Mario Draghi: Fact-finding preliminary to the examination of the Economic and Financial Planning Document for the years 2009-2013

Testimony of Mr Mario Draghi, Governor of the Bank of Italy, at the Joint Session of the Fifth Committees of the Italian Senate and Chamber of Deputies, Rome, 2 July 2008.

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1. The state of the public finances

The public finances improved further in 2007. The ratio of general government net borrowing to GDP diminished by 1.5 percentage points to 1.9 per cent, making it possible for the excessive deficit procedure opened against Italy in 2005 to be abrogated. The primary surplus, almost nil in 2005, exceeded 3 per cent of GDP. After rising for two years, the ratio of debt to GDP fell to 104 per cent.

Almost one point of the reduction of 2.5 percentage points in the debt was due to the decline in the Treasury's assets with the Bank of Italy. The general government borrowing requirement continued to diminish in 2007, falling from 3.7 to 2 per cent of GDP.

As in 2006, the improvement in net borrowing was due largely to the increase in the ratio of tax and social security receipts to GDP, which rose back close to the peak recorded in 1997. Primary current expenditure fell slightly in relation to GDP, but still remained close to the postwar peak registered in 2005.

About one point of the 1.2 point increase in the ratio of tax and social security receipts to GDP can be ascribed to discretionary measures, including those to widen tax bases and to fight tax evasion and avoidance.

Net borrowing is expected to increase in 2008, reflecting lower GDP growth (0.5 per cent, against 1.5 per cent in 2007) and the budget adjustment measures introduced last autumn.

In the Economic and Financial Planning Document for 2009-13 the deficit on a current legislation basis is estimated at 2.5 per cent of GDP, compared with the forecast of 2.4 per cent given in the Combined Report on the Economy and Public Finance in March. The primary surplus is expected to fall to 2.5 per cent.

The worsening in the expected balance for 2008 compared with the forecast in the Combined Report essentially reflects the reduction in revenue (€1 billion net of the effects of Decree Law 93 issued on 27 May), in connection with the further deterioration in the outlook for growth. In particular, the estimate for indirect tax receipts has been reduced by almost €5 billion, to take account of the slowdown in VAT receipts in the first few months of the year. This downward revision has been largely offset by upward revisions for the other components of revenue.

The new estimates on a current legislation basis also take account of the effects of Decree Law 93/2008, which was approved in May and reduced both revenue and expenditure by €2.3 billion. The decree law abolished municipal property tax on primary residences (with a decrease in revenue of €1.7 billion according to the official estimates), reduced the taxation of overtime earnings and productivity bonuses (€0.7 billion), and made numerous cuts in spending appropriations, above all in relation to capital expenditure.

Larger transfers from the central government will compensate municipalities for the loss of revenue from municipal property tax. The change to that tax and the suspension, likewise provided for in Decree Law 93/2008, of the power of local government bodies to raise the rates of the taxes within their competence entail a reduction in their degree of fiscal autonomy.

The abolition of municipal property tax on primary residences pursuant to Decree Law 93/2008 comes on top of the reliefs already introduced by the Finance Law for 2008. According to the information contained in municipalities' outturns, about 5 per cent of their total budget revenue came from municipal property tax on primary residences. The impact of the abolition appears to be greater for larger municipalities, for those located in ordinary-statute regions and, among the latter, for those of the Centre and North.

The decree law provides that earnings from overtime or deriving from other variable components of compensation are subject to a substitute tax of 10 per cent, up to a maximum of €3,000, and are not included in total income for purposes of personal income tax. The relief is reserved, at least initially, to private-sector employees who in 2007 had payroll earnings of not more than €30,000 and will apply to wages and salary payments received in the second half of 2008. In the second quarter of 2007 about 10 per cent of employees worked overtime, for a number of man-hours equal to 2 per cent of total hours worked. The frequency of overtime work is highest among employees of medium-sized and large industries in the North, males and workers with relatively high educational levels and job qualifications.

The expenditure savings derive from the cancellation of numerous appropriations for minor measures (about €1 billion, including €0.4 billion of current expenditure), from the reassignment to the state budget of the funds that Fintecna was to have paid to Stretto di Messina S.p.A. (€0.6 billion) and from cutbacks to INAIL's real-estate investments (€0.7 billion).

Further, the Planning Document's planning framework also takes account of the decree law approved at the same time as the Document, which increases both revenue and expenditure, leaving net borrowing for 2008 essentially unchanged.

On the basis of the official estimates, the decree reduces net borrowing in 2008 by €0.5 billion as a result of additional revenue of €2.2 billion and additional expenditure of €1.7 billion. The former comes from bringing forward to this year the effects of the provisions increasing the taxation of banks – this will affect the second payment on account of corporate income tax and regional tax on productive activities – and of some of the measures that increase the levy on energy companies. Banks' electronic payment on account of stamp duty and the tax on insurance premiums are increased. Lastly, the decree contains measures to cope with the effects of the increase in the prices of oil products on the competitiveness of the agricultural, fishing and road transport sectors, to be applied subject to the approval of the European Commission and only up to the end of 2008.

Almost all of the increase in expenditure concerns current expenditure. About half of the outlays reflect transfers to the municipality of Rome (€0.5 billion) and the decision not to apply the safeguard clause introduced by the Finance Law for 2007 (€0.3 billion), under which budget appropriations for transfers to public entities are to be reduced if expenditure savings are found to fall short of those indicated by that law. The decree also provides for some transfers to the State Railways (€0.3 billion) and increases the operating fund for schools (€0.2 billion).

In addition, a solidarity fund is set up for the needier among the population (€0.2 billion), part of which will go to finance a card for purchases of food products and energy services by individuals living in conditions of especially great economic hardship. It is important to procure further resources to support the income of poor households, which are relatively numerous in Italy by European standards and on which the impact of the increase in the prices of essential goods is heavier. Going forward, it is also important to identify instruments that systematically deliver support to persons in economic difficulty.

In the planning framework, the ratio of primary current expenditure to GDP is set to rise by 0.7 percentage points, exceeding 40 per cent for the first time; interest payments remain stable at 5 per cent of GDP. The ratio of tax and social security receipts to GDP diminishes by 0.3 percentage points, to 43 per cent.

The change in the ratio of fiscal revenue to GDP reflects, on the one hand, the reliefs introduced in 2008 (regarding municipal property tax and personal income tax on primary residences, overtime work and productivity bonuses) and the full phasing in of those established by the budget for 2007 (in particular, the relief regarding the regional tax on productive activities levied on labour costs) and, on the other, the increase in revenue deriving from the measures contained in the June decree law (112/2008).

According to the official estimates, structural net borrowing, calculated net of the effects of one-off measures and cyclically adjusted, will increase by 0.6 percentage points of GDP compared with 2007, to 2.3 per cent.

The debt is expected to amount to 103.9 per cent of GDP, virtually the same as at the end of 2007.

In the first five months of the year the general government borrowing requirement amounted to €38.5 billion, €7.1 billion less than in the corresponding period of 2007. The improvement reflected the significant growth in revenue, to which some extraordinary factors contributed.

Tax revenue recorded in the state budget grew by 6.2 per cent (€8.2 billion) in the first five months of 2008 compared with the year-earlier period. Excluding the effects of the abolition of the payment on account by tax collection agents, decided last year, the increase can be estimated at 3 per cent. Receipts from withholding tax on payrolls and pensions increased by 9 per cent (€4.6 billion), reflecting some contract renewals and the associated back pay as well as the high elasticity of revenue to the growth in the tax base. The increase in VAT receipts was particularly small (1.5 per cent); it was probably affected by the complete utilization in 2008 of the changes in the deductibility of VAT on expenses connected with company cars, resulting from the 2006 decision of the European Court of Justice. Social security contributions are rising fast, partly owing to the full effects of the rules governing severance pay accrued by employees who have not adhered to supplementary pension schemes.

The available data on self-assessed tax payments in June indicate a reduction in revenue compared with last year, which can be ascribed only in part to changes in legislation. The decrease in receipts caused the state sector surplus to be significantly smaller than in June 2007.

2. The projections based on current legislation and the objectives set in the Planning Document for 2009-13

The Planning Document establishes three guidelines for budgetary action: support for economic growth, stability of the public finances and promotion of social cohesion.

