



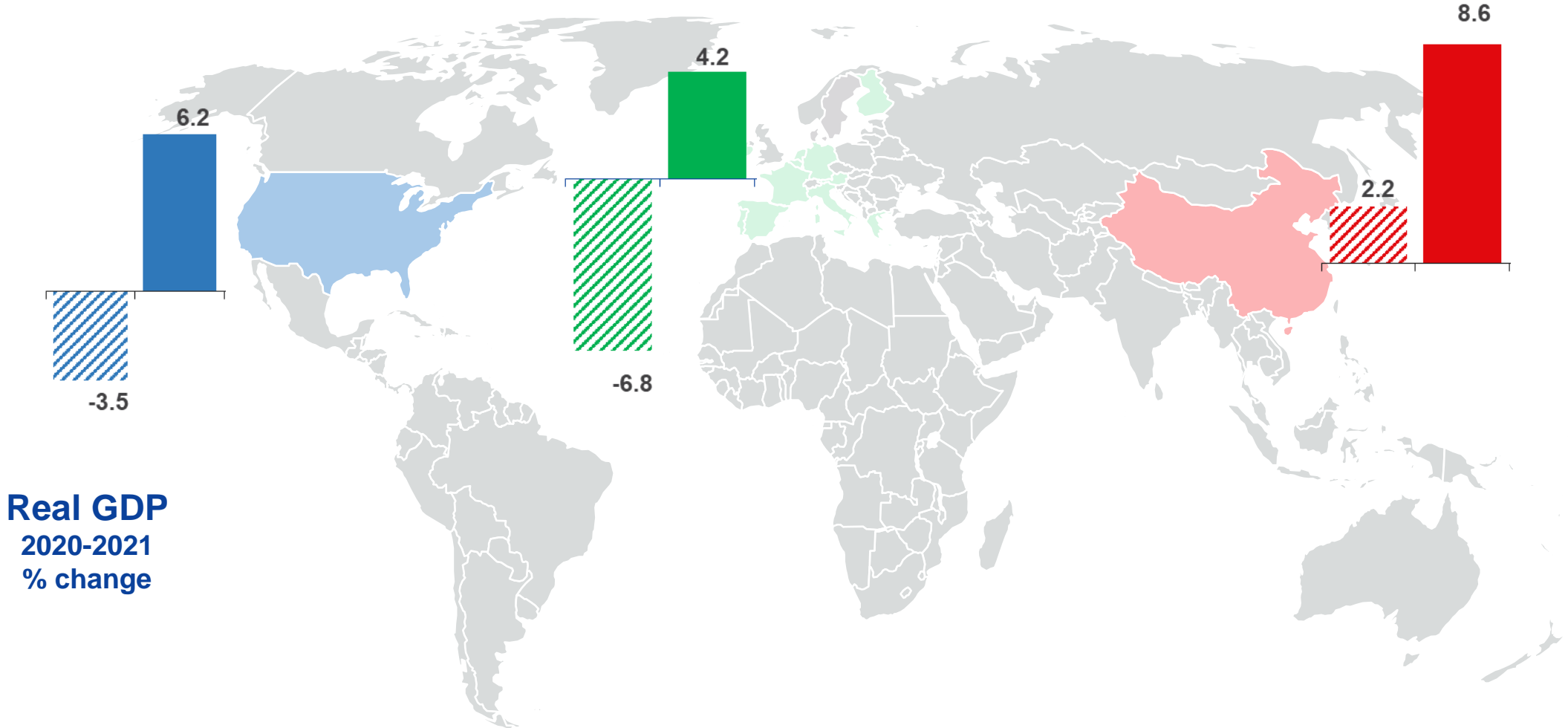
The economic scenario: when vaccines, policies and the pandemic management make the difference

AIECE – Spring Meeting

STEFANIA TOMASINI – PARTNER, HEAD OF ECONOMIC ANALYSIS AND FORECASTING

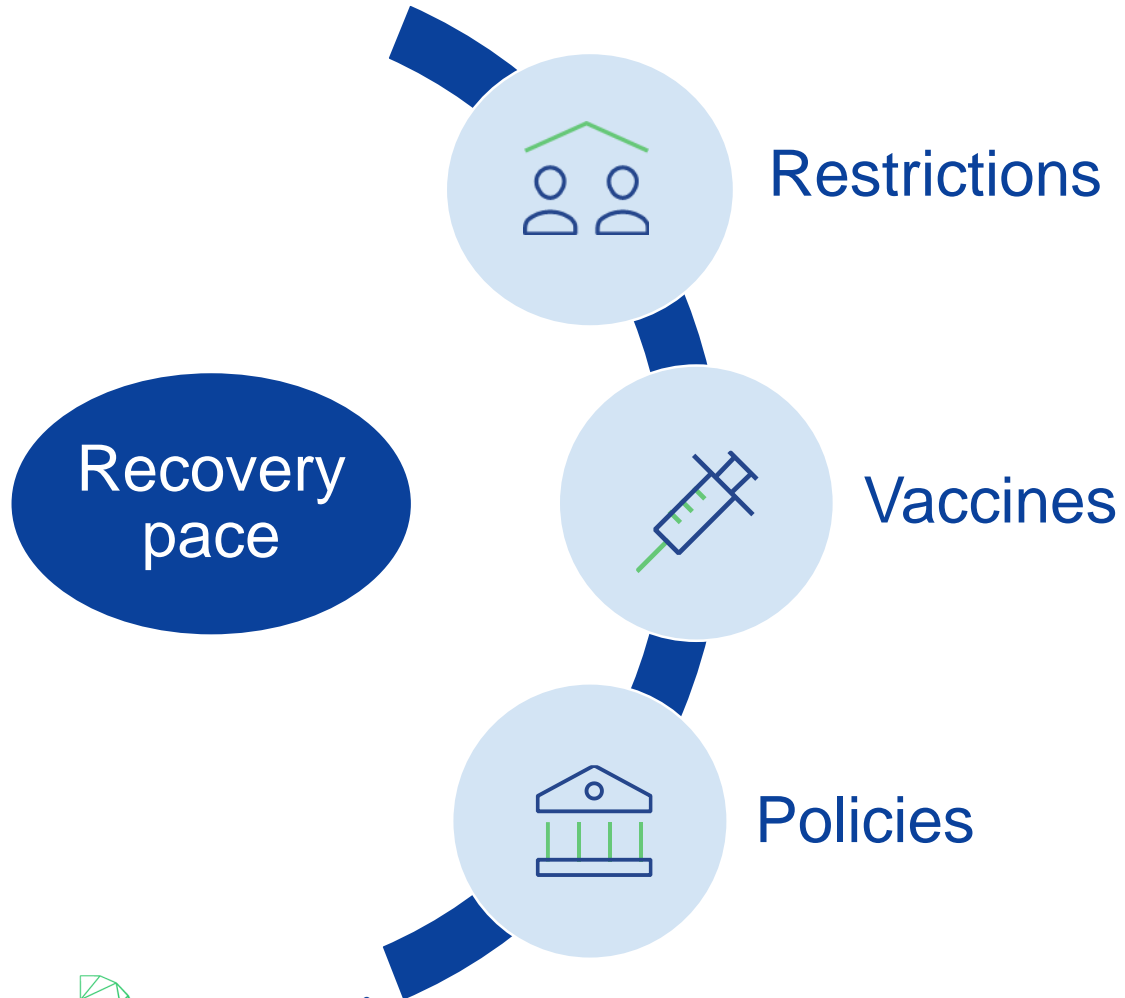
28 May 2021

One year after the start of the pandemic, USA and China have sped up leaving the EMU behind



Real GDP
2020-2021
% change

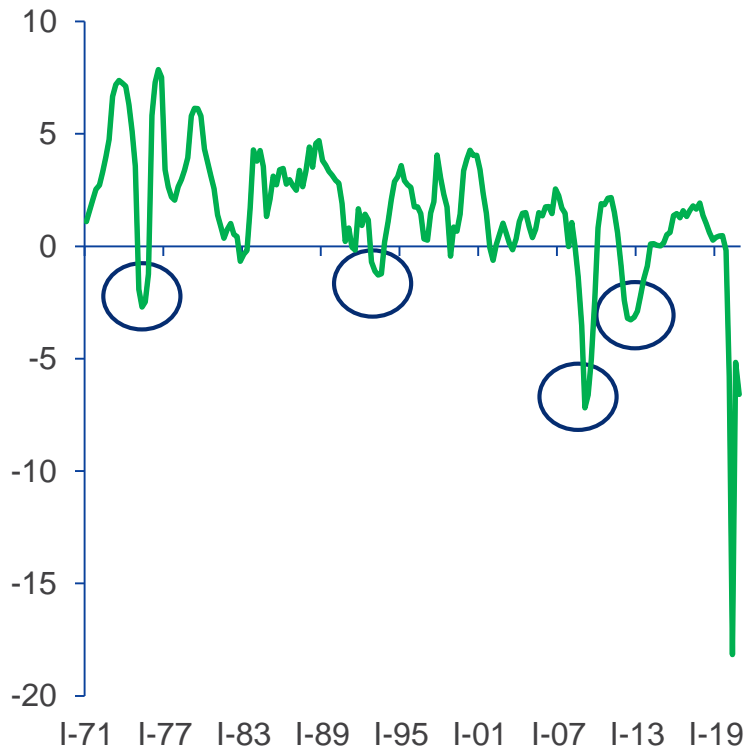
Vaccines, policies, and the pandemic management make the difference



Italy, 2020's overall severe repercussions...

