



# **L'economia europea rallenta, l'Italia sarà pronta?**

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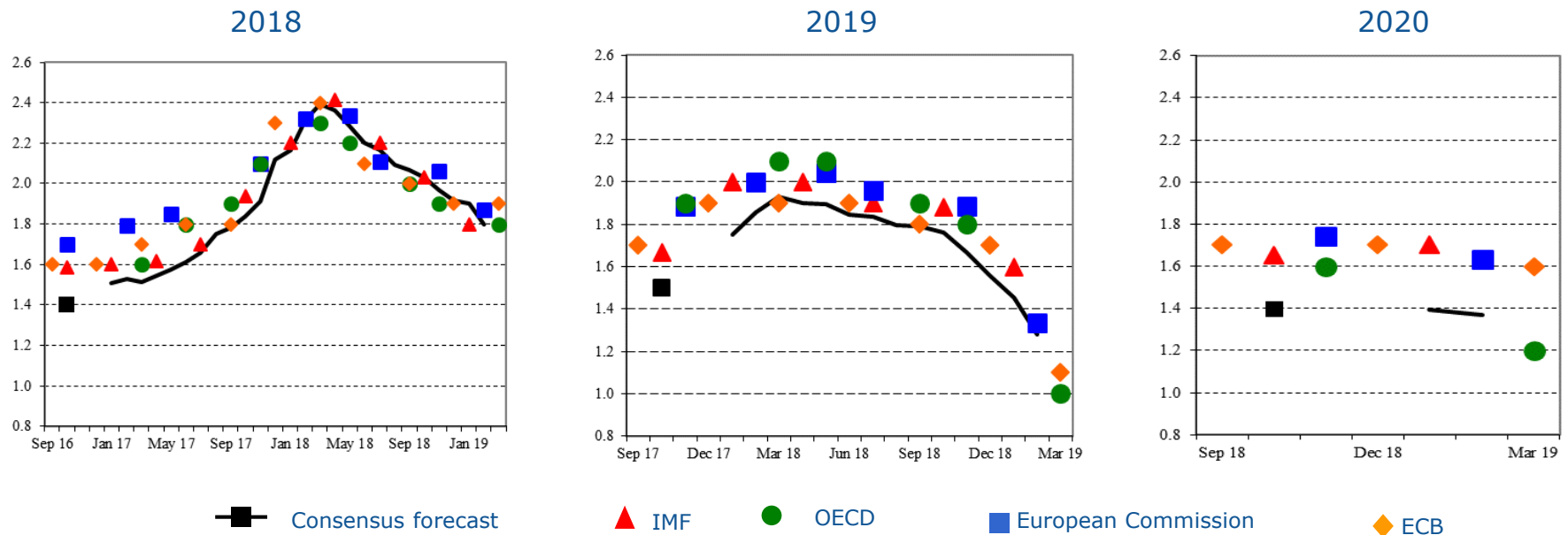
***European Commission***

**Centro di Ricerca e Documentazione *Luigi Einaudi***

**21 March 2019**

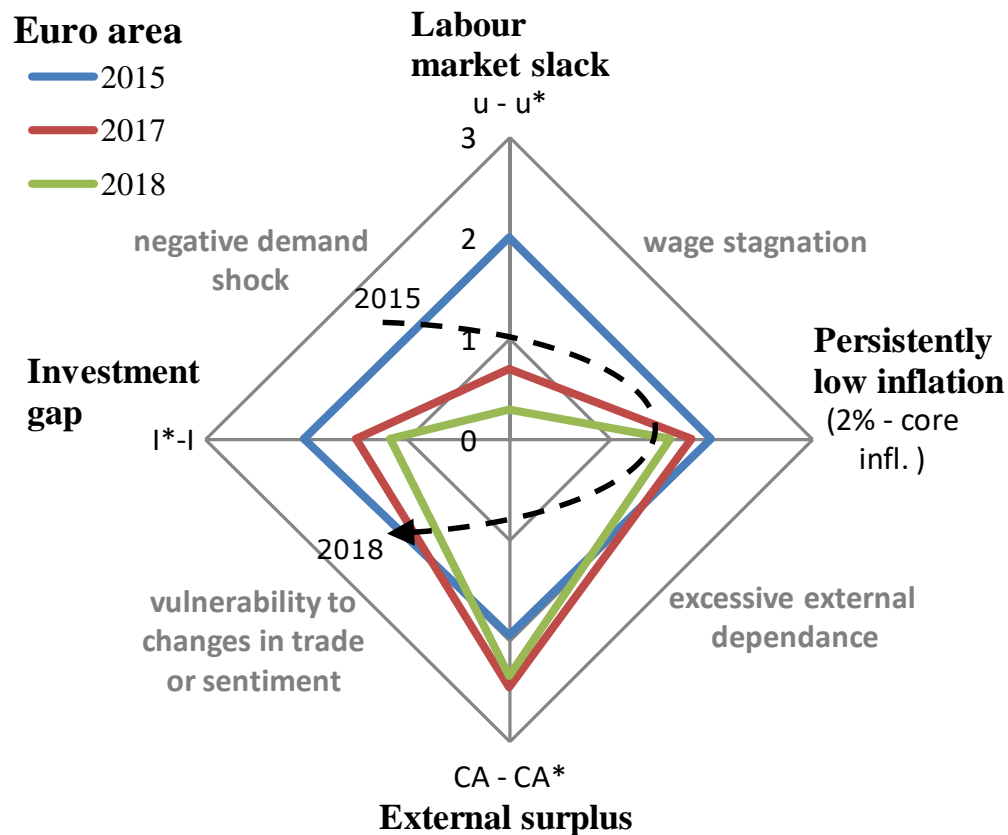
## After three years of strong growth, momentum is fading away in the Euro area

