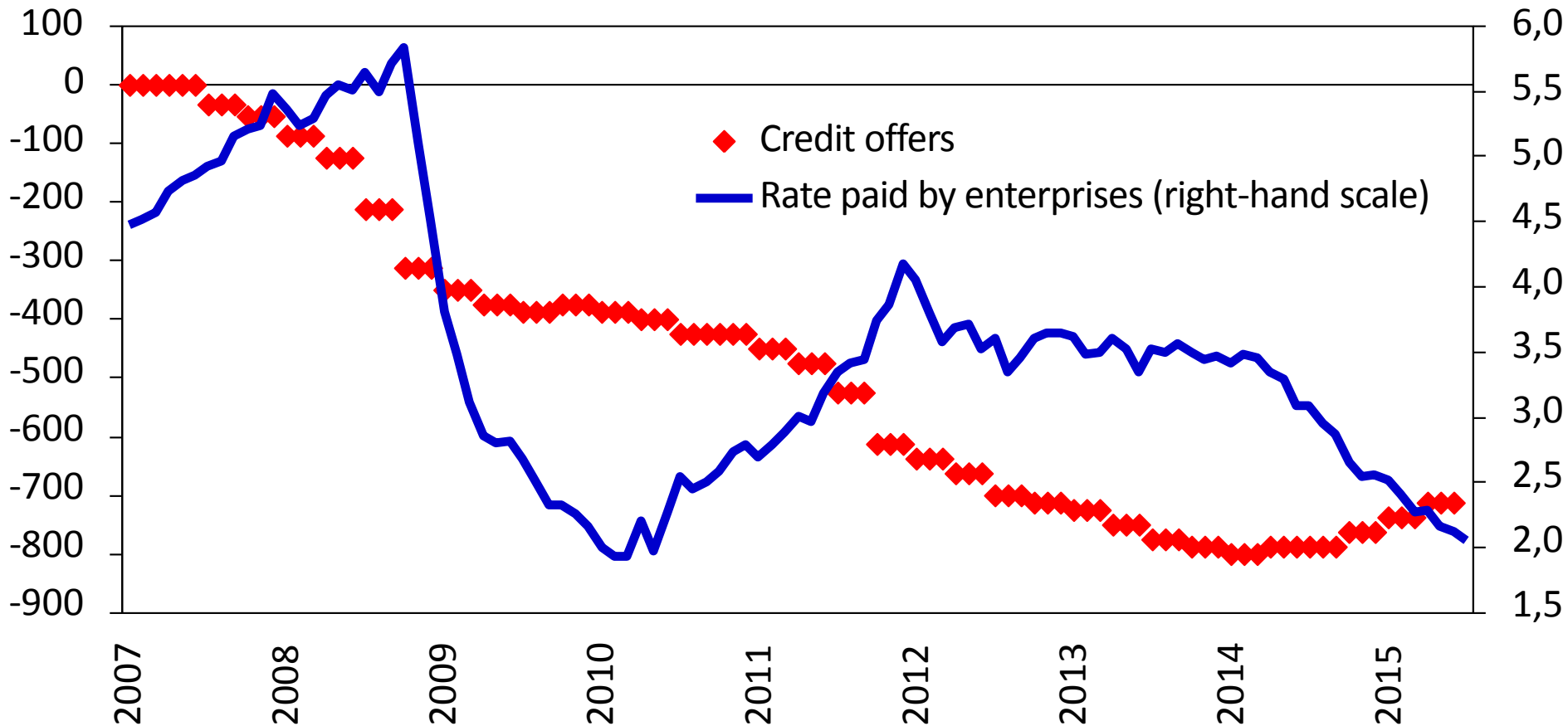
(Italy, unemployment rate, monthly data - seasonally adjusted)



Source: Confindustria calculations based on ISTAT data

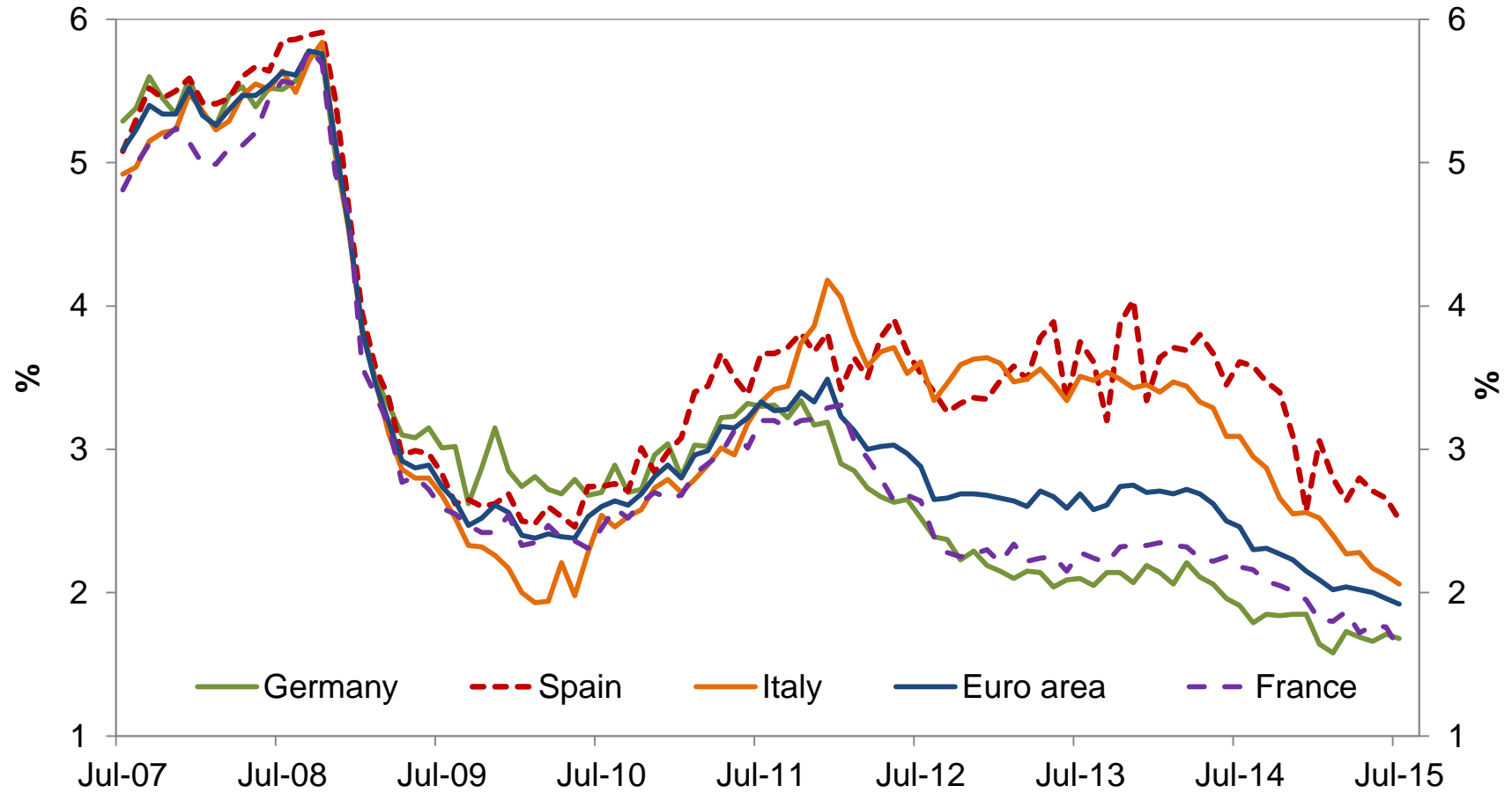
Credit offers and rate paid by enterprises

