



MINISTERO DELL'ECONOMIA E DELLE FINANZE

Forecast and Planning Report for 2010

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Forecast and Planning Report for 2010

Submitted by the Minister of the Economy and Finance

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I. SUMMARY

The international economic outlook dramatically improved during the summer months, with initial signs of stabilisation followed by indications of a gradual recovery, particularly with regard to the Asian economies.

Data seem to point to a recovery of economic activity in the main geographic areas, due, in part, to the effect of the economic-policy measures adopted by various governments. The tensions in financial markets have sharply subsided relative to the acute phase of the crisis. The spread of sovereign bonds with respect to benchmarks have significantly receded in comparison with the first months of 2009. Stock markets have strongly rebounded from their lows in March. After dipping into negative territory in several geographic areas during the first half of 2009, consumer price inflation is projected to work its way gradually back to average levels. Nonetheless, the deterioration in labour market conditions remains significant, and there is still considerable uncertainty about the intensity and solidity of the global economic recovery, particularly over the medium term.

The improvement in economic indicators has also been clear cut in Italy. In July, the OECD's Composite Leading Indicator (CLI) assigned to Italy and France the highest values within the group of the world's most industrialised countries (G7). Industrial production and manufacturing orders showed signs of recovery in the summer months. In attempting to neutralise the deterioration of the labour market, the Government earmarked significant amounts for the financing of social safety nets through the adopted anti-crisis measures. This intervention is responsible, in part, for the smaller increase in unemployment in Italy relative to the Euro Area as a whole.

TABLE I.1: PUBLIC FINANCE SCENARIO (% of GDP)

	2008	2009	2010	2011	2012	2013
UPDATED POLICY SCENARIO						
Net borrowing	-2.7	-5.3	-5.0	-3.9	-2.7	-2.2
Interest	5.1	4.8	4.9	5.2	5.5	5.6
Primary balance	2.4	-0.5	0.0	1.3	2.8	3.4
Structural net borrowing (1)	-3.4	-3.3	-2.8	-2.3	-1.8	-2.0
Structural change	0.4	-0.1	-0.4	-0.5	-0.5	0.1
Public debt	105.7	115.1	117.3	116.9	115.1	112.7
State sector borrowing requirement	-3.5	-5.7	-4.4	-3.4	-2.1	-1.5
Public sector borrowing requirement	-3.3	-5.9	-4.6	-3.6	-2.3	-1.7
Cumulative budget effect on primary balance				0.4	1.2	1.2
UPDATED SCENARIO BASED ON UNCHANGED LEGISLATION						
Net borrowing	-2.7	-5.3	-5.0	-4.3	-3.9	-3.5
Interest	5.1	4.8	4.9	5.3	5.5	5.7
Primary balance	2.4	-0.5	0.0	0.9	1.6	2.2
Structural net borrowing (1)	-3.4	-3.3	-2.8	-2.7	-3.1	-3.3
Public debt	105.7	115.1	117.3	117.3	116.8	115.5
State sector borrowing requirement	-3.5	-5.7	-4.4	-3.9	-3.3	-2.8
Public sector borrowing requirement	-3.3	-5.9	-4.6	-4.0	-3.5	-3.0

1) Cyclically-adjusted and net of one-off measures net borrowing.

In light of such developments, the scenario for Italy's economy is slightly more favourable than that set out for the 2009-2010 two-year period in Economic and Financial Planning Document (DPEF). The change in GDP is estimated to be -4.8 per cent for 2009 (an improvement of roughly 0.4 percentage points versus the figure in the DPEF), and 0.7 per cent for 2010 (0.2 percentage points higher).

The updating of the general government account reaffirms a net borrowing figure for 2009 of 5.3 per cent of GDP (as indicated in the DPEF), with a change in the mix of the major aggregates that reflects lower revenues and lower expenditure. For the subsequent years, a slight improvement in the scenario based on unchanged legislation compared with that outlined in the DPEF is seen starting in 2011.

The policy-scenario objectives set out in the DPEF are largely unchanged. For 2010, the level of borrowing remains at 5.0 per cent of the GDP; thereafter, net borrowing is lower by 0.1 percentage points in 2011 and 0.2 percentage points in both 2012 and 2013, mostly for the effect of a new profile for interest expenditure, and thus stands at 3.9 per cent of GDP in 2011, 2.7 per cent in 2012 and 2.2 per cent in 2013. At the same time, the primary surplus falls by 0.2 percentage points of GDP during 2010-2011 and by 0.1 percentage points in the two years thereafter, reaching 3.4 per cent of GDP in 2013.

The debt-to-GDP ratio is forecast to decline gradually starting in 2010, with a slightly more pronounced reduction than that indicated in the DPEF, with the figure reaching 112.7 per cent of GDP in 2013.

In structural terms, the budget balance in 2009 is 0.2 percentage points lower than that projected in the DPEF, mostly for the effect of higher one-off measures. The path toward fiscal consolidation can be expected to be back on track as of 2010: after deteriorating in 2008 and slightly improving in 2009, the cyclically-adjusted deficit net of one-off measures is projected to decrease gradually over the years, with a cumulative correction of more than 1.4 percentage points by 2012.

II. THE INTERNATIONAL ECONOMY

II.1 INTERNATIONAL MACROECONOMIC FRAMEWORK

As of second quarter of 2009, the global economy seems to have overcome the worst phase of the economic-financial crisis that began in 2007.

Despite a continuing high degree of uncertainty, the indicators have shown initial stabilisation and then improvement in numerous geographic areas, starting with Asia. Since the sharp declines in the fourth quarter of 2008 and the first quarter of 2009, international trade has shown initial signs of recovery. During the second quarter, global industrial production level grew by 2.1 per cent with respect to the preceding quarter, with the increase in June being the highest on record since 1991 (2.0 per cent with respect to the previous month)¹.

Starting in March, the financial markets were signalling a gradual recovery, buoyed by the economic-policy initiatives undertaken by governments and central banks in support of the economy; positive earnings results reported by many banks in Europe and the United States; and improved prospects for global growth.

Such developments suggest a framework that is more favourable than that presented in the 2010-2013 Economic and Financial Planning Document (DPEF) in July. Still, the intensity and solidity of the recovery remain uncertain, in part, due to risks related to the future adoption of exit strategies from expansionary economic policies implemented to combat the crisis.

During the January-August 2009 period, the average price of oil was around \$55 per barrel, or one-half of the value on record for the same period of the preceding year. During the summer, crude oil prices climbed above \$70 per barrel before receding to more moderate levels. After declining in the second half of 2008, the prices of non-energy commodities (with metals accounting for a significant portion thereof) were again on the rise in March as a result of increased demand from China; food prices also rose in the second quarter of 2009, though they remained below the levels reported for the same period of the prior year.

Global GDP is forecast to fall by 1.4 per cent in 2009, and then to rebound to a growth rate of 2.9 per cent in 2010, an improvement with respect to the estimates contained in the 2010-2013 DPEF. In the three years thereafter, global GDP is projected to climb by an average of 4.2 per cent, or a level about one percentage below the annual growth rates reported in the two years preceding the crisis. Global trade is poised to expand once again in 2010 (3.0 per cent) following the pronounced contraction during the current year (15.9 per cent). For the 2011-2013 period, international trade is expected to increase at the rate of 5.8 per cent.

The price of oil is forecast to be around \$60 per barrel for 2009, with moderate growth expected for the years thereafter.

¹ Source: CPB *Netherlands Bureau for Economic Policy Analysis; World Trade Monitor*, August 2009, <http://www.cpb.nl/eng/research/sector2/data/trademonitor.pdf>.

In the United States, the contraction of GDP significantly eased in the second quarter of 2009 (annualised rate of 1.0 per cent compared with 6.4 per cent for the preceding quarter), with the change partly due to the economic support measures adopted. Net exports and public spending contributed positively to growth, whereas fixed investment and private consumption made a negative contribution. Though abating, the process of destocking inventories was continued during the second quarter. Turning to monetary policy, at the latest meeting in August, the Federal Reserve confirmed the reference interval for policy rates (0.00-0.25 per cent) and announced new, non-conventional measures in support of credit to the private sector and real estate market. Though still increasing on a year on year basis, the number of jobs lost has gradually declined. Almost 7 million jobs have been lost since December 2007, with the unemployment rate rising to 9.7 per cent in August, reaching its highest level since the early 1980s. In just over one year, the annual change in consumer prices went from 5.4 per cent (July 2008) to -1.5 per cent (August 2009). Core inflation (inflation net of energy and food prices) was 1.4 per cent in August, or about one percentage point less than that a year earlier.

GDP is projected to contract by 2.8 per cent in 2009, and then to grow by 1.4 per cent in 2010. For the three years thereafter, the average annual growth rate is pegged at 2.3 per cent.

Following three negative quarters, Japan reported GDP growth in the second quarter of 2009 (0.6 per cent over the preceding quarter) with the positive contribution of net exports, private consumption and public investment. At their most recent meeting in September, the Bank of Japan left the policy rate unchanged at 0.1 per cent. After growing for more than one year, consumer price inflation was back in negative territory in February, and registered -2.2 per cent in July. GDP is forecast to shrink by 5.4 per cent in 2009, whereas the economy should register 1.7 per cent growth in 2010. Growth of the Japanese economy for the 2011-2013 period should average 1.8 per cent.

The economies of Asia showed strong signs of recovery in the second quarter of 2009, with significant improvement in trade between countries in the region.

After three quarters in which GDP growth decelerated (6.1 per cent in the first quarter of 2009), China reported a turnaround in the second quarter, with expansion of 7.9 per cent year on year, partly due to the fiscal stimulus measures in favour of public investment.

India's economy also grew at a higher rate in the second quarter, with an increase of 6.1 per cent compared with the same quarter of the previous year, and 0.3 percentage points above the figure reported for the first quarter.

The GDP of emerging nations should grow by 1.5 per cent in 2009 and 5.2 per cent in 2010. Average annual growth for the three-year period thereafter is estimated at 6.8 per cent.

TABLE II.1: INTERNATIONAL MACROECONOMIC FRAMEWORK (percent change)

	2006	2007	2008	2009	2010	2011	2012	2013
GDP								
Industrialised countries	3.0	2.7	0.5	-3.6	1.2	2.1	2.4	2.5
United States	2.9	2.1	0.4	-2.8	1.4	2.2	2.3	2.3
Japan	2.0	2.3	-0.7	-5.4	1.7	1.7	1.7	2.0
EMU	2.9	2.7	0.7	-3.9	0.8	1.8	2.0	2.1
France	2.2	2.3	0.4	-2.1	1.0	1.8	2.1	2.1
Germany	3.2	2.5	1.3	-4.8	0.8	1.7	1.8	2.0
UK	2.9	2.6	0.7	-4.7	0.1	1.8	2.3	2.7
Spain	3.9	3.7	1.2	-3.7	-0.7	1.5	2.3	2.3
World excluding EU	5.6	5.7	3.5	-0.6	3.5	4.8	4.8	4.8
World	5.1	5.1	2.9	-1.4	2.9	4.1	4.3	4.3
World trade	9.5	7.0	2.5	-15.9	3.0	5.0	6.0	6.5

Source: Our calculations on OECD, European Commission, IMF and *Netherlands Bureau for Economic Policy Analysis (CPB)* data.

