

SU/20/36

March 19, 2020

**The Chair's Summing Up  
Italy—2020 Article IV Consultation  
Executive Board Meeting 20/27  
March 18, 2020**

Executive Directors expressed deep sympathy to the Italian people and the authorities for the high human and economic costs of the COVID-19 pandemic. They also conveyed their solidarity with Italy at this difficult time and commended the authorities for their resolute response, including their most recent decisive actions, and called for coordinated regional and international actions to address the effects of the pandemic.

While Directors broadly agreed with the thrust of the staff appraisal, they noted that the extensive discussion of medium-term issues in the staff report reflected the challenges and priorities facing Italy prior to the outbreak of COVID-19. They recognized and supported the authorities' near-term priorities that have rightly shifted to combating the pandemic and supporting health care, workers, firms and households.

Directors considered that the outbreak has created both health and economic emergencies that need to be addressed urgently, while amplifying uncertainty and downside risks. Once the health crisis has passed, they stressed the need to implement a comprehensive package of measures to boost potential growth and enhance resilience. This should comprise structural reforms to raise productivity and investment, a credible medium-term fiscal consolidation to put public debt on a firm downward path, and measures to support financial sector health.

Directors commended the authorities for their prudent implementation of fiscal policy in 2019 that was better than expected. They recognized that the fiscal balance will worsen this year on account of the pandemic effects and response. They welcomed the authorities' plan to undertake medium-term fiscal consolidation, once the pandemic has subsided, and urged implementing growth-friendly and inclusive measures, including comprehensive tax reform.

Directors commended the authorities for the progress made in strengthening banks' balance sheets. They welcomed the findings of the FSAP and stressed the need to address resolutely remaining financial sector vulnerabilities, strengthen banking sector resilience, improve the viability of bank business models, and reinforce the crisis management framework. Most Directors noted that the use of the Deposit Guarantee Scheme (DGS) for preventive measures outside resolution or liquidation could be a useful instrument, in line

with the DGS Directive. Moreover, its use should not be overly restricted but justified on a case-by-case basis. While acknowledging the importance of moderating the sovereign-bank nexus, many Directors pointed to the need for a careful assessment of the benefits and costs and that the envisaged approach should be in line with discussions at the EU level.

It is expected that the next Article IV consultation with Italy will be held on the standard 12-month cycle.