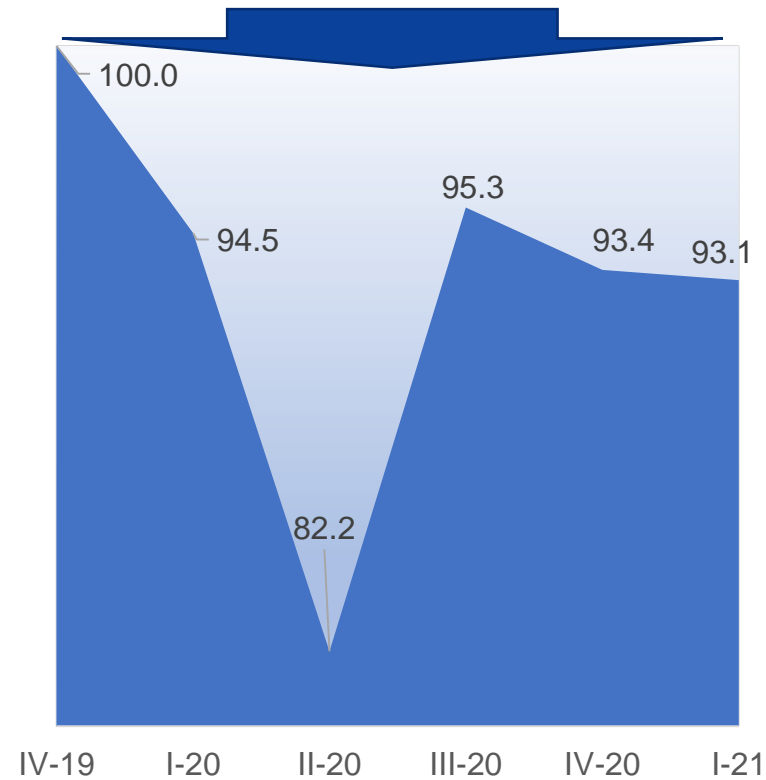
2020, the worst recession ever in peace times

HISTORICAL PERSPECTIVE
y-o-y quarterly change rates



GDP
in real terms

COVID-19 CRISIS
index 2019Q4=100



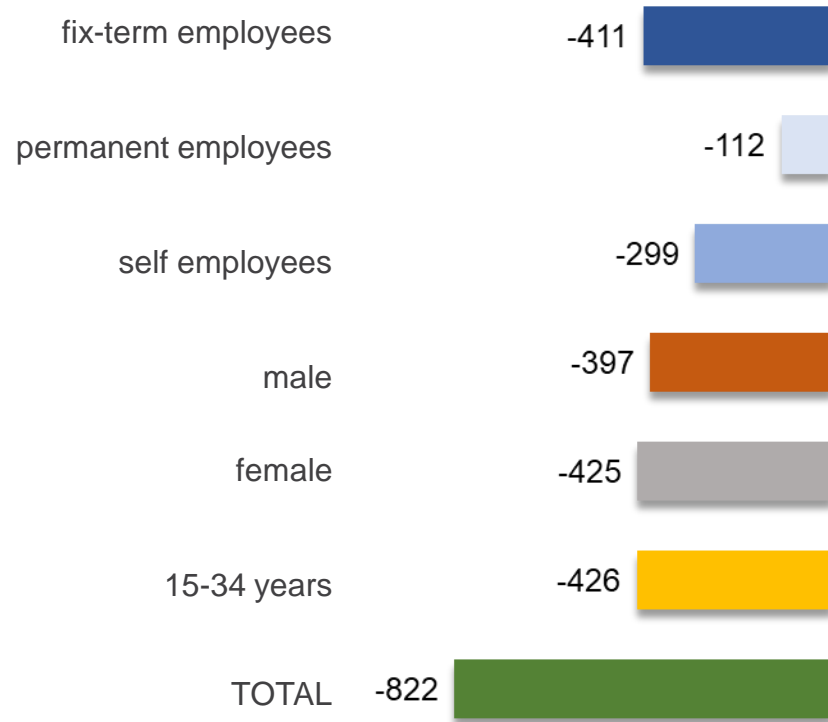
In 2020 lost
150 billions of GDP

GDP % change
ITALY -8.9%
EMU -6.7%

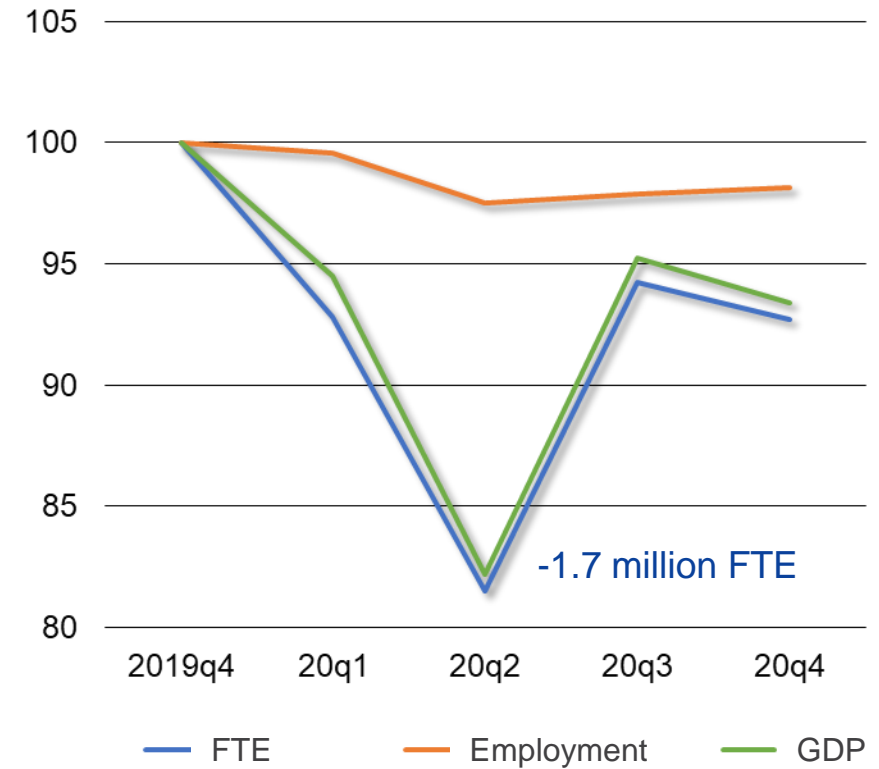
... even in the labour market

EMPLOYMENT

Differences between December 2020 and December 2019 - thousand



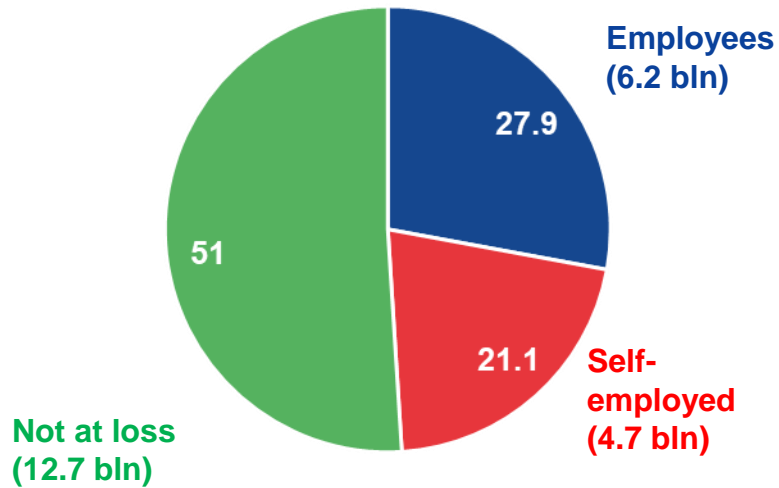
FULL-TIME EQUIVALENT, EMPLOYMENT AND GDP 2019Q4=100



Fiscal policies have protected (not all) families...

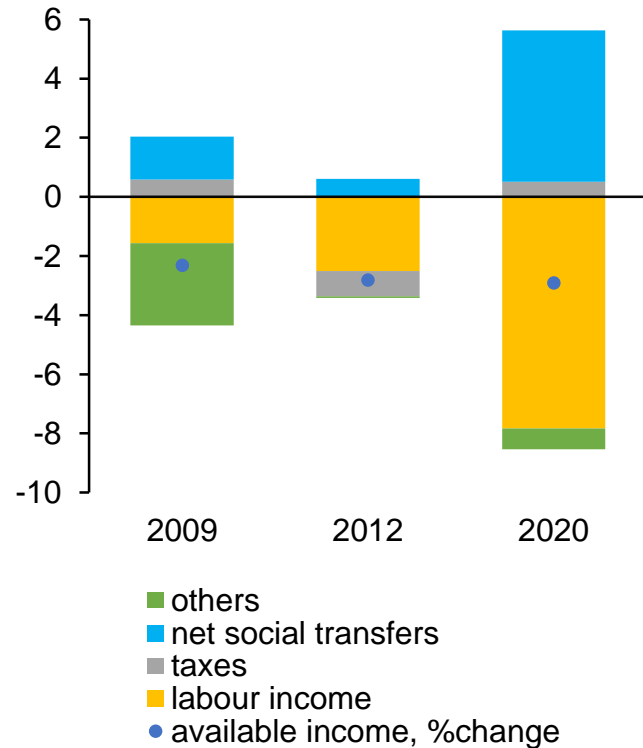
A significant income redistribution

INCOME LOSS-MAKING WORKERS % shares

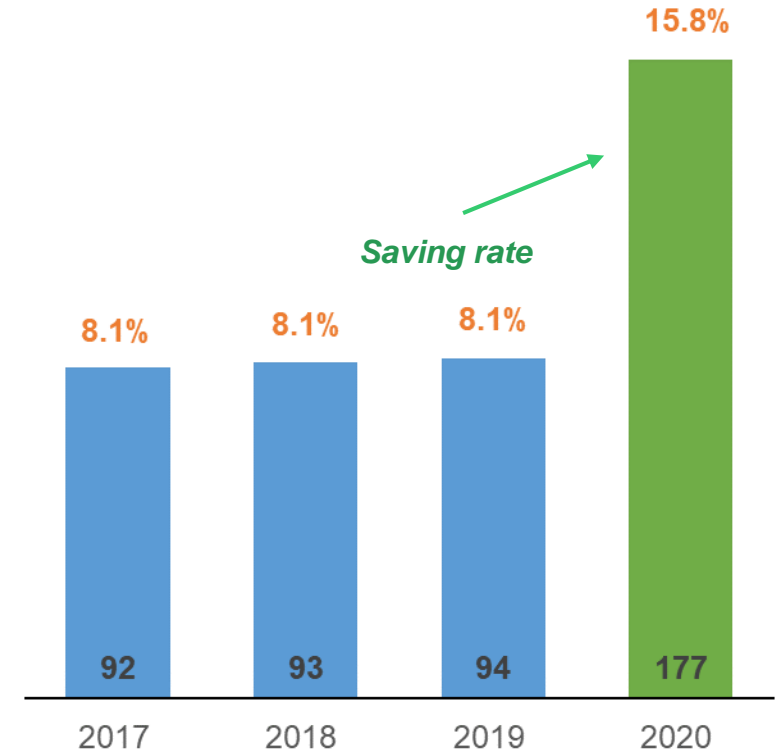


Around 8.2 billion households had at least one person suffering from the economic crisis (32% of families)