TABLE II.2: INTERNATIONAL PRICES (percent change)

	2006	2007	2008	2009	2010	2011	2012	2013
Oil (Brent FOB dollars/barrel)	64.9	72.9	97.2	60.3	68.8	68.8	68.8	68.8
Non-energy commodities	16.0	26.7	25.2	-18.5	4.7	0.0	0.0	0.0
Manufactured goods	5.1	7.5	8.4	-8.0	2.7	1.6	1.6	1.6

Note: Assumptions on oil price are the result of the average price over the 10 working days from August 27 to September 9, 2009.
Source: Our calculations on IMF, OECD, and European Commission data.

II.2 DEVELOPMENTS IN THE EURO AREA

During the second quarter of 2009, the Euro Area's economy experienced a GDP contraction of 0.1 per cent compared with the preceding quarter, a substantial improvement with respect to the first quarter (-2.5 per cent). The progress reflects, in part, the recovery in France and Germany, both of which reported growth of 0.3 per cent. The quarter-on-quarter growth for the area received a boost from both public consumption (0.1 percentage points, boosted by fiscal-policy measures) and private consumption (0.1 percentage points, favoured by lower inflation). Net exports grew by 0.7 percentage points, resulting from a more pronounced contraction of imports with respect to that for exports. Instead, investment subtracted one percentage point from GDP growth as a result of: the drop in industrial production (around 20 per cent lower than in March 2008); the low percentage of plant utilisation (69.5 per cent in the third quarter); and the ongoing phase of inventory reduction (0.7 percentage points subtracted from GDP growth).

Leading indicators offer positive signs about the trend of the area's economy. The confidence of economic agents is gradually improving; as of August, the level of confidence expressed by the Composite PMI returned to showing an expected expansion in activity (50.4 points), after some 15 months of contraction; as of July, the leading indicator compiled by the OECD (CLI) surpassed the long-term average, and stood at 100.5.

As shown by several real indicators, some elements of uncertainty persist nonetheless. In July, retail sales were down by 0.2 per cent compared with the previous month and industrial production dropped 0.3 per cent compared with June. As in other economic areas, the labour market registered setbacks, with the unemployment rate climbing to 9.5 per cent in July and employment in the second quarter decreasing 0.5 per cent compared with the first quarter.

Following the peak reported in July 2008 (4.0 per cent year on year), consumer price inflation started receding (partly in response to the reduction in commodity prices), and hit a year-on-year low of -0.7 per cent in July. By August, the inflation rate was -0.2 per cent. It is expected that the rate will gradually rebound in coming months, with the average for the year well below the European Central Bank's target. Core inflation went from 2.1 per cent at the end of 2008 (with respect to the same month of the previous year) to 1.2 per cent in July 2009. On the production side, prices continue to fall. As of July, producer price inflation reflected decreases of 0.8 per cent with respect to the previous month and 8.5 per cent with respect to the same month of the previous year, due mostly to the trend in energy prices.

The easing of tensions in financial markets has contributed to reducing the volatility seen in exchange rates over the past year. During the June-August period, the euro's effective exchange rate remained almost unchanged.

Altogether, the outlook for the Euro Area's economy during the second half of 2009 has improved with respect to the estimates contained in the DPEF.

II.3 RISKS

The risks appear balanced overall. On the one hand, the recovery in coming quarters could turn out to be, in various geographic areas, more intense and broad-based than estimated on the basis of current information. On the other hand, the downside risks remain in relation to the depth of the economic crisis and the gradual disappearance of the economic-policy measures to stimulate the economy. Finally, the return to a period of robust economic growth also seems linked to the role that Asia can play in sustaining a global recovery, and to the role of the United States, which ' traditionally has been the engine of global growth.

III. THE ITALIAN ECONOMY

III.1 DEVELOPMENTS IN 2009 AND IN THE MEDIUM TERM

The Italian economy

In line with the improvement of the international economy, encouraging signs of a recovery in the summer months were also seen for Italy.

The OECD's Composite Leading Indicator (CLI) is particularly favourable. More specifically, the index value assigned to Italy and France the highest values in the group of the world's most industrialised countries (G7). The progressive rebound in manufacturing business confidence since April has been stronger in Italy than in the Euro Area as a whole, particularly with reference to the outlook for orders. In addition, recent economic analysis shows that the process of reducing inventories (which peaked in July) came to a halt in August: inventory building is thus plausible in the coming months, a development that could stimulate the recovery. The fall in industrial production began to subside in April, and in July, the index showed a 1.0 per cent recovery year-on-year, with an upward revision for the previous months.

The Bank Lending Survey¹ for the second quarter 2009 confirms a trend towards less restrictive conditions for the supply of credit to businesses; the forecast for the third quarter points to stability. Credit quality has nonetheless continued to deteriorate slightly: in July, the ratio between non-performing loans and credit to businesses was 3.8 per cent.

In the second quarter, GDP contracted by 0.5 per cent compared with the preceding quarter (6.0 per cent compared with the same period of the previous year). The outcome was slightly better than expected. As for the principal components of GDP, private consumption (and in particular, consumption of durable goods) experienced recovery with respect to the preceding quarter due to the effect of the car-buyer incentives approved by the Government in February. Investment in transportation equipment was also higher, growing by 1.2 per cent. Investment in machinery was instead continuing to decline as was investment in construction. Exports and imports decreased respectively by 3.7 per cent and 3.0 per cent compared with the preceding quarter, with a slowdown in the rate of decline. Inventories had a negative impact on GDP growth.

Considering the slightly better-than-expected second-quarter results and the forecasts of a cyclical recovery in the second half of the year, it is estimated that GDP will contract by 4.8 per cent for the whole of 2009. In 2010, the Italian economy looks poised to grow by 0.7 per cent. The estimate for the two-year period 2009-2010 is slightly more favourable than that indicated in the DPEF published in July. The risks to the forecast are more balanced at present, and it now appears possible that the rebound of economic activity in the next quarters may be significantly stronger than expected. During the 2011-2013 period, GDP growth is likely to be 2.0 per cent on average.

For the current year, private consumption is projected to fall by 1.7 per cent, an improvement of roughly one-half of a percentage point with respect to the DPEF for the effect of the results reported during the second quarter. Consumer confidence conspicuously rebounded as of April, surpassing the improvement in the Euro Area as a

¹ Source: Bank of Italy.

whole. The boost in confidence is related to the improvement in households' economic situation and to the moderation of inflation. In 2010, household spending is projected to grow by 0.5 per cent. Consumer spending decisions are likely to be influenced by the rebound of stock markets and the subsequent reversal of some of the losses in household wealth. Consumer spending is projected to rise by an average of around 2.1 per cent in subsequent years. Still, the current uncertainty about the trends in the labour market is a factor impacting the expected trend of private consumption.

Investment in machinery and equipment is forecast to contract by 17.2 per cent in 2009, reflecting the drop in the first half of the year. Investments should show positive rates of growth in the second half of 2009, for the effect of both the expected recovery of global demand and the tax relief measures introduced by the Government². This rebound can be expected to continue into 2010. Considering the revival of exports and international trade, investment in machinery is projected to grow by an average annual rate of 3.0 per cent for the 2011-2013 period.

Several elements of risk to this forecast need to be noted. Based on surveys about bank credit, there is still no evidence of a turnaround in the business investment decisions. In the second quarter, the demand for credit by businesses was lower across all maturities, and particularly, for short-term loans. In addition to cuts in capital spending, the drop in demand can be explained by merger-and-acquisition activity and corporate restructurings. Investment plans also appear to have been conditioned by the level of debt: although with the rate of growth decelerating, corporate borrowing expanded slightly in the first quarter of 2009, moving above 80 per cent of GDP³.

According to the data on aggregates compiled by the Bank of Italy, the progressive slowdown in bank credit disbursed to businesses was confirmed in July (0.9 per cent with respect to the same month of the previous year), with repercussions on small businesses in particular. It should likewise be noted that a rebound in lending generally tends to lag economic recovery. At present, therefore, there are no signs of any anomalies with respect to previous cyclical slowdowns.

Investment in construction in 2009 is expected to fall at a rate lower than the rate of decline in investment in machinery. In Italy, the adjustment in the building industry has thus far been of a smaller magnitude than that in the manufacturing sector, even though the building industry has experienced a significant correction internationally. During the first half of the year, industrial production was off by 21.5 per cent with respect to the same period of the previous year, whereas the drop in the construction sector was 12.0 per cent.

With reference to property prices, data compiled by the OECD show that housing prices in Italy started to reflect year-on-year declines in the fourth quarter of 2008 and the first quarter of 2009. The findings are confirmed by a survey conducted by the Bank of Italy⁴, according to which the contraction of prices continued in the second quarter of 2009, even though the incidence of price reductions was down with respect to the

² Measures to support investment in machinery introduced with Decree Law No. 78/2009 converted into Law No. 102/2009.

³ Source: Bank of Italy, Economic Bulletin, July 2009.

⁴ See Bank of Italy, Survey on Trends in the Housing Market, September 2009.

previous survey. According to the survey, uncertainty about trends in the property market in the near term is continuing: the expectations in relation to the third quarter of 2009 paint a dimmer picture. Instead, the medium-term prospects for the sector remain positive, even though the outlook is more cautious overall with respect to the prior survey.

Some signs of recovery are noted with reference to demand: as of March, the granting of mortgages for the purchase of homes continued to grow; disbursements for the month of July were up by 5.3 per cent year-on-year.

Following a decline of 6.1 per cent in 2009, investment in construction is projected to grow by 1.0 per cent in 2010 and an annual average of 1.9 per cent for the next three years.

Given the effect of the significant decline in international trade in the first part of the year, exports in 2009 are likely to fall by 19.9 per cent. A considerable decline in imports is also forecast (-16.1 per cent) as a result of the drop in domestic demand. The growth of exports is poised to rebound as of 2010, in line with the recovery of global trade. Net exports should make a slight positive contribution to GDP growth in 2010 and in 2011.

The current balance of payments deficit should range around 2.8 per cent of GDP, an improvement with respect to 2008. After being in balance in 2008, the goods balance should once again be positive in relation to GDP (0.2 per cent). The deficit for invisible items is pegged at 2.9 per cent of GDP, an improvement over 2008.

