



ITALY
KEY FIGURES, TRENDS, STATE OF HEALTH

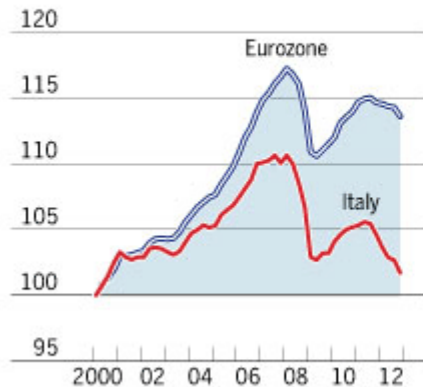
April 2013



Italy: Lost in stagnation... ???

GDP

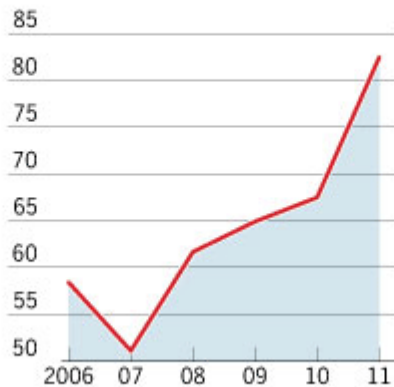
Rebased



Sources: Thomson Reuters Datastream; ISTAT; World Bank

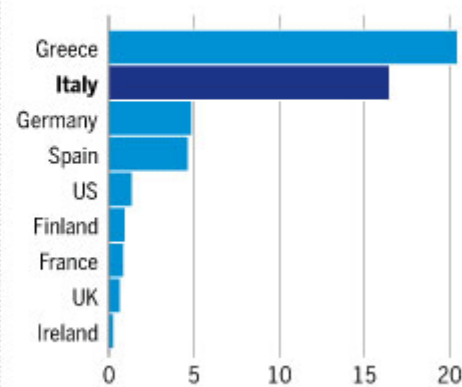
Number of Italian residents moving abroad

Total ('000)



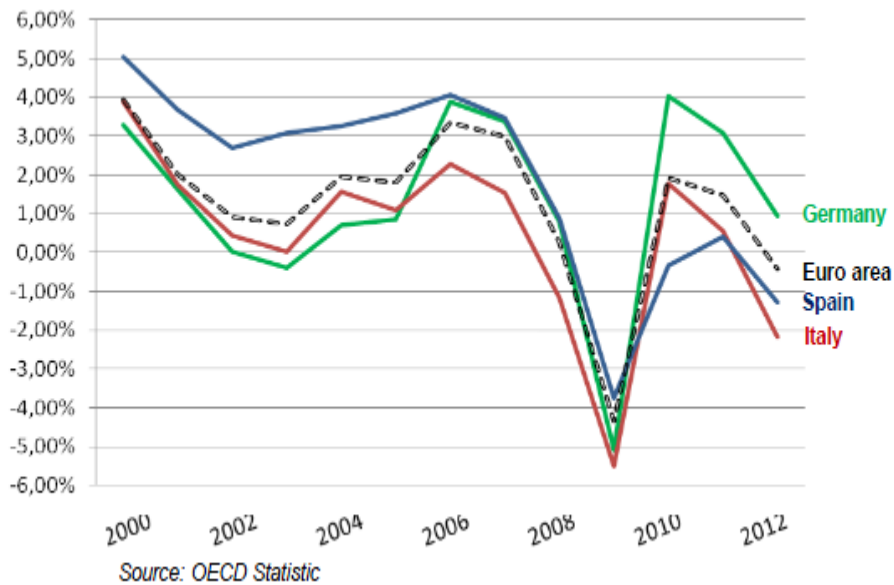
Cost of starting a business

2013 (% of income per capita)

