

**EXECUTIVE
BOARD
MEETING**

SM/20/55
Supplement 1

February 28, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Italy—Staff Report for the 2020 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Monday, March 16, 2020
Publication:	Yes*
Questions:	Mr. Goyal, EUR (ext. 36875) Mr. Crivelli, EUR (ext. 36278) Mr. Garcia-Macia, EUR (ext. 30141) Ms. Jirasavetakul, EUR (ext. 39433) Ms. Novikova, EUR (ext. 37447) Mr. Adams, MCM (ext. 34446) Mr. Monaghan, MCM (ext. 36292)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	Forthwith—European Central Bank Monday, March 2, 2020—European Commission After Board Consideration—Food and Agriculture Organization, Organisation for Economic Cooperation and Development, World Food Programme, World Trade Organization

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**



ITALY

STAFF REPORT FOR THE 2020 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

February 28, 2020

Prepared By

European Department
(In consultation with other departments)

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FUND RELATIONS

(As of January 28, 2020)

Mission: Rome, Milan, and Frankfurt during January 14–28, 2020. The concluding statement of the mission is available at <https://www.imf.org/en/News/Articles/2020/01/29/Italy-Staff-Concluding-Statement-of-the-2019-Article-IV-Mission>.

Staff team: Rishi Goyal (head), Ernesto Crivelli, Daniel Garcia-Macia, La-Bhus Fah Jirasavetakul, Natalia Novikova (all EUR), Mark Adams, and Dermot Monaghan (both MCM). May Khamis (MCM, FSAP mission chief) participated in some meetings. Domenico Fanizza and Cristina Quagliarini (both OED) also attended at various times.

Country interlocutors: Finance Minister Gualtieri, Bank of Italy Governor Visco, Labor Minister Catalfo, Cabinet Secretary Fraccaro, parliamentarians, senior government and SSM officials, Anti-Corruption Authority (ANAC), the Competition Authority, the Parliamentary Budget Office (Fiscal Council), the Securities and Exchange Commission (CONSOB), Social Security Institute (INPS), representatives of trade unions (CGIL, CSIL, and UIL), Confederation of Italian Industry (Confindustria), major Italian and international banks, Italian Banking Association (ABI), academics, think tanks, and other private sector analysts.

Fund relations: The previous consultation discussions took place during July 12–26, 2018 and November 6–14, 2018. The associated Executive Board’s assessment is available at: <https://www.imf.org/en/News/Articles/2019/02/05/pr1931imf-executive-board-concludes-2018-article-iv-consultation-with-italy> and the staff report and other mission documents at: <https://www.imf.org/en/Publications/CR/Issues/2019/02/06/Italy-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-46579>.

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 (Table 1).

Membership Status: Joined March 27, 1947; Article VIII.

General Resources Account:	SDR Million	Percent Quota
Quota	15,070.00	100.00
Fund holdings of currency	12,636.36	83.85
Reserve Tranche Position	2,433.75	16.15
Lending to the Fund		
New arrangements to borrow	355.30	
SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	6,576.11	100.00
Holdings	5,714.61	86.90

Outstanding Purchases and Loans: None

Financial Arrangements: None

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

	Forthcoming				
	2020	2021	2022	2023	2024
Principal					
Charges/Interest	6.57	6.47	6.48	6.48	6.48
Total	6.57	6.47	6.48	6.48	6.48

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. The euro floats freely and independently against other currencies.

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).

Article IV Consultations: Italy is on the standard 12-month consultation cycle. The previous consultation discussions took place during July 12–26, 2018 and November 6–14, 2018; the staff report (IMF Country Report No. 18/291) was discussed on January 25, 2019.

