

EBD/86/158

May 28, 1986

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

The Secretary has received the following memorandum dated May 27, 1986 from Mr. Zecchini's office:

On behalf of Mr. Zecchini, please inform the Executive Board of the following measures which have been taken by my authorities:

As of May 27 the base rates for rediscounts and advances by the Bank of Italy have been lowered from 13 percent to 12 percent. The discount rate applicable to special lending to the agricultural sector has also been reduced as of the same date by one half of a percentage point, from 7 percent to 6.5 percent.

Since the last reduction in the rates on rediscounts and advances a month ago, there have been further positive developments in the Italian economy. Inflation rates calculated with respect to increases in the consumer price index as well as on the wholesale price index have continued to decrease. In April the trade balance improved substantially and the balance of payments on a cash basis recorded a sizable surplus. Notwithstanding marked decreases in yields on government securities, the public sector borrowing requirement has been financed without difficulty on the market. The growth rates of monetary and credit aggregates, while registering some acceleration connected to a pick-up in economic activity, are in line with the annual targets. The evolution of these aggregates will continue to be closely monitored in order to favor decreases in inflation rates and a stable economic growth.

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Department Heads