### Revisions in the forecast GDP growth, Euro area



- Is the slowdown temporary or not?
- Why is the EA suffering more than the others?

## EA macroeconomic situation

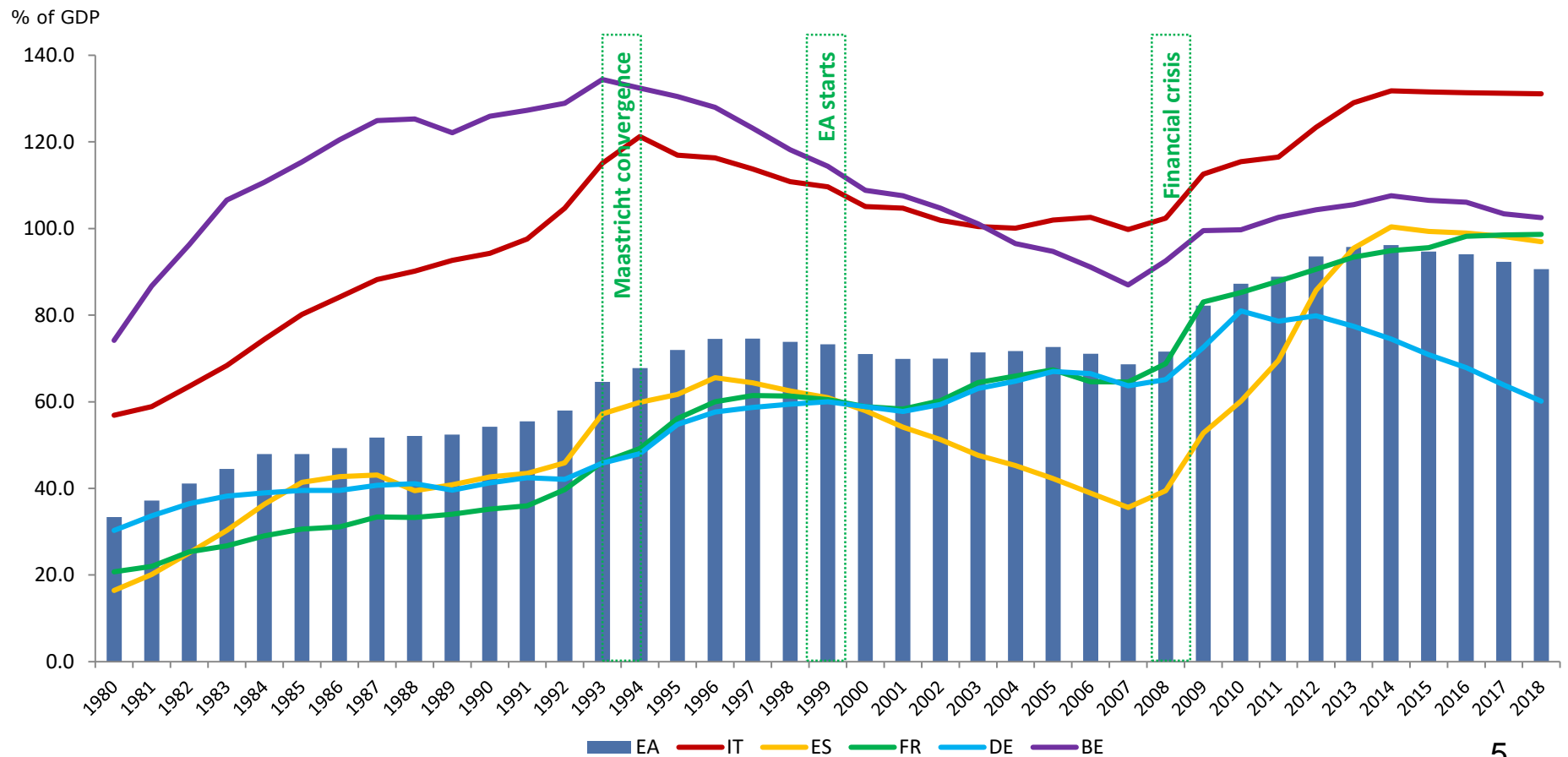


## Italy's structural growth gap

Period	Italian GDP Growth rate, (%)	Rest of the Euro Area <sup>(1)</sup> GDP growth rate, (%)	Growth Gap, (pps.)