(Italy, enterprises, cumulative index 4^o quarter 2006=0, calculated on the net percentages of bank responses*; New business rate, values in %; Monthly data)



* Indicator derived from the qualitative data of the Bank Lending Survey, change in credit standards with inverted sign. Source: Confindustria calculations based on Bank of Italy data

Cost of credit: the gap is narrowing



Source: ECB

Large developing economies are moving up in global manufacturing

Top 15 manufacturers by share of global nominal manufacturing gross value added

Rank	1980	1990	2000	2010
1	United States	United States	United States	United States
2	Germany	Japan	Japan	China
3	Japan	Germany	Germany	Japan
4	United Kingdom	Italy	China	Germany
5	France	United Kingdom	United Kingdom	Italy
6	Italy	France	Italy	Brazil
7	China	China	France	South Korea
8	Brazil	Brazil	South Korea	France
9	Spain	Spain	Canada	United Kingdom
10	Canada	Canada	Mexico	India
11	Mexico	South Korea ¹	Spain	Russia ²
12	Australia	Mexico	Brazil	Mexico
13	Netherlands	Turkey	Taiwan	Indonesia ²
14	Argentina	India	India	Spain
15	India	Taiwan	Turkey	Canada

1 South Korea ranked 25 in 1980.

2 In 2000, Indonesia ranked 20 and Russia ranked 21.

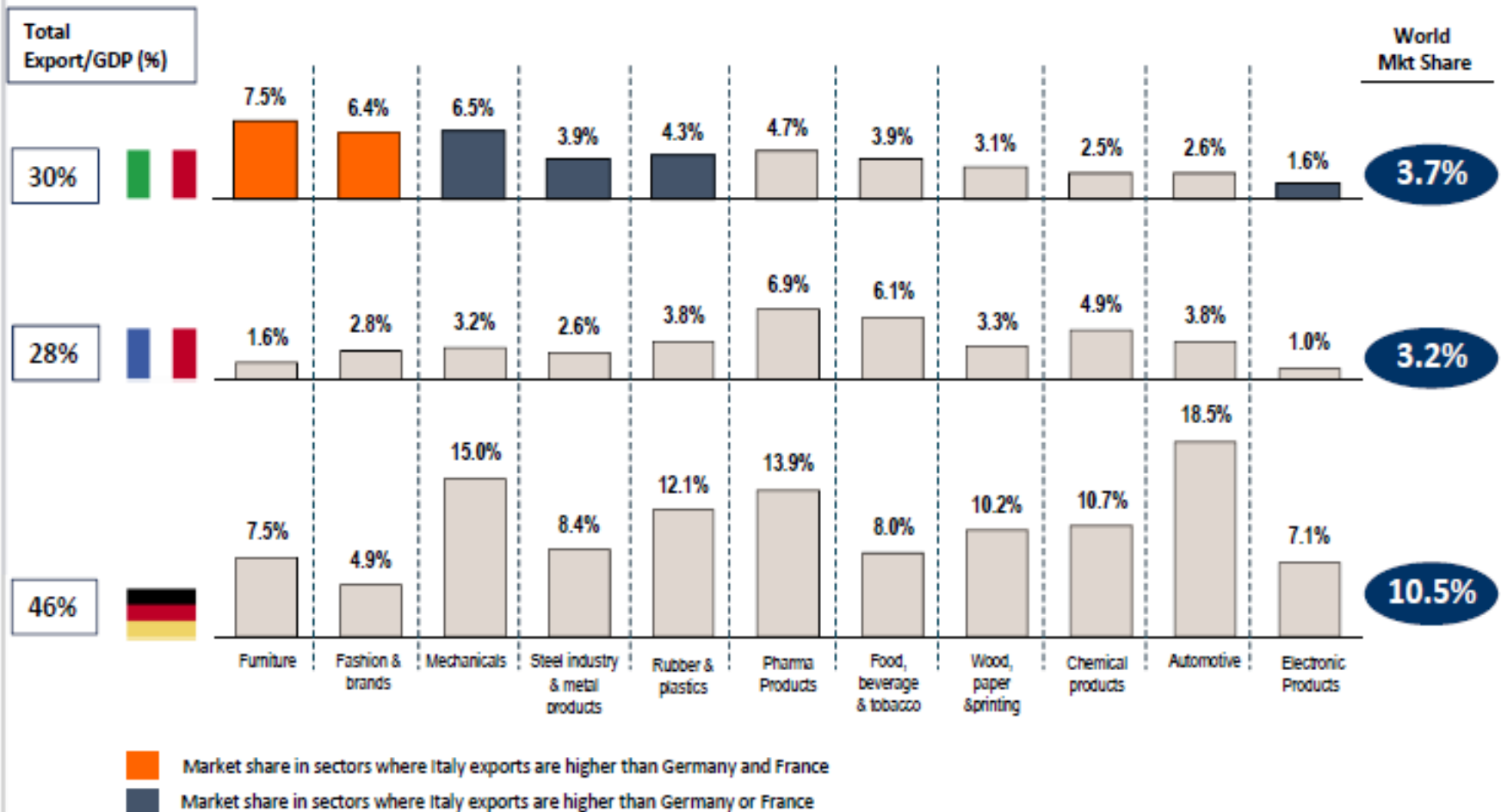
NOTE: Based on IHS Global Insight database sample of 75 economies, of which 28 are developed and 47 are developing.

Manufacturing here is calculated top down from the IHS Global Insight aggregate; there might be discrepancy with bottom-up calculations elsewhere.