While forecasts are uncertain due to the delayed effect of the economic downturn on labor market, employment measured in full-time equivalents is expected to fall by 2.5 per cent in 2009. In 2010, the decrease should be marginal, with a recovery in the years thereafter. In 2009, the biggest decrease in full-time equivalents is expected in the industrial sector (excluding construction) (-6.7 per cent). In construction and private services, the reductions are projected to be 2.5 per cent and 2.4 per cent, respectively. The unemployment rate is pegged at 8.5 per cent in 2009 and another slight rise is expected in 2010, with the indicator falling to 7.5 per cent by 2013. The estimates of the labour supply and of the number of employed in relation to the labour force include the effect of the programme to provide regular work contracts to in-home caregivers and domestic help, as approved by Decree Law No. 78/2009, converted into Law No. 102/2009, in accordance with the information provided in the Technical Exhibit to the legislation. Such estimates will be revisited later in the year after release of the ISTAT national accounting data and the third-quarter labour force survey.

Labour cost per employee is expected to rise by 1.9 per cent in 2009. As of the end of July, roughly 85 per cent of national contracts were in effect. Given the impact of the decline in productivity, unit labour costs should be up slightly compared with 2008. In 2010, unit labour costs are projected to slow considerably, particularly in industry (excluding construction) which is the sector most exposed to international competition; in the years thereafter, growth rates should remain moderate.

TABLE III.1: MACROECONOMIC FRAMEWORK (% changes)

	2008	2009	2010	2011	2012	2013
EXTERNAL VARIABLES						
International trade	2.5	-15.9	3.0	5.0	6.0	6.5
Oil prices (Brent FOB \$/barrel)	97.2	60.3	68.8	68.8	68.8	68.8
Euro / dollar exchange rate	1.471	1.380	1.434	1.434	1.434	1.434
ITALY MACRO (VOLUMES)						
GDP	-1.0	-4.8	0.7	2.0	2.0	2.0
Imports	-4.5	-16.1	0.9	3.6	4.1	4.3
Final Domestic consumption	-0.5	-1.1	0.4	1.7	1.9	1.8
- Resident household expenditure	-0.9	-1.7	0.5	2.2	2.1	2.1
- General government and NPISH expenditure	0.6	0.5	0.4	0.0	1.2	1.0
Gross fixed investment	-3.0	-11.7	1.7	2.4	2.4	2.5
- Machinery, equipment and other items	-4.2	-17.2	2.5	2.4	3.0	3.5
- Construction	-1.8	-6.1	1.0	2.4	1.8	1.6
Exports	-3.7	-19.9	1.2	4.2	4.1	4.3
<i>p.m. Current account balance as % of GDP</i>	-3.4	-2.8	-2.5	-2.4	-2.4	-2.3
CONTRIBUTIONS TO GDP GROWTH (1)						
Net exports	0.3	-1.0	0.1	0.1	0.0	0.0
Stocks	-0.3	-0.4	0.0	0.0	0.0	0.0
Domestic demand net of inventories	-1.0	-3.4	0.7	1.8	2.0	2.0
PRICES						
Import deflator	6.9	-5.6	0.6	1.5	1.4	1.5
Export deflator	5.0	-0.1	1.6	1.9	2.0	2.0
GDP deflator	2.8	2.3	1.5	1.7	1.8	1.9
Nominal GDP	1.8	-2.6	2.2	3.7	3.8	3.9
Consumption deflator	3.2	0.1	1.5	1.7	1.8	1.9
Inflation (planned)	1.7	0.7	1.5	1.5	1.5	1.5
HICP index net of imported energy products (2)	3.2	1.5	1.8	2.2	1.9	n.a.
VALUE ADDED AND LABOUR MARKET						
Value added (whole economy)	-0.9	-4.9	0.7	2.1	2.0	2.0
Labour cost	3.3	1.9	1.6	2.0	2.1	2.1
Productivity (measured as % of GDP)	-0.9	-2.4	0.9	0.9	0.9	0.9
ULC (measured as % of GDP)	4.2	4.4	0.7	1.1	1.1	1.2
Employment (FTE)	-0.1	-2.5	-0.1	1.1	1.1	1.1
Dependent employment (FTE)	0.5	-2.4	0.2	1.5	1.2	1.2
Unemployment rate	6.7	8.5	8.8	8.3	7.9	7.5
Employment rate (15-64 age group)	58.7	57.9	57.8	58.5	59.3	60.1
<i>p.m. nominal GDP (absolute value in MI)</i>	1,572,243	1,530,905	1,564,796	1,623,380	1,685,439	1,751,569

(1) Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

(2) Source: ISAE.

Note: Macroeconomic projections have been made on the basis of data available as of September 14, 2009. Assumptions on the oil price and the US dollar / Euro exchange rate are based on the average data of the 10 trading days from August 27 to September 9 2009. GDP and components in volume (chained prices, base year 2000), not working day adjusted data.

Labour market

The effects of the crisis began to be seen in the labour market in the second half of 2008, even though the impact to date in Italy has been more moderate than in other industrialised countries.

According to national accounting data⁵, employment in the second quarter of 2009 (as measured in terms of full-time equivalent units of labour, FTE) was down by 0.8 per cent with respect to the preceding quarter and by 2.6 per cent with respect to the same quarter of 2008. The deterioration of the year-on-year trend of the labour market is most apparent in industry (excluding construction), where the decline was 7.6 per cent. In the construction sector, the decrease was 2.8 per cent. Instead, in the services sector, employment declined to a more modest extent (-1.4 per cent), for the effect of a static trend in public services and a significant drop (-2.3 per cent) in private services. The declining trend of employment in the farming sector was instead reversed, with the FTE for the sector rising by 1.0 per cent with respect to the same quarter of the preceding year. The year-on-year decrease in employment is more pronounced among self-employed workers at 3.1 per cent (-0.1 per cent with respect to the preceding quarter). In the case of dependent employees, employment dropped by 2.5 per cent with respect to the corresponding quarter (-1.1 per cent with respect to the preceding quarter).

The use of wage supplementation schemes (*Cassa Integrazione Guadagni* (CIG) was much higher in 2009 (+314.6 per cent in the first eight months of the year with respect to the same period of 2008). The total hours authorised by the Social Security Administration (INPS) came to roughly 517 million. Following the increase reported in July, the hours authorised in August were down by around 41 per cent with respect to the previous quarter, but had increased by around 526 per cent with respect to the same month of 2008.

The hours authorised for ordinary CIG (the first social safety net to be used in a downturn) gradually rose during the first five months of the year. As of June, the trend for ordinary CIG was reversed, with a gradual reduction seen with respect to the preceding months. The requests for extraordinary CIG were on the rise through July, before starting to fall in August.

The data on the drawing of benefits have nonetheless confirmed that companies actually tend to use a smaller number of hours than those that are requested and subsequently authorised by INPS. During the first seven months of 2009, some 60.9 per cent of the CIG authorised were used (with respect to the roughly 77 per cent for the same period of 2008). Applications for unemployment benefits (non-farm jobs with ordinary requisites and special construction jobs) and those for mobility experienced a sizeable increase in July with respect to the previous quarter (82.5 per cent), and numbered 157,000. During the first seven months of the year, the applications reached approximately 736,000.

Despite the economic slowdown, gross wages per employee in the second quarter of 2009 were relatively stable. According to national accounting data, gross wages per employee rose by 1.3 per cent with respect to the corresponding quarter of 2008, with the

⁵ Unlike the measurement of the labour force, employment measured in full-time equivalents (FTEs) excludes workers who are on wage supplement schemes (CIG) and takes into account the smaller number of hours associated with part-time employment.

figure incorporating an increase of just over 2 per cent in industry (excluding construction) and 0.7 per cent in services.

Given the effect of the contraction of productivity, unit labour costs continue to grow substantially, rising by 4.9 per cent in the second quarter 2009, even though this represented a slowdown with respect to the first quarter.

The growth of the hourly contractual wages for the economy as a whole is above the growth of gross wages, rising by 3.1 per cent in the second quarter of 2009 with respect to a year earlier. The increase in industry was 3.3 per cent, whereas the increase in the private services sector came to 3.2 per cent. Such dynamics generated a negative wage drift of just under two percentage points for the entire economy which reflects differing sectoral trends.

Comparing some of the effects of the current recession on employment with those of the 1992-1993 crisis (the greatest post-WWII recession before the current one), one can see that the hardest hit sector (industry excluding construction) has experienced a steeper decrease in employment measured in full-time equivalents than in the 1992-1993 crisis. Furthermore, it is useful to note that employment in the mid-1990s and beyond never returned to prior levels because of the profound restructuring of the productive fabric that took place following the 1992-1993 crisis. On the other hand, a recovery in the services sector did occur, but it took more than two years. The drop in employment in the private services sector to date appears similar to that for the preceding recession.