HOUSEHOLDS' DISPOSABLE INCOME % growth rate of components



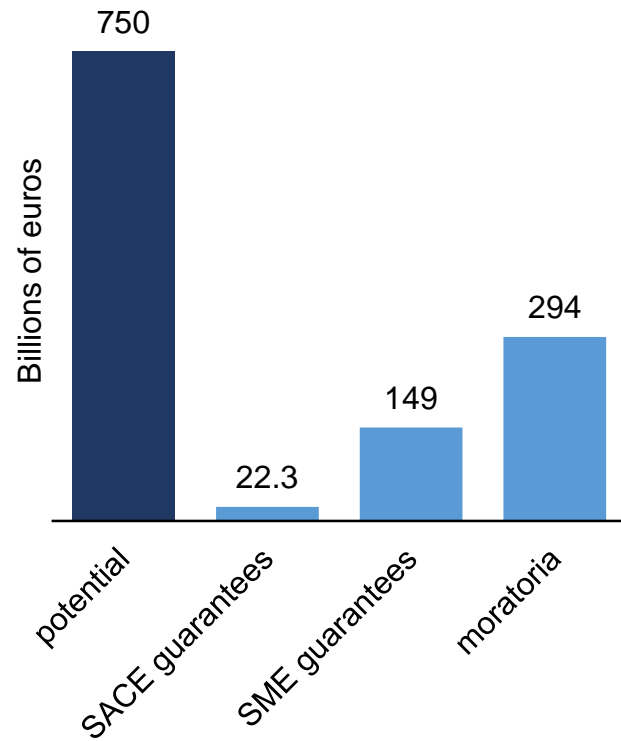
HOUSEHOLDS' SAVING Yearly values in €bln, average saving rates in %



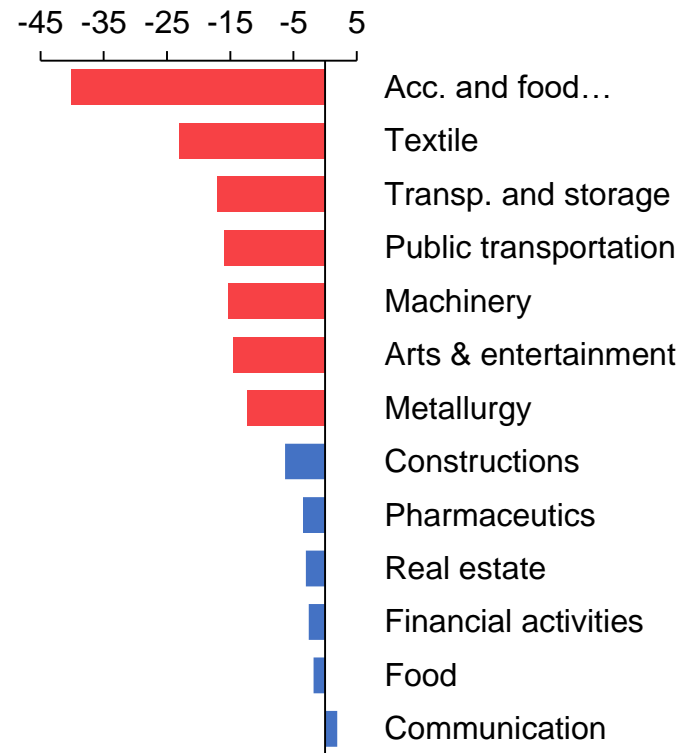
...and (not all) firms

€750 bln liquidity available
 €465 bln requested up to March 24

GUARANTEED LIQUIDITY

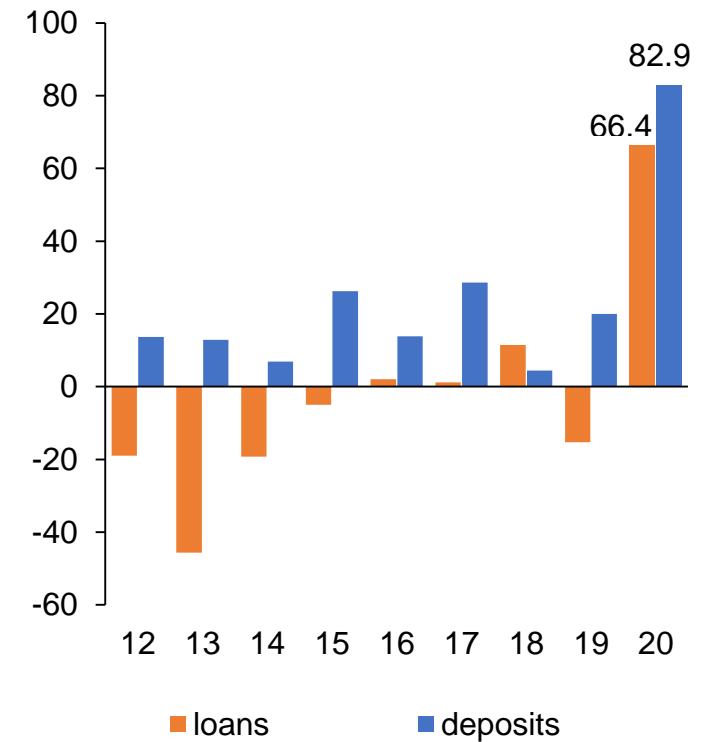


SECTORIAL VALUE ADDED % change in real terms



LOANS AND DEPOSITS OF NON-FINANCIAL CORPORATIONS

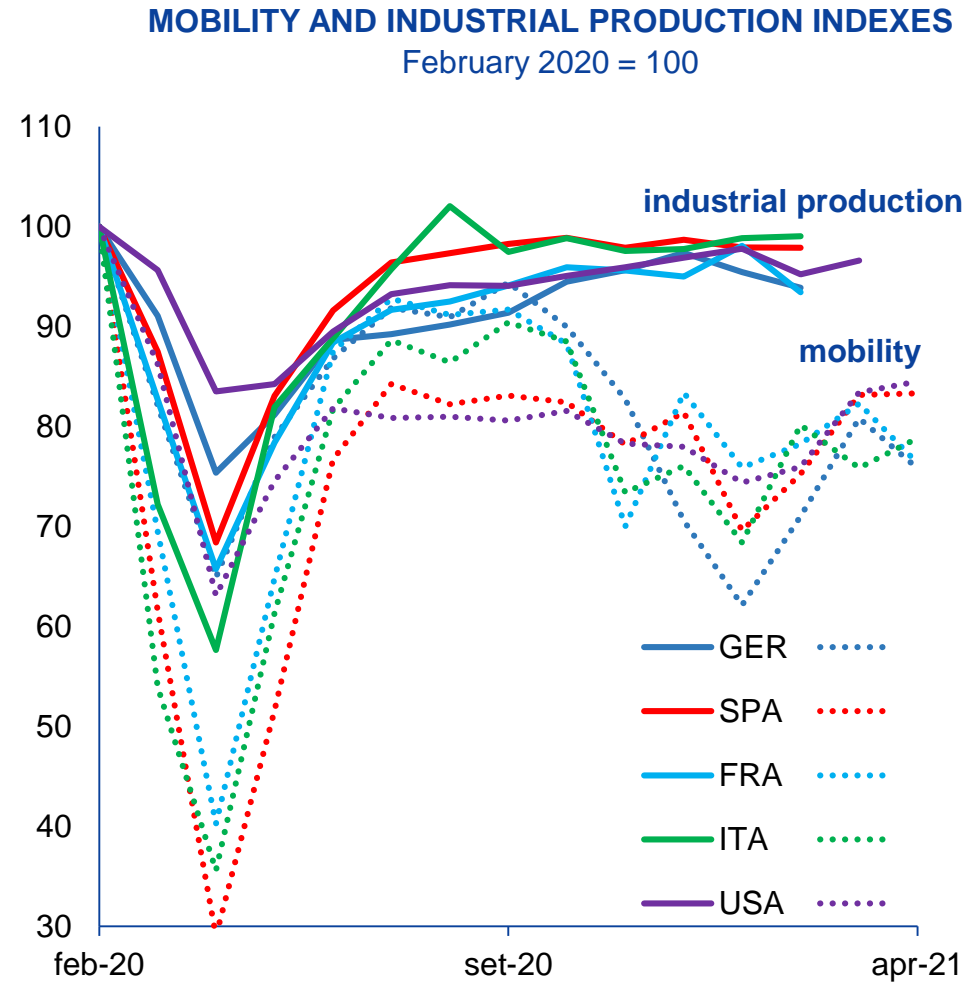
Billions of euros



Signs of improvement in spring ...