SOURCE: IHS Global Insight; McKinsey Global Institute analysis

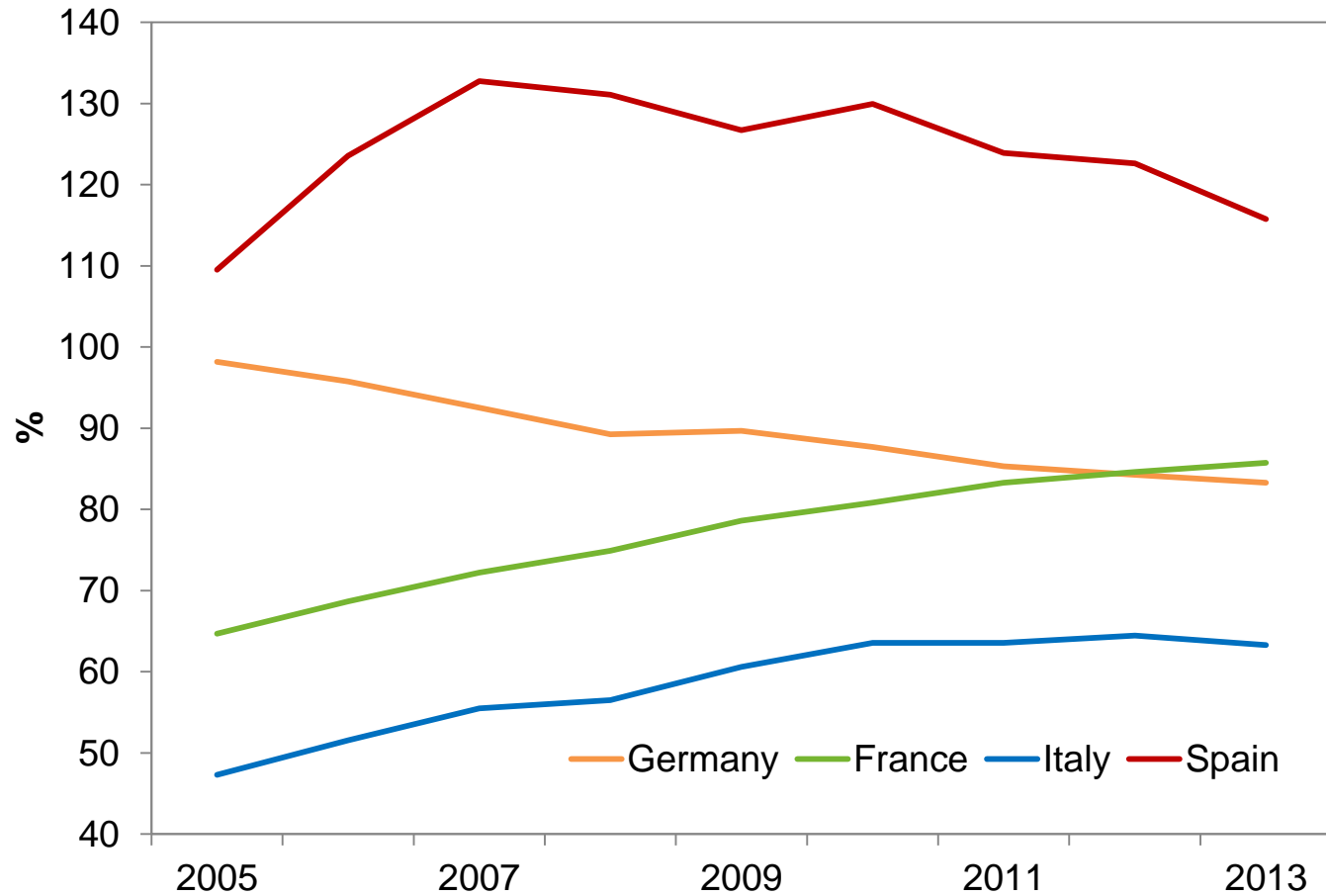
World export leaders

World export market shares by sector 2013



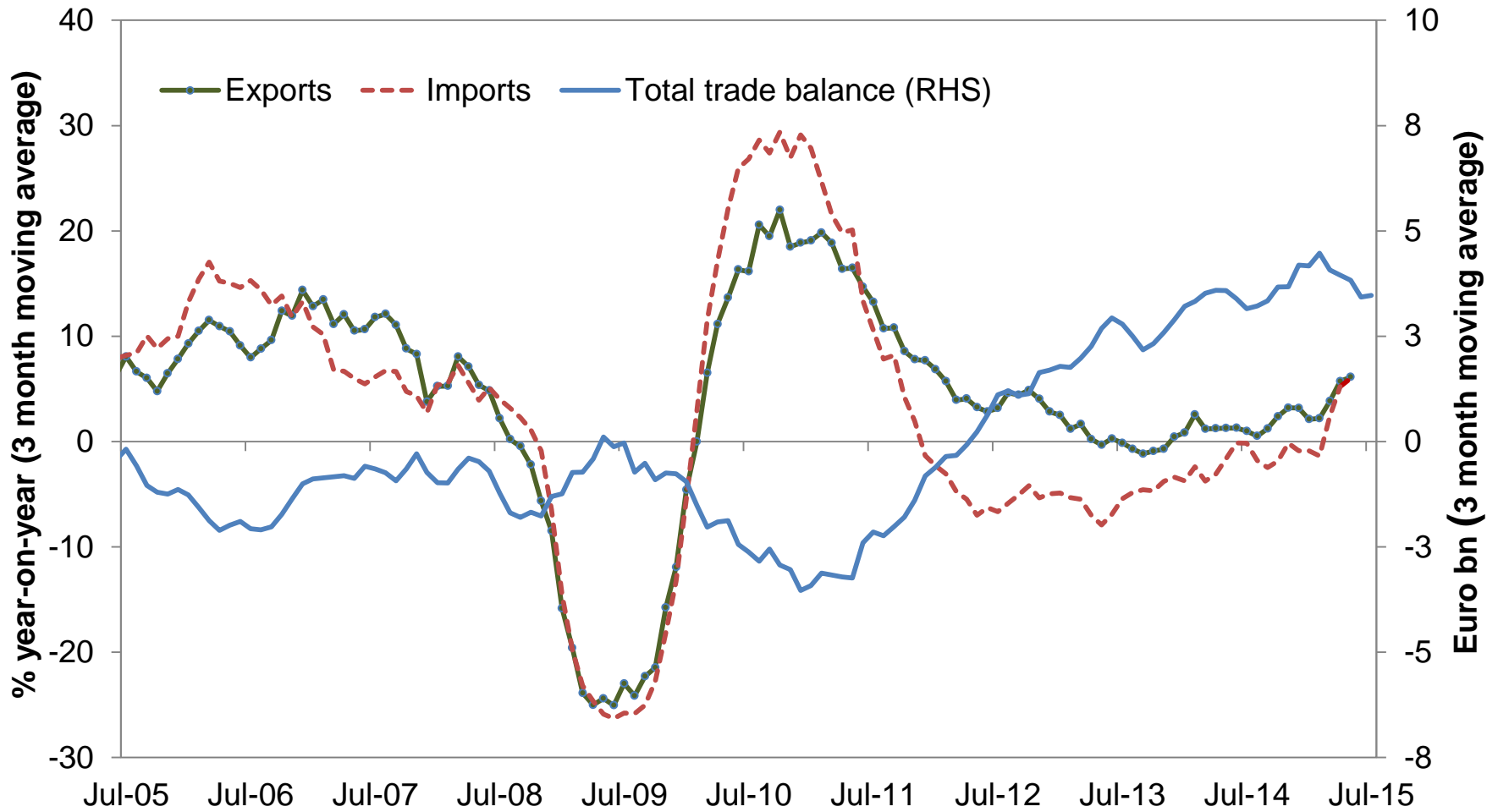
Source: ICE, ISTAT, Roland Berger

Households' debt (% of gross disposable income)