ROSCs/FSAP:

Standard Code Assessment	Date of Issuance	Country Report
Fiscal Transparency	October 9, 2002	No. 02/231
Data	October 18, 2002	No. 02/234
Fiscal ROSC update	November 2003	No. 03/353
Fiscal ROSC update	February 2006	No. 06/64
FSAP	September 2013	No. 13/300
FSAP	March 2020	Forthcoming

Technical Assistance:

Year	Department/Purpose
2007	FAD: Public Expenditure Management
2012	FAD: Tax Policy
2015	FAD: Tax Administration

STATISTICAL ISSUES

(As of January 28, 2020)

I. Assessment of Data Adequacy for Surveillance	
<p>General: Data provision is adequate for surveillance. Italy's economic and financial statistics are comprehensive and of generally high quality. Data are provided to the Fund in a comprehensive manner (Table 1). 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 of Eurostat and the European Central Bank (ECB), including the timeliness and reporting standards, and it has adopted the <i>European System of Accounts 2010 (ESA2010)</i>.</p>	
<p>National Accounts: Further improvements should be considered regarding changes in inventories in the quarterly national accounts, which are currently derived as a residual and lumped together with the statistical discrepancy.</p>	
<p>Government Finance Statistics: Annual and quarterly consolidated general government operations and financial balance sheet data are reported, with extensive time series. Component details on Expense (Interest, Grants, etc.) and transactions and stock positions in assets and liabilities by counterparty sector are not available.</p>	
<p>Monetary and Financial Statistics: The ECB reporting framework is used for monetary statistics and data are reported to the IMF through a "gateway" arrangement with the ECB for publication in the IFS. Monetary statistics for Italy are published in the IFS cover data on central banks and other depository corporations (ODCs) using Euro Area wide residency criterion.</p>	
<p>Financial Sector Surveillance: Italy participates in the IMF's financial soundness indicators (FSIs). The Italian authorities report all of the 12 core FSIs and 11 of the 13 encouraged FSIs for deposit takers semi-annually to the IMF and quarterly on their National Summary Data Page. In addition, 12 FSIs for other sectors are compiled and reported. FSI reporting is timely.</p>	
<p>External Sector Statistics: The Bank of Italy adopted the standards for reporting Balance of Payments (BOP) and International Investment Position (IIP) data on the basis of the Balance of Payments and International Investment Position Manual, 6th edition (BPM6) in the second half of 2014. In addition, Italy participates in the IMF's Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS).</p>	
II. Data Standards and Quality	
<p>Italy has subscribed to the Special Data Dissemination Standard (SDDS) since 1996 and posts its metadata on the Dissemination Standards Bulletin Board (DSBB). In 2015 Italy adhered to SDDS Plus, together with the first group of adherents.</p> <p>Implementing G-20 DGI recommendations: Italy has achieved compliance with the core requirements in relation to many DGI recommendations for which data templates have been already defined. Further progress in the future is likely to be made on the reporting frequency of Financial Soundness Indicators.</p>	<p>A data ROSC was disseminated in 2002.</p>

Table 1. Italy: Common Indicators Required for Surveillance
(As of January 28, 2020)

	Date of latest observation	Date received	Frequency of Data⁷	Frequency of Reporting⁷	Frequency of Publication⁷
Exchange Rates	Jan 2020	Jan 2020	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Dec 2019	Jan 2020	M	M	M
Reserve/Base Money	Dec 2019	Jan 2020	M	M	M
Broad Money	Dec 2019	Jan 2020	M	M	M
Central Bank Balance Sheet	Dec 2019	Jan 2020	M	M	M
Consolidated Balance Sheet of the Banking System	Nov 2019	Jan 2020	M	M	M
Interest Rates ²	Jan 2020	Jan 2020	D	D	D
Consumer Price Index	Dec 2019	Jan 2020	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Q3:2019	Jan 2020	Q	Q	Q
Revenue, Expenditure, Balance and Composition of Financing ³ — Central Government	Nov 2019	Jan 2020	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Nov 2019	Jan 2020	M	M	M
External Current Account Balance	Nov 2019	Jan 2020	M	M	M
Exports and Imports of Goods and Services	Nov 2019	Jan 2020	M	M	M
GDP/GNP	Q3:2019	Dec 2019	Q	Q	Q
Gross External Debt	Q3:2019	Dec 2019	Q	Q	Q
International Investment position ⁶	Q3:2019	Dec 2019	Q	Q	Q
<p>¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.</p> <p>² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.</p> <p>³ Foreign, domestic bank, and domestic nonbank financing.</p> <p>⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.</p> <p>⁵ Including currency and maturity composition.</p> <p>⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.</p> <p>⁷ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).</p>					