The strategy announced by the Government to boost growth is based on the simplification of taxation and compliance for businesses, the strengthening of infrastructure and research, measures to improve the functioning of the labour market, the development of under-utilized areas and the modernization of the public administration. It is to be sustained by a plan of liberalizations, simplifications and privatizations.

In the Planning Document net borrowing on a current legislation basis is estimated at 2.6 per cent of GDP in 2009, 2.1 per cent in 2010 and 2 per cent in 2011. The progressive reduction in the deficit is ascribable to the underestimation of expenditure inherent in the current legislation criterion, which does not take into account disbursements which, even if foreseeable or necessary, require the formal passage of legislation (outlays for the renewal of public employment contracts, for service contracts and for the execution of public works).

Compared with the estimates published in the Combined Report on the Economy and Public Finance in March, projected net borrowing on a current legislation basis is revised upwards by about half a percentage point in each of the next three years. The new estimates, like those for 2008, factor in the further worsening in the outlook for growth.

Excluding the effects of the Decree Law 93/2008, which for 2009 give rise to a decrease in revenue and expenditure of respectively €2.1 billion and €2.4 billion, the increase in net borrowing on a current legislation basis next year with respect to the forecast in the Combined Report derives essentially from an upward revision of primary current expenditure (0.3 percentage points of GDP, or €2.8 billion), relating mainly to social benefits in cash, and of interest payments (0.1 points, €2.1 billion). The significant reduction in the estimate of indirect tax revenue (0.3 points, more than €5 billion) is almost entirely offset by the higher projections for both direct taxes and social security contributions. These changes will also have effects in the subsequent two years.

The target for net borrowing is set at 2 per cent of GDP in 2009 (down from 2.5 per cent projected for 2008) and 1 per cent in 2010. For 2011 a budget position basically in balance is planned, confirming the commitments made at European level. Compared with the Combined Report of March, the objective for 2009 is made less stringent (by 0.2 percentage points) and those for the subsequent years are basically confirmed. The primary surplus is forecast to grow progressively, from 2.6 per cent of GDP in 2008 to 4.9 per cent in 2011.

The planning framework for the public finances is based on a macroeconomic scenario in which GDP growth is expected to be equal to 0.5 per cent this year and 0.9 per cent in 2009, and is then forecast to increase gradually and to stabilize at 1.5 per cent in 2012.

After the deterioration of 0.6 percentage points of GDP expected for the current year, the structural budget balance should improve by about 0.6 points in 2009 and by about 1 point each year in 2010 and 2011 and then stabilize in the following two years. This adjustment path is consistent with the European guidelines for countries that have not yet attained the medium-term objectives.

The public debt is expected to remain practically stable this year and to fall to less than GDP in 2011; in fact it is projected to fall from 103.9 per cent in 2008 to 97.2 per cent in 2011. However, the adjustment will be slower than was indicated in March, owing above all to the less favourable estimate of nominal GDP growth.

For the entire forecasting horizon the Document projects not only the general government accounts on a current-legislation basis but also the planning targets. The last Planning Document to include a detailed planning framework was that presented in June 1999.

A sharp reduction in the ratio of primary expenditure to GDP is planned. For the three years 2009-11 the reduction is projected at 2.2 percentage points. Primary current expenditure will account for 1.4 points of the decrease, owing chiefly to a sharp decline in employee compensation and intermediate consumption; pension expenditure, by contrast, will continue on an upward trend.

Capital expenditure is forecast to be reduced by 0.8 points with respect to GDP; according to the Document, in 2011 it will be at its lowest level in recent decades.

The above comparison excludes, for 2000, the proceeds from sales of UMTS licences, which were entered in the accounts as a negative component of this aggregate. The planned reduction will involve both gross fixed investment and capital grants. The ratio of public gross fixed investment to GDP, which has been broadly stable at 2.4 per cent for a decade, would thus fall to 2.1 per cent in 2011.

The ratio of taxes and social security contributions to GDP will remain unchanged over the five-year planning scenario, after the 0.3-point reduction expected for 2008 to 43 per cent. The increase in direct tax receipts in relation to GDP is seen as being offset by a reduction in social security contributions and indirect taxes.

3. Budgetary policy for 2009-13

For the first time, together with the Economic and Financial Planning Document the Government has specified budgetary measures that according to the official estimates will achieve the Document's targets for the years covered. This should provide a framework of greater certainty for economic agents and allow budgetary policy to focus on structural reform and measures to stimulate economic growth.

Until now, in the Planning Document presented each June the Government had indicated the public finance objectives over the planning horizon and the magnitude of the correction with respect to the current-legislation projection needed to achieve them. The budget was then presented in September, containing the measures necessary to attain the target for the first year.

The budget measures consist of four provisions: 1) Decree Law 112 of 25 June 2008, containing measures that will already go into force in the second half of this year to stabilize the public finances; 2) a bill introducing rules that complete the correction needed to achieve the objectives by 2011; 3) a draft enabling act on fiscal federalism; and 4) a draft enabling act for the creation of a local government autonomy code and containing the legal arrangements for Rome as national capital. The last two provisions will be linked to the autumn budget session. To date, only the first of the four has actually been submitted to Parliament.

The Document's planning targets indicate the need for a correction in net borrowing with respect to the current-legislation projection equal to 0.6 percentage points of GDP in 2009, 1.1 points in 2010, and 1.9 points from 2011 onwards. For 2009-11 the correction is almost entirely achieved by the measures contained in the June decree law. The remainder will be implemented with the other provisions that form part of the budget.

3.1 The June decree law

The June decree law aims to reduce net borrowing with respect to the current-legislation projection by €9.8 billion in 2009, €17 billion in 2010 and €30.6 billion in 2011.

In 2009 the budget correction will consist mainly of revenue increases, which will account for about two thirds of the correction with respect to the figures on a current legislation basis. In the two subsequent years the planned adjustment consists entirely of reductions in expenditure.

The revenue measures are aimed in particular at certain high-profit industries. On the expenditure side the measures consist mainly of spending limits; the definition of the means for complying with the limits is left to future provisions. Further, compliance with some of them will depend crucially on measures to increase the effectiveness and efficiency of public structures, which the Government intends to present in a separate bill.

The revenue measures are expected to bring additional receipts of more than €7 billion per year starting in 2009, part of which will be offset by the revenue reductions caused by the measures to curb expenditure.

The tax increases will involve banks, insurance companies, the energy industry and cooperatives.

For banks and insurance companies a limit is set on the deductibility of interest payments, while deductions on account of credit writedowns, allocations to risk provisions and insurance company claim reserves are revised. The entry into force of the new rules on VAT exemption for ancillary services provided by banking groups, which would have increased taxes in 2008, is postponed to 2009. Energy companies are subject to a corporate income surtax of 5.5 per cent and to a substitute tax on the accrued capital gains on their stocks of petroleum products. Extraction royalties are increased. Turning to cooperatives, the withholding tax on interest paid to members is increased, as is the taxable portion of net yearly profit for consumer cooperatives.

The favourable treatment of stock options is abrogated, and a capital tax on so-called "family-owned" real estate investment funds is introduced. Under certain conditions the capital gains from the sale of shares reinvested in start-up companies may be exempted.

Tax assessments are to be stepped up, with an extraordinary audit plan and rules to combat VAT fraud. In order to simplify taxpayers' obligations, some notification requirements are eliminated and some of the rules introduced in the past two years to combat evasion are made less stringent.

Specifically, the obligation to transmit the list of suppliers and customers is abolished, as is the requirement that professionals have a current account dedicated to their professional activity and that the payments for their services be traceable. The publication of the revised sector studies is moved forward. In addition, the maximum limit for payments in cash and negotiable cheques is moved back up to €12,500 and the obligation to include the tax code of the endorser on endorsed cheques is abrogated.

On the expenditure side, the decree-law calls for savings of €10.4 billion in 2009, €17.2 billion in 2010 and €31.2 billion in 2001. In part, these will be offset by increased expenditure of €6.5 billion a year from 2009 onwards.

About 60 per cent of the additional spending will be allocated to contract renewals. The resources appropriated for 2009 correspond to just over 2 per cent of total general government staff costs, which implies a significant slowdown in wage increases, which have been particularly large in this sector in recent years.