Source: Eurostat

Italy's trade balance



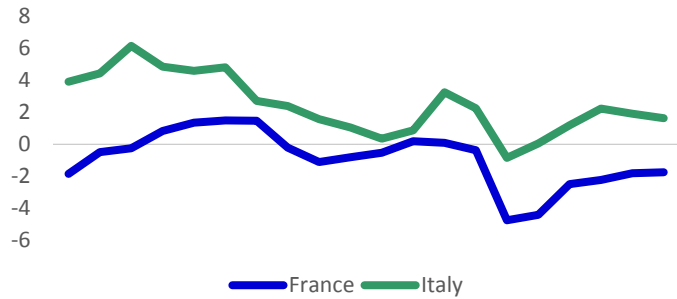
Source: ISTAT

FRANCE/ITALY

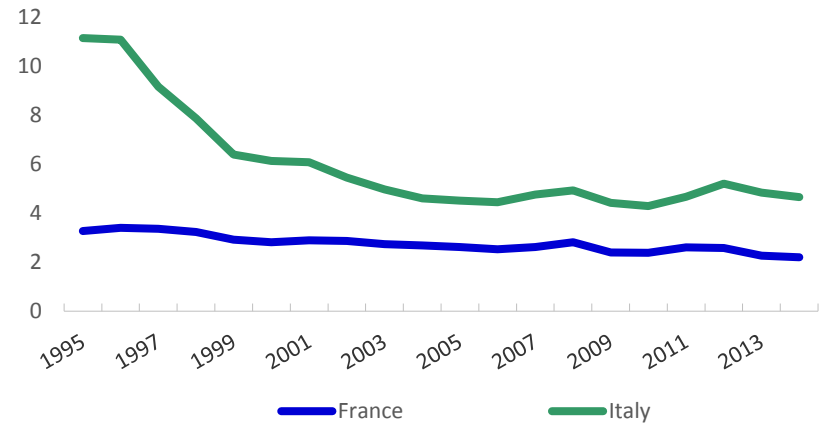
Tab	Key Fiscal Indicators - Values as a percentage of GDP																			
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax burden																				
France	43,5	44,8	45	44,8	45,5	44,7	44,6	43,9	43,8	43,9	44,5	44,9	44,5	44,4	44,1	44,2	45,4	46,6	47,6	47,8
Italy	40,3	40,7	42,3	41,1	41,2	40	40,1	39,7	40	39,3	39,1	40,2	41,5	41,3	41,8	41,6	41,6	43,5	43,4	43,5
Gen. Government expenditures																				
France	54,2	54,3	53,9	52,3	52,1	51,1	51,2	52,3	52,8	52,5	52,9	52,5	52,2	53,0	56,8	56,4	55,9	56,8	57,0	57,2
Italy	51,8	51,6	49,6	48,3	47,3	45,5	47,5	46,8	47,2	46,8	47,1	47,6	46,8	47,8	51,1	49,9	49,1	50,8	50,9	51,1
Interest expenditures																				
France	3,3	3,4	3,4	3,2	2,9	2,8	2,9	2,9	2,7	2,7	2,6	2,5	2,6	2,8	2,4	2,4	2,6	2,6	2,3	2,2
Italy	11,1	11,1	9,2	7,9	6,4	6,1	6,1	5,5	5,0	4,6	4,5	4,4	4,8	4,9	4,4	4,3	4,7	5,2	4,8	4,7
Primary Balance																				
France	-1,9	-0,5	-0,3	0,8	1,3	1,5	1,5	-0,2	-1,1	-0,8	-0,5	0,2	0,1	-0,4	-4,8	-4,4	-2,5	-2,2	-1,8	-1,8
Italy	3,9	4,4	6,2	4,8	4,6	4,8	2,7	2,4	1,6	1,0	0,3	0,9	3,2	2,2	-0,9	0,0	1,2	2,2	1,9	1,6
Spending on salaries of civil servants																				
France	13,2	13,3	13,2	13,1	13,1	12,9	12,8	13,0	13,1	12,8	12,8	12,6	12,4	12,4	13,1	13,0	12,8	12,9	12,9	13,0
Italy	10,5	10,9	11,0	10,2	10,2	10,1	10,1	10,2	10,4	10,4	10,5	10,6	10,2	10,4	10,9	10,7	10,3	10,3	10,2	10,1
Gen. Government Balance (deficit)																				
France	-5,1	-3,9	-3,6	-2,4	-1,6	-1,3	-1,4	-3,1	-3,9	-3,5	-3,2	-2,3	-2,5	-3,2	-7,2	-6,8	-5,1	-4,8	-4,1	-4,0
Italy	-7,3	-6,6	-3,0	-3,0	-1,8	-1,3	-3,4	-3,1	-3,4	-3,6	-4,2	-3,6	-1,5	-2,7	-5,3	-4,2	-3,5	-3,0	-2,9	-3,0
Government spending net of interest																				
France	50,9	50,9	50,6	49,1	49,1	48,3	48,3	49,4	50,0	49,8	50,3	50,0	49,6	50,2	54,4	54,1	53,3	54,3	54,8	55,0
Italy	40,6	40,5	40,4	40,4	41,0	39,4	41,4	41,3	42,3	42,2	42,6	43,2	42,0	42,9	46,7	45,6	44,5	45,6	46,1	46,5

Source: AMECO, European Commission database

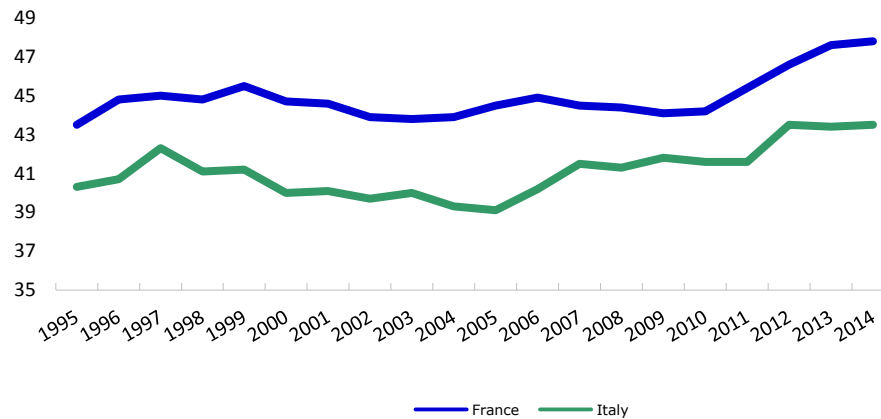
**Italy and France: Primary Balance
(% of GDP, 1995-2014)**