Avg. 1999-2007	1.5	2.4	-1.0
Avg. 2008-2014	-1.3	0.1	-1.4
Avg. 2015-2017	1.4	2.3	-1.0
2018	0.9*	2.0	-1.1
2019	0.2	1.6	-1.4

Note: (1) Euro Area, excluding Italy  
Source: Ameco, European Commission;  
\*ISTAT flash preliminary release

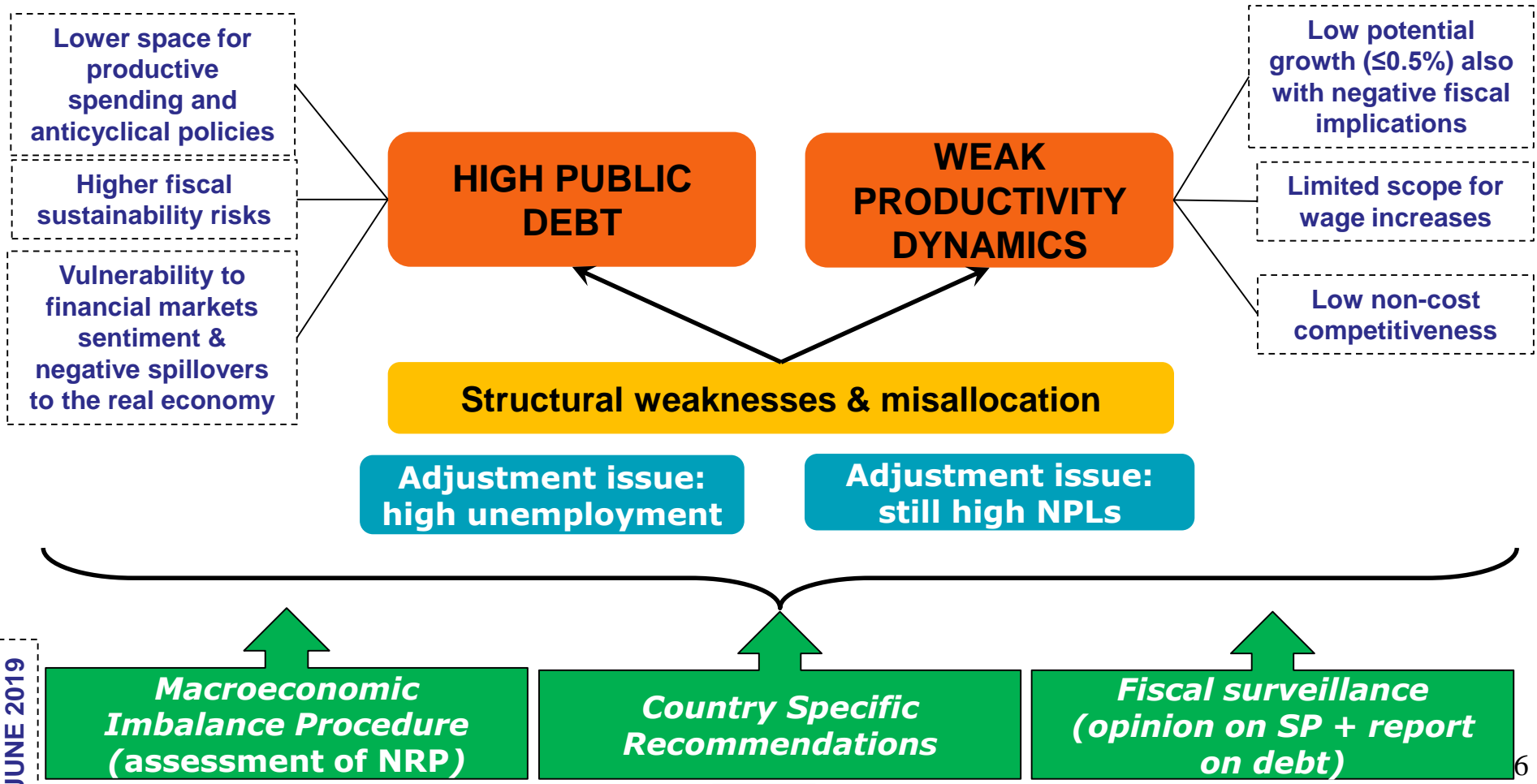
## Public debt: when was the “original sin”?