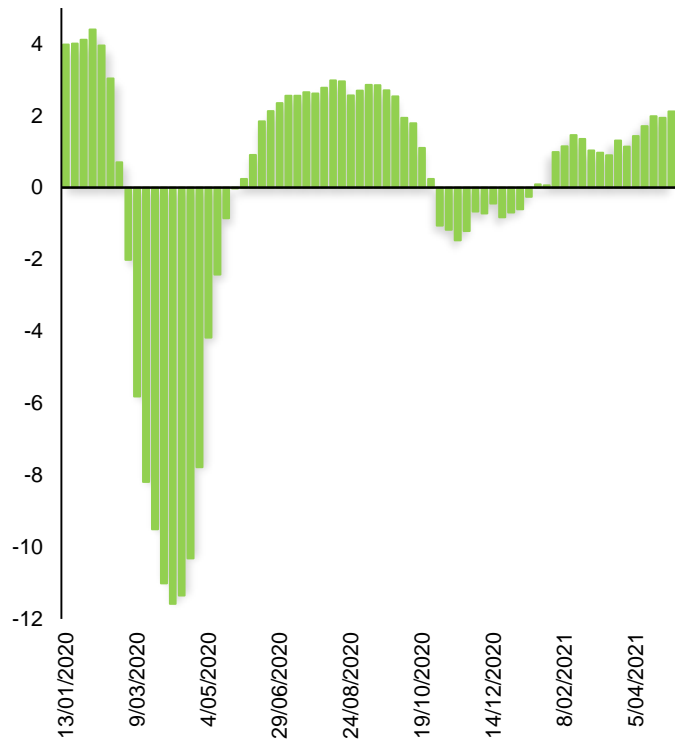
**+ 2.3% GDP
carryover from
2020**



Source: Prometeia's calculations on data of national statistical centres and Google (mobility indexes are computed as simple averages retail and recreation, grocery and pharmacy, workplaces)

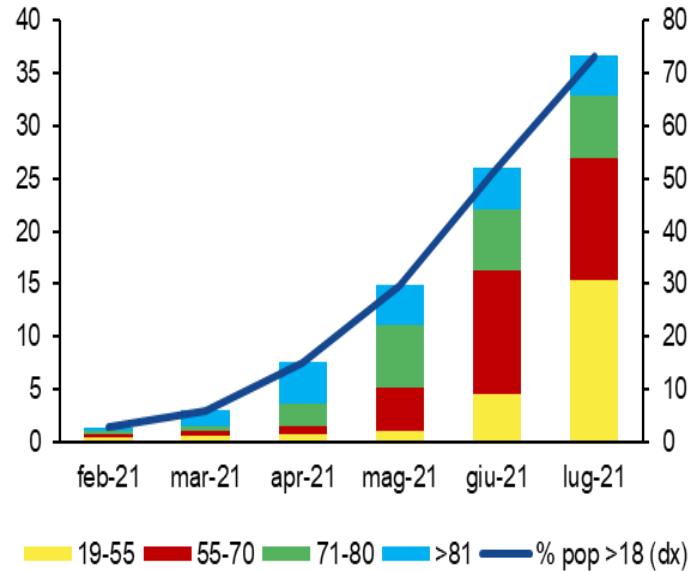
... as the vaccination campaign proceeds

WEIP- PROMETEIA'S WEEKLY ECONOMIC INDICATOR



Source: Prometeia's calculations

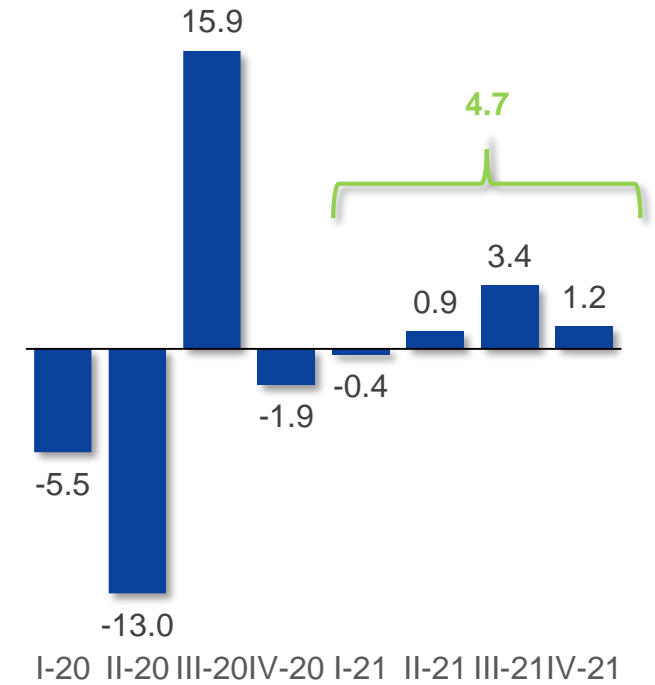
VACCINATION TRENDS BY AGE CLASS WITH 400K DOSES/DAY*



(* Billions (LHS axis) and % of over-18 population (RHS axis)

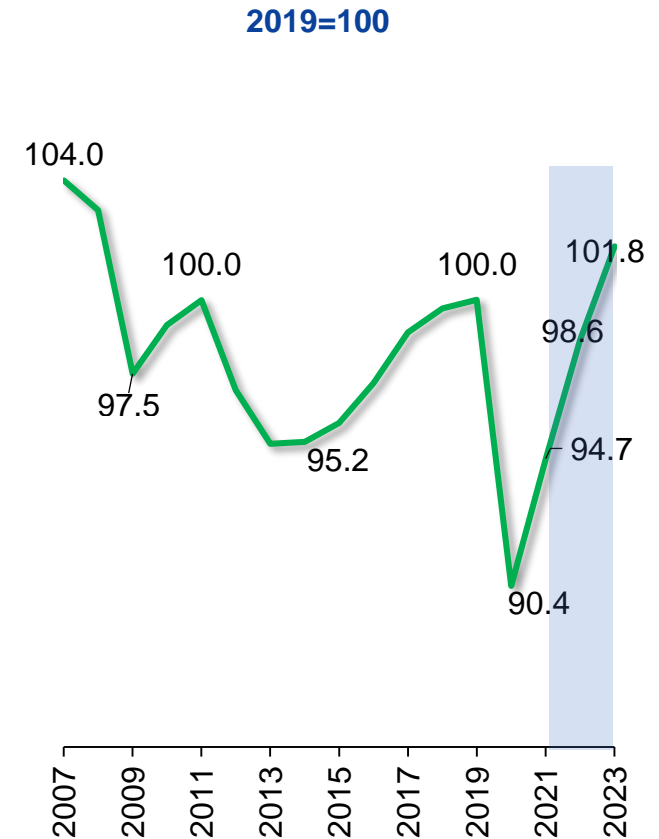
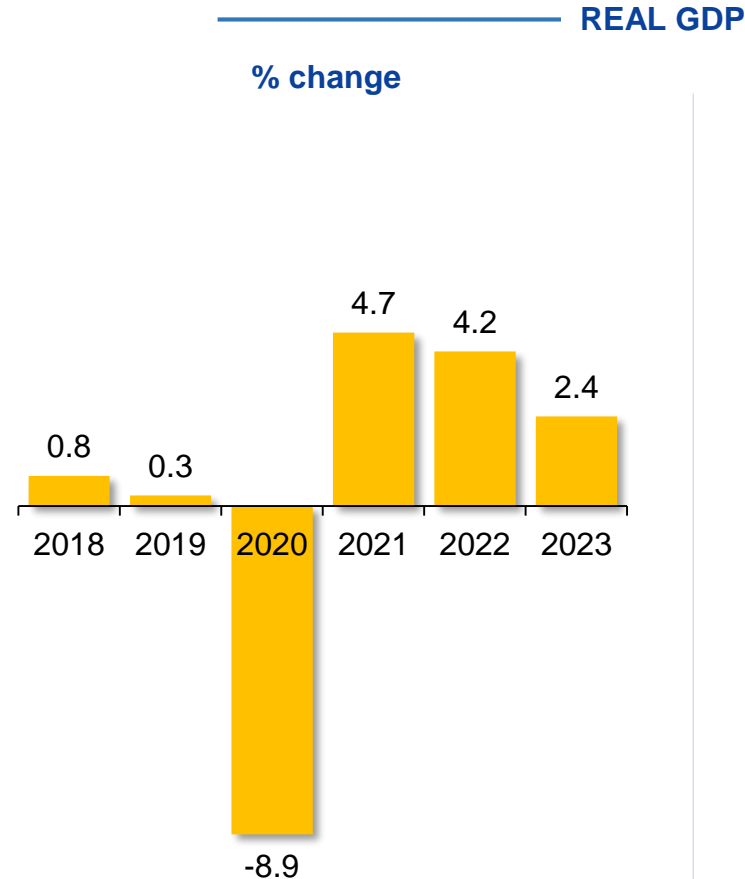
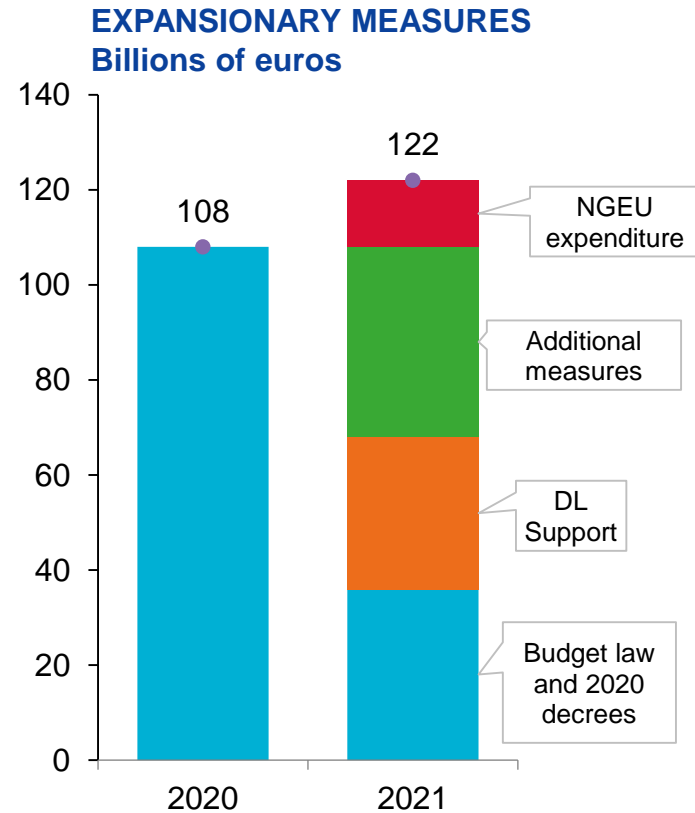
Source: Prometeia's calculations and forecasts on data from Istat and Italian Health Ministry