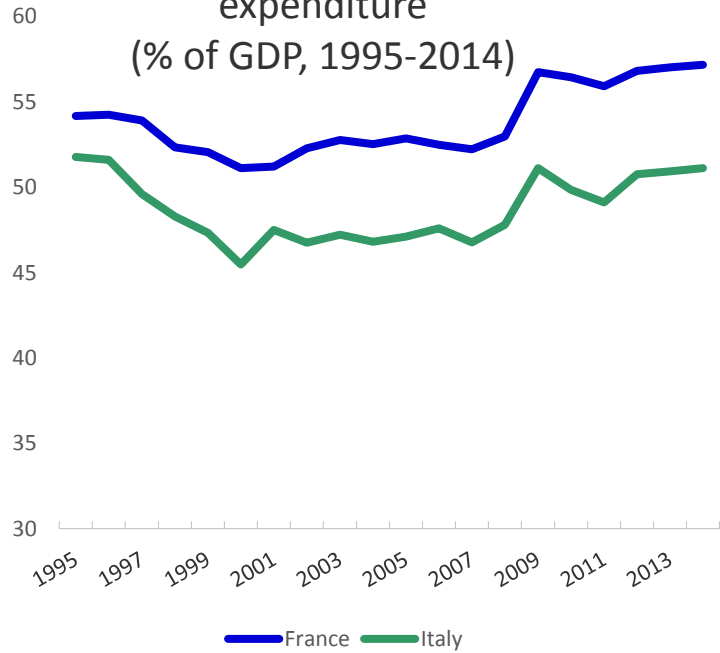
**Italy and France: Interest expenditures
(% of GDP, 1995-2014)**



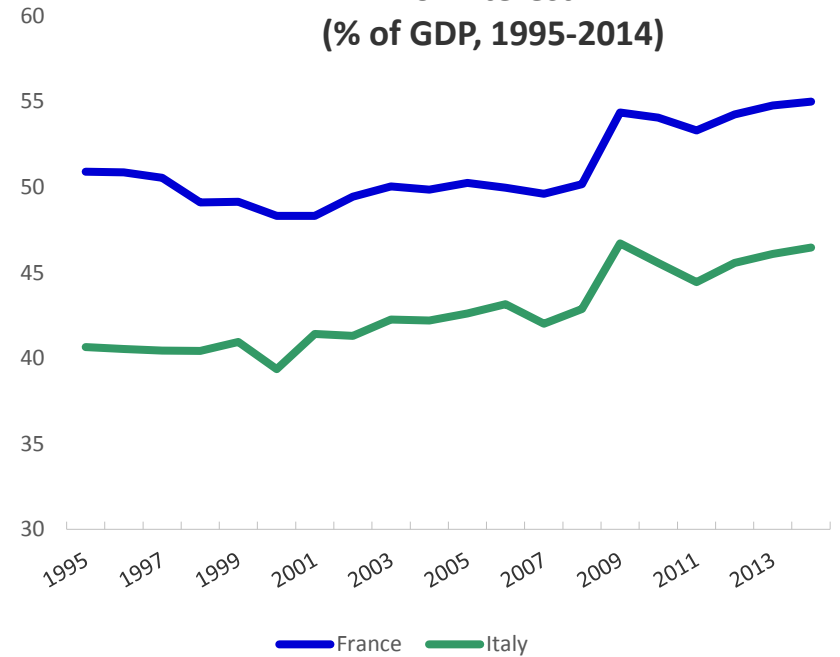
**Italy and France: tax burden
(1995-2014)**



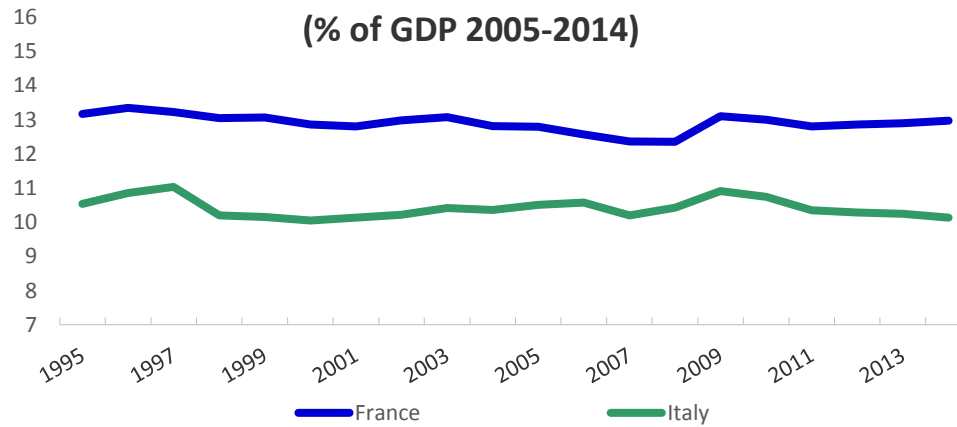
Italy and France: total public expenditure
(% of GDP, 1995-2014)



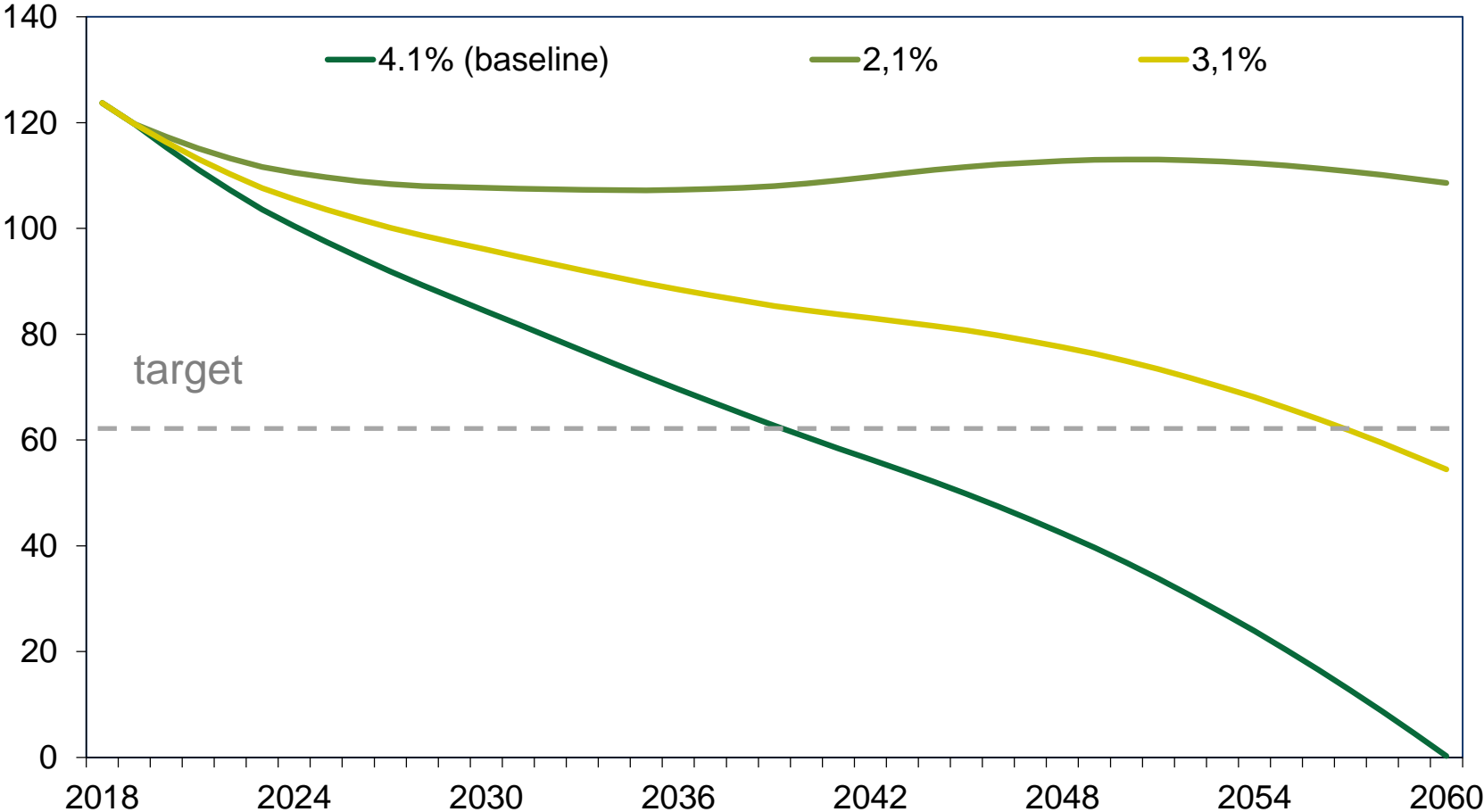
Italy and France: Government spending net of interest
(% of GDP, 1995-2014)



