RESTRICTED

Report No. EA-71a

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE ECONOMY OF ITALY

July 16, 1957

Department of Operations
Europe, Africa and Australasia

CONVERSION RATES FOR ITALIAN CURRENCY

U.S. $1	=	Lit. 625
Lit. 1	=	U.S. $.0016
Lit. 1,000,000,000	=	U.S. $1,600,000

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BASIC DATA

Population (1956) - 48.3 million

Area - 120,000 square miles

Gross National Product, 1956 estimate - 14,000 billion lire ($22 billion equivalent)

		% of G.N.P. (1956)
Gross Investment		
Financed by:	Domestic Savings	21
	External Resources	$1\frac{1}{2}$
	Total	$22\frac{1}{2}$
Exports of Goods and Services		14
Government Current Expenditure		8
Money Supply		32

Per Capita G.N.P. (1956) - 290,000 Lit. ($460 equivalent)

1956 Balance of Payments (In millions of dollars equivalent)

Total exports f.o.b.	2,090	
Total imports f.o.b.	2,810	
Balance of Trade		-720
Tourism, net	210	
Emigrant remittances	150	
Other net services	190	550
Balance on Current Account		-170
Military receipts	130	
U.S. aid	30	
Net inflow of capital	120	280
Increase in Foreign Exchange Reserves		110

Public External Debt, December 31, 1956	Million $ Equivalent
Dollar	569
Swiss francs	95
Other	217
Total	881

Foreign Exchange Reserves, December 31, 1956

Gold and convertible currencies	1,150
Other foreign exchange	150
Total	1,300

MAY 1957

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I

THE SETTING

A. The Land and Its People

1. Compared to some other European countries, Italy is poor in natural resources. While her population is greater, her total area is a little more than half of France; and of this, one-third is mountains, another third is hills. Until recently it was believed she almost totally lacked mineral resources. She imports nearly all the coal, iron ore, copper and alumina she uses. Since the second World War, however, she has found and begun to develop important reserves of natural gas and petroleum.

2. The Apennine Mountains bisect the country, north and south and east and west (as the map in the Appendix shows). The only places where land transport is easy are the Po Valley and along the Adriatic Coast south from Foggia. Elsewhere mountains and hills cut up the country.

3. North of the Apennines, Italy has a continental climate with rainfall in spring and summer. The climate, together with a soil responsive to fertilizers and with over half of the total plains land of the country in the Po Valley, has made this the foremost agricultural region.

4. The center and south of Italy have a Mediterranean climate with the rain in winter. Over the centuries deforestation, though not so ruthless as in some other Mediterranean countries, has allowed the soil to wash off the hills and mountains out to sea or to silt river mouths into swamps - malarial until recent years. The deforestation and malaria are in large part responsible for the great contrast between the depressed south of recent times and the flourishing ancient Greek civilization in the same area. Large parts of the south have clay soils - as much as three-quarters of Sicily. Here clay means poverty. The area of clay soils since Roman times has coincided closely with that of the area of the "latifondo" - the traditionally backward great estate growing wheat or devoted to primitive pasture or hunting preserves. Where the soil is volcanic in origin - Naples or parts of Sicily - a variety of crops flourish - tree crops and fodder.

5. The position of Italy at the center of the Mediterranean has meant that its economic importance has been closely linked with the importance of the Mediterranean in the world economy. In the late middle ages, the cities of Northern Italy - Venice, Genoa, Florence - were leading commercial and financial centers and among the most prosperous and powerful states in Europe. The discovery of the New World and of the route to the East around Africa, the Turkish conquests in the eastern Mediterranean and the rise of national states in Western Europe ended the commercial and financial primacy of Italy. Northern Italy and Tuscany turned their energies to land reclamation and farming, becoming over the centuries one of the most prosperous farming areas in Europe. The opening of the Suez Canal in 1869 put Italy once more on a great world trade route and made it possible for her again to become a great maritime power.

6. Their long history has inculcated in Italians an impressive physical endurance and resilience in the face of disaster. It was this which

made the rapid reconstruction of Italy possible after World War II when she had been a battlefield from end to end.

7. For centuries there has been a great difference between North Italy and the South. Southern Italy and Sicily were not notably behind the rest of Italy when in 1266 they came under unenlightened foreign rule that, under a succession of ruling houses, persisted for 600 years. The South scarcely participated in the Renaissance of the 15th Century and fell behind the North. The gap persists to this day; per capita income in the South is still under a half of that in the North.

B. <u>Recent Economic History</u>

8. On completion of unification of Italy in 1870 the government embarked on a vast program of building railroads and public works to give economic unity to the peninsula. At the same time, German, Austrian and Swiss financial interests founded new banks in Northern Italy, such as the Banca Commerciale Italiana and the Credito Italiano which devoted themselves to financing industry in the North to take advantage of the new national market which had opened up with political unity and the new railroads and roads. The South, as it still largely is, remained the preserve of the Banco di Napoli and the Banco di Sicilia, both set up in pre-capitalistic times as foundations without stockholders and without the profit-seeking drive of the new northern banks.

9. There were also other reasons why the new manufacturing industries grew up in the North: water-power, then the most important source of energy, was most available here. The principal manufactures growing up were silk, cotton and wool textiles based on the skilled artisans who had been in these trades for centuries. The Alpine forests were used for charcoal for the first metal-using industries exploiting the modest mineral resources available. The prosperous agriculture of the Po Valley provided an easy market close at hand. The North had had the benefit also of the French Revolution, which swept away most of the remnants of the feudal restrictions and infused new enterprising people into the upper social strata.

10. What little nuclei of southern industry had begun to exist, perished when the high tariff walls which had protected them came down with unification and the new machine-made products of Western Europe and the North poured in. Toward the close of the nineteenth century, tariff walls were raised around Italy and heightened in the following decades. But this was now for the benefit of the northern industries while it raised costs for southern agriculture and consumers and reduced the real income of the South. In addition, with the national government for long under the control of northern interests, the South tended to be neglected. Roads, railways, telecommunications and schools were allowed to lag behind and so productivity and incomes in the South remained low.

11. In the last two decades of the nineteenth century, Italians in large numbers began to leave home - by the outbreak of the first World War over 4 million had emigrated permanently. In the inter-war years, emigration totaled 1-1/2 million. Since World War II the yearly rate increased again

and by the end of 1956 another 1-1/2 million had emigrated. In 1955 and 1956 net emigration exceeded half of the total annual natural increase in population of around 400,000. About two-thirds of the emigration goes across the oceans and the remainder to Western Europe. Since World War II, Argentina, France, Belgium, the United States, Canada and Australia have been the main recipient countries. During the last 50 years the bulk of the emigrants have been from the South; currently about three-quarters come from there. Emigration from the North, mostly to Western Europe, has been offset by the internal migration of Southerners to the North and, in the last five years, has been more than offset.

12. The birth rate for Italy as a whole has been halved in the last 80 years, dropping to the rate of 17.7 per 1,000 inhabitants in 1955 and 1956. The death rate has also decreased along with this to 9-10 per 1,000 and the rate of natural increase of population in the last 50 years has dropped from 12.6 per 1,000 to around 8. But the drop in the rate of increase has been primarily in the North. While the death rate has decreased throughout the country, the birth rate has gone down much more rapidly in the North, dropping from 31 per 1,000 just before World War I to under 15 now, while in the South it has dropped from 34 to only around 25. The "scissors" in the South between births and deaths continued to open until the late twenties and so far there has been no clear indication of their closing.

13. According to the most recent population forecasts, however, with the death rate not likely to decrease appreciably further and the birth rate continuing to go down, the rate of population increase should drop to about 3 per 1,000 by 1965 - that is, the population would be almost stable, even without further emigration, at around 51 million.

14. Italy has become an industrial nation in this century. Around 1900, agriculture produced around 40% of net national product and industry (manufacturing, public utilities, construction) produced just over 20%; each of the two produced about one-third in the thirties; by 1955, the share of agriculture had fallen to one-quarter and industry had risen to over 40%.

15. In the period 1900-1912, Italy had a high rate of economic growth with GNP rising at 5% per annum. In the inter-war period with slow growth abroad and capital used in colonial adventures, GNP grew at about 1% per year. The destruction and disruption caused by the second World War were made good by 1950 and since then real GNP has grown again at about 5% per year.

II

STRUCTURE OF ECONOMY

A. General

16. The accompanying chart gives the broad outlines of the structure of the national product and broad uses to which it is put in the economy. From the product side, it is evident that Italy is relatively highly industrialized but the agricultural sector is also important. The mineral base is poor as is shown by the tiny 1% contribution of mining to GNP. The balance between manufacturing and agriculture is a reason why imports of goods and services are only 14% of GNP - a fairly low ratio for a Western European economy.