From 2000 to 2007 per capita earnings in the public sector rose at faster rates than in the private sector, bringing the wage differential between them close to the high point recorded in 1990 (nearly 40 per cent).

The ban on cumulating pension income with self-employment or payroll income is abolished (€0.4 billion). Public employees with at least 35 years of contributions may request to be suspended from work until they reach retirement age, receiving a monthly allowance equal to half their salary (€0.2 billion starting in 2010).

The success of this latter measure depends on the ability of public agencies to identify categories of workers for whom the cost to the State will be less than the benefit of faster personnel turnover.

About half the savings will involve central government departments. They derive from cuts to appropriations for the major "missions" into which the budget is divided. The reduction in outlays, which will not involve salaries, pensions, interest payments or other compulsory expenditure, will be equal to 22 per cent in 2009 and reach 41 per cent in 2011.

Provided the overall amount of savings on each "mission" is ensured, the individual ministries can choose which spending programmes to downsize, and the Ministry for the Economy and Finance can make further changes during the year acting on a proposal from the ministry concerned.

Nearly a third of the expenditure savings will come from local government. The definition of specific measures is deferred to the revision of the Domestic Stability Pact, scheduled for the end of July. Savings on this count are expected to rise from €3.2 billion in 2009 to €9.2 billion in 2011.

In the last three years there has been a slowdown in the primary expenditure of local authorities (excluding health spending), reflecting the decrease in capital spending by municipalities in 2005 and 2006 and the slower growth in the regions' current expenditure in 2007. In recent years there has also been a tendency for the debt of local authorities to increase. The decree prohibits such bodies, for a maximum period of one year, from signing contracts in derivative financial instruments until a regulation governing the matter is issued.

According to the Document, outlays in the healthcare sector should be equal to the current-legislation projection in 2009 and then decrease by €2 billion in 2010 and €3 billion in 2011.

The current-legislation projections count the receipts from patient co-payments on specialist health services (€0.8 billion a year), which the 2008 Finance Law abolished only for this year.

The measures to achieve the savings target for the healthcare system, without prejudice to the existing deficit reduction plans, are left to the regions, in the framework of an agreement with the central government to be signed by the end of July. In the event of failure to attain the objective, there is provision for an automatic rise in the regional income tax surcharge and IRAP rates.

Public employment legislation should enable savings on compensation expenditure to rise from €1.5 billion in 2009 to €4 billion in 2011, financed by a sharp decline in recruitment over the next three years.

The measures for 2009 include limiting recruitment to within 10 per cent of the previous year's terminations, and to within 20 per cent in the two subsequent years. The previous legislation had fixed ceilings on turnover of 20 per cent in 2009, 60 per cent in 2010 and 100 per cent in 2011.

The allocations for the stabilization of precarious workers have been reduced with respect to those envisaged by the 2008 Finance Law; resources for second-level collective bargaining have also been cut back. The certification of contract renewals in the public sector by the State Audit Office has been made a necessary prerequisite for their entry into force.

The Decree Law in question sets objectives for the pupil-teacher ratio, to be increased from 8.9 to 9.9, and non-teaching staff, to be reduced by 17 per cent. To meet these targets the Ministry of Education, together with the Ministry for the Economy and Finance, will prepare a restructuring plan and the related implementing regulations, which among other things, will include a rationalization of the study schedules and timetables – in particular those of the technical and professional institutes – and of the criteria concerning the size of classes.

The current pupil-teacher ratio (8.9) increases only slightly if the calculations exclude back-up teachers, a feature of the Italian school system; in the other OECD countries the ratio is on average 16.7 for primary schools and 13.4 for secondary schools.

There is scope for improvement in the organization of the school system and a more flexible utilization of the workforce, which could offset the reduction in the number of teachers without affecting the quality of the service.

4. Some evaluations

The reintroduction in the Planning Document, after almost a decade, of a multi-year planning scenario for the individual items in the general government consolidated accounts greatly increases the information provided on budgetary policy; it means that Parliament and public opinion can better assess Government policies on the level and composition of public revenue and expenditure.

The inclusion of the detailed planning scenario in the Stability Pact will align the information this contains with that provided in the Pacts of the other European countries.

Despite the difficult economic climate, the Planning Document confirms the objective of a balanced budget in 2011. It is a sign of Italy's ongoing commitment to the pledges made to its European partners. The achievement of balance, which is entrusted to an increase in the primary surplus, will guarantee a rapid reduction in the ratio of debt to GDP, a crucial objective in light of the unfavourable demographic outlook in the coming decades.

In 2006-07 the structural budget balance improved significantly in many euro-area countries; according to European Commission estimates, the average improvement across the euro *area was 1.6 percentage points (2.1 points in Germany). Italy recorded a substantial improvement of 3 points, but is one of the few countries that continue to fall significantly short of budgetary balance.*

A significant new departure with respect to previous years is the passing, together with the Planning Document, of a decree law that defines what must be done to achieve the objectives set for the next three years. For many areas of expenditure, however, the Decree Law postpones the detailed definition of corrective measures to future legislative and administrative measures.

The ratio of tax and social security contributions to GDP envisaged for 2011 is basically unchanged compared with the level expected for the current year, which is high by both historical and international standards. It is important that the progress made in curbing expenditure and the fight against tax evasion be translated as soon as possible into lower tax rates, without compromising the budget balance objectives. If the economy were to perform better than expected, it would be opportune to lighten the tax burden even before 2011. In particular, the fiscal drag should be offset in order to support the disposable income of households. Lower tax rates for workers and firms would reinforce the interventions aimed at supporting growth, reduce the distortions in economic activities and enhance the competitiveness of Italian firms.

On the revenue side, the most important interventions aim to raise the taxation of firms operating in sectors that have recorded high earnings in recent years. The heavier fiscal burden for banks could affect the conditions offered to depositors and borrowers and lead to less resources for the banks to allocate to own funds.

The fight against tax evasion is being pursued above all by strengthening assessment activity. Significant results in this area will depend on the achievement of greater efficiency by the tax authorities.

It is commendable that reducing expenditure plays a major role in the consolidation of the public finances.

Most of the reduction in the deficit is expected to be achieved by keeping primary current expenditure basically unchanged in real terms in the three years from 2009 to 2011; in the last decade it grew by more than 2 per cent each year.

The reduction in capital expenditure is very large. This must not be allowed to hinder the full development of Italy's infrastructure, which is needed to boost firms' competitiveness and support economic growth.

Over half of savings concern central government expenditure. The planned reduction of outlays on "missions" and programmes is ambitious. In order to be effective and lasting, this action must be combined with a revision of expenditure centres' operating procedures and objectives.

Compensation of employees is contained through a further tightening of the restrictions on turnover and limits on allocations for contract renewals. Here again the interventions appear sustainable only if accompanied by an incisive overhaul of public employment that raises productivity levels. New staff assessment systems, merit-based promotion and increased accountability, which the Government intends to pursue in an enabling act, all move in this direction. This is the biggest and most difficult challenge with a view to balancing the public finances and supporting economic growth.

The Planning Document does not include any measures having a significant impact on pensions. After numerous interventions, this helps provide a stable reference framework for the decisions of workers and firms. In order to curb spending and assure future pensioners receive adequate pensions, the average actual retirement age should nonetheless be raised in the medium to long term. The abolition of the ban on the cumulation of pensions and earnings moves in the direction of increasing the rate of employment of persons aged 60 and over, which in Italy is still relatively low. It is necessary to proceed with the removal of the obstacles and disincentives that keep a large proportion of the less young population out of the workplace.

The new rules on supplementary pensions have led to large increases in the workers joining second pillar schemes. It is right to give the new legislative framework time to settle, but adjustments can be considered in this sector as well in the light of the experience matured in recent months. Careful consideration should be given to the possibility of guaranteeing, within specified limits, the reversibility of the choice of allocating severance pay to pension funds. To promote competition between funds, complete mobility of employer contributions could be introduced. Measures designed to increase the efficiency of the life annuities' market should also be considered. Information on the state pension matured by each worker should be improved, as should that on the costs and characteristics of supplementary pension schemes.

Municipalities, provinces and regions are also required to make a substantial contribution to correcting the budget balance. Any considered judgement must await the reform of the Domestic Stability Pact and the bill on federalism, which the Government intends to put before parliament before the end of September.