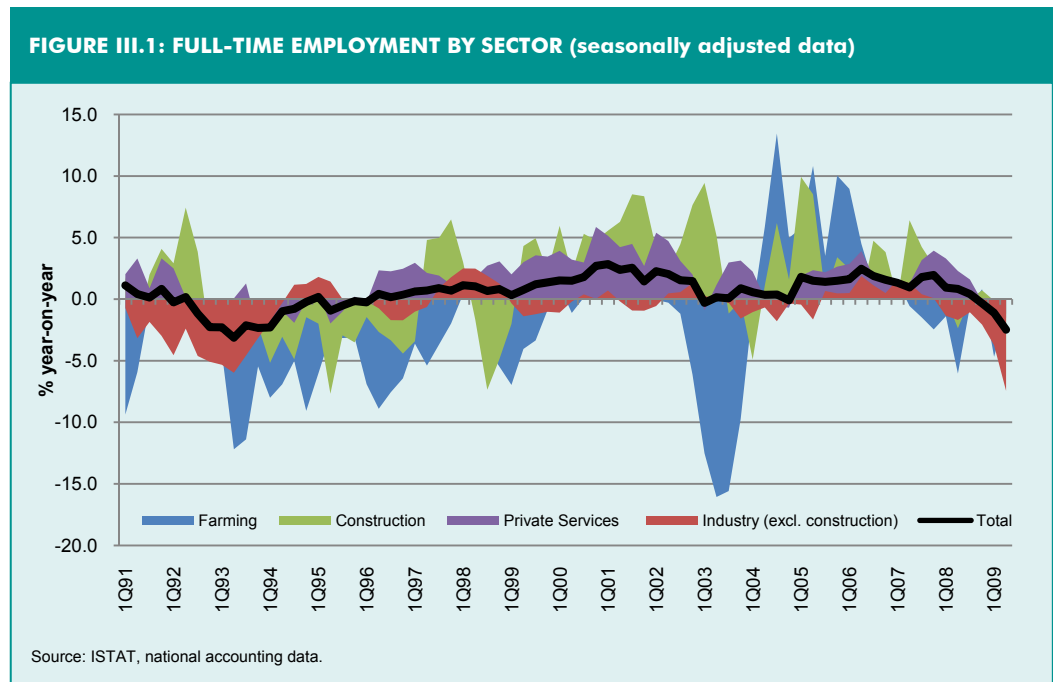
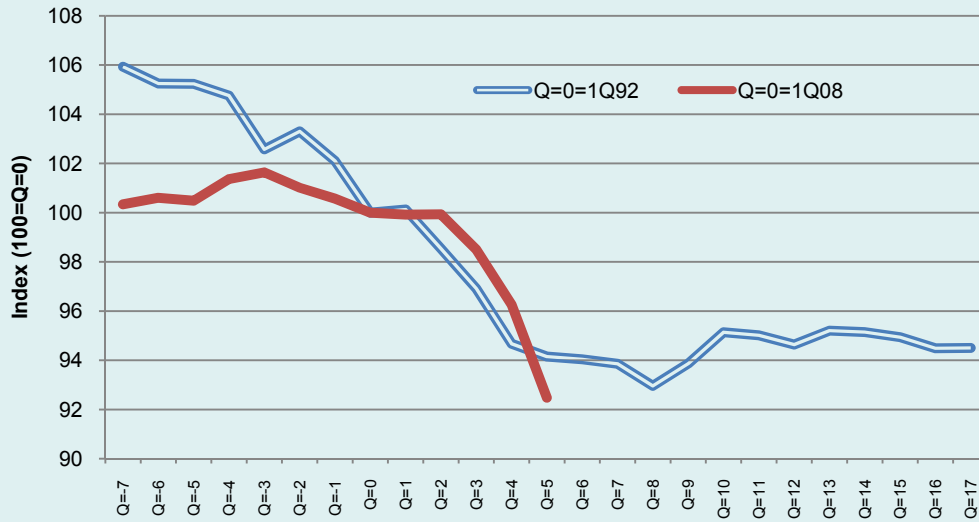
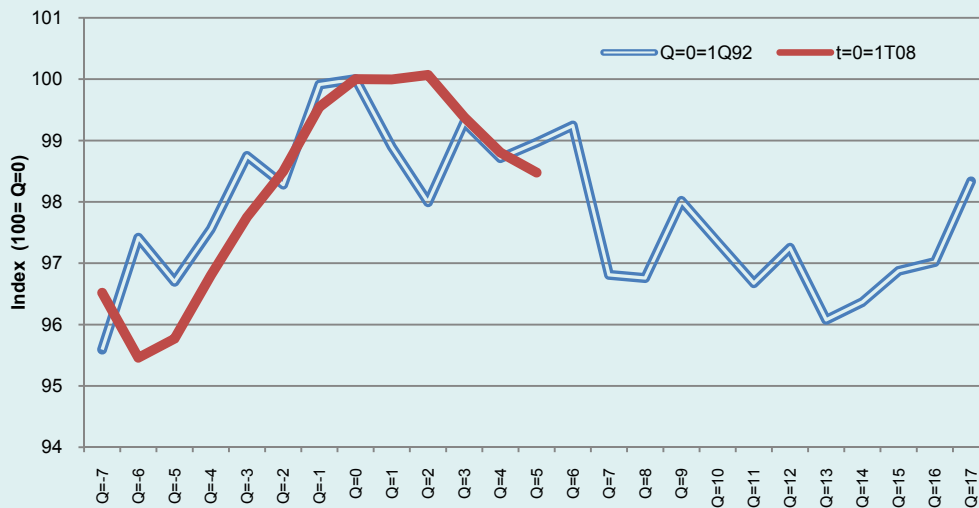


FIGURE III.2: FULL-TIME EMPLOYMENT IN INDUSTRY: COMPARISON BETWEEN TWO CRISES



Source: ISTAT, national accounting data.

FIGURE III.3: FULL-TIME EMPLOYMENT IN PRIVATE SERVICES: COMPARISON BETWEEN TWO CRISES



Source: ISTAT, national accounting data.

Foreign trade

In the first quarter of 2009, the developing economic-financial crisis caused the strongest contraction of international trade since World War II, with significant repercussions for the exports of Italian businesses.

In the first half of 2009, total CIF-FOB trade transactions⁶ reflected a contraction of exports and imports of more than 24.0 per cent. During the same period of the previous year, both flows experienced growth of more than 2.0 per cent.

From a geographical perspective, exports to European countries experienced a sharper decline (26.9 per cent) than those to non-European countries (20.2 per cent). Instead, imports from non-EU countries were down by a larger margin (27.3 per cent) than those from European countries (22.9 per cent). Initial signs of improvement were seen in July, with exports to non-EU countries rising by 5.0 per cent with respect to the previous quarter.

Italian exports to China increased (2.8 per cent), while sharp declines were registered with other trade partners. The smallest decrease was seen with respect to the OPEC countries (7.2 per cent). Instead, exports to Russia and Turkey fell by more than 35.0 per cent, while those to Germany and France were down by almost 25.0 per cent.

During the first six months of the year, the trade deficit was €4.1 billion overall, an improvement of €3.0 billion year-on-year. Net of energy goods (crude oil and natural gas), the trade balance was a surplus of €16.2 billion, although lower than the €23.6 billion reported for the first half of the previous year. Trade with European countries produced a deficit of €0.2 billion, compared with a surplus of €5.5 billion in the first half 2008. The deficit with respect to non-EU countries was €3.9 billion, or well below the deficit of €12.8 billion for the same period of the previous year.

In the first half of the year, the contraction of exports involved manufacturing sectors in general. However, the leading Made-in-Italy sectors generated noteworthy surpluses that were not much different from those reported for same period of 2008.

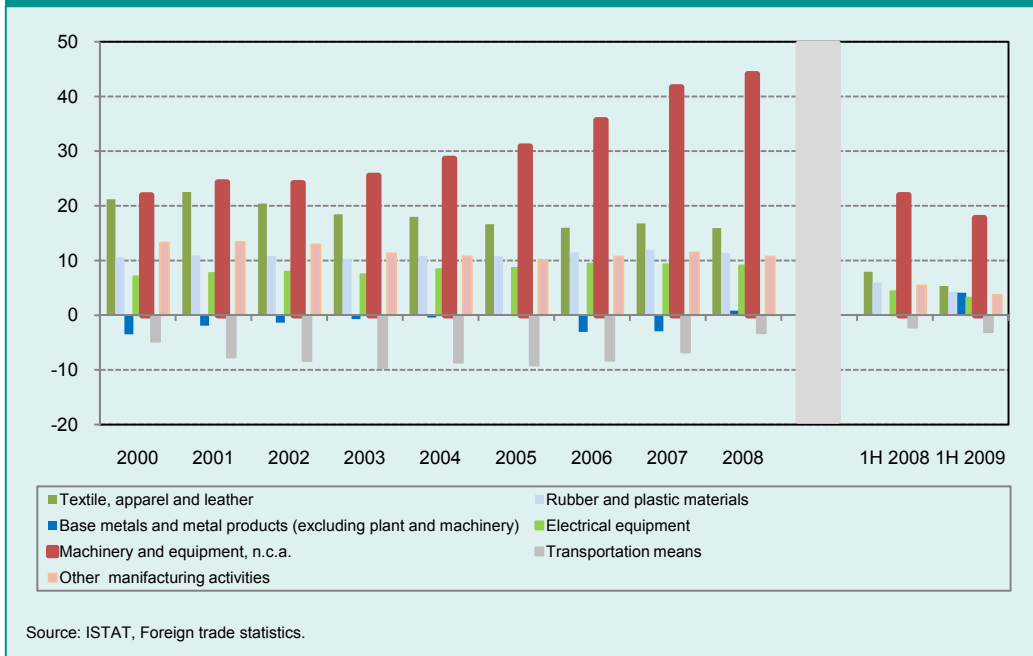
In the first two months of 2009, Italy's market share of global exports at current prices was slightly lower than the same period of 2008 (declining to 3.2 per cent from 3.5 per cent)⁷. Other countries in the European Union reported similar trends, partly due to the emergence of new competitors. In 2008, Italy reaffirmed its position as the world's seventh largest exporting nation, increasing its presence in the Asian market: China became the fourteenth largest market for Italy's exports, rising eight positions with respect to 1999⁸.

⁶ Foreign trade transactions overall and by geographic area refer to the first half of 2009. In the case of trade transactions with non-EU countries, the most recent data available refer to July 2009.

⁷ Source: Ministry of Economic Development and Institute for Foreign Trade (ICE).

⁸ Institute for Foreign Trade (ICE), "Italy in the International Economy", 2008-2009 Report, 22 July 2009.

FIGURE III.4: TRADE BALANCES BY SECTOR (€ BN)



Recent analyses with respect to a longer time horizon (1999-2008) showed Italian companies had made some improvement with regard to exports. The number of exporters rose from 183,385 in 1999 to 197,950 in 2008, while the value of exports climbed from €216,798 million in 1999 to €360,447 million in 2008⁹. The presence of exporting firms on foreign markets also increased. More specifically, an increase was recorded in the number of large firms present in more than 40 markets (from 1.2 per cent in 1999 to 2.0 per cent at the end of the period), which account for just under one-half (44.6 per cent) of total exports. The percentage of firms in one market only remained stable at around 43.0 per cent; these businesses accounted for only 1.7 per cent of exports in 2008 (a decrease of 0.5 percentage points with respect to 1999¹⁰).

Exporters have proven adept in reacting to the tough international environment through: implementing pricing policies which differentiate between markets; improving product quality; shifting some phases of production to countries with low labour costs; and investing in distribution, even though the capacity to attract investments from abroad remained limited for structural reasons¹¹.

⁹ The data for 2008 are to be considered provisional.

¹⁰ Institute for Foreign Trade (ICE), "Italy in the International Economy", 2008-2009 Report 22 July 2009; "ICE-ISTAT Yearbook", Vol.1, Table 5.1.15, page 324, 22 July 2009.

¹¹ Institute for Foreign Trade (ICE), "Italy in the International Economy", 2008-2009 Report, 22 July 2009.

Inflation

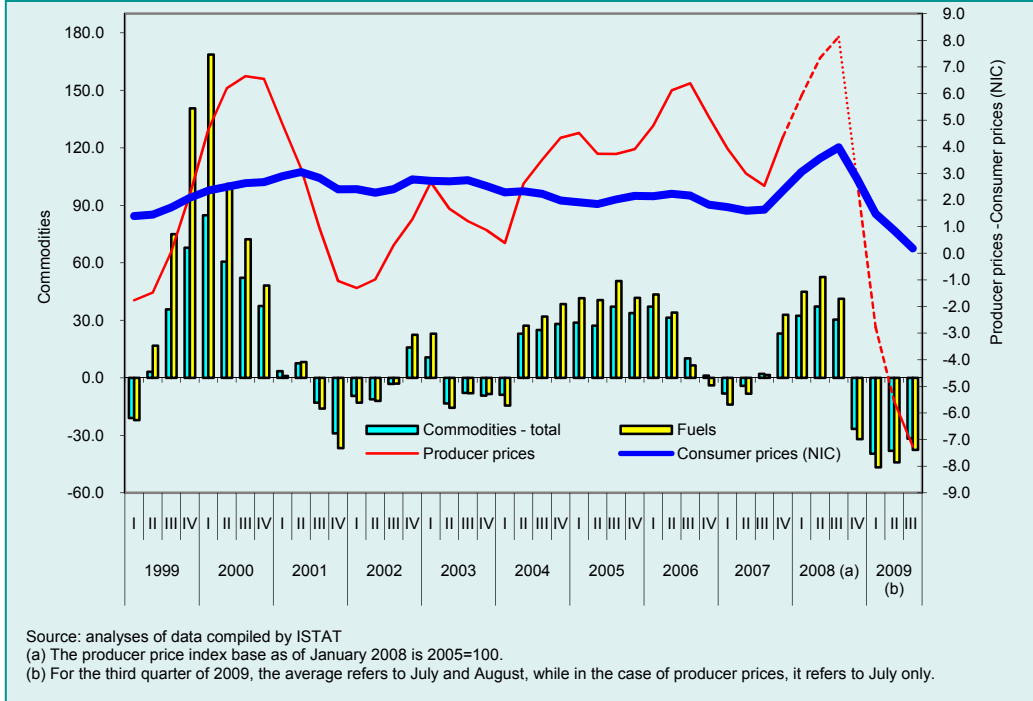
During the first eight months of 2009, the year-on-year changes in the consumer prices measured by the NIC index were similar to the fall in 2008; the momentum slowed markedly, with the rate of growth going from 4.1 per cent in August 2008 to 0.1 per cent in August 2009.