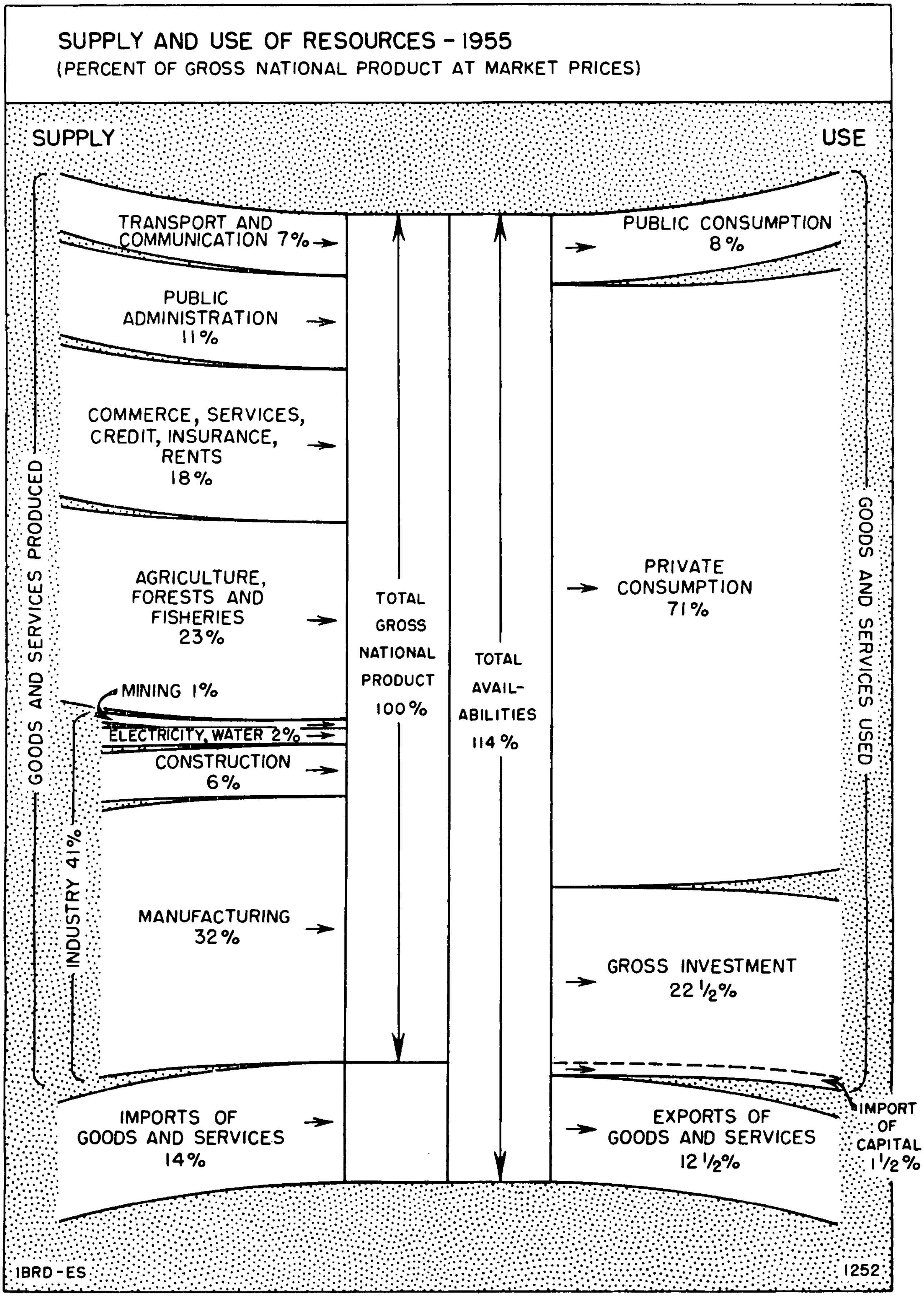
17. On the uses side, public consumption is lower than in most Western European countries, while gross investment at 22½% of GNP is somewhat higher. Import of capital at 1½% of GNP finances about 7% of gross investment - a significant but not very large contribution.

B. Geographical Distribution

18. The next chapter will discuss more fully the problem of South Italy. Here it is intended merely to give a brief picture of the geographical differences in the economy. The map in the back of the report showing the railway network in the country gives a graphic indication of how the North, and particularly Northern Italy, is far more developed than the South. The following table brings out some of the salient characteristics of the retardation of the South.

	South as % of North	
Total South		
Population, 1 January 1955		60%
Agricultural and forest area		74%
Regional income		27%
Per Head		
Number of workers in industry, 1951	34%	
Horse-power installed in industry	20%	
Industrial production, 1954	28%	
Electric power produced	27%	
Number of workers in agriculture, 1952	112%	
Gross Agricultural product, 1954	92%	
Bank deposits, 1954	25%	
Public Investment, 1954	102%	
Private Investment, 1954	31%	
Per Capita income	45%	
Natural rate of growth of population	320%	

ITALY


SUPPLY AND USE OF RESOURCES - 1955
(PERCENT OF GROSS NATIONAL PRODUCT AT MARKET PRICES)
SUPPLY
USE
TRANSPORT AND COMMUNICATION 7%
PUBLIC ADMINISTRATION 11%
COMMERCE, SERVICES, CREDIT, INSURANCE, RENTS 18%
AGRICULTURE, FORESTS AND FISHERIES 23%
MINING 1%
ELECTRICITY, WATER 2%
CONSTRUCTION 6%
MANUFACTURING 32%
INDUSTRY 41%
GOODS AND SERVICES PRODUCED
IMPORTS OF GOODS AND SERVICES 14%
TOTAL GROSS NATIONAL PRODUCT 100%
TOTAL AVAIL-ABILITIES 114%
PUBLIC CONSUMPTION 8%
PRIVATE CONSUMPTION 71%
GROSS INVESTMENT 22 1/2%
EXPORTS OF GOODS AND SERVICES 12 1/2%
IMPORT OF CAPITAL 1 1/2%
GOODS AND SERVICES USED
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C. Ownership

19. The economy is a mixed government-private one without a clear-cut line of division between the two. Even in individual state-controlled enterprises in most cases there is some private investment. In the basic services, the state owns the railways, the airlines, the highways, the radio and T.V. network. The state, through I.R.I. (Istituto per la Ricostruzione Industriale) owns companies providing one-quarter of the electric power and 60% of the telephone service.

20. In finance, public enterprises are dominant. The degree of government control exercised varies from very little in the commercial banks to a great deal in institutions like Medio-Credito which owe their birth to the State. The State, through I.R.I., owns the three largest commercial banks (Banca Commerciale Italiana, Credito Italiano and Banco di Roma). It controls the Banco di Sicilia and the Banco di Napoli, which have no share-holders and do the bulk of banking in the South, and the Banca Nazionale del Lavoro, a large commercial bank which has special responsibilities in the financing of hotels, tourism, cooperatives and motion pictures. In the provision of medium and long-term loan capital the most important organization is I.M.I. (Istituto Mobiliare Italiano), also government-created. There are a number of other publicly-owned enterprises also in this sector, including Medio-Banca, which is owned by the I.R.I. three commercial banks, and Medio-Credito, a new institute set up to supply funds by rediscount to the network of new regional institutes, which were organized by the banks in the North and by the government in the South to lend to small and medium business.

21. Since the market for shares and non-governmental bonds is not well developed in Italy with only a comparatively small number of well-known companies such as FIAT, Montecatini, Edison, able to rely on this source for funds, other enterprises must mainly depend on self-financing and the public financial institutions for investment capital. The large companies which do have the ability to raise capital from the public are tempted to spread their activities into many fields - all of those named, for example, are now interested in expanding into atomic power.

22. In industry, I.R.I. enterprises produce half of the iron and steel output of Italy; I.R.I. concerns produce over 12% of the total output in the mechanical sector but have 70% of the shipbuilding output and, in particular areas - Naples, Venice and Genoa - employ over half the workers in the mechanical sector. I.R.I. owns 15% of the tonnage of the Italian shipping fleet but two-thirds of the passenger and passenger-cargo ships.

23. In minerals, the government-owned E.N.I. (Ente Nazionale Idrocarburi) produces and distributes almost all of the Italian natural gas which now satisfies almost 15% of total energy requirements. E.N.I. owns or participates (with Standard Oil of New Jersey and British Petroleum) in the ownership of oil refineries having over one-fourth of the refining capacity of Italy. It is building a synthetic rubber plant which will meet the whole of Italian requirements. An I.R.I. subsidiary is responsible for mercury production in which Italy with Spain has a near-monopoly in the world. The small coal output is also produced by a government-owned enterprise and, in fact, would probably not be produced at all if the government were not willing to bear the losses.

24. In most cases, the government enterprises function in practice as though they were privately-owned enterprises, pay the usual taxes and work for a profit. E.N.I. has been very profitable and has developed its sector very rapidly from ploughing back profits. The I.R.I. enterprises also run at a profit except for some in the mechanical sector which have not yet been able to complete their conversion from the impress of the prewar Autarchic period and the war.

25. The state-owned enterprises have shown an awareness of political necessities in their employment policies - though it would be difficult to demonstrate that they have done so more than the large privately-owned concerns such as FIAT. There is some indication that the I.R.I. companies have felt inhibited in pursuing expansionist policies because they were state-owned but E.N.I. is the outstanding example of aggressive expansion in postwar Italy.

26. It is far from certain whether the state-owned enterprises in industry and finance, which were taken over intact with their managements, will be able to function economically as the personnel who were trained in a private-enterprise environment pass away. In the financing of the I.R.I. enterprises through government-guaranteed bonds, investors are given the option of conversion into shares. Over the years there has been an appreciable growth of the direct private interest in some of the I.R.I. companies and ultimately they might become privately-controlled. The government policy is to encourage this. The chances are, however, that if this process continues it will still be a very long time before investors sufficiently acquire the habit of investment in shares to complete this transition.

27. In the meantime, a new Ministry of State Participations has been created to watch over these investments of the State. This Ministry should facilitate securing the cooperation of the enterprises in carrying out national plans like the Vanoni Plan and the development of the South but the new Ministry may also imperil the salutary neglect which has helped the enterprises to maintain their economic autonomy.

D. Agriculture

28. In Annex I, a more detailed analysis of agriculture is presented; here, only a few high points will be discussed.

29. The distribution of the labor force and the net product produced by major sectors in 1955 was, as follows:

Sector	Labor Force	Net Product
Agriculture	38%	23%
Industry	33%	40%
Other	29%	37%
Total	100%	100%

30. These figures indicate the relative backwardness of agriculture compared to the rest of the economy. The proportion of total labor employed in agriculture has been falling since at least 1900 but the absolute number continued to increase up to the twenties. In 1931, agriculture still employed more than half of the total labor force. Since 1931, total employment in agriculture has been falling both absolutely and proportionately to the total. From 1931 to 1951 the total active population in agriculture fell from 9.7 million to 8.1 million. The Southern Italian agricultural population continued to increase but this was more than offset by the North and the islands. By the beginning of the first World War, 30% of the labor force was already in industry. (The present 33% is roughly comparable with the 36% figure in the United States.) The "other" activities - mainly private and public services - have principally absorbed labor as agriculture has declined in relative importance and this process should continue.

31. On a regional basis, North Italy with about a third of her labor force in agriculture, is like France and Austria while South Italy, with over half of her labor force in agriculture, is like Portugal, Spain, Greece and Turkey. (A table in the Statistical Appendix presents these comparisons in more detail.) There has been little change in this regard in the South. In 1861, the percentage of the total active population in the South in agriculture was 57% and a century later it had only dropped to 52%, while in the North it dropped from 57% to around 25%.