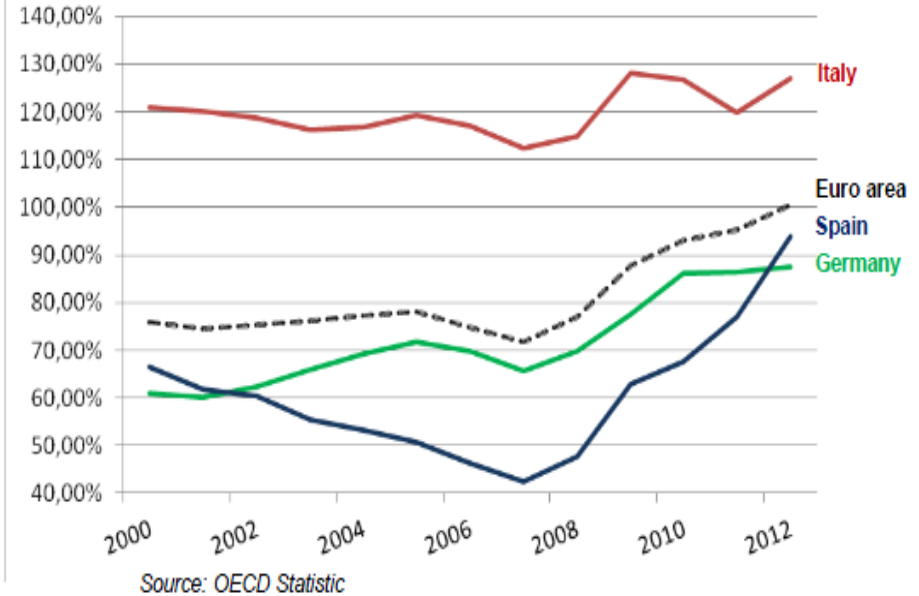


Italy weaknesses are well known ...

GDP growth
% change from previous year



Public debt/GDP
%

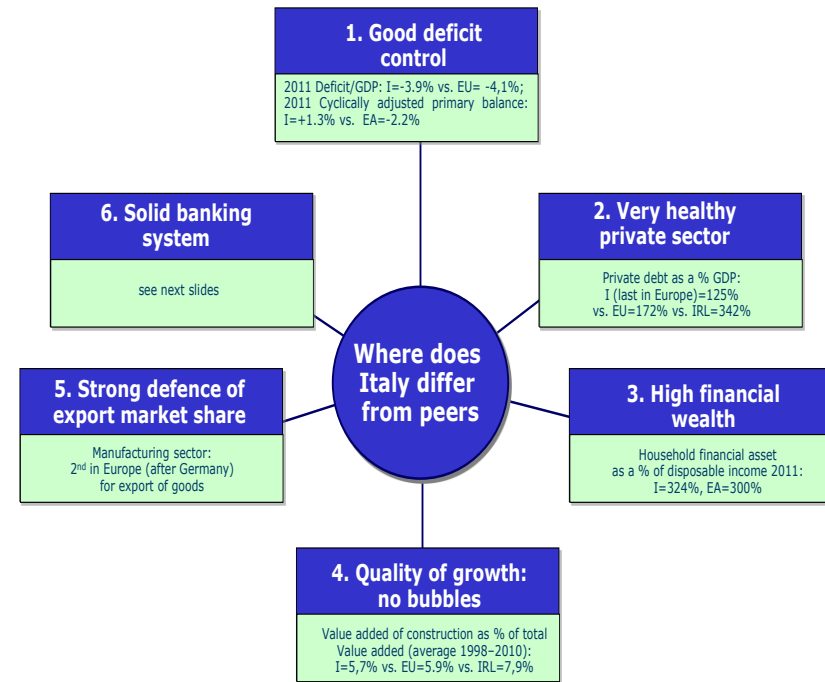


- **Poor GDP growth**
- **High public debt**
- **An inefficient judicial system**
- **A burdensome bureaucracy**

- **Small size of firms**
- **Loss of competitiveness since the introduction of the EURO**
- **High cost of funding for the economy (public & private sectors)**

Where does Italy differ from its peers?