The differentials between inflation rates at a regional level and the national average rate of inflation tended to decrease during the second half of 2008 and in January 2009, when the prices of energy goods were falling. The trend was reversed as of February 2009, with an expansion of the differentials: southern Italy stands at the higher end of the interval (+0.8 percentage points), while the north-western and north-eastern regions are at the lower end (-0.2 percentage points).

As was the case with the strong increases in 2007 and 2008, imported inputs were the main element responsible for the price declines, particularly with respect to the 'volatile' components of the NIC index (energy and food products). The dollar-denominated commodities index compiled by Confindustria was down by 44.7 per cent year-on-year for the first eight months of 2009, whereas it experienced an increase of 55.0 per cent year-on-year for the first eight months of 2008. The comparison between 2008 and 2009 shows that the contribution of the euro/dollar exchange rate was less positive for 2009, accounting for an estimated 7 percentage points against the general index (the commodities index fell by 37.6 per cent in 2009 in euro terms, whereas the increase in euro terms in 2008 was 35.4 per cent). The performance of the general index was impacted by fuels (decrease of 50.3 per cent year-on-year during the first eight months of 2009, versus an increase of 70.9 per cent for the corresponding period of 2008) and food products (decrease of 19.4 per cent year-on-year in 2009 versus an increase of 35.7 per cent in 2008). The effects of the economic crisis have also spilled over to other components, such as non-food products, whose prices have fallen sharply (decrease of 24.1 per cent year-on-year in 2009 versus an increase of 6.8 per cent in 2008).

The trends at the initial stage of price formation are reflected in the components of the general consumer price index, with a consequent slowdown in the aggregate of goods and services, whose year-on-year performance went, respectively, from +4.5 per cent in August 2008 to -0.8 per cent in August 2009 and from +3.4 per cent to +1.6 per cent. Within the services component, a strong deceleration was seen in the trend of the former 'public services' in relation to the tariffs set by various regulatory authorities, net of which the rate of year-on-year growth of the tariff aggregate remained at a high level (3.4 per cent), for the effect of local tariffs and several tariff components decided at a central level (transportation).

The trend of the private-services aggregate (excluding oil products) appears less uniform; while the price growth of private services overall decelerated significantly in the most recent 12 months (1.3 per cent with respect to the 4.2 per cent posted in August 2008), there are some components whose trend was much stronger than that of the general index (insurance, services in the hospitality sector and food-and-beverage services).

FIGURE III.5: COMMODITIES IN EUROS – PRODUCER PRICES – CONSUMER PRICES (year-on-year change of quarterly indices)

TABLE III.2: ADMINISTERED PRICES IN THE NIC BASKET (yearly average percentage change)

	2005	2006	2007	2008	2009 (Aug)
TOTAL TARIFFS (net of tobacco products) including:	1.5	2.8	0.9	2.6	-
Tariffs administered by the Government	-1.9	-1.4	-2.3	-2.9	2.5
Tariffs administered by regulatory authorities	4.2	7.3	1.2	7.4	-4.6
Tariffs administered by local entities	3.1	3.4	4.8	3.5	4.1
Tobacco products	8.9	6.3	4.2	4.3	2.9
TOTAL DEREGULATED GOODS AND SERVICES including:	4.0	2.9	2.1	5.9	-5.2
Unleaded petrol	9.3	5.5	0.9	7.1	-11.0
Heating oil	16.6	6.6	0.1	17.2	-24.8
LPG in bottles	4.0	7.4	1.7	7.0	-2.5
LPG for vehicles	5.3	14.4	-3.8	9.1	-21.1
Diesel fuel for vehicles	18.1	5.3	-0.1	16.2	-22.6
Civil liability insurance	1.7	2.3	1.5	2.3	3.1
TOTAL DEREGULATED GOODS AND SERVICES, NET OF OIL PRODUCTS	2.0	1.9	2.3	3.9	-0.4
CONSUMER PRICES – NIC (inclusive of tobacco products)	1.9	2.1	1.8	3.3	0.1

Even though the reduction of inflationary pressure can be attributed to elements common to all European countries, the timing with which the deceleration occurred has been different: inflation in Italy as measured by the harmonised index of consumer prices (HICP) went from 4.2 per cent in August 2008 to 0.1 per cent in August 2009. During the same period, inflation in the Euro Area went from 3.8 per cent to -0.2 per cent. Over the course of the 12 months, Italy's inflation differential with respect to the Euro Area

was back to 0.3 percentage points, after having expanded significantly to reach 0.8 percentage points in December 2008, the time when prices started to descend.

A re-opening (closing) of the differential at a time when inflationary pressures are falling (increasing) is not unusual, inasmuch as it mostly reflects different timing with which the downward (upward) pressure from imported inputs is seen in domestic prices, particularly with regard to energy commodities and, in particular, the regulated items. The growth of electric energy prices in Italy in 2008 surpassed the average growth for the Euro Area, and it was only in the most recent months of 2009 that such prices began to reflect the decreases in international markets, falling at a rate faster than that posted for the rest of the Euro Area. The momentum of food prices has been stronger in Italy than in the rest of the Euro Area as of the second half of 2008. In addition to these 'volatile' components (which temporarily affect the differential and which are expected to ease), there are more persistent, structural factors.

Core inflation, calculated by excluding the price of energy goods and fresh food products from the general index, reflects a differential whose values are lower than those of the general index, even though they are more stable around the average. The average differential for the first eight months of 2009 is 0.3 percentage points. Non-energy industrial goods are among those expenditures that had the greatest impact on the expansion or contraction of the differential. The differential remains high for durable goods whose annual rate of inflation, though slowing (from 1.8 per cent in the summer months of 2008 to 1.0 per cent in August 2009), is above that for the Euro Area; such differential has been contracting since the start of 2008 (-0.9 per cent year-on-year in August 2009). The trend of non-durable goods prices in Italy is different than the average in the Euro Area for the 12-month period starting in August 2008, inflation for this category of goods rose by 1.1 percentage points (from an annual rate of 2.4 per cent to 3.5 per cent), whereas in the Euro Area the indicator was virtually stable (around 2.1 per cent); as a result, the differential expanded from zero to 1.5 percentage points. Processed food products contributed to this trend, including for the effect of structural aspects linked to market characteristics. The widening of the differential for semi-durable goods during the first months of 2009 is essentially due to the disappearance of price reductions on medicine and pharmaceutical products in Italy. In essence, it appears this category of healthcare services in Italy is recouping part of the growth that was registered on average in the Euro Area in 2008.

The inflation estimate for 2009 (NIC index) is roughly 1.0 per cent, taking into account that the inflation accrued so far assuming no change in the final months of 2009 is equal to 0.8 per cent. This forecast incorporates a moderate revival of inflation which should be around 1.5 per cent year-on-year by December, mostly due to a base effect. Assuming a carry-over from 2009 to 2010 of 0.7 per cent, the projected average inflation for 2010 is 1.5 per cent.

The forecast for the harmonised index of consumer prices stands at a slightly lower level: 0.7 per cent in 2009 and 1.3 per cent in 2010.

Regional aspects

The intensity of Italy's economic recession has been more or less the same within the country's two major territorial areas. The national accounting estimates for 2008 indicate that GDP contracted by 1.0 per cent in the central/northern regions of the country and by 1.3 per cent in the southern regions, and the forecast for 2009 shows declines in line with the national average for both territories.

The characteristics that distinguish the current economic cycle are nonetheless different from one area to the other. The productive hub in northern/central Italy has been particularly affected by the drop in aggregate demand which, though more pronounced in the case of demand from abroad, has also been significant at a domestic level. Though still relatively limited in terms of employment levels, the effect on the labour market is mainly being seen in greater use of wage supplementation schemes (*Cassa Integrazione Guadagni*), particularly the ordinary programmes. In the southern regions of the country, where there is less international exposure, the recession has had an effect on the fragile productive system, which mostly consists of small and very small firms often operating in upstream/downstream sectors or involved in processing for third parties. After underperforming the rest of the country during the first years of the decade, the economy in southern Italy has experienced a recession impacted by the weakness of the labour market, with repercussions on consumer demand. The cyclical trend is showing improvement both in the central/northern regions and in the southern regions. According to confidence surveys carried out by Institute of Studies and Economic Analysis (ISAE), consumer and business expectations have been improving in a similar manner in both territorial areas since the spring of 2009; the same can also be said for the easing of restrictions on bank lending conditions.

Against this backdrop, the moderate recovery of productive activity assumed for the second half of 2009 and for 2010 should be substantially uniform across the country.

IV. PUBLIC FINANCE

IV.1 TRENDS FOR 2009

In the 2010-2013 Economic and Financial Planning Document (DPEF) presented in July, the Government updated the forecast of net borrowing for the current year, pegging the aggregate at 5.3 per cent of GDP, taking into account: (i) the new macroeconomic framework, which estimated a worsening of the economic outlook (-5.2 per cent GDP growth) and (ii) the latest trend of the data on revenues and expenditures.

The new estimate incorporated (i) the effects of the anti-crisis measures¹ ratified by the Government during the year which, in line with the conservative fiscal strategy adopted, have caused a change in the mix of the aggregates in the general government account (with an essentially negligible impact on the value of the balances) and (ii) the effects of the urgent actions taken following the earthquake in the Abruzzo region² (also neutral in terms of the budget balance). The estimates also included the impact of the budget balancing which caused an increase of roughly €37 billion in the net balance to be financed, net of payables settlements, with most of the increase attributable to an adjustment in the initial forecast of revenues. The deterioration in the net balance to be financed is also partly due to the Government's commitment to speed up the settlement of general government payables, with such move to be offset by an improvement in the years ahead. The outturn of public accounts during the first eight months of the year led to a state-sector borrowing requirement of around €60.7 billion, an increase of approximately €32.8 billion with respect to the same period of 2008. On the expenditure side, this trend incorporates higher disbursements to the regions in relation to the decision to free up transfers against items related to prior years. The overall pattern of the borrowing requirement in the first eight months of the year is nonetheless in line with the forecasts for the entire year.