GDP % change qoq



Source: Prometeia forecasts on Istat data

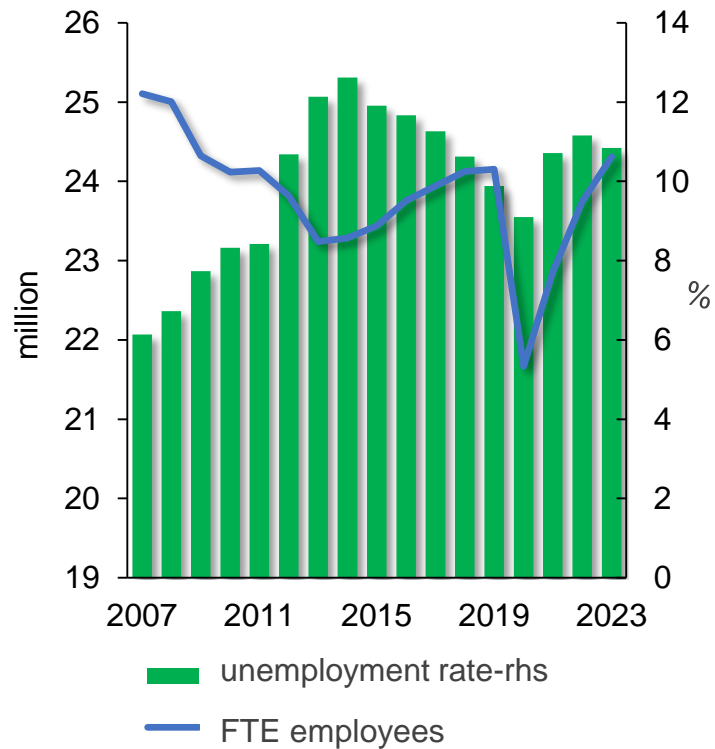
Further policy action in the short term are expected to restore the pre-crisis GDP level at the end of 2022 ...



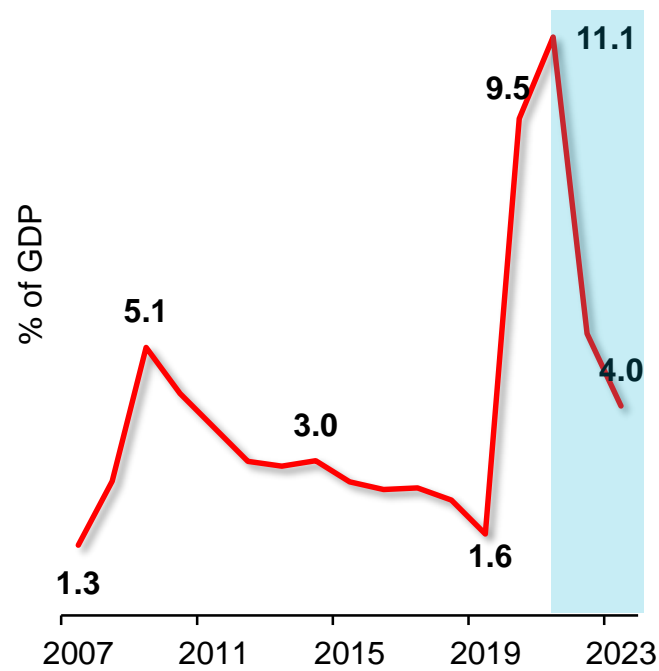
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... but many scars remain

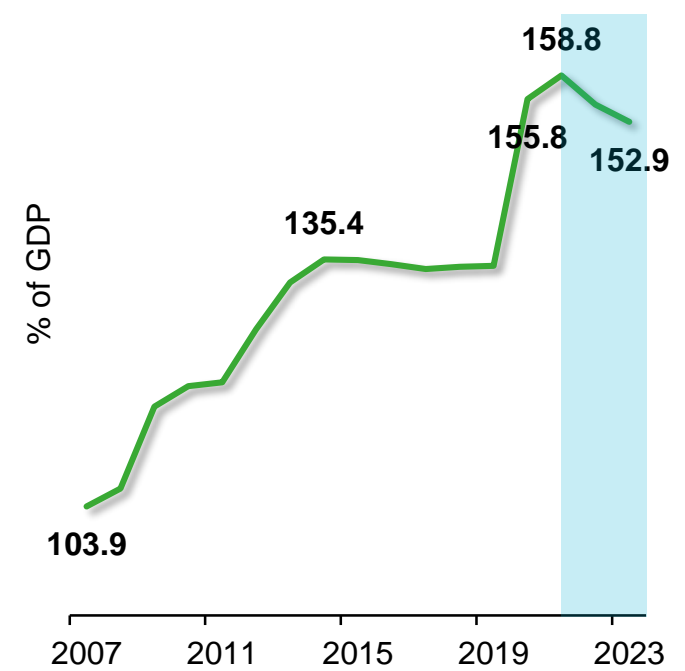
LABOUR MARKET



PUBLIC DEFICIT

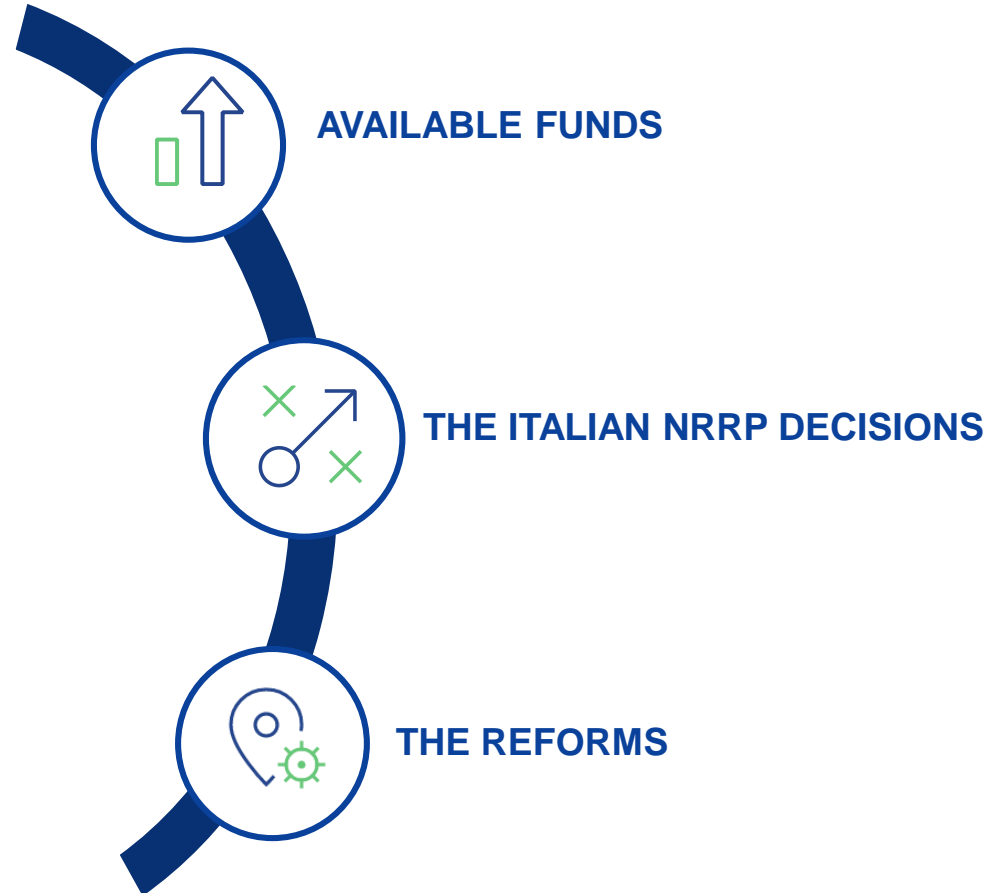
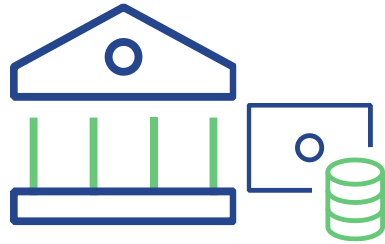


PUBLIC DEBT



Fonte: Prometeia's calculations on data from MEF, Istat and Prometeia's forecasts

Beyond the recovery, growth shaped by NGEU's and NRRP's features

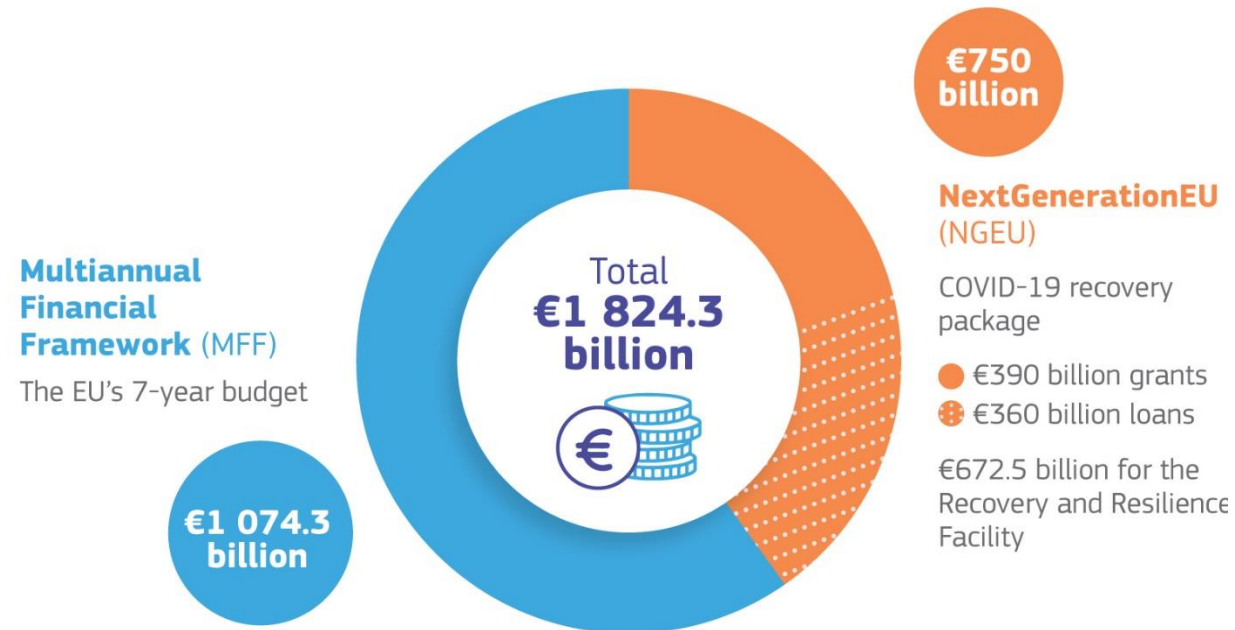


2021-2026

The Next-Generation EU, total resources

The EU issued €750bln common debt securities to expand the European budget, assigning grants and loans to the Member States

