

**FOR  
AGENDA**

SM/09/3  
Supplement 1

January 7, 2009

To: Members of the Executive Board

From: The Secretary

Subject: **Italy—Staff Report for the 2008 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Italy (SM/09/3, 1/7/09), which is tentatively scheduled for discussion on **Friday, February 6, 2009**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Italy indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Daniel (ext. 39698), Ms. Ivaschenko (ext. 35427), Mr. Lissovolik (ext. 34407), and Ms. Velculescu (ext. 37728) in EUR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the European Central Bank forthwith; to the WTO Secretariat on Thursday, January 15, 2009; and to the Caribbean Development Bank, the European Commission, and the Organisation for Economic Cooperation and Development, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

ITALY

**Staff Report for the 2008 Article IV Consultation—Informational Annex**

Prepared by Staff Representatives for the 2008 Consultation with Italy

Approved by Ajai Chopra and Martin Mühleisen

January 7, 2009

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## ANNEX I. ITALY: FUND RELATIONS

(As of November 30, 2008)

**Mission:** Rome, November 6–18, 2008. The concluding statement of the mission is available at: <http://www.imf.org/external/np/ms/2008/111908.htm>.

**Staff team:** J. Daniel (Head), I. Ivaschenko, B. Lissovlik, D. Velculescu (all EUR), J. Tyson (FAD) and M. Schindler (RES). Mr. Sadun, Executive Director, also participated.

**Country interlocutors:** Senior officials from the Ministry of Economy and Finance, the Bank of Italy, the Ministry of Economic Development, the Ministry of European Affairs, the Ministry of Labor, Health and Social Affairs, the Ministry of Legislative Simplification; the Ministry for Public Administration and Innovation; Parliamentary Budget committees; major Italian banks; rating agencies; banking analysts; the Securities and Exchange Commission (CONSOB); the Antitrust Authority; the National Statistics Institute (Istat); the Confederation of Italian Industry (Confindustria); the Economic Analysis Institute (ISAE); the Italian Banking Association (ABI); the Italian Association for Consumer Credit and Mortgages (ASSOFIN); representatives of labor unions; and research centers.

**Fund relations:** The previous consultation discussions took place during November 2–13, 2006. The associated Executive Board’s assessment is available at: <http://www.imf.org/external/np/sec/pn/2007/pn0720.htm> and the staff report and other mission documents at: <http://www.imf.org/external/pubs/ft/scr/2007/cr0764.pdf>. Italy accepted the obligations under Article VIII and, apart from certain security restrictions, maintains an exchange rate system free of restrictions. **Data:** Italy subscribes to the Fund’s Special Data Dissemination Standard, and comprehensive economic data are available on a timely basis (Appendix II).

I. **Membership Status:** Joined 3/27/47; Article VIII.

II. <b>General Resources Account:</b>	SDR Million	Percent Quota
Quota	7,055.50	100.00
Fund holdings of currency	6,130.61	86.89
Reserve position in Fund	924.90	13.11

III. <b>SDR Department:</b>	SDR Million	Percent Allocation
Net cumulative allocation	702.40	100.00
Holdings	163.26	23.24

IV. **Outstanding Purchases and Loans:** None

V. **Financial Arrangements:** None

**VI. Projected Obligations to Fund (SDR million; based on existing use of resources and present holdings of SDRs):**

	Forthcoming				
	2008	2009	2010	2011	2012
Principal					
Charges/Interest		5.80	5.66	5.66	5.66
<b>Total</b>		5.80	5.66	5.66	5.66

**VII. Exchange Rate Arrangement:** Italy entered the final stage of European Economic and Monetary Union on January 1, 1999, at a rate of 1,936.27 Italian lire per 1 euro.

Italy maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for the exchange restrictions imposed by Italy solely for the preservation of national or international security that have been notified to the Fund pursuant to Executive Board Decision No. 144-(52/51).

**VIII. Article IV Consultations:** Italy is on the standard 12-month consultation cycle. The previous consultation discussions took place during November 2–13, 2006, and the staff report (Country Report No. 07/64, 02/15/07) was discussed on February 7, 2007.

**IX. ROSCs:**

<b>Standard Code Assessment</b>	<b>Date of Issuance</b>	<b>Country Report</b>
Fiscal Transparency	October 9, 2002	No. 02/231
Data	October 18, 2002	No. 02/234
FSAP	March 14, 2006	No. 06/112

## ANNEX II. ITALY: STATISTICAL INFORMATION

Data provision is adequate for surveillance. Italy's economic database is comprehensive and of generally high quality. Italy has subscribed to the Special Data Dissemination Standard (SDDS) and has posted the metadata on the Dissemination Standards Bulletin Board (DSBB). Data are provided to the Fund in a comprehensive manner (see attached table). The authorities regularly publish a full range of economic and financial data, as well as a calendar of dates for the main statistical releases. Italy is also subject to the statistical requirements and timeliness and reporting standards of Eurostat and the European Central Bank (ECB), and has adopted the *European System of Accounts 1995 (ESA95)*. The shift to chain-weighted indices for national accounts has been largely completed over the course of 2006.