1. Public finances under control (deficit/GDP<3% high primary surplus)
2. A very healthy private sector
3. High financial wealth
4. Quality of economic growth (no bubbles)
5. Strong defense of export market share
6. A solid banking system (IMF assessment)



1. Public finances under control

- ❑ **A long experience of high debt management**
- ❑ **Low deficit:** deficit consistently below 3% of GDP, in line with the level needed to achieve the structural fiscal balance (structural deficit in balance from 2013)
- ❑ **High primary surplus,** steadily growing
- ❑ **Debt / GDP ratio down from 2014;** in 2015 in line, to respect the 'rule of debt' of the Six Pack (taking into account the effects of the cycle and the expected evolution in the two subsequent years)
- ❑ **A sustainable pension** system

Public finance: Outcomes and Medium Term Objectives

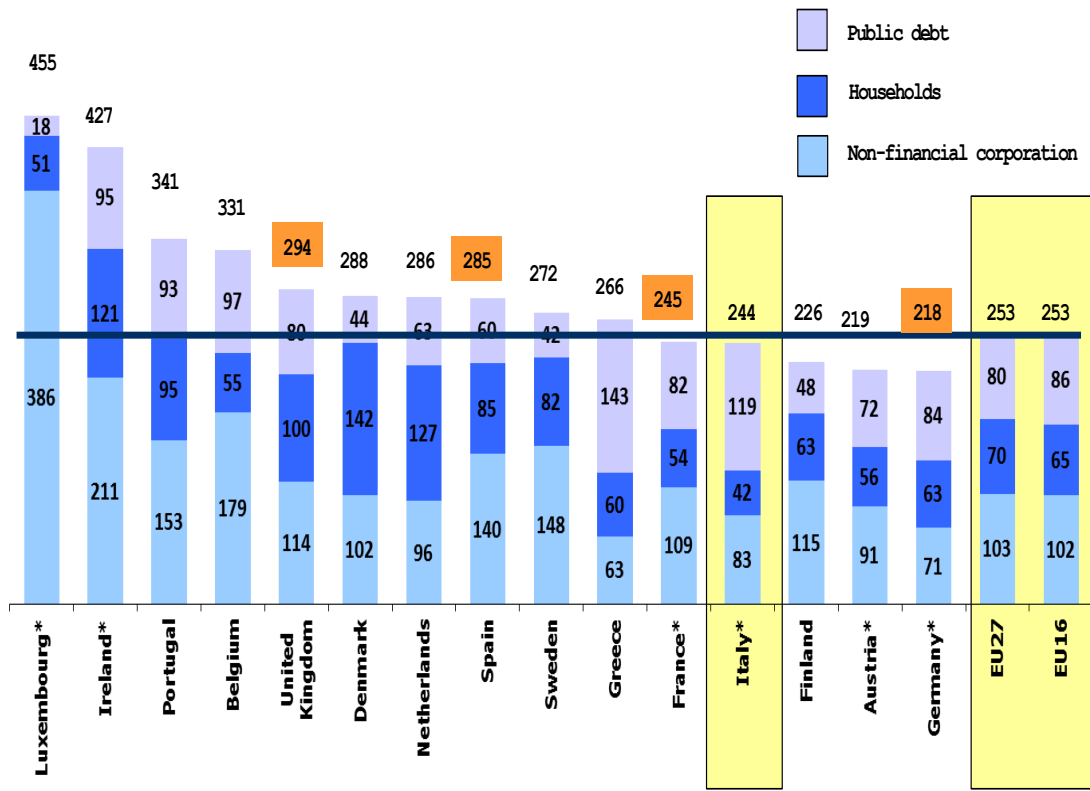
DEF April 2013*	2011	2012	2013F	2014F	2015F
Real GDP growth	+0.4%	-2.4%	-1.3%	+1.3%	+1.5%
Nominal GDP growth	+1.7%	-0.8%	+0.5%	+3.2%	+3.3%
Deficit / GDP	-3.8%	-3.0%	-2.9% ²	-1.8%	-1.5%
Structural Deficit*/GDP	-3.5%	-1.2%	0.0%	+0.4%	-0,0%
Primary balance /GDP	1.2%	2.5%	2.4%	3.8%	4.3%
Public debt /GDP	120.8%	127.0%	130.4%	129.0%	125.5%