32. The net agricultural product for the years 1951-56 grew by the unusually high average of 2.5% per annum. Much of this was due to increasing yields from the use of better seeds and more fertilizer, greater protection of crops from pests and diseases and better cultivation of the soil, particularly from the rapidly increasing use of tractors.

33. Agricultural policy is designed to secure an average increase of 2.3% per annum in the gross product of agriculture during 1955-64. Special effort is to be directed for a greater output of livestock, industrial crops, fruits and vegetables. Two-thirds of the increase are to be obtained through higher yields from land already under cultivation by the more general application of improved techniques; one-third is to result from extensive programs of land reclamation, transformation and reform already in progress.

34. Land reclamation has been under way for generations and the present advanced agriculture in Northern Italy owes much to it. Since 1950, a vast new program of reclamation and transformation has been in progress which affects some 40% of the total agricultural area. Though it operates throughout the whole country it is concentrated largely in the underdeveloped South where it is handled by a special government agency, the Cassa per il Mezzogiorno.

35. Under the land reform program, also inaugurated in 1950, 800,000 hectares of land or nearly 4% of the total agricultural area, have been expropriated and turned over to peasant farmers. The objects of the program are both economic and social. It will raise production through the

transformation of the land from extensive grazing and cereal growing to intensive cultivation and mixed farming. It will also provide lasting employment for a part of the rural unemployed and under-employed.

36. Most of the expropriated land is located in Southern Italy and in the Islands but nearly one-third lies in the Po Delta and the Maremma of Tuscany and Lazio - regions in which rural population density is relatively low and percentage of casual labor high. (See map in Appendix.)

37. The land reform program is expected to be completed by 1962. Rapid progress is being made and large tracts of country, formerly barren and deserted, already show neat farmsteads, well-tilled fields and fine crops.

38. The progress being made makes it likely that if the planned investment is carried out, the objective should be reached of an increase of 8% in total agricultural output by 1964 to be contributed by these two programs. It is less likely that there will be fully achieved the 15% increase in total output which is to come from the application of improved techniques to existing land. However, with some changes in agricultural research and extension work, the probabilities of reaching this goal would be improved.

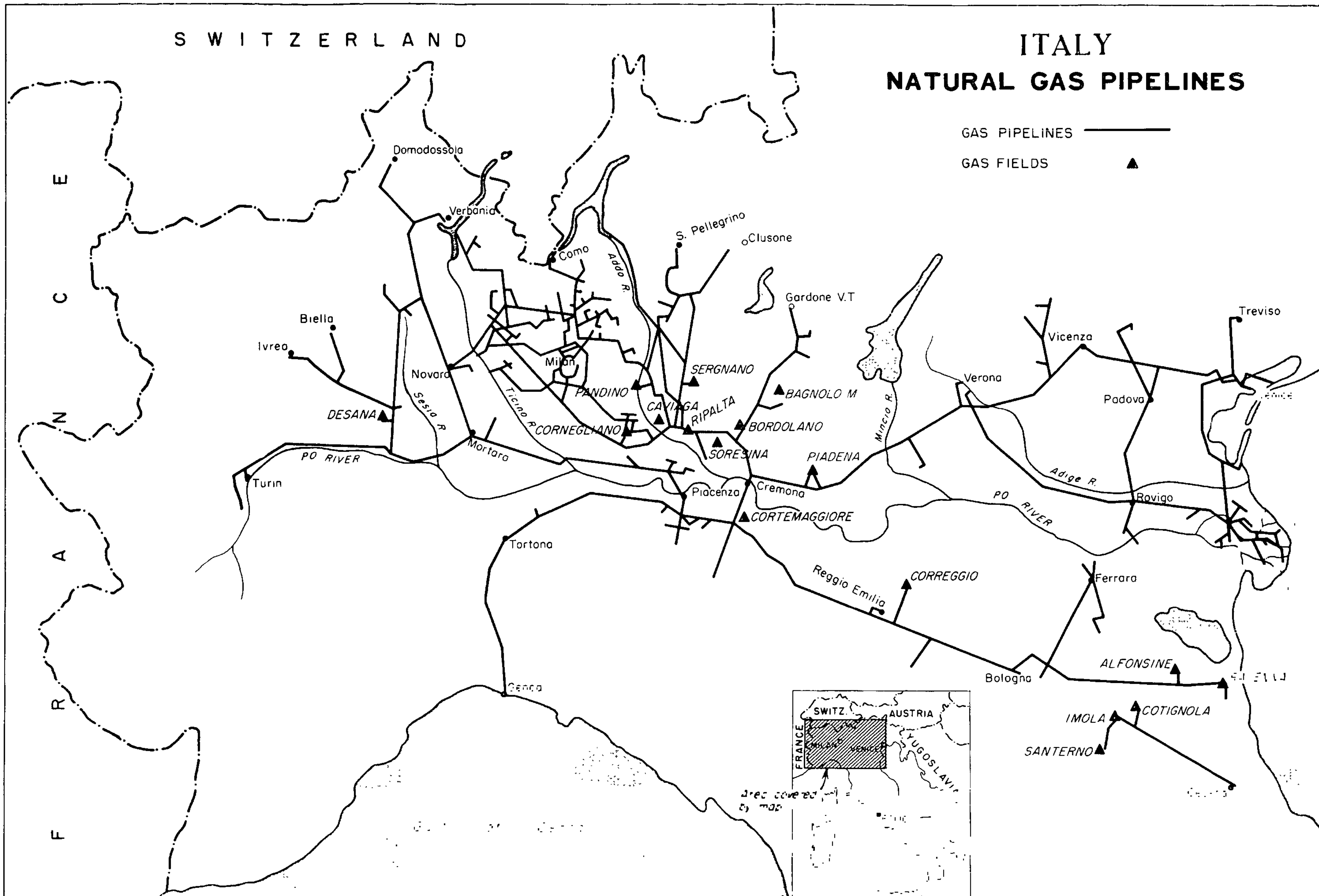
39. In any case, it is very probable that agricultural output will increase more rapidly than the expected increase of less than 10% in population by 1964 so that it should be both possible to improve the Italian diet and increase exports sufficiently to wipe out the present deficit of around $80 million equivalent in the balance of trade in food products.

E. Energy

40. Italy is dependent on imports for just over half of her energy sources and this is likely to continue. Over the last 50 years, however, she greatly reduced the degree of her dependence on imports and through diversifying her consumption has become less dependent on any one source.

41. Prior to World War I, coal was the main source of energy and from 1900 to 1912, coal imports grew from 5 million to 10 million tons per annum. Coal imports in recent years have been around 10 million tons a year. Between the wars, two-thirds of the growth in energy needs was met by exploiting hydro-power resources and the remainder from imports of oil.

42. Since World War II, it is becoming increasingly difficult to exploit more hydro-power and Italy has had to increase her imports of oil. The natural gas resources of Italy were, however, tapped, rapidly developed and now supply almost 15% of the total energy needs. The accompanying map shows the network of pipelines that have been built since the war. With hydro-power furnishing another 28% of energy needs and domestic coal, 2%, Italy's own sources now supply just under half of the total. Twenty years ago this proportion was barely over one-quarter.



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43. The pattern in the future is not likely to change much - the range of her energy needs that Italy should be able to cover from her own resources should be from 45% to 55% by 1964. This conclusion is derived as follows: if the Vanoni Plan assumptions are accepted of a growth in real GNP of 5% per year, Italy's energy requirements will grow correspondingly, or from about 44 million tons coal equivalent in 1954 to 72 million tons in 1964. Of the increase of some 28 million tons coal equivalent, natural gas is expected to meet 6 million, and further hydro-power development perhaps 3 million. The prospects for crude oil production in Italy are difficult to assess. Even with an oil law that encouraged all-out prospecting on the mainland, perhaps not more than 6 million tons of oil - i.e. 9 million tons coal equivalent - per year might be produced. With the present law under which the major international oil companies are unwilling to look for oil on the mainland, it may be as little as the 2 million tons that production in Sicily, under another law, is likely to reach.

44. Atomic energy may become an important item after 1964 but it is not likely to modify significantly the conclusions for the period before 1964. Consequently, Italy may have to increase her annual imports of oil by 1964 by another 6 to 10 million tons. This means an additional foreign exchange cost of $120-200 million per annum, of which, on the present basis, 60% would be in dollar exchange. This is on the assumption that Italy maintains her present level of coal imports. Since over half of her coal is already coming from the U.S., replacing this with oil would not increase her dollar expenditures.

45. If the economy grows according to the assumptions on which these forecasts are based, then foreign exchange earnings should also increase to pay for this increase in imports.

F. Transport

46. Only a few comments need to be made on this important sector.

47. Railway transport in terms of ton-kilometers passed the 1938 level in 1951. Since then, it has grown at about the same rate as the growth in real GNP. In addition, to meet the need for continued growth in capacity and to better serve the economy, the railways, which are an autonomous state enterprise, are working on a plan of reorganization to put the whole enterprise on an economic basis. In recent years the railways have shown deficits - after meeting operating costs, including interest on debt, and amortization payments - of around 80-90 billion lire. In the current budget the deficit shown will be reduced to around 54 billion lire because the state, for the first time, will pay the railways for the services they render to it. The railways believe their reorganization plan, if they are permitted to put it into effect, would eliminate the remainder of the deficit. Under this plan, lines which are uneconomic due to motor competition or could be better served by bus and truck would be cut out. Some lines would be expanded in capacity particularly in the South where the increasing agricultural output is beginning to over-burden the existing lines. There is also a need for refrigerator cars and other special equipment to get the fruits and vegetables of the South to market in Western Europe quickly. In addition there are various bottlenecks and improvements to be made throughout the system which would increase its efficiency.

48. In order to carry out this plan of reorganization the railways may need to borrow abroad - both to get some of the necessary capital and to secure the necessary technical support to offset non-economic pressures. The amount of such capital needs might be as high as $80 million equivalent a year for the next five years.

49. The road system, particularly in Northern Italy, is becoming a bottleneck and a large amount of investment in providing new roads is definitely becoming necessary. A comprehensive program of building a national system of toll highways is being prepared and work on a few small sections of it has begun. The central government is contributing a fraction of the cost - generally in the neighborhood of 30% - of each road and the remainder has to be found by each toll road authority either within Italy or abroad. Those roads that are clearly of highest priority would by themselves require over a hundred million dollars equivalent of capital.