Italy and France: Spending on salaries of civil servants
(% of GDP 2005-2014)

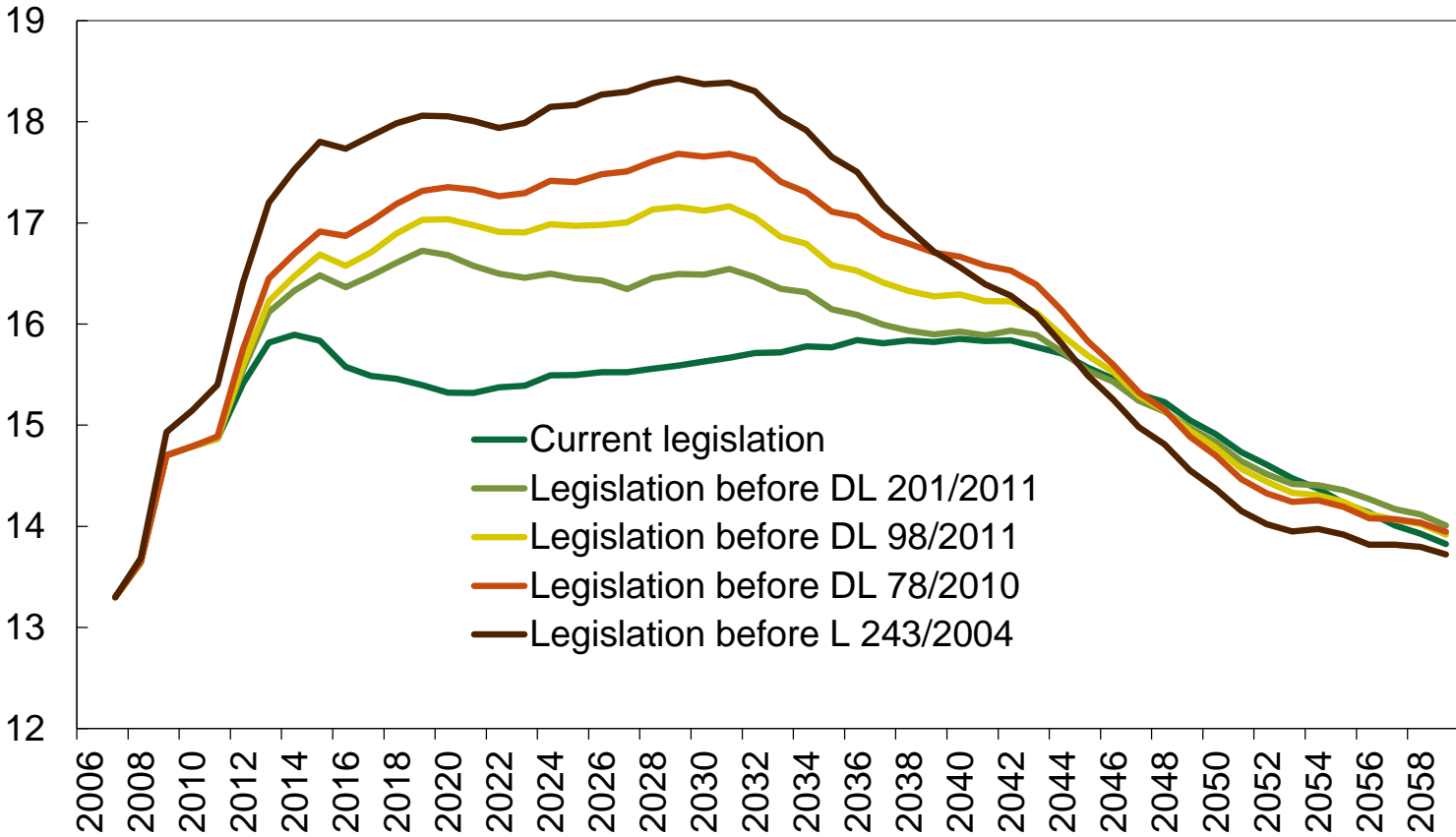


Debt/GDP falls with a primary surplus > 3,1%

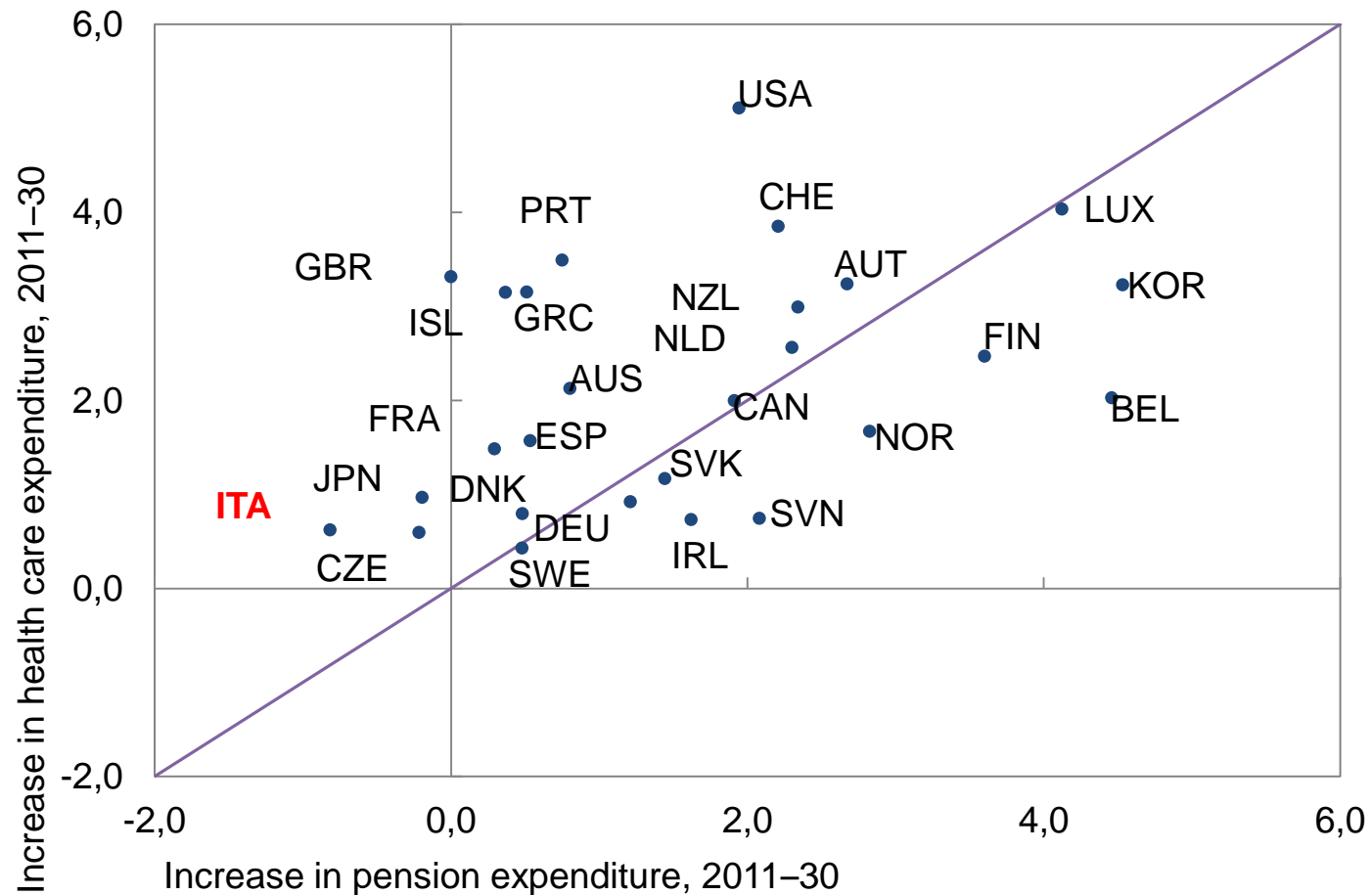


Source: Update to the Economic and Financial Document 2015, September 18, 2015

