

## Italy - Economic Outlook 88 Country Summary

After one of the deepest recessions in the OECD area, Italy's economy has begun a moderate recovery which will strengthen somewhat over the next two years. Investment and exports lead the upturn in demand. Unemployment may be near its peak, but as use of the Cassa Integrazione wage support schemes unwinds it may not fall very fast. Household income growth will remain sluggish and depend on a recovery in self-employment income, which dropped severely during the downturn. Consumer price inflation has picked up during the year but will remain subdued through 2012.

These projections assume that sufficient measures are introduced to meet the government's target for the underlying deficit over the next two years, though weaker growth than in the official projections may prevent the actual deficit falling below 3% of GDP. It will be a challenge to hold the line on these measures, though the benefit of past action has been seen in the relative stability of the interest rate on Italian government debt. To ensure credibility, structural (as opposed to one-off) budget measures need to be put in place. In addition, supply-side reforms should be promoted to improve the long-term potential of the Italian economy.

### Italy: Demand and output

	2009	2010	2011	2012	Fourth quarter		
					2010	2011	2012
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	911.6	0.4	0.6	1.0	0.2	0.8	1.1
Government consumption	327.8	-0.3	0.1	0.0	-0.1	0.0	0.1
Gross fixed investment	287.3	2.0	1.5	3.1	2.5	2.3	3.4
Machinery and equipment	131.7	8.0	3.3	4.4	7.9	3.5	4.9
Construction	155.7	-3.1	-0.3	1.8	-2.2	1.1	1.9
Residential	71.7	-3.4	0.5	1.8	-0.4	1.1	1.9
Non-residential	84.0	-2.9	-0.9	1.8	-3.7	1.1	1.9
Final domestic demand	1 526.8	0.5	0.7	1.2	0.6	0.9	1.3
Stockbuilding <sup>1</sup>	- 0.4	0.2	-0.1	0.0			
Total domestic demand	1 526.4	0.7	0.6	1.2	0.3	0.9	1.3
Exports of goods and services	363.9	7.9	6.7	5.3	10.2	5.7	5.3
Imports of goods and services	369.9	6.6	3.7	3.9	5.7	3.6	4.1
Net exports <sup>1</sup>	- 6.0	0.3	0.8	0.4			
GDP at market prices	1 520.3	1.0	1.3	1.6	1.3	1.5	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 88 database.