As shown by the revenue outturn over the same period, taxes remained firm. The collection of taxes for assessments in relation to the January-July 2009 period was partly reduced inasmuch as taxpayers subject to sector studies were allowed to defer their payments to August³. A uniform comparison (via appropriate re-assignment of the deferred payments) shows that tax revenue dropped by 2.9 per cent with respect to the same period of 2008. The reduction is partially offset by the positive outcome to the assessment and control activity, which yielded a positive change of 20.4 per cent with respect to the preceding year.

When considered in national accounting terms, the trends reported for revenue and expenditure flows and, therefore, the outlook for the remainder of the year make it possible to confirm that the net borrowing of the public administrations in 2009 is likely to equal 5.3 per cent of GDP, a figure in line with that indicated in the DPEF.

¹ Decree Law No. 185/2008 converted into Law No. 2/2009; Decree Law No. 5/2009 converted into Law No. 33/2009; Decree Law No. 78/2009 converted into Law No. 102/2009; State-Regions Accord signed on 13 February 2009.

² Decree Law No. 39/2009 converted into Law No. 77/2009.

³ The postponement was ordered by the Decree of the President of the Cabinet on 4 June 2009.

The estimated balance takes into account a change in mix of the large aggregates of the account, which reflects lower revenues (€1.6 billion), all of which can be attributed to fewer indirect taxes (roughly €1.5 billion), and fewer social-welfare contributions (€0.2 billion). The new expenditure estimates (a reduction of roughly €2.0 billion compared with the previous estimate) come from (i) the reduction of current expenditure (roughly €3.4 billion), about one-half of which is related to interest charges; and (ii) the roughly €1.5 billion increase in capital expenditure.

TABLE IV.1: GENERAL GOVERNMENT ACCOUNT AT UNCHANGED LEGISLATION: DPEF AND RPP ESTIMATES (€ Mn)

	2008	2009		2010	
	Outturn	DPEF	RPP	DPEF	RPP
EXPENDITURE					
Employee compensation	171.160	175.041	175.225	175.368	175.890
Intermediate consumption	128.442	133.096	133.173	133.313	133.513
Welfare benefits	278.008	291.280	291.280	298.020	297.900
including: Pensions	223.396	232.730	232.730	239.890	239.852
Other welfare benefits	54.612	58.550	58.550	58.130	58.048
Other current expenditure net of interest	57.395	61.375	59.415	59.625	60.525
Total current expenditure net of interest	635.005	660.793	659.094	666.326	667.828
(% of GDP)	40.4	43.4	43.1	43.0	42.7
Interest expenditure	80.891	75.724	74.013	79.493	76.957
(% of GDP)	5.1	5.0	4.8	5.1	4.9
Total current expenditure	715.896	736.517	733.107	745.819	744.785
including: Healthcare expenditure	108.747	112.929	112.996	114.719	114.919
Total capital expenditure	59.027	68.003	69.445	60.639	61.540
including: Gross fixed investment	34.973	39.179	40.635	34.741	35.329
Capital account contributions	23.077	27.162	26.988	24.032	24.175
Other transfers	977	1.663	1.823	1.867	2.037
Total final expenditure net of interest	694.032	728.796	728.539	726.965	729.368
Total final expenditure	774.923	804.520	802.552	806.458	806.325
REVENUES					
Total tax revenues	457.424	445.564	444.064	448.572	447.072
including: Direct taxes	241.427	237.715	237.715	236.883	236.884
Indirect taxes	215.519	207.372	205.872	211.210	209.710
Capital account taxes	478	478	478	478	478
Social contributions	214.718	214.119	213.910	217.723	218.196
including: Actual contributions	210.867	210.209	210.000	213.754	214.227
Imputed contributions	3.851	3.910	3.910	3.969	3.969
Other current revenues	56.719	57.308	57.417	57.979	58.130
Total current revenues	728.383	716.513	714.913	723.795	722.920
Capital account non-tax revenues	3.083	6.216	6.216	5.280	5.280
Total final revenues	731.944	723.207	721.607	729.553	728.678
<i>Memo item: Tax burden</i>	42.8	43.4	43.0	43.0	42.5
BALANCES					
Primary balance	37.912	-5.590	-6.933	2.589	-690
(% of GDP)	2.4	-0.4	-0.5	0.2	0.0
Current account balance	12.487	-20.004	-18.194	-22.023	-21.865
(% of GDP)	0.8	-1.3	-1.2	-1.4	-1.4
Net borrowing	-42.979	-81.313	-80.945	-76.904	-77.647
(% of GDP)	-2.7	-5.3	-5.3	-5.0	-5.0
Nominal GDP	1.572.243	1.521.262	1.530.905	1.549.570	1.564.796

TABLE IV.1 cont.: GENERAL GOVERNMENT ACCOUNT AT UNCHANGED LEGISLATION: DPEF AND RPP ESTIMATES (€ Mn)

	2011		2012		2013	
	DPEF	RPP	DPEF	RPP	DPEF	RPP
EXPENDITURE						
Employee compensation	176.409	177.530	178.287	179.810	180.157	182.080
Intermediate consumption	135.167	135.367	138.958	139.158	143.172	143.372
Welfare benefits	306.640	306.330	316.380	315.990	328.650	328.220
including: Pensions	247.990	247.840	256.400	256.165	266.070	265.735
Other welfare benefits	58.650	58.490	59.980	59.825	62.580	62.485
Other current expenditure, net of interest	59.885	60.485	59.844	60.544	60.538	61.238
Total current expenditure, net of interest	678.100	679.711	693.469	695.502	712.517	714.910
(% of GDP)	42.2	41.9	41.6	41.3	41.2	40.8
Interest expenditure	88.685	85.250	97.656	92.676	103.544	99.301
(% of GDP)	5.5	5.3	5.9	5.5	6.0	5.7
Total current expenditure	766.785	764.961	791.125	788.178	816.061	814.211
including: Healthcare expenditure	118.364	118.564	122.769	122.969	127.677	127.877
Total capital expenditure	56.590	57.483	58.919	59.539	57.606	57.926
including: Gross fixed investment	32.312	32.632	35.159	35.159	33.695	33.695
Capital account contributions	22.849	23.122	22.636	22.956	22.783	23.103
Other transfers	1.429	1.729	1.124	1.424	1.128	1.128
Total final expenditure net of interest	734.691	737.195	752.388	755.041	770.123	772.836
Total final expenditure	823.376	822.445	850.044	847.717	873.667	872.137
REVENUES						
Total tax revenues	463.385	461.885	483.369	481.869	503.659	502.159
including: Direct taxes	246.063	246.063	260.221	260.221	273.670	273.670
Indirect taxes	216.843	215.343	222.670	221.170	229.511	228.011
Capital account taxes	478	478	478	478	478	478
Social contributions	224.690	225.855	231.456	233.308	238.658	241.185
including: Actual contributions	220.657	221.822	227.356	229.208	234.487	237.014
Imputed contributions	4.033	4.033	4.100	4.100	4.171	4.171
Other current revenues	58.623	58.770	60.407	60.554	61.418	61.565
Total current revenues	746.219	746.031	775.754	775.253	803.257	804.431
Capital account non-tax revenues	5.920	5.920	5.957	5.957	6.000	6.000
Total final revenues	752.617	752.429	781.189	781.688	809.735	810.909
<i>Memo item: Tax burden</i>	42.8	42.4	42.9	42.4	42.9	42.4
BALANCES						
Primary balance	17.927	15.235	28.801	26.647	39.612	38.073
(% of GDP)	1.1	0.9	1.7	1.6	2.3	2.2
Current account balance	-20.566	-18.930	-16.371	-12.925	-12.804	-9.780
(% of GDP)	-1.3	-1.2	-1.0	-0.8	-0.7	-0.6
Net borrowing	-70.758	-70.015	-68.855	-66.029	-63.932	-61.228
(% of GDP)	-4.4	-4.3	-4.1	-3.9	-3.7	-3.5
Nominal GDP	1.606.113	1.623.380	1.666.930	1.685.439	1.731.275	1.751.569

The new estimates take into account: a contraction of the economy for 2009 that is smaller than previously contemplated; the updating of the general government account as a result of monitoring activity; and changes introduced when the budget package contained in a Decree Law was ratified into law in July⁴.

In view of an upward revision of GDP (including in nominal terms), the debt-to-GDP ratio is estimated to stand at 115.1 per cent in 2009.

⁴ Decree Law No. 78/2009 converted into Law No. 102/2009.

IV.2 BUDGET MEASURES FOR THE NEXT THREE-YEAR PERIOD

As occurred in 2008, the preparation of the budget for the next three years was brought forward, in part with various revenue and spending measures being ratified in a legislative package already by summer.

Alongside the 2010-2013 DPEF, the Government ratified a Decree Law with two related purposes: (i) to provide an initial update about the three-year budget package approved in 2008; and (ii) to boost economic growth, while maintaining control of public accounts⁵.

At present, the uncertainty about the economic outlook is greater than what it was in similar situations in the past. As a result, substantial caution is needed so as to prevent defining budget measures for the next three years that might end up hampering new stimuli to growth.

Based on this orientation, a decision was made to proceed with the work of maintaining the public accounts, in advance of a more pronounced consolidation of the economic recovery. The correction of the trends based on unchanged legislation, in line with that already indicated in the DPEF, can be resumed as of 2011.

The Budget Law to be presented simultaneously with this report is to be adopted consistent with this fiscally conservative approach, through measures designed to have a fiscal impact that is as neutral as possible.

This posture is in line with the positions emerging in the European debate, where the Member States have been asked to implement policies for exiting from the economic crisis that are harmonised from the standpoint of their timing and content. The challenge that the countries have to face is that of maximising the stabilisation effects of the policies while also minimising the negative repercussions on potential long-term growth, financial sustainability and inflation.

The budget package presented with the Decree Law was approved, for the most part, in its initial version, except for some supplements that did not change the impact on net borrowing.

The package taps resources (higher revenues and lower expenditures) in the amount of roughly €17 billion during the 2009-2012 period, including amounts booked earlier in the current year. Certain measures contained in the package are designed to facilitate a more rapid exit from the recession (see box). Other measures regard urgent and non-deferrable initiatives regarding banks, funds, earthquake, the relaunching of infrastructure and development initiatives, as well as the extension of certain legislative terms⁶.

In 2009, the contribution of incremental revenues to gross fiscal adjustment is of an amount equal to just under one third of the resources, whereas the lower expenditures account for the other two thirds. The situation is reversed in 2010-2012, when incremental revenues represent a percentage that is more than double (average of around 70 per cent per year), with respect to the reduction of the expenditure.

⁵ Decree Law No. 78/2009 converted into Law No. 102/2009.