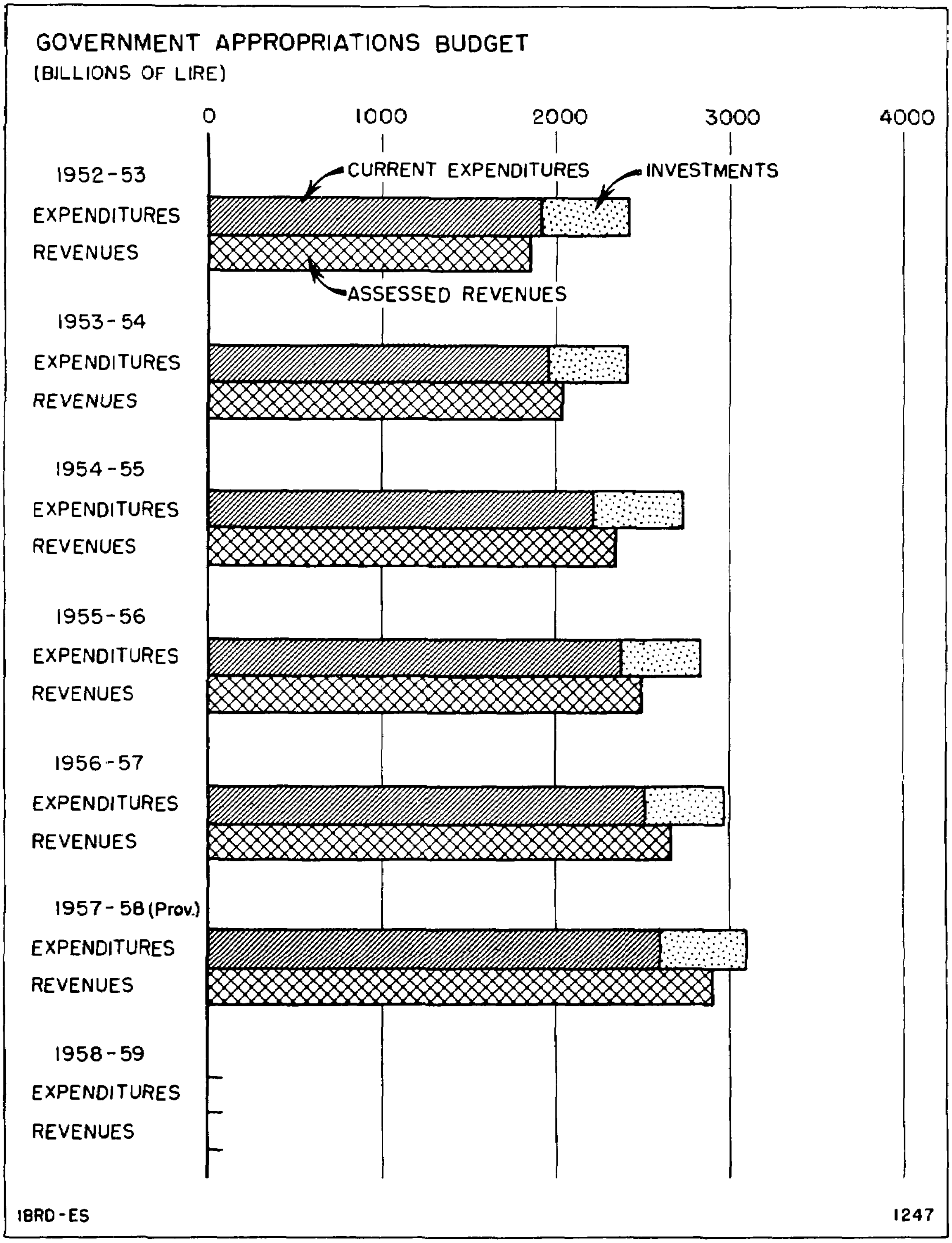
G. Internal Finance

Public

50. Italy suffered the worst inflation of any country in Western Europe in World War II with prices rising to about 60 times prewar. Stabilization was successfully accomplished in September 1947 and has endured ever since. While the index of consumer prices has since increased by about 20%, this has, if anything, been less than the average in Western Europe - and 8 percentage points of this were due to the increase in controlled rents. The wholesale price index has been practically constant for the last four years and is now actually below September 1947.

51. Money supply has increased somewhat more rapidly than national income. It was not until 1952 with the restoration of confidence in the currency that people held again the same ratio of cash balances to national income as prewar. Since then, with the growth of incomes, people have built up relatively their holdings of cash in bank deposits while their currency holdings have tended slightly to diminish. At present, money supply is about 32% of GNP, or within the normal range for a country like Italy.

52. The accompanying chart presents the picture of the developments in public finance. The significant facts are: (a) both revenues and expenditures have grown with the growth of the economy; and (b) the deficit has become smaller than the public investments financed out of the budget, so that there is some public saving in financing investment. This also means that the government's borrowing is strictly for investment and that the private savings are not being used to finance public consumption. The government has recently announced its intention to eliminate the deficit over the next three years.


GOVERNMENT APPROPRIATIONS BUDGET
(BILLIONS OF LIRE)
0
1000
2000
3000
4000
1952-53
EXPENDITURES
REVENUES
CURRENT EXPENDITURES
INVESTMENTS
ASSESSED REVENUES
1953-54
EXPENDITURES
REVENUES
1954-55
EXPENDITURES
REVENUES
1955-56
EXPENDITURES
REVENUES
1956-57
EXPENDITURES
REVENUES
1957-58 (Prov.)
EXPENDITURES
REVENUES
1958-59
EXPENDITURES
REVENUES
IBRD-ES
1247

53. Four-fifths of public revenues come from indirect taxes. Beginning in about 1950 an attempt was made to reform and improve the income tax structure and some progress has been made. Since most of the revenue from indirect taxes is directly related to economic activity, government revenue will continue to rise with the national income. At the same time the indirect taxes in various directions tend to distort the pattern of economic activity and sometimes even to repress it. While a better tax system undoubtedly would aid in accelerating economic growth the present one has not prevented growth.

54. Compared to other Western European countries, current public expenditures as a percentage of GNP are below the average (according to the OEEC comparable figures, about 11% compared to 15%). This may be one reason why gross investment in Italy, on the other hand, can be above the average.

55. Twenty percent of total gross investment is carried out by the central government's ministries and agencies; another 8 percent by the regions, provinces and municipalities; and about 12 percent by state-owned enterprises. Annex II presents the first comprehensive compilation and analysis of these investments which has ever been available. It concludes, with minor reservations, that public investment seems to have been executed with no more waste than customary in most countries.

<u>Capital Market</u>

56. In 1933, the government put into effect a reform to change the banking system from mixed commercial-investment banking to purely commercial banking. The banks were restricted to granting short-term commercial credit and the government's new holding-company, I.R.I., took over the security portfolio of the banks which they had acquired under the previous system. Included in the security portfolio was also the bulk of the shares of the banks themselves and, since then, as mentioned above, the state has owned the major commercial banks. The financial history of Italy since the reform can be interpreted as the gradual rebuilding of the system, for collecting and supplying capital to industry, which was demolished when the commercial banks were forbidden to invest in securities. Consequently, I.M.I. (actually created a little before I.R.I.), and other new institutions created since then (Medio-Banca, Centro-Banca, Medio-Credito, and the regional institutes for loans to small and medium industry) all belong to this process of creating new institutions outside of the commercial banks to supply long-term capital to industry. Almost all of these are state-owned directly or indirectly.

57. But although constructing a new capital market has been almost completed, all of these new institutions supply <u>loan</u> capital only, and not equity capital. Only a handful of large corporations are able to sell shares; other enterprises have had difficulty in raising the necessary risk capital. They have relied on ploughing back profits, investment by the individual owner and his friends, or financing long-term investment on short-term credit. It is only last year that an institution, ISAP (also state-owned at one remove) was created for equity financing of companies in the South. ISAP has not as yet made any investments. The regional government of Sicily has also established a small equity capital fund.

58. A significant development in recent years has been the growth of "transferable savings" - that is, savings made available for investment through the market to institutions like I.M.I. or to enterprises directly. The bulk of private investment, however, is still financed outside of the market. The main outlines in 1955 were, as follows:

Sources of Financing of Private Investments, 1955

	% of Total
Depreciation allowances	48
Self-financing, private savings invested directly, short-term loans	31
Loans of special investment institutes	13
Security issues	8
	100%