2021-2027 EU EXPENDITURE



NGEU PROGRAMMES

	Funding under NGEU	Funding under MFF	Total funding
Recovery and Resilience Facility	672.5	0.8	673.3
<i>Of which GRANTS</i>	312.5	-	313.3
<i>Of which LOANS</i>	360.0	-	360.0
REACT-EU	47.5	-	47.5
Rural development	7.5	77.9	85.4
Just Transition Fund	10.0	7.5	17.5
InvestEU	5.6	3.8	9.4
rescEU	1.9	1.1	3.0
Horizon Europe	5.0	79.9	84.9

All amounts in EUR billion in commitments, 2018 prices.

Source: European Commission

The Italian allotment and all the NRRP resources

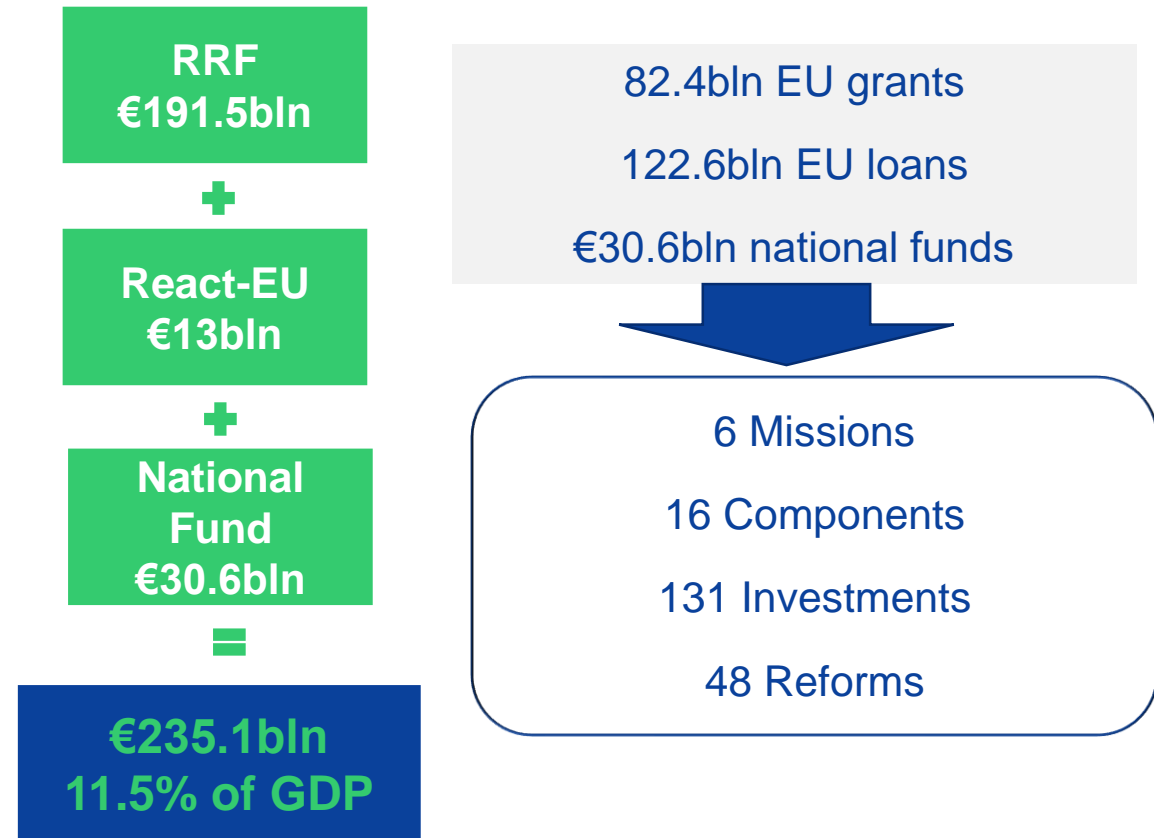
€207bn THE POTENTIAL FUNDS FOR ITALY

€122.6bn loans

€84.4bn grants

NGEU funds 2021-2026, 2018 prices	Italy
Recovery and Resilience Facility-grants	68.9
Recovery and resilience Facility-loans	122.6
React-EU	13.5
Rural development	0.8
RescEU	0.2
InvestEU	
Horizon Europe	0.5
Just Transition Fund	0.5
TOTAL	207

Funds earmarked to NRRP missions and components in the final draft sent to the EC on April 30



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Earmarkings of funds among the 6 missions

The NRRP is focused on the green and digital transitions

3 STRATEGIC DIMENSIONS

Digitalisation and innovation

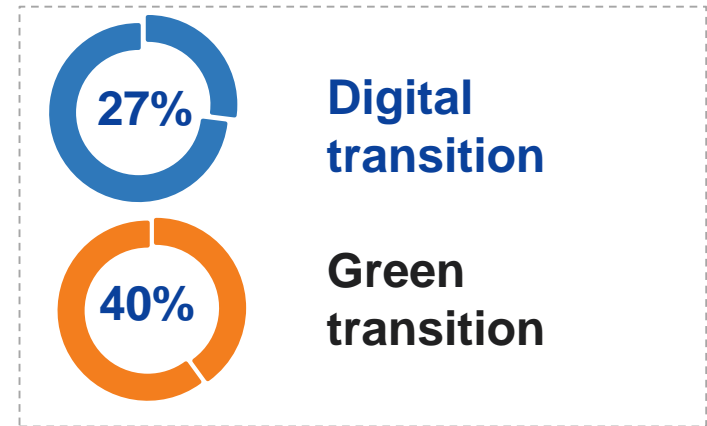
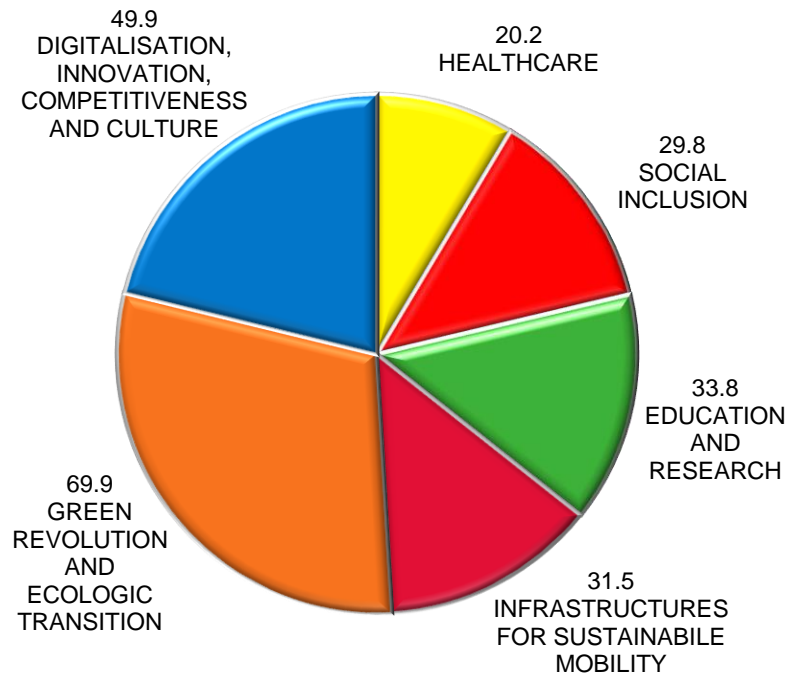
Green transition