The manner of implementing fiscal federalism will be vital to ensuring the action to contain spending is sustainable and to increase the system's efficiency and effectiveness. A simplification of the levels of government aimed at exploiting economies of scale and avoiding useless overlaps could help.

Decentralization makes it possible to tailor the supply of services to the needs of local communities and at the same time enables the electorate to judge with greater immediacy the quality of public action. To deliver these benefits, decentralization must be based on a system of clear and consistent responsibilities. The fiscal autonomy of local governments, the adequacy and transparency of equalization flows and strict restrictions on borrowing are the key elements of this system.

Fiscal autonomy must establish a direct link at the margin between expenditure and taxation. To this end it is advisable that local authorities have sufficient room for manoeuvre on tax rates and bases. The municipal property tax relief granted affects a tax which, owing to the characteristics of property wealth, is the cornerstone of local taxation in many countries. If permanent, the blocking of increases in decentralized taxes also weakens local authorities' fiscal autonomy.

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The economic slowdown compounds the structural problems of stagnant productivity, the public debt and Southern underdevelopment. Economic policy must now lower the debt and contribute to the recovery of growth, with better public services and a reduction in the fiscal burden.

These results require a change in the rules governing the activity of public bodies and their employees. The success of the initiatives outlined in the Planning Document will be essential to making general government more flexible, effective and transparent, reducing its costs, redesigning its structure and removing obstacles to economic activity.

Tables and Figures

Table 1.	*Main public finance indicators for general government*
Table 2.	*General government revenue*
Table 3.	*General government expenditure*
Table 4.	*General government borrowing requirement*
Table 5.	*Current legislation forecasts and Government targets in the Combined Report on the Economy and Public Finance (CREPF) for 2008 and the Economic and Financial Planning Document (EFPD) for 2008-2011 and 2009-2013*
Table 6.	*Current legislation forecasts and Government targets in the Economic and Financial Planning Document (EFPD) for 2009-2013*
Table 7.	*Municipal property tax (ICI) in 2006*
Table 8.	*Recent developments in local authority spending (excluding health expenditure)*
Table 9.	*Effects of Decree Law 93/2008 on the general government consolidated accounts*
Table 10.	*Effects of Decree Law 112/2008 on the general government consolidated accounts*
Figure 1.	*Primary surplus and temporary effects*
Figure 2.	*Structural balances of the euro-area countries*
Figure 3.	*Net borrowing in Italy and the euro area*
Figure 4.	*Tax revenue and social security contributions and primary expenditure in Italy and the euro area*
Figure 5.	*Average cost of the debt, average gross interest rate on BOTs, and gross yield of 10-year BTPs*
Figure 6.	*10-year yield differentials with respect to Italy*
Figure 7.	*Primary surplus: objectives and outturns*
Figure 8.	*Local authority finances: main aggregates*

Table 1

Main public finance indicators for general government (1)

(as a percentage of GDP)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue	46.2	46.4	45.4	45.0	44.5	45.1	44.5	44.2	45.9	47.2
Expenditure (2) (3)	49.0	48.1	47.4	48.1	47.4	48.6	48.0	48.4	49.3	49.1
of which: interest payments	*7.9*	*6.6*	*6.3*	*6.3*	*5.5*	*5.1*	*4.7*	*4.5*	*4.6*	*5.0*
Primary surplus	5.1	4.9	4.3	3.2	2.7	1.6	1.2	0.3	1.3	3.1
Net borrowing	2.8	1.7	2.0	3.1	2.9	3.5	3.5	4.2	3.4	1.9
Borrowing requirement	2.6	1.4	2.2	4.6	2.9	3.0	3.6	4.9	3.7	2.0
Borrowing requirement net of privatization receipts	3.3	3.4	3.5	5.0	3.1	4.2	4.2	5.2	3.7	2.2
Debt	114.9	113.7	109.2	108.8	105.7	104.4	103.8	105.8	106.5	104.0

Source: For the general government consolidated accounts, based on Istat data.
(1) Rounding may cause discrepancies in totals. – (2) This item includes the proceeds of sales of public real estate with a negative sign. – (3) The figure for 2000 does not include the proceeds of the sale of UMTS licences, (1.2 per cent of GDP in 2000). In the national accounts these receipts are deducted from the item "Other capital expenditure".

Table 2

General government revenue (1)

(as a percentage of GDP)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Direct taxes	14.3	14.9	14.4	14.7	13.9	13.4	13.3	13.3	14.4	15.2
Indirect taxes	15.1	14.9	14.7	14.2	14.3	14.0	14.0	14.2	14.9	14.7
Capital taxes	0.4	0.1	0.1	0.1	0.2	1.3	0.6	0.1	0.0	0.0
Tax revenue	**29.7**	**29.9**	**29.2**	**29.0**	**28.4**	**28.7**	**28.0**	**27.6**	**29.3**	**29.9**
Social security contributions	12.6	12.5	12.4	12.3	12.5	12.6	12.6	12.8	12.8	13.3
Tax revenue and social security contributions	**42.3**	**42.4**	**41.6**	**41.3**	**40.8**	**41.4**	**40.6**	**40.5**	**42.1**	**43.3**
Other current revenue	3.6	3.6	3.4	3.5	3.5	3.4	3.6	3.5	3.5	3.6
Other capital revenue	0.3	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total revenue	**46.2**	**46.4**	**45.4**	**45.0**	**44.5**	**45.1**	**44.5**	**44.2**	**45.9**	**47.2**

Source: Based on Istat data.
(1) Rounding may cause discrepancies in totals.

Table 3

General government expenditure (1)

(as a percentage of GDP)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Compensation of employees excluding the health sector	8.7	8.6	8.4	8.4	8.5	8.8	8.6	8.8	8.7	8.6
Intermediate consumption excluding the health sector	3.9	4.0	4.0	4.1	4.1	4.2	4.2	4.2	3.9	3.8
Health expenditure	5.3	5.4	5.7	6.0	6.1	6.1	6.6	6.7	6.8	6.7
Social benefits in cash	16.7	16.9	16.4	16.2	16.5	16.8	16.9	17.0	17.0	17.3
Other current expenditure	2.8	2.7	2.8	2.9	3.1	3.2	3.0	3.1	3.2	3.2
Primary current expenditure	**37.3**	**37.6**	**37.3**	**37.6**	**38.3**	**39.1**	**39.3**	**39.8**	**39.7**	**39.6**
Interest payments	7.9	6.6	6.3	6.3	5.5	5.1	4.7	4.5	4.6	5.0
Total current expenditure	**45.2**	**44.2**	**43.6**	**43.9**	**43.8**	**44.2**	**44.0**	**44.4**	**44.3**	**44.6**
Investment net of real-estate sales	2.3	2.4	2.4	2.5	2.6	2.7	2.7	2.6	2.5	2.4
Real-estate sales			-0.1	-0.2	-0.8	-0.2	-0.3	-0.2	-0.1	-0.1
Other capital expenditure (2)	1.4	1.5	1.4	1.8	1.9	1.9	1.5	1.7	2.6	2.1
Total capital expenditure (2)	**3.8**	**3.9**	**3.7**	**4.2**	**3.6**	**4.3**	**4.0**	**4.1**	**5.0**	**4.5**
Capital expenditure net of real-estate sales (2)	*3.8*	*3.9*	*3.8*	*4.3*	*4.5*	*4.5*	*4.3*	*4.3*	*5.1*	*4.6*
Total expenditure (2)	**49.0**	**48.1**	**47.4**	**48.1**	**47.4**	**48.6**	**48.0**	**48.4**	**49.3**	**49.1**
of which: primary expenditure (2)	*41.1*	*41.5*	*41.0*	*41.8*	*41.9*	*43.4*	*43.3*	*43.9*	*44.7*	*44.1*

Source: Based on Istat data.

(1) Rounding may cause discrepancies in total. – (2) The figure for 2000 does not include the proceeds of the sale of UMTS licences (1.2 per cent of GDP in 2000). In the national accounts these receipts are deducted from the item "Other capital expenditure".