Source: Ameco, European Commission



## Italy displays "excessive macroeconomic imbalances"



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## Italy made limited progress on the 2018 CSRs

2018 CSRs	Some progress	Limited progress	No progress
<b>Public finances</b>		<ul style="list-style-type: none"> <li>Tackling tax evasion “without consent” (e.g. through e-invoicing)</li> </ul>	<ul style="list-style-type: none"> <li>Updating cadastral values</li> <li>Reducing tax expenditures</li> <li>Rationalising public expenditure (pensions)</li> <li>Encouraging e-payments</li> </ul>
<b>Institutional capacity (PA &amp; justice) and competition</b>	<ul style="list-style-type: none"> <li>New anti-corruption law (including prescription terms)</li> <li>Enforcing the framework for SOEs</li> </ul>		<ul style="list-style-type: none"> <li>Reform of civil justice</li> <li>Reform of criminal justice &amp; appeal system</li> <li>Reform of local public services and public management</li> <li>New competition law</li> </ul>
<b>Banking and access to finance</b>	<ul style="list-style-type: none"> <li>Reduction of NPLs</li> <li>Reform of insolvency</li> </ul>	<ul style="list-style-type: none"> <li>Incentives for SMEs to access credit</li> </ul>	
<b>Labour market, education, investment &amp; innovation</b>	<ul style="list-style-type: none"> <li>Implementing the reform of active labour market policies</li> </ul>	<ul style="list-style-type: none"> <li>Incentives to R&amp;D&amp;I and vocational-oriented tertiary education</li> <li>Raising women’s labour market participation</li> </ul>	



## ❖ At the EU/EA level

- Reduce policy uncertainty
- Stand ready to respond in case of stronger slowdown
- Complete EMU: June EA summit and beyond

## ❖ At national level

- Reduce political and policy uncertainty
- Start preparing early 2020 Stability Law to rein in public debt
- Address real structural bottlenecks to growth



# BACKGROUND SLIDES

# Italian outlook

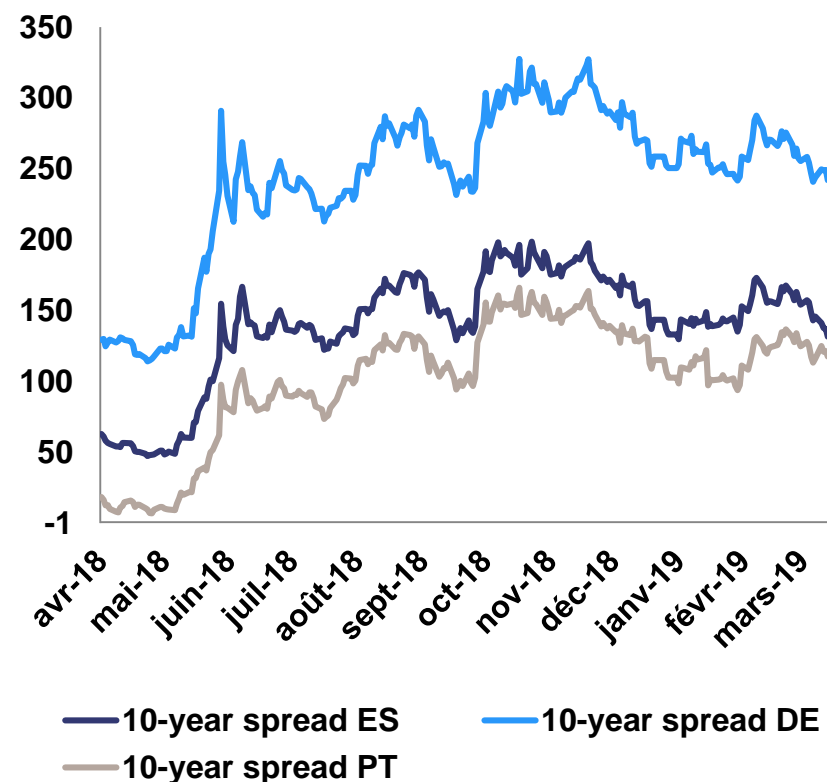


## Banking sector indicators

	2015	2016	2017	2018 (Q3)
<b>NPL ratio (%)</b>	<b>16.5</b>	<b>15.0</b>	<b>11.2</b>	<b>9.5</b>
<b>NPL coverage ratio (%)</b>	<b>46.1</b>	<b>49.1</b>	<b>50.5</b>	<b>54.3</b>
<b>ROE (%)</b>	<b>3.1</b>	<b>-7.7</b>	<b>7.1</b>	<b>6.1</b>
<b>CET 1 ratio</b>	<b>11.8</b>	<b>10.9</b>	<b>13.4</b>	<b>12.8</b>

Source: ECB

## Italian sovereign 10-year spreads versus Germany, Spain and Portugal (basis points)



Source: Bloomberg