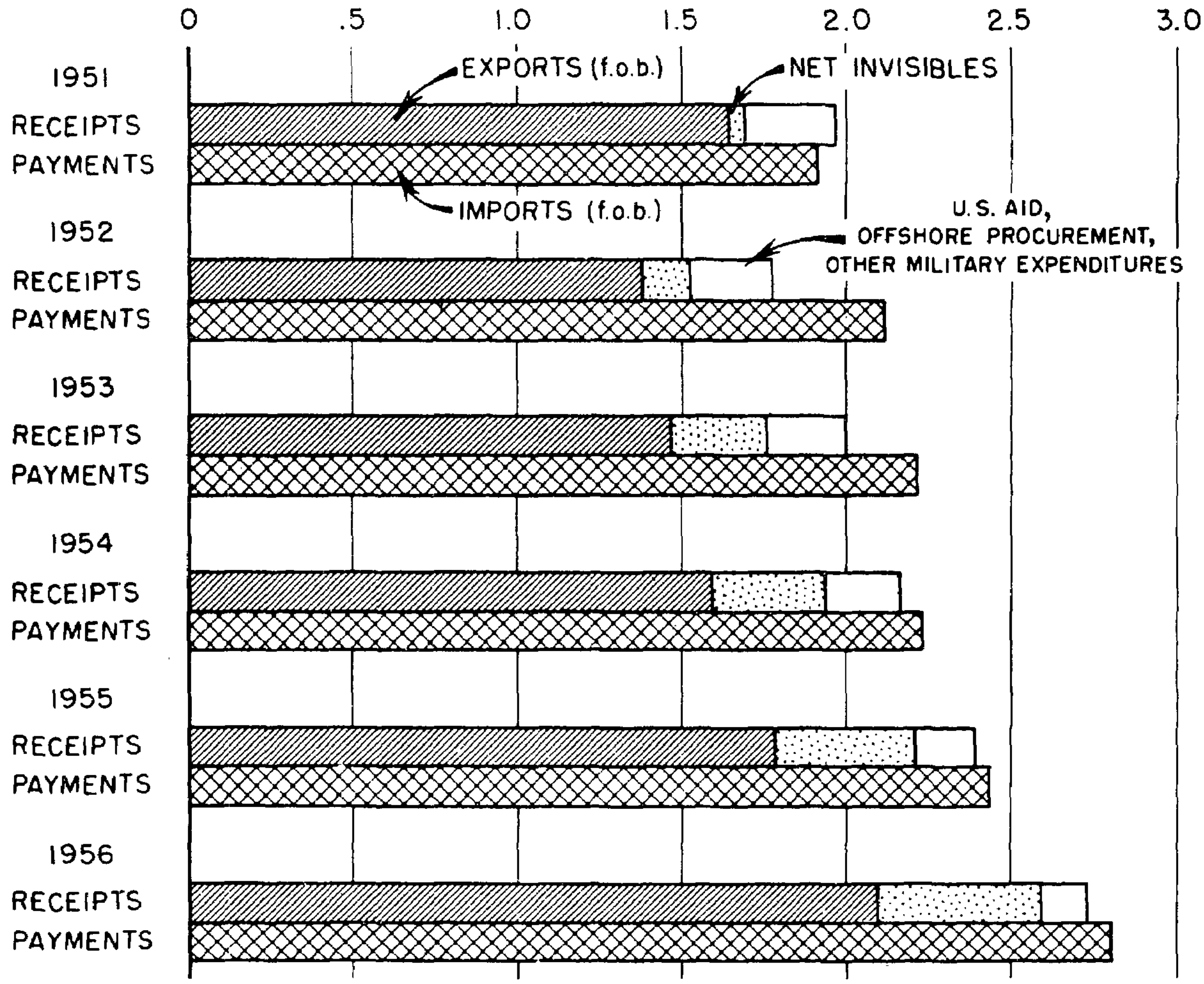
59. Over the last year and a half stock market trading has been paralyzed by a strike of the brokers - the government as a part of its program against tax evasion secured a law requiring brokers to keep a complete record of transactions. The brokers insist this is administratively impossible. The dispute does not seem to have hampered new stock issues but it might indeed have discouraged the growth of interest in investment through the market.

H. External Accounts

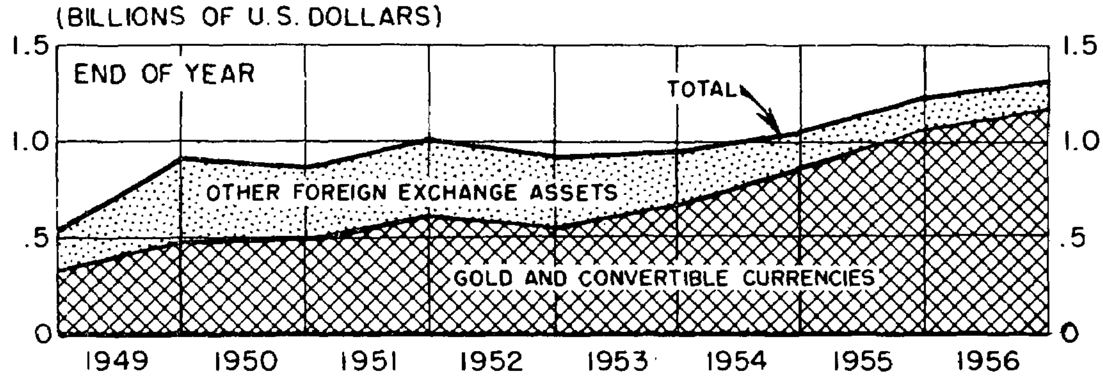
60. The accompanying chart gives the general picture of the growth and the changes in the total balance of payments over the last six years. It is to be noted that Italy runs a deficit on trade account which is offset by her earnings on invisibles - tourists, emigrants remittances and services. The growth of earnings from invisibles has been the most striking development in the balance of payments. The chart also shows the gradual decrease in the last few years in the various special receipts from U.S. Government economic aid, offshore procurement and other military expenditures. The increase in foreign exchange earnings together with these special receipts and the inflow of capital have been large enough to allow foreign exchange reserves to go up. In the last three years, they increased by $55 million in 1954, $110 million in 1955, and $110 million in 1956. The lower chart also shows that the proportion of convertible currency and gold in these reserves has been steadily increasing.

ITALY

BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(BILLIONS OF U.S. DOLLARS)



GOLD, CONVERTIBLE CURRENCIES AND OTHER FOREIGN ASSETS (GROSS)
(BILLIONS OF U.S. DOLLARS)



NOTE: Convertible currencies - U.S. dollars, Canadian dollars, free Swiss francs

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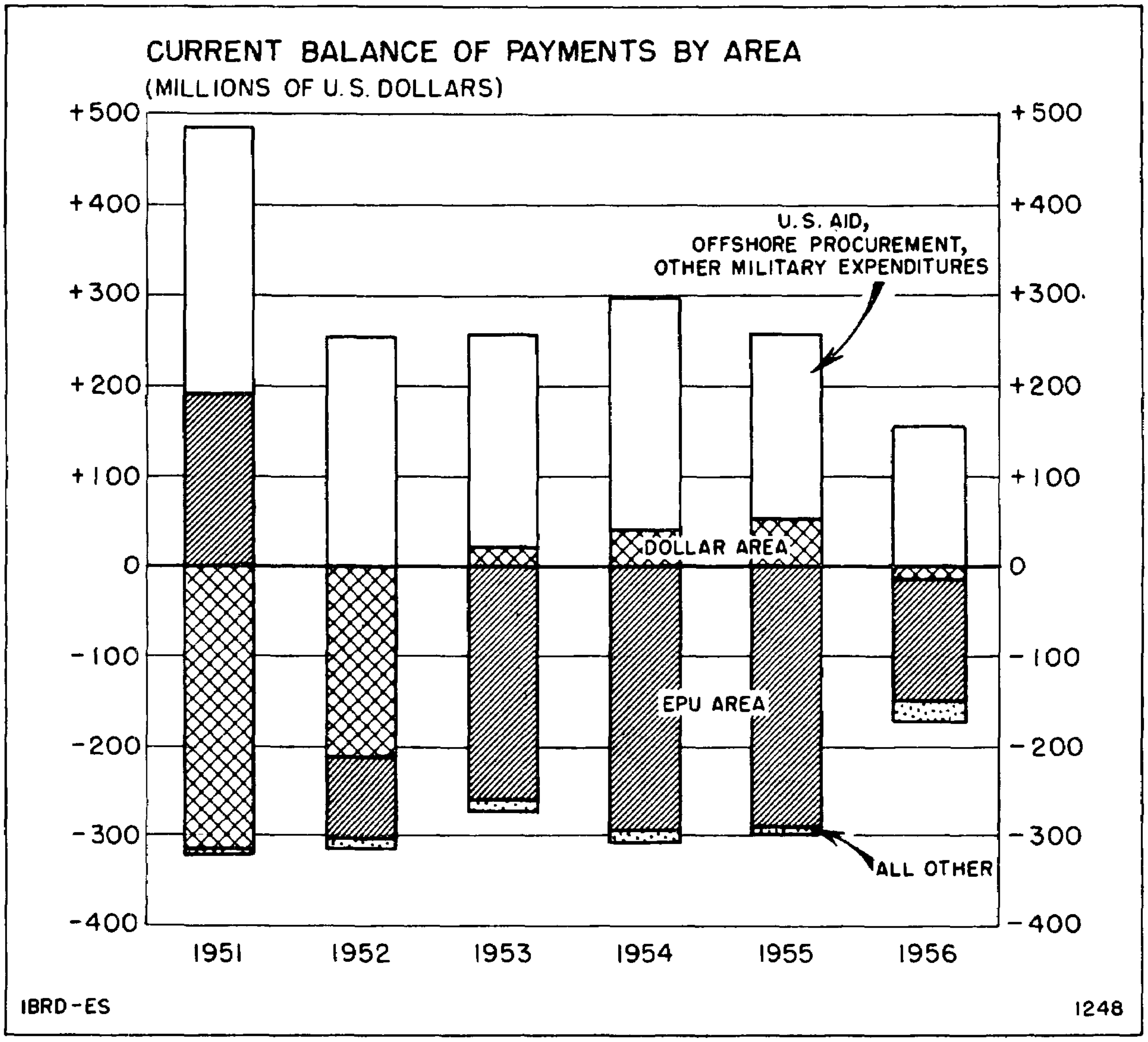
61. Italy can sail better than average when a fair wind is blowing, but if a big storm comes up she may also suffer more than average. A large part of her external earnings come from the sale of commodities like early fruit and vegetables and services like tourism, whose consumption goes up more than proportionately when incomes in the world rise - but falls more rapidly when incomes fall. Over the longer run, however, if the world as a whole becomes more prosperous, this feature of the economy should be a strong rather than a weak point. In recent years, moreover, exports have shown a high degree of adaptability to changes in composition of external demand and she has been able to expand exports of mechanical and chemical products to the point where these are now over a third of total exports. This reflects well on the flexibility of her industry.

62. Italy imports such basic foodstuffs as cereals and meats and such vital raw materials as coal, petroleum, iron ore and scrap metal, cotton, wool, hides and rubber. Italy should have little difficulty in securing these either in prosperity or depression, but they might be in short supply in a world imminently threatened by war. In such circumstances, Italy is vulnerable to price and freight rises on these indispensable imports. Her agricultural development, however, is reducing her dependence on imported cereals and it should hold down growth in her need of imported meats. As the earlier section on energy brought out, Italy has become less dependent on a single fuel source or commodity. Similar developments are taking place in the other raw materials. But even so, Italy, like most other Western European countries, may suffer economically from any major international crises. For this reason, fairly large foreign exchange reserves are a necessity.