Social inclusion

3 HORIZONTAL PRIORITIES

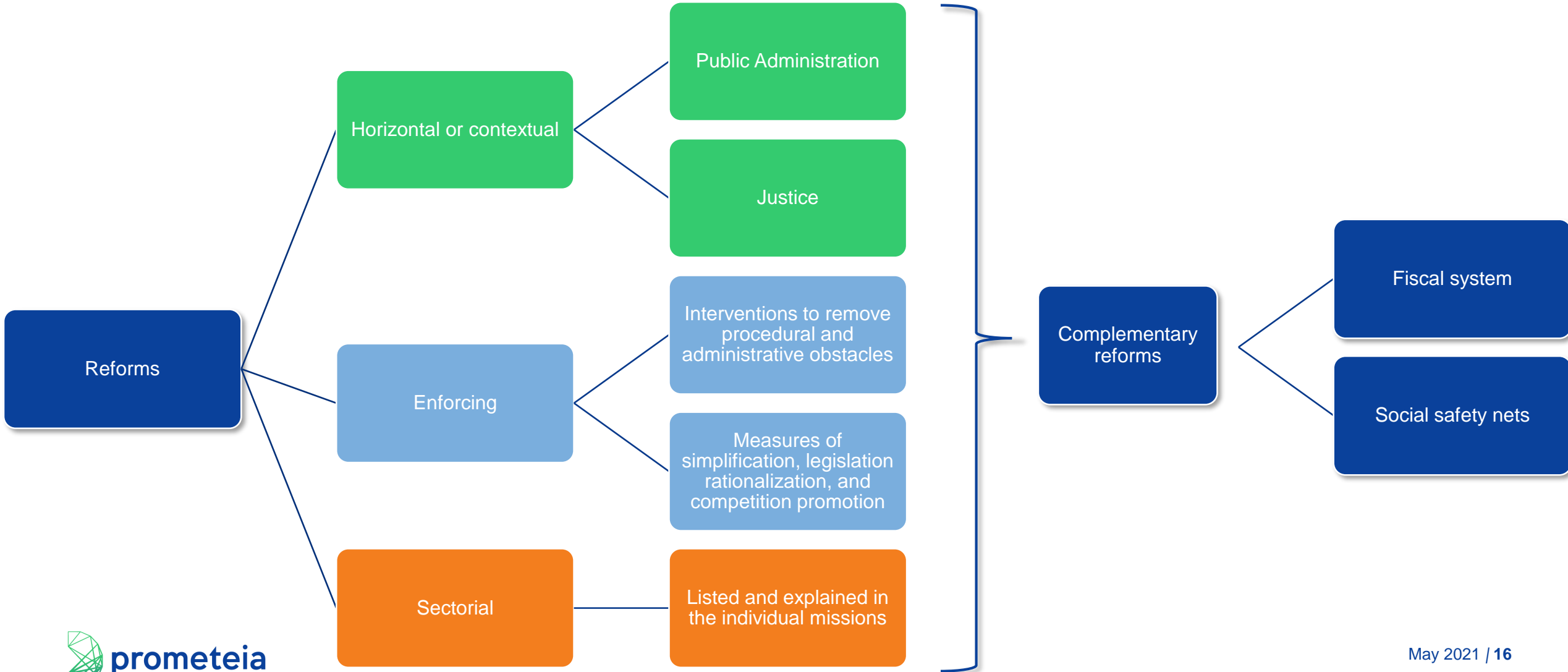
Gender equality Youth South and territorial inclusion

6 MISSIONS
(billion euro)



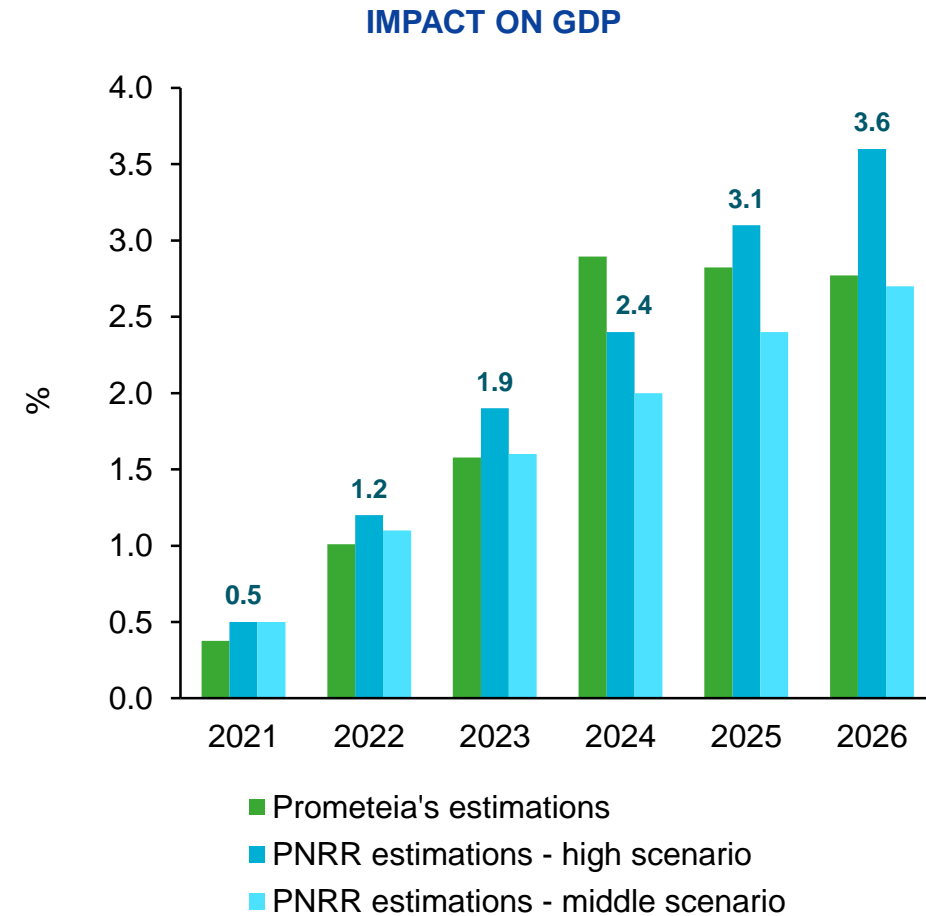
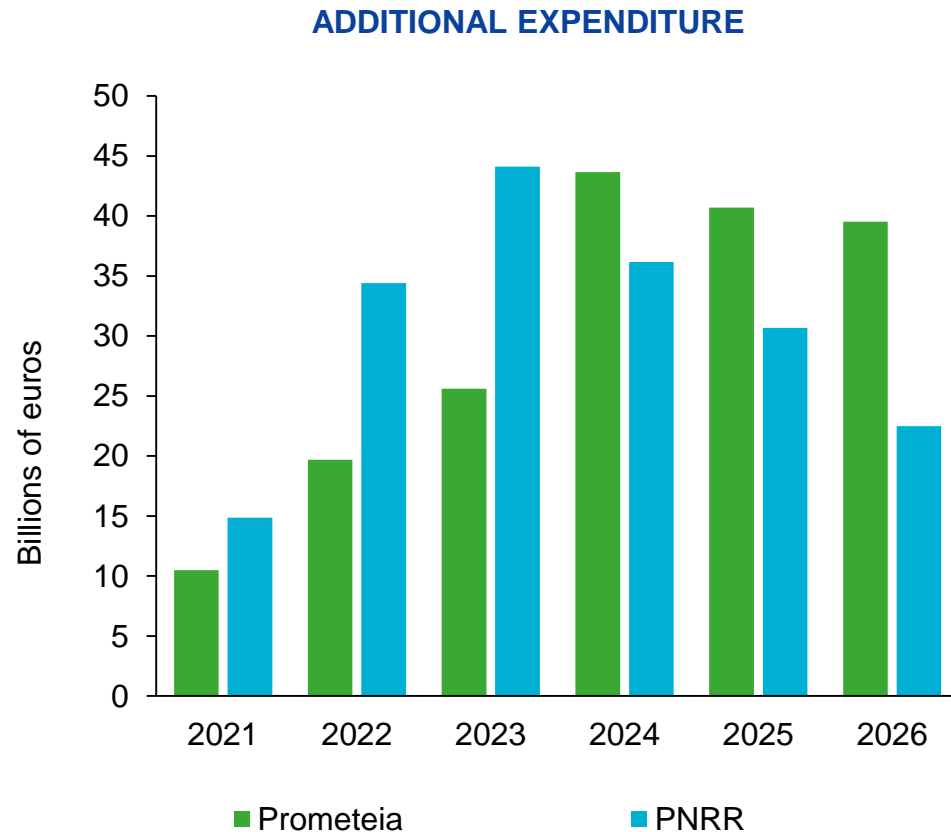
The NRRP reforms

The reforms as a crucial element of the plan and a catalyst for its implementation



Important economic effects...

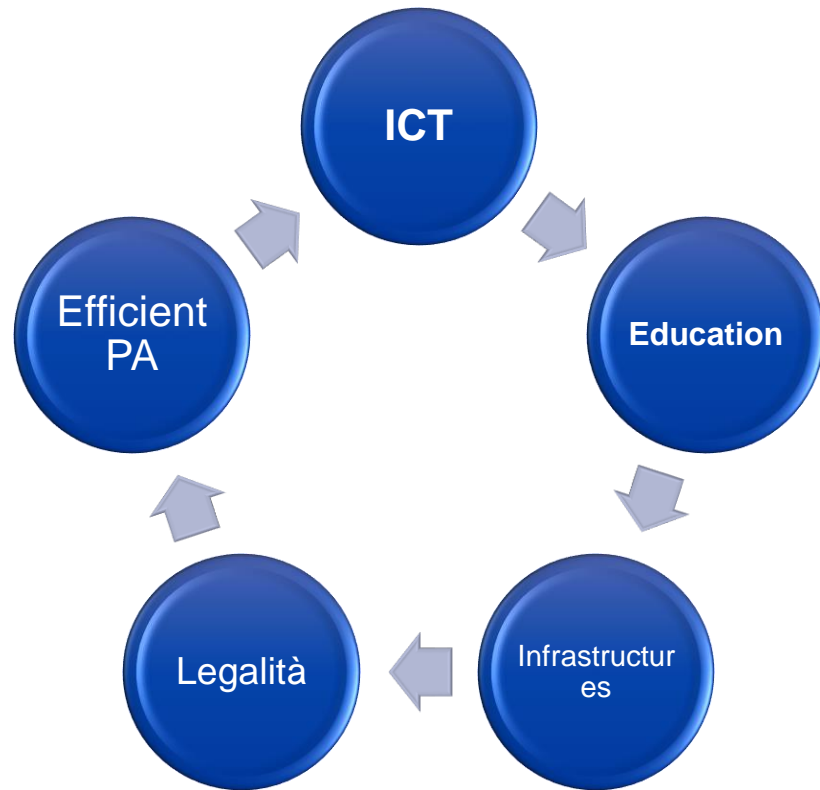
...0.5% yearly growth, even in our more conservative scenario with slower expenditure, and economic impact consistent with the NRRP middle scenario