⁶ The resources tapped mainly come from measures to fight tax evasion, initiatives to make better use of spending on prescription drugs, and pension-related measures. The uses are mainly concentrated among family-assistance initiatives, programmes to support employment, and measures to prop up corporate capital spending.

The resources tapped are used for financing incremental expenditures and lower revenues, which equal around €11 billion and €6 billion, respectively.

In 2009, incremental expenditures absorb almost all of the resources against a modest percentage of lower revenues. In the years thereafter (2010-2011), there is a more balanced distribution of the uses, with a percentage again in favour of expenditure in 2012, when the incremental disbursements reach more than 85 per cent of the total charges.

TABLE IV.2: EFFECTS OF DECREE LAW NO. 78/2009 FOR 2009-2012

	2009	2010	2011	2012	2009	2010	2011	2012
	(€ mn)				(% of GDP)			
Incremental revenues	1.473	3.443	3.095	2.652	0.10	0.22	0.19	0.16
Lower revenues	513	2.006	2.687	495	0.03	0.13	0.17	0.03
NET CHANGE IN REVENUES	960	1.437	408	2.157	0.06	0.09	0.03	0.13
Lower expenditure	2.690	1.317	1.141	1.261	0.18	0.08	0.07	0.07
Current expenditure	89	999	1.141	1.161	0.01	0.06	0.07	0.07
Capital expenditure	2.601	318		100	0.17	0.02	0.00	0.01
Incremental expenditure	3.643	2.661	1.449	3.319	0.24	0.17	0.09	0.20
Current expenditure	735	1.429	1.334	3.240	0.05	0.09	0.08	0.19
Capital expenditure	2.908	1.233	115	78	0.19	0.08	0.01	0.00
NET CHANGE IN EXPENDITURE	-953	-1.345	-308	-2.058	-0.06	-0.09	-0.02	-0.12
NET BORROWING ADJUSTMENT	7	92	99	99	0.00	0.01	0.01	0.01

In terms of revenues, the main changes occurring upon approval regarded the introduction of procedures to provide regular contracts to persons working as in-home caregivers or domestic help who are citizens of the EU and other countries; such procedures, which apply with regard to taxation and social-welfare contributions for these workers, require the payment of a lump-sum contribution of €500 for each worker (with expected revenues of €1.5 billion over the four-year period). The incremental resources tapped are to be used for increasing the capacity to spend resources from the Fund for Underutilised Areas that are assigned by resolution of the Interdepartmental Committee for Economic Planning (CIPE) and allocated in favour of the Abruzzo region⁷.

In terms of expenditures, some easing of the constraints posed by the Internal Stability Pact is envisioned so as to facilitate the acceleration of payables by the local public administrations. In this context, local government bodies will be given the option of effecting payments into the capital account of up to 4 per cent of their residual liabilities as determined at the time of the preparation of their budgets. The estimated €2.3 billion effect of this measure is to be offset by less use of the incremental financial resources set aside for the balance of the State Budget for 2009 and relative to the residual lapsed liabilities.

In addition, several measures regarding budget procedures (governance of the Budget Law and State Budget) introduced on an experimental basis for 2009 only have been extended⁸. Specifically, by virtue of another measure extended to 2010, certain margins of flexibility in putting together the State Budget will be available to the State's central administrations, via redistribution of financial resources among the expenditure programmes for each mission.

⁷ Decree Law No. 39/2009 converted into Law No. 77/2009.

⁸ Decree Law No. 112/2008 converted into Law No. 133/2008.

TABLE IV.3: EFFECTS OF DECREE LAW NO. 78/2009 FOR 2009-2012 (BREAKDOWN BY SECTOR)

	2009	2010	2011	2012	2009	2010	2011	2012
	€ mn				% of GDP			
FREEING OF FUNDS	4,162	4,760	4,235	3,913	0.27	0.30	0.26	0.23
Incremental revenues	1,473	3,443	3,095	2,652	0.10	0.22	0.19	0.16
<i>Increase in tax credit offsetting</i>	200	1,000	1,000	1,000				
<i>Tax havens and efforts to fight international tax arbitrage</i>		1,021	996	819				
<i>Obligation for withholding against sums held by third parties as security</i>	174	262	224	224				
<i>Recovery of taxes and welfare contributions in Abruzzo</i>		257	257					
<i>Concession of gaming licenses</i>	500	300						
<i>Effects of tax abatement on machinery</i>	160							
<i>Programme to provide regular work contracts for in-home caregivers</i>	280	402	421	412				
<i>Other</i>	159	202	197	197				
Lower expenditure	2,690	1,317	1,141	1,261	0.18	0.08	0.07	0.07
Lower current expenditure	89	999	1,141	1,161	0.01	0.06	0.07	0.07
<i>Reduction of regional pharmaceutical expenditure ceiling</i>		800	800	800				
<i>Redetermination of national healthcare service financing</i>	50	50	50	50				
<i>Increase in eligible retirement age for government workers</i>		120	242	242				
<i>Other</i>	39	29	49	69				
Lower capital expenditure	2,601	318		100				
<i>Fund for employment and training</i>	85	230						
<i>Fund for offsetting financial effects</i>	201	88		100				
<i>Savings from balancing order and lapsed residual liabilities</i>	2,315							
USE OF FUNDS	4,156	4,667	4,136	3,814	0.27	0.30	0.25	0.23
Lower revenues	513	2,006	2,687	495	0.03	0.13	0.17	0.03
<i>Tax abatement on investments in machinery</i>		1,861	2,406	240				
<i>Writedowns of non-performing loans</i>		39	79	112				
<i>Suspension of taxes and welfare contributions in Abruzzo</i>	513							
<i>Effects of providing regular work contracts to in-home caregivers</i>		106	202	143				
Incremental expenditure	3,643	2,661	1,449	3,319	0.24	0.17	0.09	0.20
Incremental current expenditure	735	1,429	1,334	3,240	0.05	0.09	0.08	0.19
<i>Establishment of fund for initiatives in healthcare sector</i>		800	800	800				
<i>Establishment of fund for Bambino Gesù paediatric hospital</i>	50	50	50	50				
<i>Extension of peace missions</i>	510	0	0	0				
<i>Supplement to Fund for structural economic-policy initiatives</i>	2	203	4	1,907				
<i>Incremental charges for programme to provide regular work contracts to in-home caregivers</i>	79	208	212	215				
<i>Fund to sustain real economy</i>		120	242	242				
<i>Other</i>	93	47	26	26				
Incremental expenditure	2,908	1,233	115	78	0.19	0.08	0.01	0.00
<i>Flexibility in use of social safety nets</i>	20	150						
<i>Termination of biennial activities</i>	25							
<i>Solidarity contracts</i>	40	80						
<i>Fund for employment and training</i>	100							
<i>Alitalia securities transactions</i>		230						
<i>Participation in international banks / funds</i>		284						
<i>Fund for offsetting financial effects</i>	256	377	91	54				
<i>Increase in capacity to spend Funds for Underutilized Areas for initiatives in favour of Abruzzo</i>	201	88						
<i>Exceptions to Internal Stability Pact</i>	2,250							
<i>Other</i>	16	24	24	24				
IMPACT ON PRIMARY BALANCE	7	92	99	99	0.00	0.01	0.01	0.01

Note: Tax-induced effects deriving from tax reduction measures are imputed as incremental revenues.

FISCAL STIMULUS PACKAGE

The 2010-2013 DPEF formally incorporates the anti-crisis measures adopted by the Government and provides an initial evaluation of their impact on the real economy. With the approval of Decree Law No. 78/2009⁹, which occurred following the presentation of the DPEF, the amount of the fiscal-stimulus resources mobilised by the Government was increased.

In financial terms, the package sets aside gross resources equal to roughly €35.5 billion for the 2008-2011 four-year period¹⁰ (€2.7 billion in 2008, €14.1 billion in 2009, €10.1 billion in 2010, and €8.7 billion in 2011), corresponding to roughly 2.3 per cent of GDP. The table below summarises the impact of the measures adopted with the Decree Laws¹¹, as well as the commitments arising from the agreement on social safety nets¹².

Measures to face the crisis by type of initiative

	2008	2009	2010	2011	2008	2009	2010	2011
	in € mn				% of GDP			
SUPPORT TO INDUSTRY AND BUSINESSES	1,359	5,288	5,713	7,430	0.09	0.35	0.37	0.46
Facilitating access to credit and easing of liquidity constraints for SMEs and other businesses	0	3,338	5,570	7,430	0.00	0.22	0.36	0.46
Support to demand for specific productive sectors	0	1,086	0	0	0.00	0.07	0.00	0.00
Direct subsidies for specific productive sectors	1,359	864	143	0	0.09	0.06	0.01	0.00
MEASURES TO IMPROVE THE FUNCTIONING OF LABOUR MARKET	800	2,647	3,768	707	0.05	0.17	0.24	0.04
Temporary reduction of hours worked partially covered by public subsidies	150	25	0	0	0.01	0.00	0.00	0.00
Reduction of taxes on labour income	650	417	405	402	0.04	0.03	0.03	0.03
Reinforcement of the system of unemployment subsidies and social assistance	0	856	1,885	305	0.00	0.06	0.12	0.02
Reinforcement of the labour market's flexibility (training, intermediation in job searching)	0	1,349	1,479	0	0.00	0.09	0.10	0.00
SUPPORT TO INVESTMENT	500	3,281	219	221	0.03	0.22	0.01	0.01
Infrastructure	0	2,708	219	221	0.00	0.18	0.01	0.01
Innovation and R&D	500	573	0	0	0.03	0.04	0.00	0.00
SUPPORT TO HOUSEHOLD PURCHASING POWER	0	2,859	352	351	0.00	0.19	0.02	0.02
Income support, general	0	136	88	88	0.00	0.01	0.01	0.01
Income supports, by specific types of workers / income	0	2,723	264	263	0.00	0.18	0.02	0.02
TOTAL EFFECT OF MEASURES	2,659	14,075	10,052	8,709	0.17	0.93	0.65	0.54

Note: The effects are presented in gross terms.

Almost one-half of the measures implemented are in favour of businesses, with an amount equal to roughly 38 per cent of the resources committed in 2009 (57 per cent in 2010 and 85 per cent in 2011)¹³. Some 19 per cent of the resources appropriated in 2009 (37 per cent in 2010 and 8 per

⁹ The Decree Law refers to "Anti-crisis measures and extension of the terms and participation of Italy in international missions" and it was converted into Law No. 102/2009.

¹⁰ This amount excludes initiatives in favour of the banking sector.

¹¹ Decree Law No. 185/2008 converted into Law 2/2009, Decree Law No. 5/2009 converted into Law No. 33/2009 and Decree Law No. 78/2009 converted into Law No. 102/2009. With regard to Decree Law No. 78/2009, only the anti-crisis measures are included.

¹² The anti-crisis package also includes several initiatives spelled out in the National Reform Programme 2008 which, by nature, will not be able to contribute immediately to the support effort.