63. The geographical distribution of Italian foreign trade reveals some significant shifts in recent years. In the immediate postwar years, Italy had to rely heavily on dollar imports, largely financed by grants from the U.S. Government. At the same time the sterling area and other OEEC countries served as the major outlets for her exports. This resulted in her accumulating large sterling balances and becoming a substantial creditor in E.P.U. As the supplies outside the dollar area improved and Italy practically completely liberalized her imports from E.P.U. countries, imports from the U.S. and Canada dropped, while those from the E.P.U. area increased. This improved Italy's dollar position, but brought about a deterioration in her E.P.U. situation. Italy has been gradually liberalizing her imports from the dollar area; a quarter of dollar imports are still subject to quantitative restrictions.

64. The accompanying chart shows graphically the changes in Italy's current balance of payments with the major areas. It will be noted that Italy had a dollar surplus on current account in 1953, 1954 and 1955. In 1956, probably due to increasing liberalization of dollar imports and the Suez crisis, the dollar current account showed a small deficit. United States economic aid is almost at an end and offshore procurement will also soon disappear. The remaining component of "special receipts" is local procurement for U.S. armed forces and local expenditures by U.S. troops - these run at around $40 million a year and should continue in the future. If these relatively permanent items were included with the current account balance, the 1956 figures would also show a dollar surplus.

ITALY


CURRENT BALANCE OF PAYMENTS BY AREA
(MILLIONS OF U.S. DOLLARS)
+500
+400
+300
+200
+100
0
-100
-200
-300
-400
U.S. AID, OFFSHORE PROCUREMENT, OTHER MILITARY EXPENDITURES
DOLLAR AREA
EPU AREA
ALL OTHER
1951
1952
1953
1954
1955
1956
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III

MAJOR PROBLEMS

65. The economy, although it has grown rapidly since the completion of postwar reconstruction, continues to have two serious structural problems:

a) The continued existence of a large pool of unemployed labor and a huge mass of surplus, under-employed labor in agriculture;

b) The great discrepancy in economic development between the South and the North.

66. These two problems are inter-related since under-employment in agriculture is mostly a phenomenon of the South and the movement of people out of agriculture into the cities keeps the level of unemployment high. It is because of the magnitude of the investment necessary to make progress on these problems that Italy needs to run a balance of payments deficit on current account - in this way, to supplement her own savings from economic aid or the import of capital from abroad.

"Vanoni Plan"

67. The discussion of these two problems logically begins with the "Vanoni Plan". On completion of the postwar decade, the late Professor Vanoni, then Minister of the Budget, prepared a draft paper titled "Elements of a Programme for Raising Income and Employment Levels in Italy over the Ten Years 1955-1964" (The Vanoni Plan). This was accepted by the Italian Cabinet in August 1955 and in August 1956 a special inter-ministerial committee was set up to be responsible for its execution under the chairmanship of the Deputy Prime Minister.

68. Although this is usually called the Vanoni Plan, it does not at all pretend to be a plan in the sense of a detailed program of action. First of all, it is an acceptance by the government that the two problems mentioned are the major economic problems for Italy. Secondly, it shows through a model that these problems are not insuperable and, with a reasonable rate of growth of around 5% of real GNP per year, could be handled within the decade, 1955-1964, under certain conditions. It also discusses some of the policies and programs that would have to be executed to reach this objective.

69. The actual details of the Vanoni Plan are unimportant and, whether the individual estimates are, or are not, accurate, this does not detract from the contribution made by it. One of the most important aspects is that for the first time in Italian history, the government has set economic growth as an over-riding national objective and this has been accepted by the people. This is increasingly providing a touchstone for national policies so that they become better coordinated and more efficient in helping the economy to grow. At least as equally important is the fact that the acceptance of the Plan generally has provided a framework of expectations for private enterprise to make its own investment plans in and, consequently, with this unconscious coordination, the expectation of growth becomes actual.

Unemployment and Under-Employment

70. The problem of unemployment and under-employment is not one of a too rapid current growth of population. Compared to other western countries, the current rate of growth of population, under 0.7 of 1% per annum, is not high. Nor is it too high judged by the amount of current investment available to provide jobs for the annual net increase in labor force. The problem is mainly an inherited one; it is due to the existence of a large pool of unemployed and under-employed. This pool was in large part created in the period since the first World War, and particularly during the thirties and the second World War. Up to World War I, the population was kept down by emigration, especially from the South where birth rates are high. The curtailment of emigration to the United States in the early twenties and then to the rest of the world during the depression of the thirties and World War II, coupled with the then national policy of encouragement of a high birth rate, led to a growth of population beyond the capabilities of the economy - as then functioning - to provide sufficient investment capital to put the growth in labor force to work. It is this accumulated surplus, partly backed up on the farms and partly in the cities, that constitutes the problem.

71. The number of registered unemployed has remained fairly constant at around the 1.3 million mark. These people piece out a poor existence - they are the street pedlars, the man who insists on guarding your parked car whether you want him or not. As they find regular employment and move off the unemployed rolls, their places are taken by new individuals who mostly come from the rural slums of the South. On under-employment, the Vanoni Plan estimate was that to reduce under-employment in agriculture to a tolerable level, 900,000 people have to move out of agriculture and into new jobs by 1964. As a measure of under-employed in the technical sense of workers who could be removed from the land as it is presently cultivated without a reduction of output, the figure is probably too high. But it may even be an under-estimate of the number of farm workers who are no longer content to put up with the miserable living conditions of their ancestors and who are ready to leave for the cities as soon as any opportunities for jobs arise.

72. The Vanoni Plan estimates that to eliminate unemployment (other than frictional unemployment at 3% of labor force), reduce under-employment in agriculture by 900,000 and provide employment to the 2 million new entrants into the labor force in the period 1955-1964, it will be necessary to provide 4 million new jobs. This assumes an annual emigration at the postwar average of around 80,000 workers per year. The forecast is that new entrants into the labor force after 1964 will drop rapidly to as little as 80,000 in 1967 as compared to around 220,000 in 1955. Therefore, if Italy can make the exceptional effort to reach the objective of providing 4 million new jobs in the 10 years, 1955 to 1964, the further expansion of the economy in line with future population growth can take place at a considerably slower pace even with a cessation of emigration.

73. From 1950 to 1954, the growth in the economy and net emigration were about sufficient to absorb the annual growth in the labor force of some 200,000 a year, and to mop up most of the industrial under-employment which had been present in certain large plants through the postwar decade. In the last two years, the increases in employment and emigration were

sufficiently large to absorb the new workers and to provide jobs for 300,000 formerly unemployed. This was accomplished with gross investment of $22\frac{1}{2}\%$ of GNP and a balance of payments deficit on current account of around $200 million equivalent a year. This is a significant demonstration that the Vanoni Plan objectives are not impossible of realization. (Of the increase in jobs of 560,000 in these two years, or $2\frac{1}{2}\%$ of the labor force, 160,000 were in manufacturing - mainly in the mechanical and chemical industries; 70,000 in construction; 110,000 in transport; and 220,000 in commerce, tourism and other services.)

74. Providing domestic investment resources are used effectively and reasonable amounts of capital from abroad are received, the next decade could witness the disappearance of Italy's sore spot - permanent unemployment. With its disappearance Italy should become more productive as policies would no longer be warped by short-term employment considerations. Thus while a large population may continue to depress incomes because of the need to develop relatively low yielding resources, large-scale chronic unemployment need not remain a permanent feature of the economy.

The South

75. The second major problem is the South. The leit-motiv of this report has been the economic difference between the South and North. As pointed out in preceding sections, per capita income in the South is less than half of that in the North. In almost every field, the South, compared to the North, is the more backward.

76. Beginning in 1950 the government started a program for the economic development of the South. This program, originally set for 10 years, was prolonged to 1962 and now to 1965 to make it coincide with the Vanoni Plan period. The program is being executed by a specially established agency, the Cassa per il Mezzogiorno (Fund for the South) which is authorized to invest 1,870 billion lire ($3 billion equivalent) in this period (110 billion a year through 1957/58; 130 billion, 1959/60; and 150 billion a year, 1960/61 through 1964/65).

77. Aside from the important political and social reasons for the government's undertaking a program for the development of the South, there is also impressive economic justification for doing so. The South has been neglected for centuries and possesses natural resources that could provide a sufficient economic return. This is true in agriculture and there is some indication that with the beginning of systematic search this may be true in minerals too. The costs of a new industrial plant may be lower in the North where it can take advantage of external economies and someone else bears the cost of moving people from the South to the North and providing them with housing and other social overhead capital. As long as decisions are taken in this context, economic growth will continue to be concentrated in the North. But on a national basis, the total economic costs to the community may well be lower if a new plant is moved to where the people already are instead of the other way around. The economic gain to the nation should also be immeasurably greater if development in the South goes far enough to shake the people out of their lethargy and make the South more productive economically and less demographically. This will not happen as long as an initial lack of opportunities continues to drive the more intelligent and enterprising to the North or into emigration.

78. As originally conceived, the program is to transform the economy of the South through increasing the productivity of agriculture, improving and enlarging transportation facilities and raising the health, sanitary and education standards in the area. The Plan is making good progress though as usual working it out in detail turned out to be much more difficult than expected. To begin with, it was limited by the money available and thus could encompass roughly only one-half of the total land in the South. The areas to be included were designated as "land transformation districts" and the local authorities were asked to prepare appropriate projects for Cassa screening and approval. In many instances, projects were badly prepared and had to be changed. As part of the screening process, the Cassa had to coordinate related regions and the projects within a given region, such as increase in output of agriculture and appropriate farm-to-market roads. All these problems retarded the initial execution of the program, but their proper handling was essential for the long-run success of the program.

79. The Cassa has also had to encourage and supervise the work of private land transformation since the public works can only be justified if they help increase productivity. Thus, where the Cassa financed a dam and primary irrigation canals, it was necessary to induce the farmer to level his land and to build such irrigation ditches as were necessary for him to make proper use of the water. The Cassa offers the farmer an incentive to transform his land by giving a grant of around a third of the cost and by extension of credit facilities; the law makes it compulsory.

