

EBD/82/320

December 28, 1982

To: Members of the Executive Board
From: The Acting Secretary
Subject: Italy - Control of Monetary and Credit Aggregates

The Secretary has received the following memorandum dated December 27, 1982 from Mr. Lovato:

The marginal coefficient of compulsory reserves on bank deposits has been increased from 20 per cent to 25 per cent, beginning from January 1983.

The marginal coefficient will be applied until the stock of compulsory reserves of each bank will reach 22.5 per cent of deposits. Thereafter this stock coefficient of 22.5 per cent will apply.

Funds raised by banks through repurchase agreements will also be subject to the reserve requirement. The interest rate paid on compulsory reserves by the Bank of Italy will be raised from 5.5 per cent to 9.5 per cent on a share of the reserve stock corresponding to the ratio of newly-issued certificates of deposit to ordinary deposits.

The ceiling on bank lending in Lire has been extended to the end of June 1983. The permitted increase is 14 per cent on an annual basis.

The rate of compulsory investment in bonds by banks for the next six months is lowered from 6.5 per cent to 5.5 per cent of the increase in deposits.

These measures have been adopted within the framework of the Government's stabilization policy, which will include a reduction of the public sector borrowing requirement and action to slow down the nominal increase of incomes. In particular, they aim at reducing liquidity in the economy and improving the instruments of indirect monetary control.

Other Distribution:
Department Heads