(*) Updated policy framework, (2) under the assumption of the continuation of the real estate property taxation system established by Decree 201 of 2011; effect of payments of trade payables to firms included (0.5 pp), (3) net of one-off and cyclical components

2). Very healthy private sector

- ☐ A country of prudent savers
- ☐ Italian private debt on GDP ratio is among the lowest in Europe: non financial firms debt is 83% vs 102% EU16 average; households debt is 42% vs 65% EU16 average
- ☐ As a consequence the Italian aggregate debt is lower than the Eu average (244% vs 253%)

Aggregate debt of the main European countries (as a % of GDP)

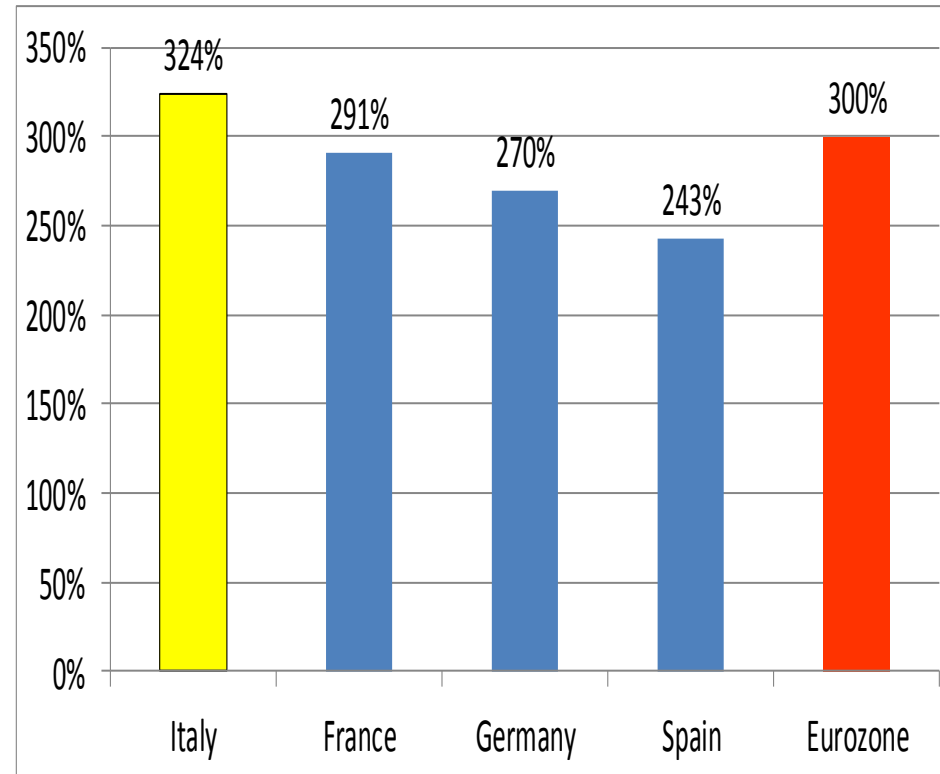


(*) 2010 figures

3. High financial wealth

- ❑ A country characterized by a very **high level of financial wealth:**
- High households financial asset as a % of disposable income (324% vs 300% EA)
- High ratio of per capita net wealth to per capita GDP (UK= 4.1x; France=3.7x; Italy=3.7x; USA=2.9x; Germany=2.5x; Spain 1.8x)