Effects of Pensions Reform on Overall spending

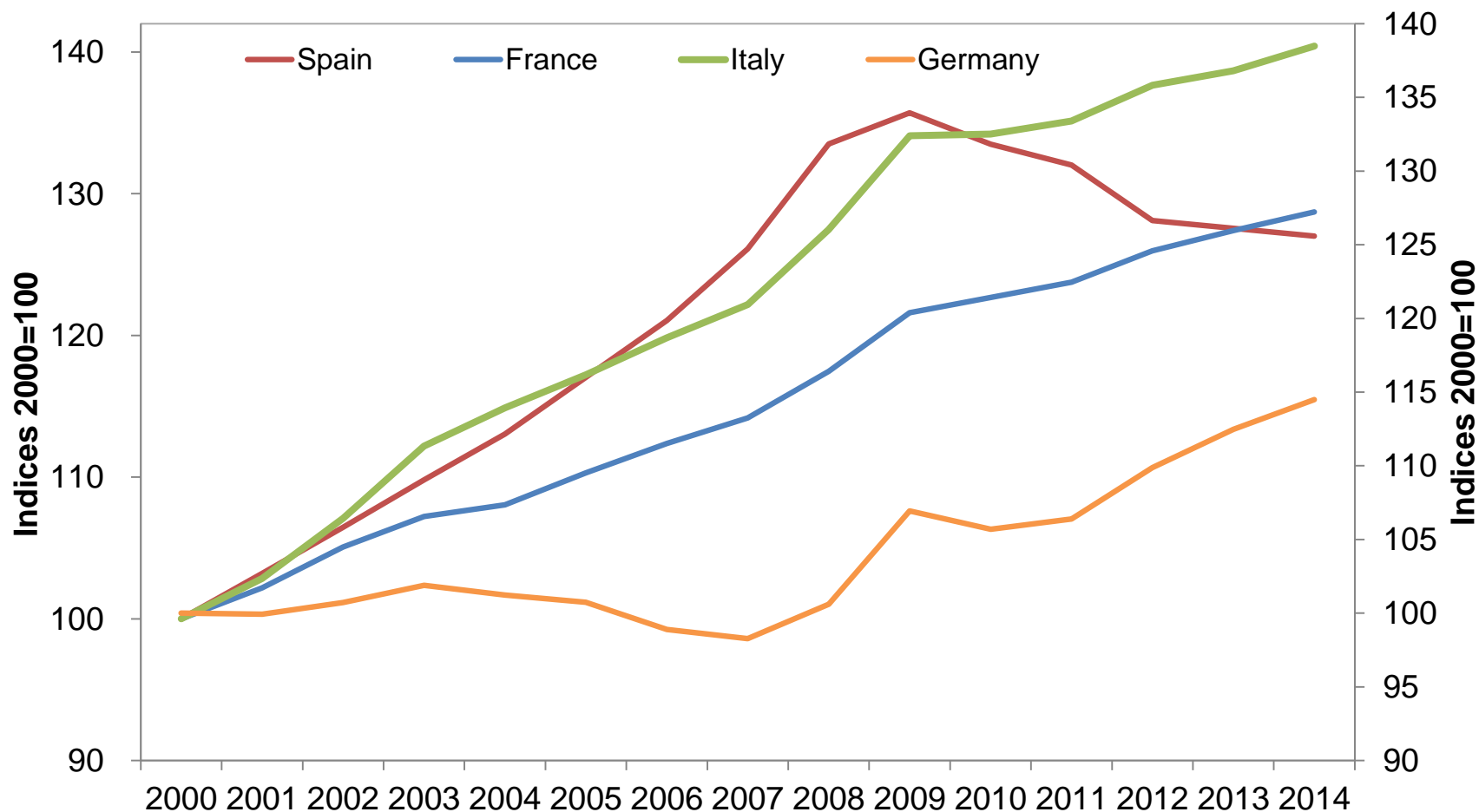


Lower age-related expenditure than in most other countries



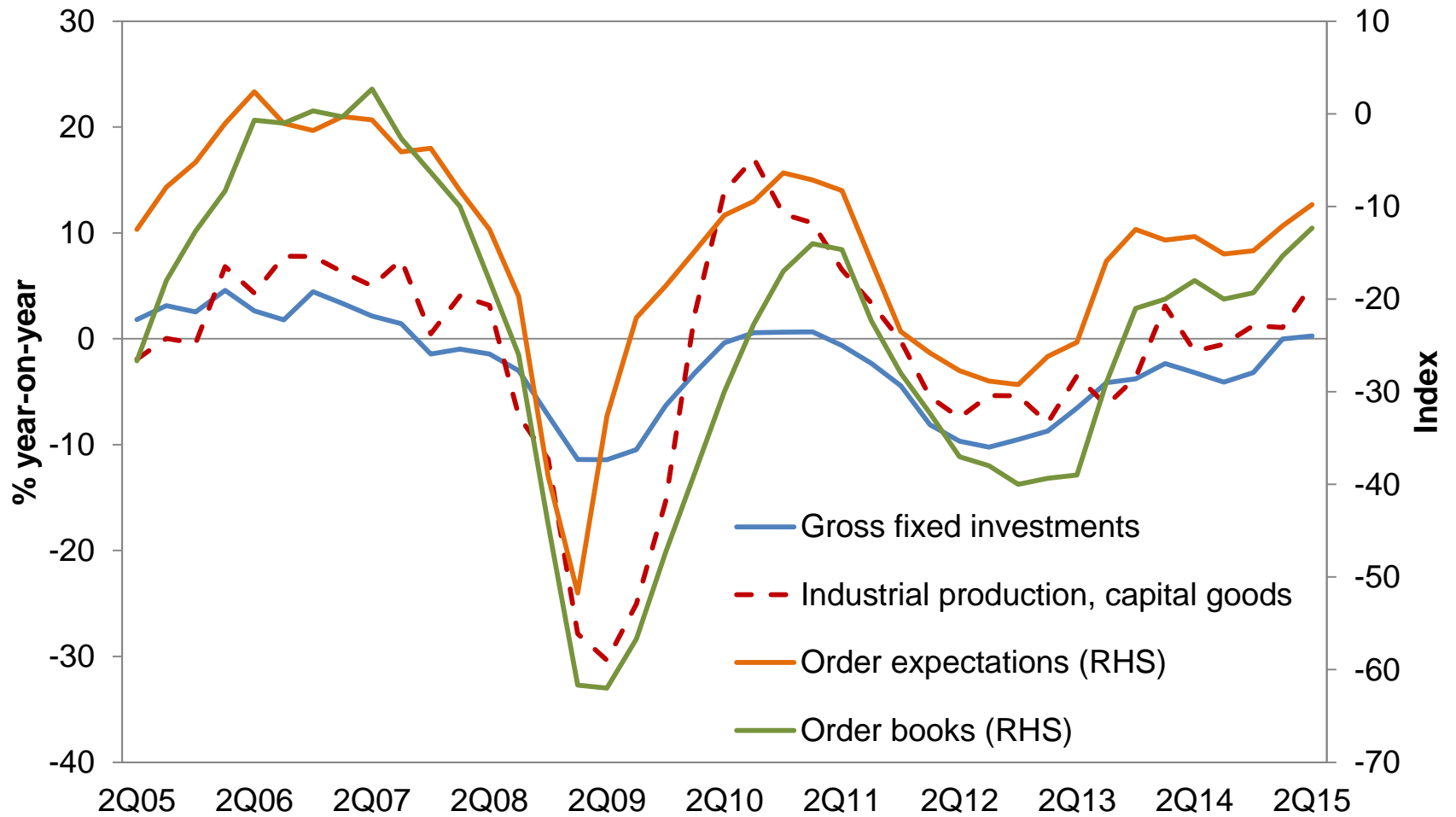
Source: IMF World Economic Outlook, Autumn 2013

Unit labour cost: much work to do



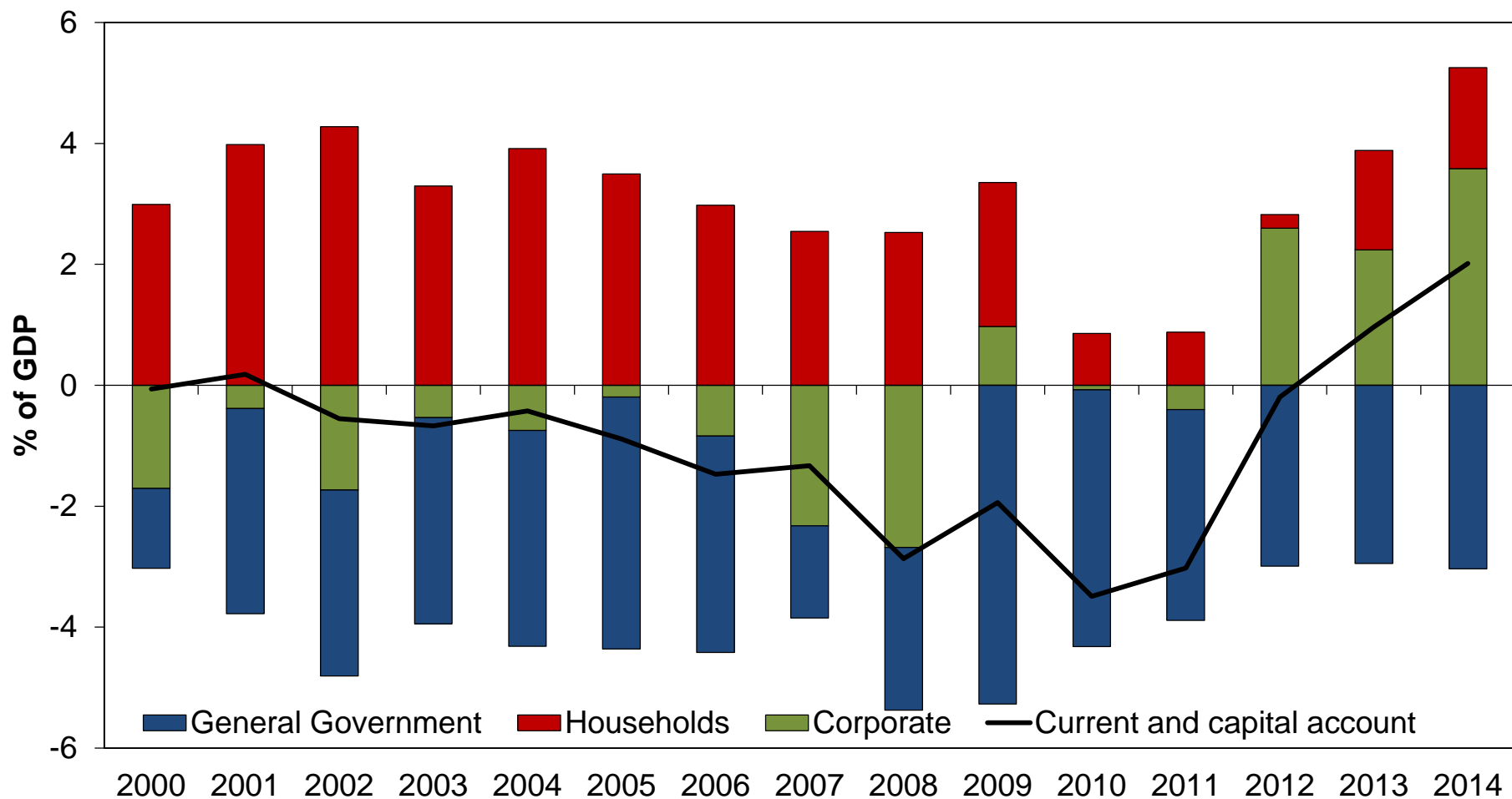
Source: Italian Ministry of Economy and Finance calculation on Ameco Database data

Investments



Source: ISTAT

Growing current account surplus, increased savings



Note: For Households and Corporate 2013 data are estimated.
 Source: MEF calculation based on ISTAT and Bank of Italy data