



NOVEMBER 2011 ECONOMIC OUTLOOK FOR ITALY: ANSWERS FROM CONFINDUSTRIA

MAIN FORECAST

Annual % change	2011	2012
Real GDP growth	0,7	0,2
Consumer price inflation	2,7	2,0
Unemployment rate	8,2	8,3
Employment growth	0,9	0,2
government net lending (% of GDP)	-3,7	-1,6
gross public debt (% of GDP)	120,3	119,5
current account balance (% of GDP)	4,1	0,0

Components of aggregate demand - in real terms

Annual % change	2011	2012
Private consumption	0,7	0,1
Public consumption	-0,4	-1,7
Investment (Gross Fixed Capital Formation)	1,4	0,5
Private non-residential investment	0,0	0,0
Exports	4,3	2,9
Imports	3,6	2,4

ECONOMIC SENTIMENT

	Positive	Negative	Unchanged
Trend in business climate over the next 6 months		Industry	
		Services	

	Positive	Negative	Unchanged
Trend in profitability over the next 6 months		Industry	
		Services	

	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
Investment intentions over the next 6 months				Services	Industry

	Global demand	Domestic demand	Cost of finance	Availability of finance	Company Profitability	Capacity Utilisation
Influence on companies' investment decisions	negative	negative	negative	negative	negative	negative

	Replacement	Extension	Rationalisation	Innovation
Driving force behind investment decisions in the next 6 months	neutral	neutral	positive	positive

	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months
Overall trend in employment	Same	Down	Up	Down

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

Compared to 6 months ago, cost/access to finance has been...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>		Cost Access		
<i>for larger companies (>250 employees)</i>		Cost Access		

Over the next 6 months, cost /access to finance will be...	sharply up / restrained	up / more difficult	same	down / easier
<i>for SMEs</i>	Cost Access			
<i>for larger companies (>250 employees)</i>	Cost Access			

	Consolidation of banking sector balance sheets	Access to capital markets	Engcouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for SMEs	Important effect	Important effect	Moderate effect	Moderate effect	Moderate effect
	Consolidation of banking sector balance sheets	Access to capital markets	Encouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for midsize and large companies	Important effect	Very important effect	Important effect	Moderate effect	Moderate effect

POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>		yes			
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i>	<i>inadequate</i>			
		yes			
<i>Regarding the sustainability of public</i>	excellent committment	satisfactory committment	neither satisfactory nor unsatisfactory	unsatisfactory committment	no clear committment creating an extremely
		yes			
<i>Exit Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficier	unsufficient focus	so far ignored
<i>Tight fiscal rules and more effective institutions</i>		yes			
<i>Greater efficiency of public</i>				yes	
<i>Credible cost-cutting measures</i>		yes			
<i>Increased scope of public-private</i>				yes	
<i>Reform of pension systems</i>		yes			
<i>Improved efficiency of healthcare sector</i>				yes	
<i>Entry Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficier	unsufficient focus	so far ignored
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and</i>				yes	
<i>Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	respect the 3% limit	be in balance			
	no	yes			