80. The execution of the Cassa program has on the whole proceeded satisfactorily. The value of contracts awarded by the end of the sixth year (1955/56) totaled Lit. 580 billion compared to a total allocation of funds of 660 billion for this period. Total works completed reached Lit. 336 billion by the end of 1955/56. The recent rate of progress has been making up for the slow pace during the first several years. The investments have helped in the growth of agricultural output in the South although it will still be some years before the full benefit of these investments will be manifest in increased output. The Cassa program has also induced some additional investments in power, industry and other sectors within the area. Somewhat in excess of the equivalent of 200,000 full-time jobs have been created directly and indirectly by the Cassa program and it is continuing to stimulate the demand for the investment and consumers goods of Northern Italy. However, according to the government's estimates, income in the South has grown only about as rapidly as in the North so that the South is not yet beginning to narrow the gap between it and the North.

81. This has resulted because during this period while public investment in the South has been transforming agriculture and improving and expanding the basic services, private investment in the "productive" sector has not taken full advantage of the new facilities available. Public investment in the South on a per capita basis is about equal to the North; private investment is under a third of the North. As a result, the government is now initiating what is commonly referred to as Act II of the Cassa program. In this new stage, primary emphasis is being given to stimulating the creation of permanent employment in agriculture and manufacturing industries. Basic services have now been sufficiently established to make it possible to intensify the drive for the establishment of industrial plants.

82. In this Second Act, the public works already under way will be completed and rounded off - irrigation will be extended and completed where already begun, the main railway line from Reggio Calabria to Naples will be double-tracked and the Bari-Pescara line electrified, a ferry line will be provided to eliminate Sardegna's isolation from the mainland, a water supply will be provided to all municipalities in the South, etc. To this will be added provisions to encourage and stimulate the private sectors: the Cassa will have more money to aid private land-owners to carry out the investments they need to improve and transform their lands; the Cassa, through subsidizing the cost of money raised, will aid further the institutes that were set up to finance the growth of industry in the South; the Cassa will help subsidize the formation and construction of industrial zones; industries investing in the South will get additional tax exemptions; the government may authorize the Cassa to help create schools for the training of technicians and skilled workers for agriculture, industry and hotels.

83. The program of land reform is also an important part of the government policies to help meet the two major problems. It is to provide permanently better livelihoods for some 130,000 families on the land. At the same time, the land reform agencies under the Ministry of Agriculture are being authorized to help create enterprises to preserve and process agricultural products and so make possible the exploitation of the full benefit of the increase in agricultural production that is taking place.

84. The government is also considering taking steps to ensure that a new iron and steel mill be built in the South. With the growth in iron and steel consumption in Western Europe and the Mediterranean Basin, expansion in iron and steel output is needed. Both the Coal and Iron Community and the OEEC have agreed that further iron and steel expansion in Italy based on imported iron ore and imported coal is economically justifiable. On this basis, building a new plant in the South at any suitable port with easy access to markets appears to be economic. Such a plant, if built, would provide a stimulus to new steel consuming industries also to grow in the South.

85. All of these government initiatives should stimulate at least some industrial growth in the South and, if these are persisted in long enough and effectively enough, they should at some point succeed in swinging the balance so that sufficient external economies will be available to allow the process of industrialization to continue on its own strength. This point is still quite a ways off, however - perhaps at least 10 years. In the meantime, for the life of the Vanoni Plan, if the government wishes to make progress in meeting the problem of the South, it will have to continue with the Cassa and land reform programs and diligently continue to seek to stimulate private initiative in agriculture and industry.

IV

PROSPECTS

86. By 1950, Italy's gross national product had recovered to the prewar level. Since then, her output in real terms has grown at a rate of about 5% per year, which is slightly higher than the rate of growth in most of the rest of Western Europe. Italian output is now 40% above what it was before the war. Italy is in a good position to compete with other Western European countries, for while they are beginning to face labor shortages, she is abundantly supplied. Moreover, as the rest of Western Europe outgrows its domestic fuel and raw material base, Italy's comparative disadvantage in these respects matters less. Thus, unless there is a general recession in Europe, the trend of increasing output in Italy should continue, her competitive position should improve and her economy should grow somewhat faster than the economies of the rest of Western Europe.

87. Agricultural output should increase by perhaps one-fifth by 1964 as a result of the large investment over the last six years in land reclamation and irrigation and the spread generally of improved farm techniques. Industrial output also should increase. Industry profited greatly from the economies of increasing scale as output went up in recent years and expanded production should continue to be attractive.

88. The two basic problems which the Vanoni Plan is designed to overcome by 1964 have not yet been fully solved and extraordinary efforts will have to continue at least until the end of the period of the Plan. Once this goal is achieved Italy ought to be in a position to maintain a satisfactory rate of growth without the continued import of capital. Until then, however, the prospects are that she will probably need to supplement her own resources with capital from abroad if the rate of development contemplated under the Vanoni Plan is to be maintained. But it is difficult to calculate even approximately how much capital Italy will need to import during this period to supplement her own savings. During the last two years when good progress was being made towards the Vanoni Plan goals Italy had a deficit on balance of payments current account of around $200 million a year, not counting "Special Receipts", but as output and income have grown the proportion saved has increased. Indeed, output has grown even more rapidly than had been expected in relation to the rates of investment achieved. This may have been due to transitory factors, such as exploitation of previously unused capacity or the possibility that a large part of industry was still in the phase of increasing returns, or it may be a permanent characteristic of the Italian economy. If domestic savings continue to increase at the same high rate, Italy should need to rely on foreign resources less and less. On the most optimistic assumptions it may therefore be that even before the Vanoni Plan ends in 1964 Italy will be able to dispense with foreign assistance.

89. The growth of the Italian economy should, in the long run, be helped by the establishment of a common market in Western Europe, provided her agricultural products will be able to move freely enough. Some industrial firms may encounter difficulties but others should be able to find new

opportunities, and on balance Italian industry should not suffer. If the promise of increased freedom for labor to migrate to the other countries is fulfilled, Italy's unemployment and under-employment problems may well be overcome before the completion of the Vanoni Plan in 1964. It is difficult to be more precise, for those very features of the common market which are most attractive to Italy are the ones which so far are little more than statements of good intentions.

90. Italy's balance of payments is singularly sensitive to changes in living standards in the rest of Western Europe and the Western Hemisphere. If these living standards rise, Italy benefits more than proportionately; but if they fall she similarly suffers disproportionately. Moreover, a large-scale flight of capital might be difficult to control. Consequently, Italy must maintain substantial foreign exchange reserves. She has done fairly well on this score, holding at present reserves equivalent to about four months foreign exchange payments. Italy's quota in the International Monetary Fund is comparatively small, being only $180 million, which is just over 5% of total current annual foreign exchange payments. Therefore, while as time goes on it should become easier for Italy to service debt, she might, for these various reasons, find it at times difficult to do so.

91. The government has declared that any new foreign investment that is classified by the government as "productive" can remit profits and capital at any time. This should encourage private foreign investment in Italy and help the growth of the economy and the balance of payments. While the investments covered by this declaration are not equivalent to contractual obligations they constitute a sort of contingent foreign exchange liability. To date, the total investment covered by this declaration is around $50 million.

92. The expected decline in "Special Receipts" from the U.S. Government discussed in Chapter II will present a problem for Italy but should not be a major one - most of the transitional difficulties have already been overcome in the tapering off of Marshall Plan and other economic aid. The expected drop in receipts is about equal to the amount that Italy added to her foreign exchange reserves in 1956.

93. Italy has a good debt record and her external debt service is not excessive in relation to her foreign exchange earnings. Total service is under 3% of her total current earnings, and of this amortization payments are relatively high, being two-thirds of the total. The total annual payments on the present debt will reach a peak of just under $85 million equivalent in 1958 and then will drop to $50 million and below by 1962 and after.

94. Italy's foreign exchange earnings have been growing more rapidly than her debt so that the service burden in relation to foreign exchange earnings, in spite of her borrowing abroad, has declined slightly over the past five years. The interest service burden is now relatively smaller than it was during the thirties and the total service burden is very little larger.

95. Dollar debt service as a proportion of dollar earnings is more burdensome than debt service in other currencies. This proportion has, however, dropped greatly in the last six years because of the rapid growth in dollar earnings; in 1956 it was only 6%, while in 1950 it was over 20%. Now that the major currencies are virtually convertible, the bilateral relationship with the dollar area is much less significant than before. Furthermore, Italy has shown in the last several years an ability to earn a dollar surplus if necessary.

96. This general assessment of the economic outlook is predicated on the assumption that economic growth will not be obstructed by political developments along lines that might inhibit the pursuit of healthy financial and economic policies.

97. In the last decade Italy has, on the whole, handled her economic, monetary and fiscal affairs well. The Italian people are hard-working and efficient and have shown an ability to adjust themselves successfully to different circumstances.

98. During the Vanoni Plan period until she can maintain a satisfactory rate of growth from her own resources alone it seems appropriate for Italy to have recourse to outside assistance if she feels the need. A steady inflow of private capital is, in any event, clearly desirable. "Special Receipts" from the United States might also continue to be forthcoming and the projected European Investment Bank, if it is ever set up, may make an important contribution towards meeting Italy's capital needs over the next few years. If world economic conditions continue reasonably favorable, Italy should meet no insuperable difficulties in handling a level of debt higher than her present one.