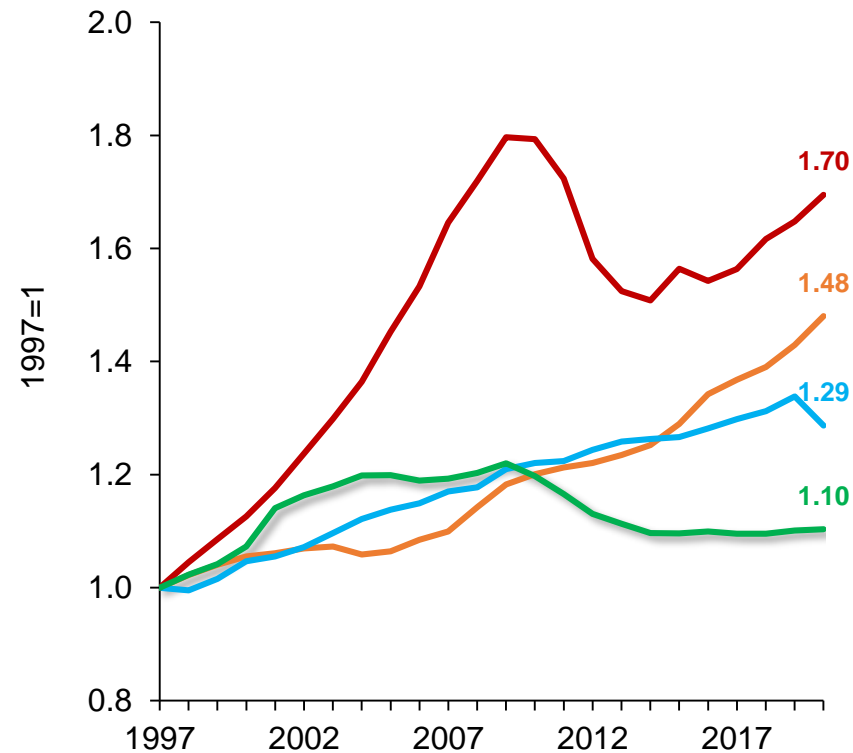
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Lack of reforms and of public expenditures drag on growth

THE VICIOUS CIRCLE BEHIND THE LOW ITALY'S GROWTH



PUBLIC SECTOR EXPENDITURES (consumption + investment)



in 25 years

Italy +10%

Germany +48%

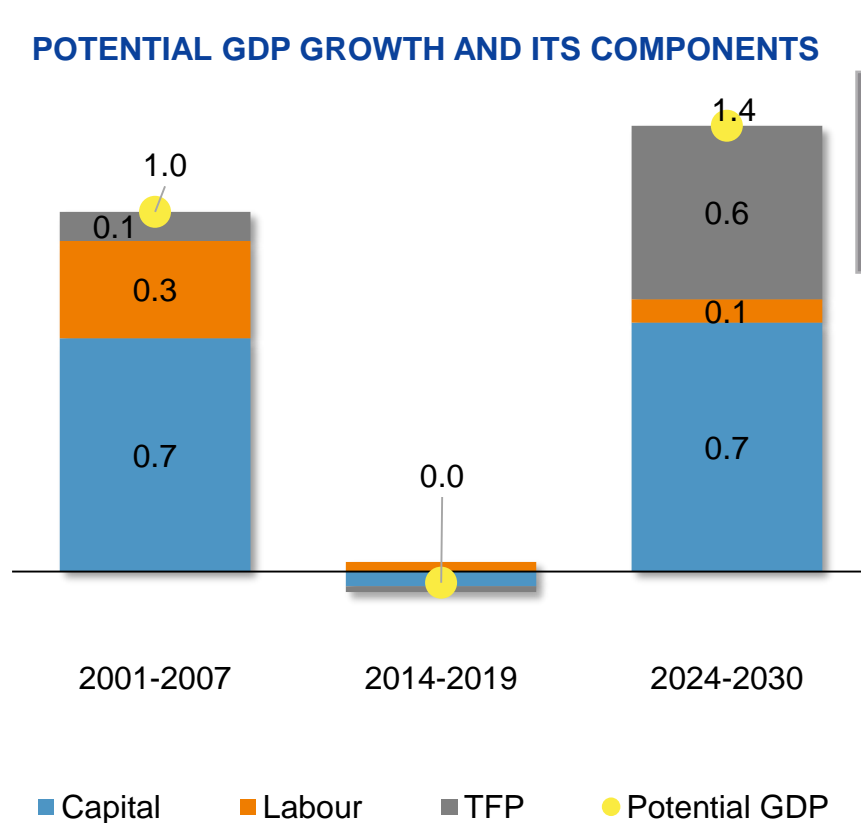
Spain +70%

France +29%

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Reforms and investments: an opportunity to boost potential growth...

POTENTIAL GDP GROWTH AND ITS COMPONENTS



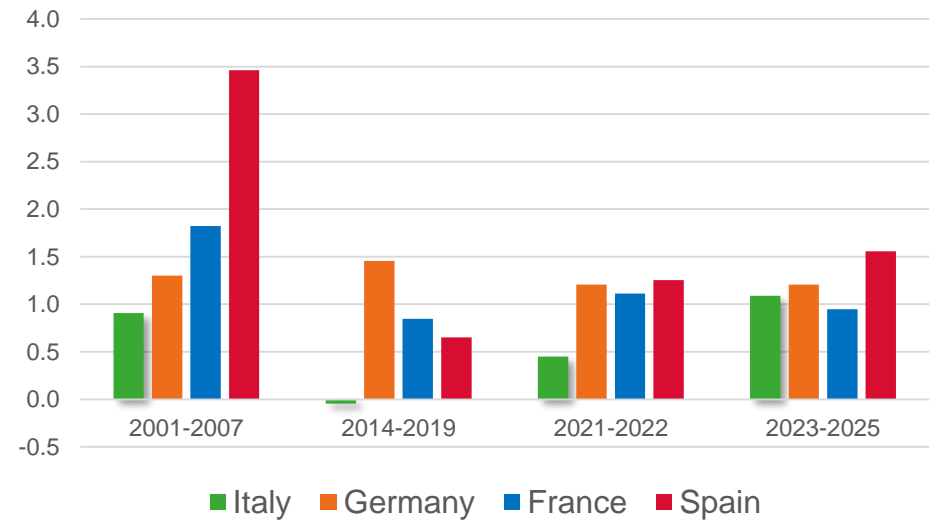
Source: Prometeia's estimations

Investments Structural reforms

↓ ↓

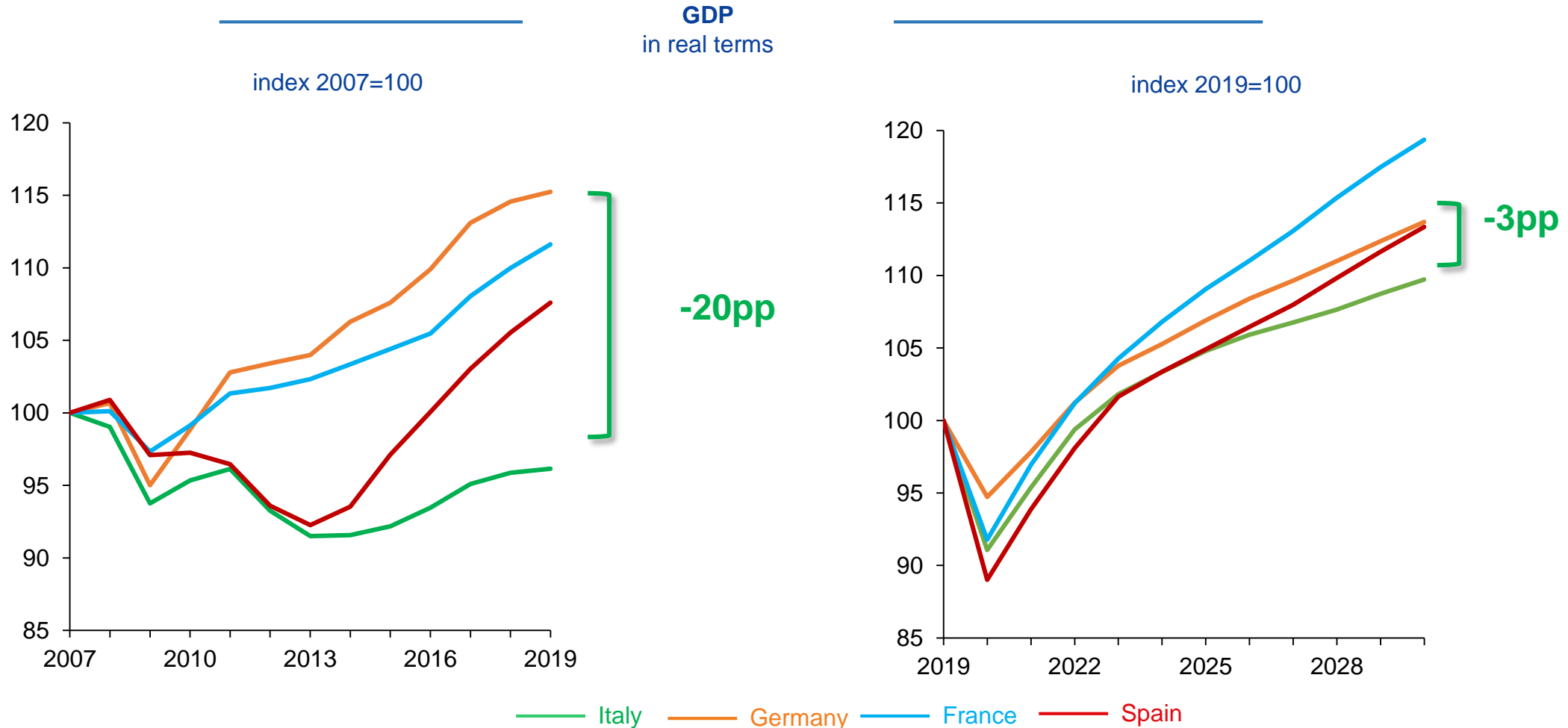
$$0.6 = 0.4 + 0.2$$

POTENTIAL GROWTH (annual average % change)



Source: European Commission

A risky “bet”: if won, Italy will join the EMU’s big countries growth



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