Table 4

General government borrowing requirement

(millions of euros)

	Year			First 5 months		
	2005	2006	2007	2006	2007	2008 (1)
Borrowing requirement net of settlements of past debts and privatization receipts	**72,175**	**54,188**	**31,549**	**58,460**	**49,075**	**38,464**
Settlements of past debts	1,864	243	2,420	71	44	34
in securities	*11*	*2*	*0*	*2*	*0*	*0*
in cash	*1,853*	*241*	*2,420*	*69*	*44*	*34*
Privatization receipts	-4,618	-38	-3,500	0	-3,500	0
Borrowing requirement	**69,421**	**54,393**	**30,468**	**58,530**	**45,620**	**38,498**
FINANCING						
Cash and deposits (2)	20,743	7,476	-13,977	10,555	-8,874	-1,036
of which: Post Office deposits	*-4,177*	*-4,957*	*-28,447*	*-1,318*	*-9,654*	*-1,638*
Short-term securities	-924	4,867	5,542	25,094	23,023	35,301
Medium and long-term securities	39,948	33,131	22,466	22,610	30,804	14,498
Loans from MFIs	5,593	63,596	1,750	1,751	3,442	1,828
Other liabilities (3)	4,061	-54,677	14,688	-1,479	-2,776	-12,094
of which: deposits with the Bank of Italy	*1,197*	*-8,230*	*13,142*	*-7,799*	*-3,269*	*-10,411*
Memorandum item: Borrowing requirement financed abroad	3,982	-6,868	-6,054	-664	336	-2,660

(1) Provisional. – (2) Post Office funds, notes and coins in circulation, and deposits held with the Treasury by entities not included in general government. – (3) Deposits held with the Bank of Italy, securitization receipts and Cassa Depositi e Prestiti S.p.A. loans to general government.

Table 5

Current legislation forecasts and Government targets in the Combined Report on the Economy and Public Finance (CREPF) for 2008 and the Economic and Financial Planning Document (EFPD) for 2008-2011 and 2009-2013 (1)

(as a percentage of GDP)

	2007	2008			2009			2010			2011			2012	2013
	Outturn	EFPD 2008-11	CREPF 03/2008	EFPD 2009-13	EFPD 2008-11	CREPF 03/2008	EFPD 2009-13	EFPD 2008-11	CREPF 03/2008	EFPD 2009-13	EFPD 2008-11	CREPF 03/2008	EFPD 2009-13	EFPD 2009-13	EFPD 2009-13
								CURRENT LEGISLATION FORECASTS (2)							
Net borrowing	1.9	2.2	2.4	2.5	1.9	2.1	2.6	1.4	1.7	2.1	1.3	1.4	2.0	1.9	1.8
of which: current	*-2.3*	*-1.5*	*-1.4*	*-1.2*	*-1.9*	*-1.8*	*-1.2*	*-2.2*	*-2.1*	*-1.5*	*-2.3*	*-2.3*	*-1.6*	*-1.6*	*-1.6*
capital	*4.2*	*3.7*	*3.8*	*3.7*	*3.8*	*3.9*	*3.8*	*3.6*	*3.8*	*3.6*	*3.6*	*3.7*	*3.6*	*3.5*	*3.4*
Primary surplus	3.1	2.6	2.6	2.5	3.0	2.8	2.5	3.4	3.1	3.0	3.6	3.4	3.1	3.2	3.4
Total revenue	47.2	46.3	46.9	46.8	46.1	46.7	46.5	45.8	46.7	46.7	45.6	46.6	46.6	46.5	46.3
of which: taxes and social security contributions	*43.3*	*42.6*	*43.1*	*42.8*	*42.5*	*42.9*	*42.6*	*42.3*	*42.9*	*42.8*	*42.1*	*42.9*	*42.8*	*42.7*	*42.6*
Primary expenditure	44.1	43.6	44.4	44.2	43.0	43.9	44.0	42.4	43.6	43.6	42.0	43.2	43.5	43.3	43.0
of which: current	*39.6*	*39.6*	*40.2*	*40.2*	*39.0*	*39.6*	*39.9*	*38.5*	*39.5*	*39.7*	*38.2*	*39.2*	*39.6*	*39.5*	*39.3*
capital	*4.5*	*4.0*	*4.2*	*4.0*	*4.1*	*4.3*	*4.1*	*3.9*	*4.1*	*4.0*	*3.8*	*4.1*	*3.9*	*3.8*	*3.7*
Interest payments	5.0	4.9	5.0	5.0	4.9	4.9	5.1	4.9	4.9	5.1	4.9	4.8	5.1	5.1	5.1
Nominal GDP growth	*3.8*	*4.2*	*3.6*	*3.5*	*3.7*	*3.3*	*3.0*	*3.5*	*3.5*	*3.2*	*3.5*	*3.6*	*3.1*	*3.3*	*3.3*
								GOVERNMENT TARGETS							
Net borrowing	1.9	2.2	2.4	2.5	1.5	1.8	2.0	0.7	1.0	1.0	-0.1	0.2	0.1	0.0	-0.1
Primary surplus	3.1	2.7	2.6	2.6	3.4	nd	3.1	4.2	nd	4.0	4.9	nd	4.9	4.9	5.0
Interest payments	5.0	4.9	5.0	5.0	4.9	nd	5.1	4.9	nd	5.0	4.8	nd	5.0	4.9	4.9
Debt	104.0	103.2	103.0	103.9	101.2	101.5	102.7	98.3	98.7	100.4	95.0	95.0	97.2	93.6	90.1

(1) The estimates contained in the EFPDs for 2008-11 and 2009-13 include the effects of Decree Law 81/2007, ratified by Law 127/2007, and Decree Law 93/2008, respectively. – (2) Rounding may cause discrepancies in totals.

Table 6

Current legislation forecasts and Government targets in the Economic and Financial Planning Document (EFPD) for 2009-2013 (1) (2)

(as a percentage of GDP)

	2007	2008		2009		2010		2011		2012		2013	
	Outturn	Planned	Current lgn	Planned	Current lgn	Planned	Current lgn	Planned	Current lgn	Planned	Current lgn	Planned	Current lgn
Net borrowing	1.9	2.5	2.5	2.0	2.6	1.0	2.1	0.1	2.0	0.0	1.9	-0.1	1.8
of which: current	*-2.3*	*-1.2*	*-1.2*	*-1.6*	*-1.2*	*-2.3*	*-1.5*	*-2.8*	*-1.6*	*-2.9*	*-1.6*	*-2.9*	*-1.6*
capital	*4.2*	*3.7*	*3.7*	*3.6*	*3.8*	*3.3*	*3.6*	*2.9*	*3.6*	*2.9*	*3.5*	*2.8*	*3.4*
Primary surplus	3.1	2.6	2.5	3.1	2.5	4.0	3.0	4.9	3.1	4.9	3.2	5.0	3.4
Total revenue	47.2	46.9	46.8	46.9	46.5	47.1	46.7	47.0	46.6	46.9	46.5	46.7	46.3
of which: taxes and social security contributions	*43.3*	*43.0*	*42.8*	*43.0*	*42.6*	*43.2*	*42.8*	*43.2*	*42.8*	*43.1*	*42.7*	*43.0*	*42.6*
Primary expenditure	44.1	44.3	44.2	43.8	44.0	43.0	43.6	42.1	43.5	41.9	43.3	41.7	43.0
of which: current	*39.6*	*40.3*	*40.2*	*39.9*	*39.9*	*39.4*	*39.7*	*38.9*	*39.6*	*38.8*	*39.5*	*38.6*	*39.3*
capital	*4.5*	*4.0*	*4.0*	*3.9*	*4.1*	*3.7*	*4.0*	*3.3*	*3.9*	*3.2*	*3.8*	*3.1*	*3.7*
Interest payments	5.0	5.0	5.0	5.1	5.1	5.0	5.1	5.0	5.1	4.9	5.1	4.9	5.1
Debt	104.0	103.9	103.9	102.7	103.2	100.4	101.9	97.2	100.4	93.6	98.4	90.1	96.5

(1) The estimates contained in the EFPD for 2009-13 include the effects of Decree Law 93/2008. – (2) Rounding may cause discrepancies in totals.