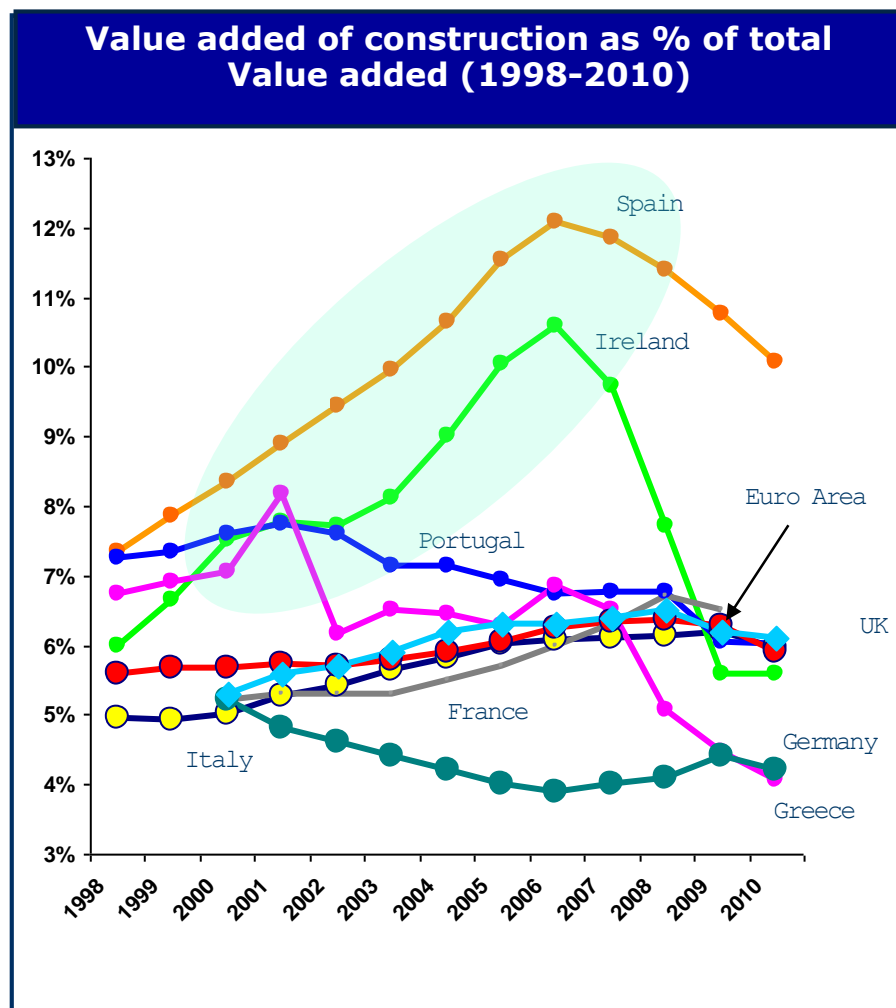
Household financial asset of the main European countries (as a % of disposable income; 2011)



Source: ABI on Bank of Italy data

4. Good quality of growth

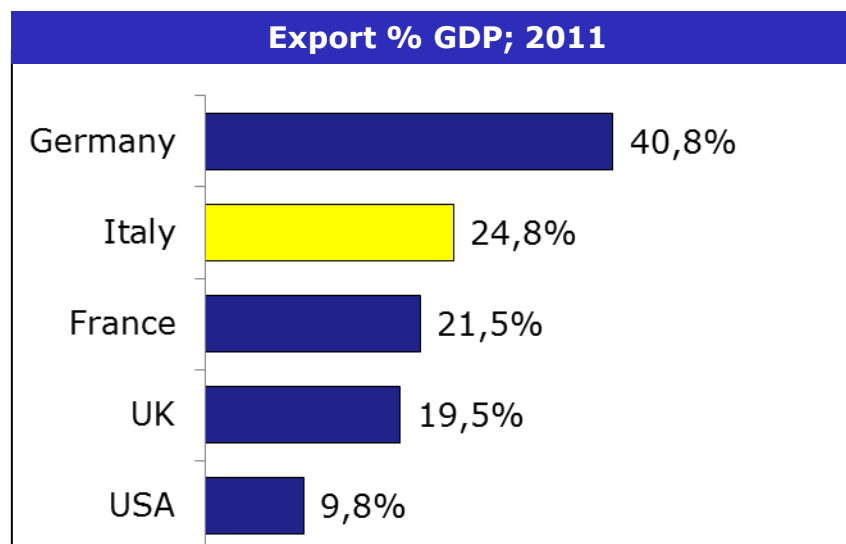
- **Economic growth**, even if poor, is **not "bubble driven"**, as it has been in other European countries (such as Spain and Ireland) ...
- ... where the economic miracles ended with the burst of the housing bubble in 2007/2008



