

ITALY

The severe recession in Italy started earlier than elsewhere but activity rebounded in the third quarter. Improved financial conditions have helped rebuild confidence and bolster domestic demand. Further support to exports will come from the recovery in world trade. Higher unit labour costs, despite some falls in wage costs, and the oil price upturn will moderate the decline in inflation, even as unemployment rises somewhat further.

Given high public debt, Italy did not introduce a large-scale fiscal stimulus. Nonetheless, with cyclically weak revenues, the deficit exceeds 5% of GDP and debt is set to increase to 120% of GDP by 2011. Significant fiscal consolidation efforts will thus be required from 2011 onwards, as growth picks up.

Italy: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	928.9	-1.9	0.7	1.1	-1.0	1.1	1.1
Government consumption	318.1	1.7	0.7	0.2	2.0	0.2	0.2
Gross fixed investment	328.2	-12.6	0.6	4.0	-7.9	2.3	4.8
Machinery and equipment	157.0	-19.0	0.8	4.7	-13.3	3.2	5.1
Construction	171.1	-6.7	0.4	3.4	-3.1	1.6	4.5
Residential	80.6	-6.6	1.4	4.0	-3.6	3.5	4.4
Non-residential	90.5	-6.8	-0.6	2.9	-2.6	-0.1	4.6
Final domestic demand	1 575.2	-3.4	0.7	1.5	-1.8	1.1	1.6
Stockbuilding ¹	5.1	-0.2	0.3	0.0			
Total domestic demand	1 580.3	-3.6	1.0	1.5	-1.9	1.3	1.6
Exports of goods and services	452.5	-20.3	1.4	3.5	-14.0	2.8	3.8
Imports of goods and services	460.7	-15.8	1.0	3.3	-11.5	2.8	3.2
Net exports ¹	- 8.2	-1.2	0.1	0.1			
GDP at market prices	1 572.1	-4.8	1.1	1.5	-2.5	1.2	1.7

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.

[Click here for table in excel](#)