Table 7

Municipal property tax (ICI) in 2006

(millions of euros and percentages)

Regions	Total ICI	ICI on main homes as a percentage of total municipal revenue					
		Total	Municipalities up to 5,000 inhabitants	From 5,001 to 10,000	From 10,001 to 20,000	From 20,001 to 60,000	> 60,000 inhabitants
Friuli V.G.	250	4.7	3.1	5.2	4.6	4.7	5.8
Bolzano	79	1.0	0.7	1.7	1.7	_	1.3
Trento	103	1.0	1.1	1.6	1.2	1.0	0.5
Veneto	1,035	6.0	4.9	6.8	6.1	6.9	5.6
Emilia Romagna	1,231	6.5	4.0	6.1	6.1	7.6	7.0
Piedmont	928	5.9	4.6	6.2	7.1	6.2	6.3
Valle d'Aosta	39	2.2	2.1	-	-	2.6	-
Lombardy	2,152	5.7	4.0	5.5	5.4	6.4	6.6
Liguria	519	7.2	4.8	6.5	6.0	6.8	9.0
Tuscany	932	6.7	4.0	6.5	7.6	7.0	7.1
Lazio	1,515	7.6	3.4	7.5	5.9	7.6	8.2
Umbria	163	3.8	3.3	2.8	4.7	2.8	5.5
Marche	284	4.3	3.0	4.7	4.3	4.3	5.9
Abruzzo	223	4.9	3.8	5.0	4.8	5.8	5.6
Campania	753	3.7	2.1	3.9	4.3	4.2	3.9
Molise	51	3.1	2.2	3.3	9.3	4.7	-
Basilicata	57	2.3	1.3	3.5	2.0	5.3	2.4
Calabria	198	3.1	2.4	3.3	3.7	2.0	3.9
Puglia	560	4.1	1.9	3.2	4.0	4.3	4.7
Sicily	581	2.7	1.8	2.9	2.8	3.2	2.7
Sardinia	239	3.2	2.5	2.2	2.0	3.5	5.5
Special statute regions	**1,291**	**2.8**	**2.0**	**3.2**	**2.9**	**3.3**	**3.2**
Ordinary statute regions	**10,600**	**5.6**	**3.6**	**5.5**	**5.5**	**5.8**	**6.6**
Italy	**11,891**	**5.1**	**3.2**	**5.1**	**5.1**	**5.4**	**6.1**

Sources: Based on data issued by the Ministry of the Interior, *Certificati di conto consuntivo*, and the Territorial Office of the Ministry for the Economy and Finance.

Table 8

Recent developments in local authority spending (excluding health expenditure) (1)

(millions of euros, growth rates and percentage shares)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
					Amounts				
Primary expenditure: (1)									
All local authorities	76,417	78,760	86,597	92,620	96,610	104,575	104,524	106,314	106,827
of which: capital	*23,941*	*25,187*	*26,937*	*29,256*	*30,741*	*34,668*	*33,135*	*32,633*	*33,750*
Regions	24,638	25,758	28,489	30,828	31,366	34,166	34,855	35,515	34,308
of which: capital	*9,058*	*9,783*	*10,220*	*10,777*	*11,108*	*12,435*	*12,846*	*12,507*	*12,153*
Provinces	6,580	6,687	8,060	9,314	10,298	11,112	11,066	11,463	11,821
of which: capital	*1,671*	*1,760*	*2,067*	*2,408*	*2,837*	*3,334*	*2,995*	*3,261*	*3,580*
Municipalities	45,199	46,315	50,048	52,478	54,946	59,297	58,603	59,336	60,698
of which: capital	*13,212*	*13,644*	*14,650*	*16,071*	*16,796*	*18,899*	*17,294*	*16,865*	*18,017*
					Growth rates				
Primary expenditure: (1)									
All local authorities	5.3	3.1	10.0	7.0	4.3	8.2	0.0	1.7	0.5
of which: capital	*6.7*	*5.2*	*6.9*	*8.6*	*5.1*	*12.8*	*-4.4*	*-1.5*	*3.4*
Regions	0.9	4.5	10.6	8.2	1.7	8.9	2.0	1.9	-3.4
of which: capital	*4.5*	*8.0*	*4.5*	*5.5*	*3.1*	*11.9*	*3.3*	*-2.6*	*-2.8*
Provinces	9.5	1.6	20.5	15.6	10.6	7.9	-0.4	3.6	3.1
of which: capital	*14.9*	*5.3*	*17.4*	*16.5*	*17.8*	*17.5*	*-10.2*	*8.9*	*9.8*
Municipalities	7.2	2.5	8.1	4.9	4.7	7.9	-1.2	1.3	2.3
of which: capital	*7.2*	*3.3*	*7.4*	*9.7*	*4.5*	*12.5*	*-8.5*	*-2.5*	*6.8*
					Percentage shares				
Primary expenditure: (1)									
Share of general government	27.5	28.3	27.1	27.6	27.2	28.5	27.2	26.0	25.9
Share of general government (net of expenditure of social security institutions)	37.3	39.9	37.6	38.2	37.4	40.0	38.6	36.8	36.7
Memorandum items: Expected effects of the measures contained in the budget									
- in millions of euros	2,200	1,704	2,066	1,190	2,250	….	1,470	3,130	3,260
- as a % of annual expenditure (t-1)	*3.0*	*2.2*	*2.6*	*1.4*	*2.4*	….	*1.4*	*3.0*	*3.1*

Sources: Based on Istat data and budget documents covering various years.
(1) This table shows the local authority spending net of transfers to other public entities that is consolidated in the general government accounts. In the case of the regions, the transfers to other public entities are mainly to local health agencies for health expenditure; the exclusion of transfers makes it possible to approximate the expenditure of the regions net of health expenditure.

Table 9

Effects of Decree Law 93/2008 on the general government consolidated accounts (1)

(millions of euros)

	2008	2009	2010
REVENUE			
Abolition of ICI on main home	-1,700	-1,700	-1,700
Reduction of taxes on overtime pay	-649	-402	0
Other			37
NET EFFECTS ON REVENUE	**-2,349**	**-2,102**	**-1,663**
EXPENDITURE			
Cuts in INAIL investments	-700	-600	-600
Other minor expenditure (2)	-2,049	-1,903	-3,007
Other	400	100	100
NET EFFECTS ON EXPENDITURE	**-2,349**	**-2,403**	**-3,507**
EFFECTS ON NET BORROWING (3)	**0**	**301**	**1,844**

(1) Based on official estimates. – (2) Includes reductions in expenditure allocations introduced by the Finance Laws for 2007 and 2008 and the "thousand extensions" decree. – (3) A positive number corresponds to an improvement in the balance.

Table 10

Effects of Decree Law 112/2008 on the general government consolidated accounts (1)

(millions of euros)

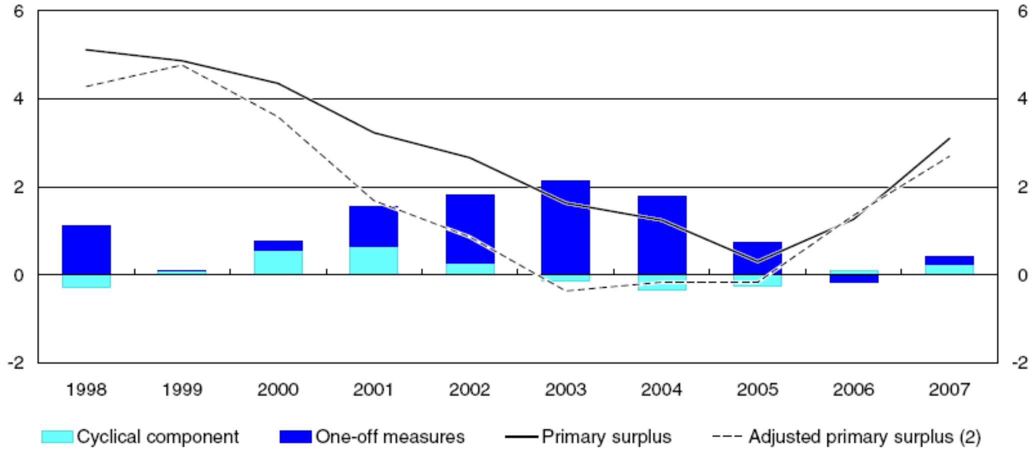
	2008	2009	2010	2011
REVENUE				
Increase in revenue	**2,229**	**7,421**	**7,368**	**7,690**
Companies in the energy sector	437	2,282	1,441	1,189
Banks and insurance companies	1,529	1,723	2,432	2,287
Cooperatives	40	45	45	45
Effects of the renewal of public sector wage contracts	0	1,916	1,916	1,916
Strengthening of control, assessment and other activities	50	513	793	1,953
Payments on account of stamp and insurance duties	133	635	466	0
Stock options, family property funds and ban on cumulation	36	163	126	147
Social security contributions	4	143	148	152
Decrease in revenue	**20**	**1,292**	**1,353**	**1,850**
Effects produced by expenditure cuts	20	747	1,129	1,753
Extension of tax reliefs	0	500	0	0
Other	1	45	134	97
NET INCREASE IN REVENUE	**2,209**	**6,129**	**6,015**	**5,840**
EXPENDITURE				
Decrease in expenditure	**40**	**10,360**	**17,240**	**31,155**
Rationalization e reorganization of general government	40	9,814	14,749	27,690
Local authorities	*0*	*3,150*	*5,200*	*9,200*
Public employment	*40*	*1,515*	*2,761*	*3,988*
Central government current expenditure	*0*	*2,939*	*3,362*	*6,168*
Central government capital expenditure	*0*	*2,210*	*3,426*	*8,334*
Health service	0	0	2,000	3,000
Social services	0	100	100	100
Other current expenditure	0	446	391	365
Increase in expenditure	**1,758**	**6,681**	**6,215**	**6,393**
Public employment	0	3,901	4,268	4,402
Social services	0	390	600	620
Transfers to public enterprises	300	0	0	0
Other current expenditure	1,303	2,260	1,192	1,192
Other capital expenditure	155	130	155	179
NET DECREASE IN EXPENDITURE	**-1,718**	**3,679**	**11,025**	**24,762**
DECREASE IN NET BORROWING	**491**	**9,808**	**17,040**	**30,602**