¹³ Such resources are mainly finance measures aimed at facilitating access to credit and easing liquidity constraints for businesses (in particular, small- and medium-sized businesses), as well as to the direct

cent in 2011) are earmarked for initiatives in the labour market¹⁴. The structural measures to support public investment, with particular regard to infrastructure and R&D activity, absorb around 23 per cent of the resources in 2009 (2 per cent in 2010 and 3 per cent in 2011)¹⁵. Finally, the measures aimed at immediately supporting the purchasing power of households are equal to around 20 per cent and concentrated in 2009¹⁶.

With the scope of the measures having been expanded, the estimated effects on the real economy have been updated¹⁷.

Macroeconomic impact of the anti crisis- measures (% changes vs base)

	GDP (1)			Private Consumption (1)		
	2009	2010	2011	2009	2010	2011
LOWER REVENUES						
Tax reductions for businesses	0.08	0.20	0.06	0.09	0.18	0.07
Tax reductions for households, other lower revenues	0.03	0.04	0.02	0.06	0.06	0.07
INCREMENTAL EXPENDITURE						
Incremental transfers to businesses	0.32	0.15	0.12	0.99	0.07	0.08
Incremental transfers to households (unemployment subsidies and wage supplementation schemes)	0.06	0.11	0.07	0.19	0.24	0.19
Incremental expenditure for final consumption (active labour-market policies)	0.08	0.08	0.04	0.01	0.03	0.04
Incremental expenditure for gross fixed investment	0.13	0.11	0.01	0.01	0.04	0.05
TOTAL EFFECT	0.71	0.69	0.33	1.35	0.62	0.50

1) The percentage changes have been calculated with respect to the base scenario. Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

Note: Given the temporary nature of the tax relief on investments (allocated to tax reductions for businesses), the model has assumed that businesses take advantage of the fiscal incentives by moving up their investment decisions, and accordingly, the long-term effects have been redistributed to the quarters when the law is actually in effect.

The greatest impact is to be seen in 2009-2010: for the present year, the measures as a whole should translate into an increase of GDP of roughly 0.7 percentage points with respect to the value obtained in the base simulation, assuming the absence of any other measure. The impact should be more significant in the case of private consumption, which is likely to be higher by 1.4 percentage points in 2009, with the increase driven mainly by the car-buyer incentives and the measures to support households. GDP is expected to grow with respect to the base scenario by another 0.7 percentage points in 2010, and roughly 0.3 percentage points in 2011; private consumption can be expected to record an increase of roughly 0.5 percentage points per year. The impact on employment is also expected to be favourable, with an increase to be more pronounced in 2010-2011, with the growth versus the base scenario expected to be 0.5 percentage points in 2009 and around 0.4 percentage points in 2010.

support of specific productive sectors. In addition, Decree Law No. 78/2009 provided tax reduction measures for investment in machinery and equipment starting from the date on which the decree went into effect and extending to 30 June 2010.

¹⁴ Such measures also contemplated greater flexibility in the use of the social safety nets provided by Decree Law No. 78/2009, which allows workers on wage supplementation schemes to return to their place of work for training activity, with the payment of an employment premium to the businesses.

¹⁵ These measures also include another provision of the Decree Law No. 78/2009 that makes it possible for local entities in good standing to exclude capital expenditures from the computation of the target balance for the purposes of the Internal Stability Pact in 2009.

¹⁶ These measures also include another provision of the Decree Law No. 78/2009, which introduced procedures for providing regular contracts to persons working as in-home caregivers or domestic help who are citizens of the EU and other countries; such procedures apply with regard to taxation and social-welfare contributions for these workers.

¹⁷ The simulation exercise was done with the Treasury's econometric model (ITEM).

IV.3 2010-2013 PUBLIC FINANCE FRAMEWORK

The policy scenario for public finance outlined in the DPEF for the years of 2010-2013 has essentially confirmed the commitments undertaken with the European Union, even though it is assumed that the fiscal consolidation process will need to be revived in a rigorous but gradual manner.

The Update Note, submitted along with this Report, reviews the forecasts of general government revenue and expenditure to take into account: (i) the revision of the growth prospects for the two-year period 2009-2010; (ii) the updating of the public accounts for 2009 based on monitoring activity; (iii) the changes to the budget measures introduced in July at the time of Parliament's approval; and (iv) changes in interest rates.

Considered altogether, the revisions lead to a slight improvement of the trends based on unchanged legislation starting in 2011. At the end of the period, the net borrowing is projected to stand at 3.5 per cent of GDP, or about two-tenths of one point less than that indicated previously.

Given the modest scope of the changes with respect to the previous estimates, it is possible to confirm the overall financial objectives indicated in the DPEF.

For 2010, the level of the borrowing remains at 5.0 per cent of GDP; thereafter, for the years of 2011-2013, the targets decline, with the ratio of net borrowing to GDP falling by more than half to reach 2.2 per cent in 2013. The primary surplus gradually increases, reaching 3.4 per cent in 2013.

TABLE IV.4: PUBLIC FINANCE SCENARIO (% of GDP)

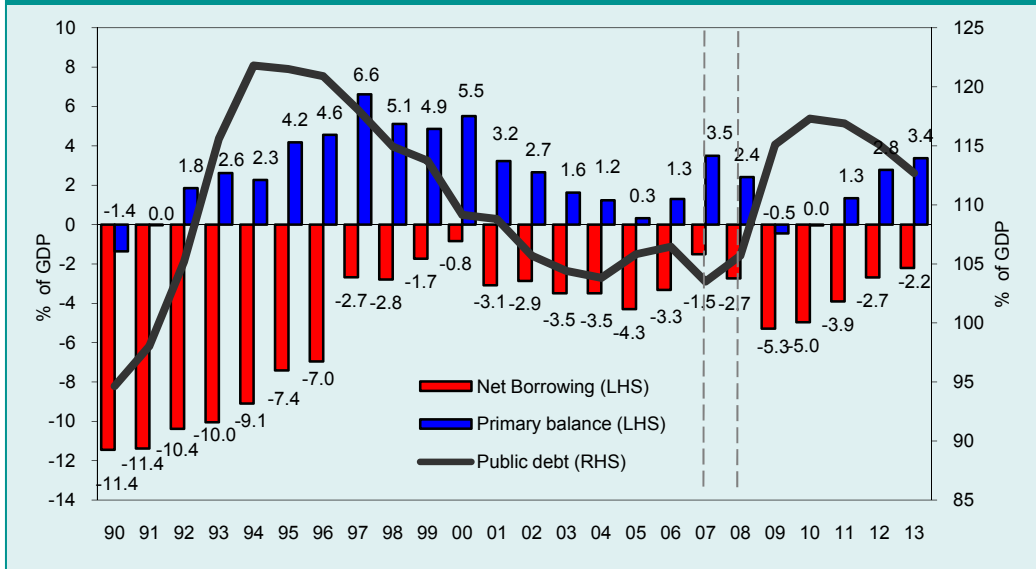
	2008	2009	2010	2011	2012	2013
UPDATED POLICY SCENARIO						
Net borrowing	-2.7	-5.3	-5.0	-3.9	-2.7	-2.2
Interest	5.1	4.8	4.9	5.2	5.5	5.6
Primary balance	2.4	-0.5	0.0	1.3	2.8	3.4
Structural net borrowing (1)	-3.4	-3.3	-2.8	-2.3	-1.8	-2.0
Structural change	0.4	-0.1	-0.4	-0.5	-0.5	0.1
Public debt	105.7	115.1	117.3	116.9	115.1	112.7
State sector borrowing requirement	-3.5	-5.7	-4.4	-3.4	-2.1	-1.5
Public sector borrowing requirement	-3.3	-5.9	-4.6	-3.6	-2.3	-1.7
Cumulative budget effect on primary balance				0.4	1.2	1.2
UPDATED SCENARIO BASED ON UNCHANGE LEGISLATION						
Net borrowing	-2.7	-5.3	-5.0	-4.3	-3.9	-3.5
Interest	5.1	4.8	4.9	5.3	5.5	5.7
Primary balance	2.4	-0.5	0.0	0.9	1.6	2.2
Structural net borrowing (1)	-3.4	-3.3	-2.8	-2.7	-3.1	-3.3
Public debt	105.7	115.1	117.3	117.3	116.8	115.5
State sector borrowing requirement	-3.5	-5.7	-4.4	-3.9	-3.3	-2.8
Public sector borrowing requirement	-3.3	-5.9	-4.6	-4.0	-3.5	-3.0

1) Cyclically adjusted and net of one-off measures balance.

Taking into account the trends based on unchanged legislation and the fiscal targets, the measures designed to correct the primary balance are confirmed to the extent indicated in the DPEF, equal in cumulative terms to around 1.2 per cent of GDP during the 2011-2013 three-year period.

The debt-to-GDP ratio is forecast to decline gradually, until reaching 112.7 per cent of GDP at the end of the period.

FIGURE IV.1: PUBLIC FINANCE BALANCES ACCORDING TO POLICY SCENARIO (% of GDP)



In structural terms, the path toward fiscal consolidation can be expected to be back on track as of 2010. After deteriorating in 2008 and slightly contracting in 2009, the cyclically adjusted deficit net of one-off measures is projected to decrease gradually over the years, with cumulative correction of more than 1.4 percentage points by 2012.

TABLE IV.5: CYCLICALLY- ADJUSTED AND NET OF ONE-OFF MEASURES CHANGE IN NET BORROWING

	2007	2008	2009	2010	2011	2012	2013
Real GDP growth	1.6	-1.0	-4.8	0.7	2.0	2.0	2.0
Potential GDP growth	1.0	0.7	0.5	0.6	0.6	0.6	0.8
Output gap	2.6	0.9	-4.5	-4.3	-3.0	-1.7	-0.6
Cyclical component	1.3	0.4	-2.2	-2.2	-1.5	-0.8	-0.3
Net borrowing	-1.5	-2.7	-5.3	-5.0	-3.9	-2.7	-2.2
Cyclically adjusted net borrowing	-2.8	-3.2	-3.0	-2.8	-2.4	-1.8	-1.9
Cyclically adjusted primary surplus	2.2	2.0	1.8	2.1	2.8	3.6	3.6
One-off measures	0.1	0.2	0.2	0.0	-0.1	0.0	0.1
Budget balance net of one-off measures	-1.6	-2.9	-5.5	-5.0	-3.8	-2.7	-2.3
Cyclically adjusted and net of one-off measures budget balance	-3.0	-3.4	-3.3	-2.8	-2.3	-1.8	-2.0
Cyclically adjusted and net of one-off measures primary surplus	2.0	1.8	1.6	2.1	2.9	3.6	3.6
Budget balance change net of one-off measures	-1.3	1.3	2.6	-0.5	-1.2	-1.2	-0.4
Cyclically adjusted and net of one-off measures budget balance change	-1.0	0.4	-0.1	-0.4	-0.5	-0.5	0.1

Note: The percentage changes have been calculated with respect to the base scenario. Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

