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September 16, 1987

To: Members of the Executive Board
From: The Secretary
Subject: Italy - Recent Economic Measures

The Secretary has received the following memorandum dated September 14, 1987 from Mr. Zecchini:

I wish to inform the Executive Board that on September 13, 1987 the Italian authorities have adopted a set of foreign exchange and credit measures in order to stem speculative capital outflows and to check a growth of bank lending which has by far exceeded income growth recently. These measures will be in force until March 1988.

The major measures are as follows:

- Early repayment of outstanding trade financing denominated in foreign exchange is not allowed.
- Advanced settlement of imports and delayed settlement of exports must be financed through foreign exchange.
- The time limits set for the foreign currency accounts held by residents (conti valutari e conti di attesa in valuta) are substantially reduced.
- The reserve requirement ratio vis-à-vis net increases in bank deposits denominated in foreign currency is reduced to zero.
- Monthly ceilings on the expansion of lira-denominated bank lending are introduced.

It is important to emphasize that the above measures, because of their modalities and their short duration, do not contradict the recent policy of exchange liberalization to which my authorities are still committed. Specifically, they do not limit the freedom recently provided to Italian residents to acquire foreign financial assets.

Other Distribution:
Department Heads