(1) Based on official estimates.

Figure 1

Primary surplus and temporary effects (1)

(as a percentage of GDP)



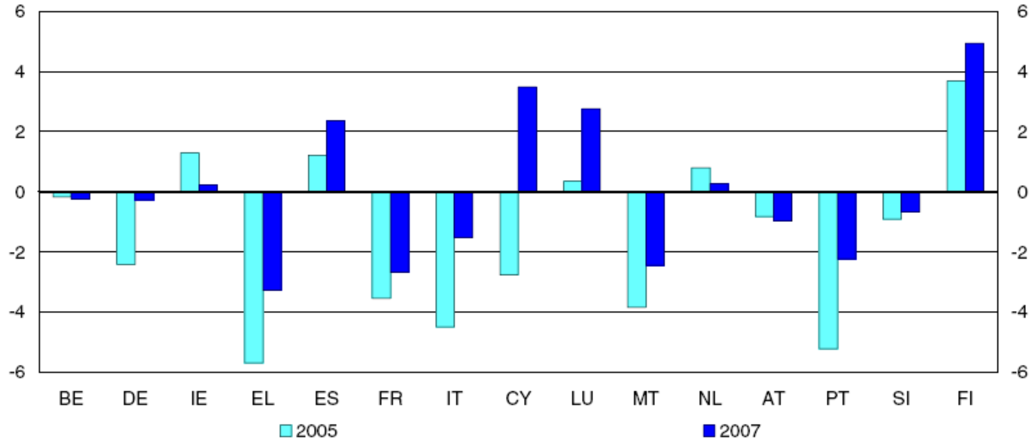
Source: Based on Istat data.

(1) The estimates of temporary effects are based on the methods used by the Bank of Italy (see the Annual Report for 2006). – (2) Adjusted for the effects of the economic cycle and one-off measures, as a percentage of trend GDP.

Figure 2

Structural balances of the euro-area countries (1)

(as a percentage of potential GDP)



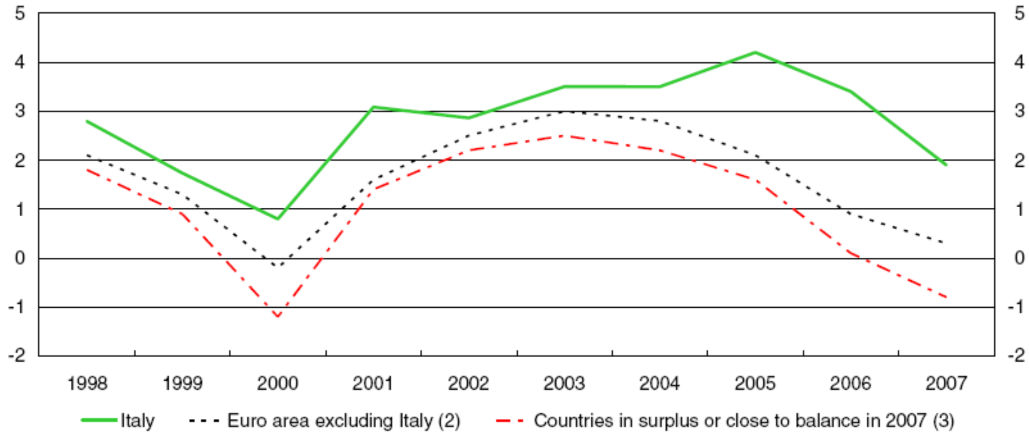
Source: European Commission.

(1) A positive number corresponds to a budget surplus.

Figure 3

Net borrowing in Italy and the euro area (1)

(as a percentage of GDP)

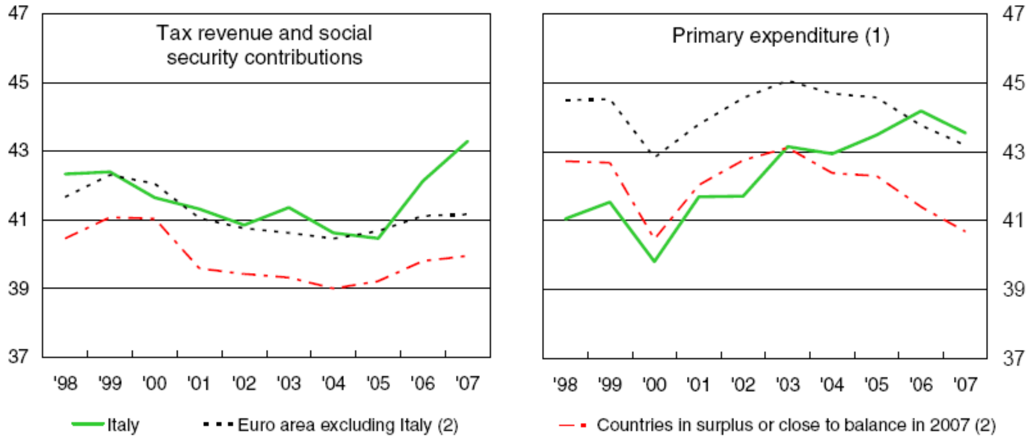


Sources: Based on Istat and European Commission data.
(1) The figures include the effects of swaps and forward rate agreements. – (2) For the sake of comparison, the euro area includes Greece, Slovenia, Cyprus and Malta for the entire period considered. – (3) Belgium, Cyprus, Finland, Germany, Ireland, Luxembourg, the Netherlands and Spain.

Figure 4

Tax revenue and social security contributions and primary expenditure in Italy and the euro area

(as a percentage of GDP)



Sources: Based on Istat and European Commission data.
(1) For the sake of comparison among the euro-area countries, the figures are calculated in accordance with Regulation EC 1500/2000. – (2) For the sake of comparison, the euro area includes Greece, Slovenia, Cyprus and Malta for the entire period considered. – (3) Belgium, Cyprus, Finland, Germany, Ireland, Luxembourg, the Netherlands and Spain.