*A Report on the Observance of Standards and Codes (ROSC)—Data Module* (Country Report No. 02/234, 10/18/02) found Italy's macroeconomic statistics to be of generally high quality, but also identified some shortcomings that hindered an accurate and timely analysis of economic and financial developments: (i) no statistical agency had the responsibility to compile and disseminate a comprehensive statement of government finances, and a persistent difference had emerged between the SGP-monitored fiscal deficit and the PSBR net of privatization receipts (discussed in detail in the 2004 Staff Report); (ii) source data and/or statistical techniques could be strengthened in several areas, most importantly, by raising response rates on the enterprise surveys used in the national accounts and producer price index, making price collection for the consumer price index more efficient, and improving the coverage of cross-border financial transactions; (iii) balance of payments and government finance statistics could be closer aligned with the internationally accepted methodological guidelines on concepts and definitions, scope, classification and sectorization, and/or valuation; and (iv) resources were under pressure in some parts of the National Institute of Statistics (Istat) in the face of the statistical requirements of the EU and the Euro area.

Recent steps to improve economic data include: the introduction in 2005 of the regional price indices by Istat; the publication of quarterly data for the general government balance, expenditure, and revenue on an accruals basis along with a financial balance sheet (in line with *ESA95* and *GFSM 2001*) starting in October 2003; and more detailed labor survey, conducted by professional staff. Progress has also been made in reconciling the discrepancy between the cash-based net borrowing requirement and the accrual budget deficit, and working groups—consisting of representatives of the BoI, MEF (which also publishes cash-based data on the central government in *GFSM 2001* format), and Istat—meet regularly to look at different aspects of the reconciliation. While some differences still exist between the two measures, these are now accounted for more comprehensively and speedily (see the 2005 Fiscal ROSC Update Report for details).

Notwithstanding these improvements, weaknesses remain in some areas. In the national accounts, changes in inventories are derived as a residual and lumped together with the statistical discrepancy thus hampering the economic analysis. Furthermore, as highlighted by the fiscal transparency ROSC and the two follow-ups, the quality and timeliness of some fiscal data, particularly on expenditure by local governments, is still in need of improvement. Istat's resources remain insufficient and lower than European peers.

**Italy: Table of Common Indicators Required for Surveillance**  
(As of December 16, 2008)

	Date of latest observation	Date received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>	Memo Items:	
						Data Quality – Methodological soundness <sup>8</sup>	Data Quality – Accuracy and reliability <sup>9</sup>
Exchange Rates	Nov 2008	Dec 2008	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Oct 2008	Dec 2008	M	M	M		
Reserve/Base Money	Nov 2007	Dec 2007	M	M	M	O,O,LO,LO	O,O,O,O,LO
Broad Money	Nov 2007	Dec 2007	M	M	M		
Central Bank Balance Sheet	Nov 2008	Dec 2008	Q	Q	Q		
Consolidated Balance Sheet of the Banking System	Nov 2008	Dec 2008	Q	Q	Q		
Interest Rates <sup>2</sup>	Nov 2008	Dec 2008	D	D	D		
Consumer Price Index	Oct 2008	Nov 2008	M	M	M	O,O,O,O	LO,O,LO,O, O
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	Q2 2008	Nov 2008	M	M	M	LO,O,LO,O	LO,O,O,O,L O
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	Aug 2008	Nov 2008	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Nov 2007	Dec 2007	M	M	M		
External Current Account Balance	Q4 2007	Jun 2008	M	M	M	O,LO,LO,O	LO,O,LO,O
Exports and Imports of Goods and Services	Q4 2007	Jun 2008	Q	Q	Q		
GDP/GNP	Q3 2008	Dec 2008	Q	Q	Q	O,O,O,O	LO,LO,O,O, O
Gross External Debt							
International Investment position <sup>6</sup>	2007	Dec 2008					

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis a vis nonresidents.

<sup>7</sup> Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

<sup>8</sup> Reflects the assessment provided in the data ROSC or the Substantive Update for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).<sup>9</sup> Same as footnote 7, except referring to international standards concerning source data, statistical techniques, assessment and validation of source data, assessment, and revision studies