5. Strong defence of export market share

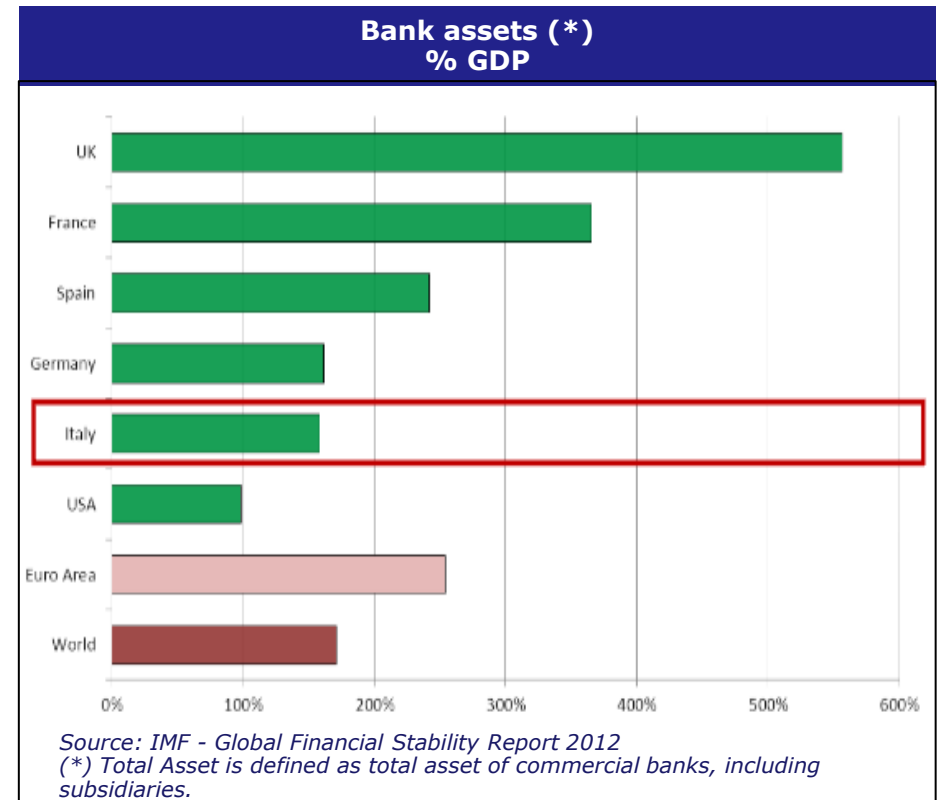
- ❑ Italy is **Europe's second-largest manufacturing and industrial country**, after Germany ('s)
- ❑ A country of **excellence in different niches** with a long history of industrial districts
- ❑ **One of the biggest export-oriented economies** in the euro zone (1° exporting country in a number of goods)

	1° exporting Country	2° exporting Country
Clothing and fashion industry	Italy	China
Leather goods & footwear	Italy	China
Textile	Italy	Germany
Non-electronic mechanical	Germany	Italy
Basic manufactures	Germany	Italy
Electrical appliances	Germany	Italy



6. A solid banking system

- ❑ A business model focused on **loans intermediation and other retail services** and very limited exposure to market risk
- ❑ This traditional banking approach has helped the banks in:
 - **supporting domestic growth ...**
 - ... while ensuring maximum **protection for savers...**
 - ... with very **limited public aids** throughout the crisis
- ❑ However the banking industry is now **challenged by the economic crisis** and by difficult operating conditions



It's gonna be tough But we will get there !



Many thanks for your
attention !