Figure 5

Average cost of the debt, average gross interest rate on BOTs, and gross yield of 10-year BTPs

(percentages)

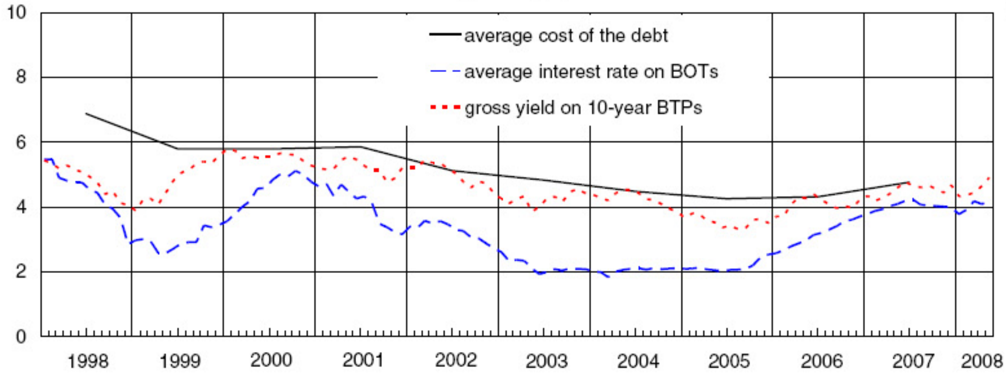


Figure 6

10-year yield differentials with respect to Italy

(basis points)

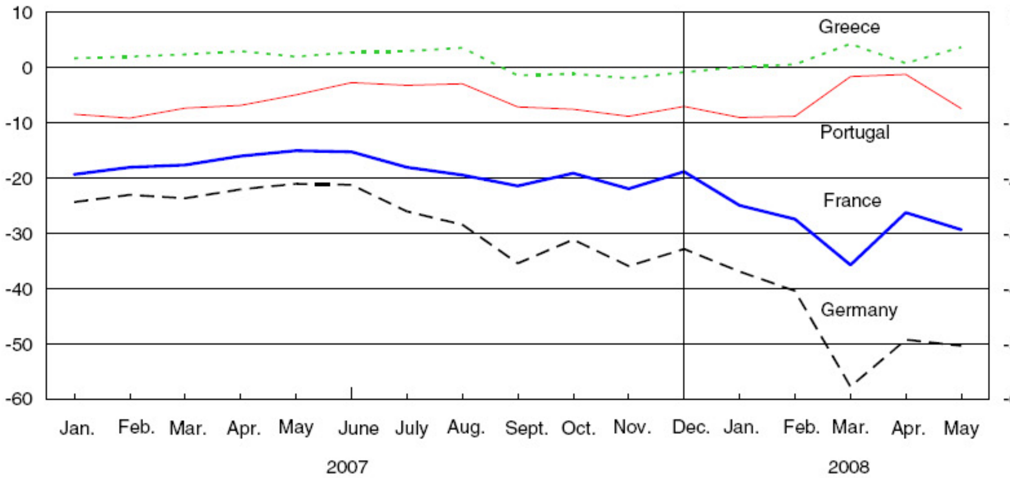


Figure 7

Primary surplus: objectives and outturns

(as a percentage of GDP)

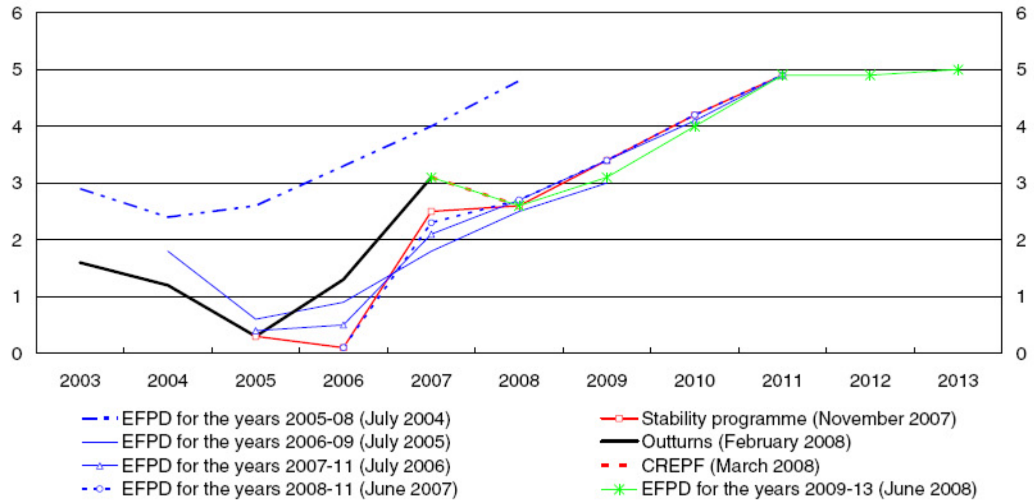
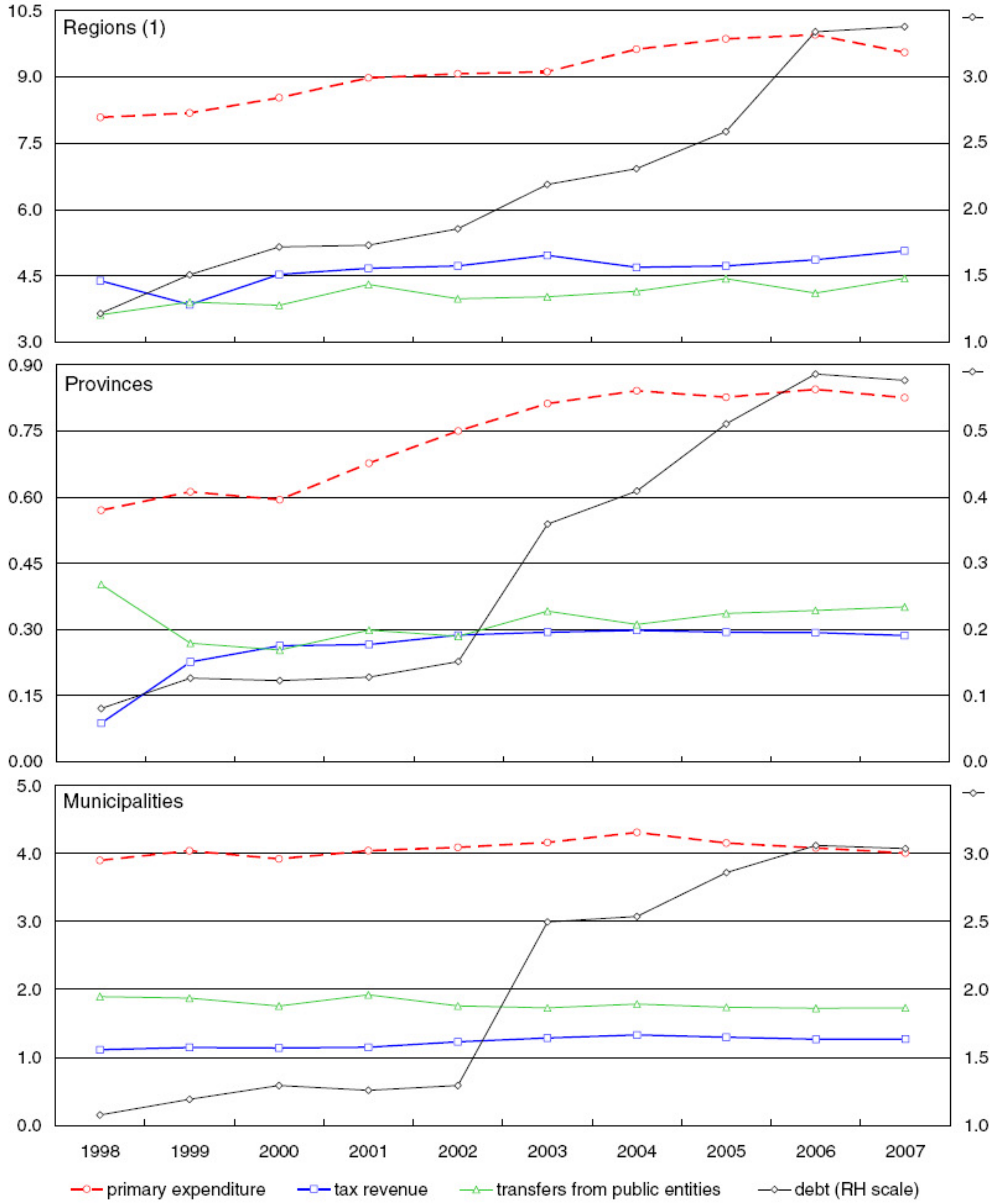


Figure 8

Local authority finances: main aggregates

(as a percentage of GDP)



Source: Istat.

(1) The expenditure of the regions is net of the transfers to public bodies and includes that of the health agencies; the debt includes that of the health agencies.