APPENDIX TABLES AND CHARTS

Chart		Total External Public Debt Outstanding: Interest and Amortization Payments: Total Service as Percent of Total Foreign Exchange Earnings
Table	1	External Public Debt
	2	National Income and Expenditures
	3	Financing of Investment
Chart		Production Indexes
Table	4	Overall Changes in the Italian Population 1952-56
	5	Industrial Production
	6	Agricultural Population as Percentage of the Total Population and Agriculture's Share of the Gross Domestic Product
	7	Net Investments in Shares and Bonds of Joint-Stock Companies
	8	Total Recourse of the Several Economic Sectors to the Banks, Special Financial Institutions and the Capital Market
Chart		Money Supply and National Income: Wholesale Prices and Cost of Living
Table	9	Government "Appropriations" Budget
	10	Budget and Treasury Financing
	11	Commodity Distribution of Exports
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Table	13	Regional Distribution of Trade
	14	Imports from U.S. and Canada
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	16	Goods and Services Transactions with EPU Area
	17	Goods and Services Transactions with Convertible Currency Areas
	18	Balance of Payments
	19	E.P.U. Position

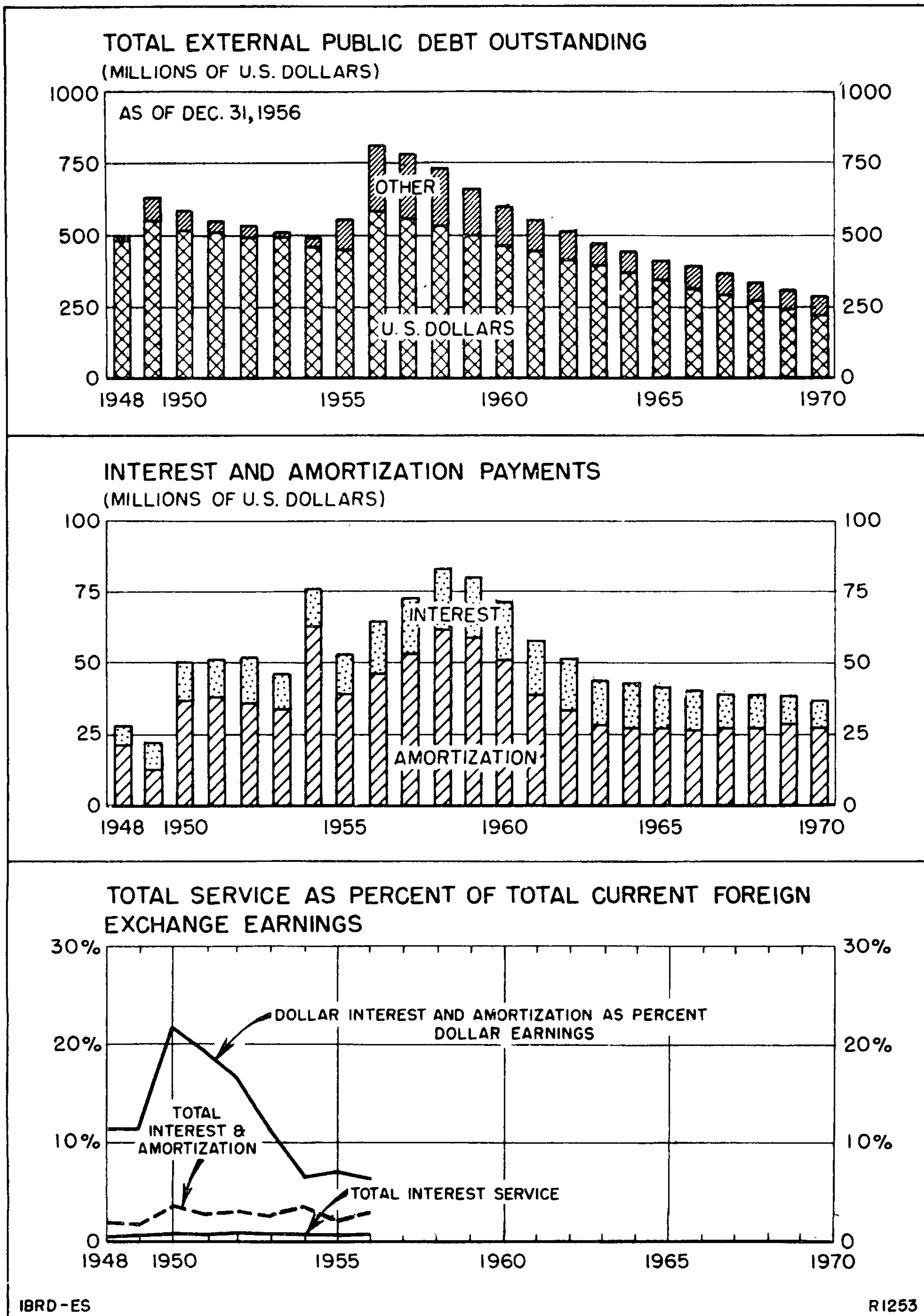
TOTAL EXTERNAL PUBLIC DEBT OUTSTANDING
(MILLIONS OF U.S. DOLLARS)
AS OF DEC. 31, 1956
OTHER
U.S. DOLLARS
1000
750
500
250
0
1948
1950
1955
1960
1965
1970
INTEREST AND AMORTIZATION PAYMENTS
(MILLIONS OF U.S. DOLLARS)
INTEREST
AMORTIZATION
100
75
50
25
0
TOTAL SERVICE AS PERCENT OF TOTAL CURRENT FOREIGN EXCHANGE EARNINGS
DOLLAR INTEREST AND AMORTIZATION AS PERCENT DOLLAR EARNINGS
TOTAL INTEREST & AMORTIZATION
TOTAL INTEREST SERVICE
30%
20%
10%
0
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Table 1: ITALY - EXTERNAL PUBLIC DEBT OUTSTANDING DECEMBER 31, 1956

National, Government Guaranteed, and Istituto Mobiliare Italiano Guaranteed Debt

SUMMARY

(Amounts expressed in thousands of U.S. dollar equivalents)

Item	Debt outstanding December 31,1956 Amount	%
TOTAL EXTERNAL PUBLIC DEBT	881,277	100.00
Disbursed and still outstanding	728,076	82.61
Undisbursed	153,201	17.39
U.S. DOLLARS	569,220	64.59
Disbursed and still outstanding	416,019	47.20
Undisbursed	153,201	17.39
Publicly-issued bonds	132,008	14.97
Privately-placed debt	7,689	0.88
Disbursed and still outstanding	6,689	0.76
Undisbursed	1,000	0.12
Loans held by IBRD	141,563	16.06
Disbursed and still outstanding	29,625	3.36
Undisbursed	111,938	12.70
U.S.government loans	287,960	32.68
Export-Import Bank	65,668	7.45
Disbursed and still outstanding	25,405	2.89
Undisbursed	40,263	4.56
Other U.S. government loans	222,292	25.23
EPU UNITS OF ACCOUNT	156,168	17.72
SWISS FRANCS	94,565	10.73
Publicly-issued bonds	16,541	1.88
Privately-placed debt	18,203	2.07
Loan from IBRD	1,478	0.16
Government loan	46,674	5.30
Loan from BIS	11,669	1.32
ARGENTINE PESOS (Government loan)	13,105	1.48
FRENCH FRANCS	38,540	4.38
Privately-placed debt	34,285	3.89
Loan from IBRD	4,255	0.49
NETHERLANDS GUILDERS (IBRD loan)	8,215	0.94
POUNDS STERLING (Publicly-issued bonds)	1,193	0.13
DANISH KRONER (IBRD loan)	271	0.03

Table 1: ITALY - EXTERNAL PUBLIC DEBT OUTSTANDING DECEMBER 31, 1956 (CONT.)

National, Government Guaranteed, and Istituto Mobiliare Italiano Guaranteed Debt

(In thousands)

Item		Debt outstanding December 31, 1956 In currency of payment	Debt outstanding December 31, 1956 In U.S. dollar equivalents
TOTAL			881,277 /1
U.S. DOLLAR DEBT	$	569,220	569,220
Publicly-issued bonds	$	132,008	132,008
$39,651,900 Rep.of Italy 1%-3%,1947-1977 /2			
- assented	$	32,703	32,703
- non assented	$	1,129	1,129
$37,243,200 Ital.Credit Consortium for Public Wks. 1%-3%, 1947-1977 /2			
- assented	$	32,011	32,011
- non assented	$	1,122	1,122
$1,921,000 Ital.Credit Consortium for Public Wks. 2nd Series 1%-3%,1947-1977 /2	$	1,831	1,831
$55,076,600 Ital.Public Utility Credit Inst. 1%-3%, 1947-1977 /2			
- assented	$	47,392	47,392
- non assented	$	1,186	1,186
$18,000,000 Ital.Public Utility Credit Inst. Special Series 1%-3%, 1947-1970 /3	$	14,634	14,634
Privately-placed debt	$	7,689	7,689
$1,180,125 participation at 3½% for 1954-1959 in Export-Import Bank loan to Istituto Mobiliare Italiano /4	$	589	589
$5,000,000 participation at 3 3/4% for 1958-1960 in $70,000,000 IBRD loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	$	5,000 /5	5,000
Portion sold at 3 3/4% for 1961 without recourse of $70,000,000 IBRD loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	$	1,000 /5	1,000
Portion sold at 3½% for 1956-1958 without recourse of $10,000,000 IBRD loan to Cassa per Il Mezzogiorno 4½%, 1951-1976 /4	$	100 /6	100
$1,000,000 participation at 4½%, for 1956-59 in $74,628,000 IBRD loan to Cassa per Il Mezzogiorno 5%, 1956-1976 /4	$	1,000 /7	1,000
Loans held by IBRD	$	141,563	141,563
$10,000,000 loan to Cassa per Il Mezzogiorno 4½%, 1951-1976 /4	$	9,749 /6	9,749
$10,000,000 loan to Cassa per Il Mezzogiorno 5%, 1953-1978 /4	$	10,000	10,000
Portion of $70,000,000 loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	$	48,186 /5	48,186
$74,628,000 loan to Cassa per Il Mezzogiorno 5%, 1956-1976 /4	$	73,628 /7	73,628

See footnotes at end of table.

Table 1: ITALY - EXTERNAL PUBLIC DEBT OUTSTANDING DECEMBER 31, 1956 (CONT.)

National, Government Guaranteed, and Istituto Mobiliare Italiano Guaranteed Debt

(In thousands)

Item		Debt outstanding December 31, 1956 — In currency of payment	Debt outstanding December 31, 1956 — In U.S. dollar equivalents
U.S. DOLLAR DEBT (Continued)			
U.S. government loans	$	287,960	287,960
Export-Import Bank loans	$	65,668	65,668
$104,950,134 loan to IMI 3½%, 1947/52-1959 /4	$	21,113 /8	21,113
$20,500,000 loan to IMI 4 5/8%-4 3/4%, 1955-1966 /4	$	20,500 /9	20,500
$1,500,000 loan to IMI 5½%, 1956-1966	$	1,500 /10	1,500
$6,355,000 loan to Aerolinee Ital. Internaz. 5%, 1955-1960 /11	$	6,355 /10	6,355
$6,200,000 loan to Linee Aeree Ital. S.p.A. 1956 /11	$	6,200 /10	6,200
$10,000,000 loan to FIAT S.p.A. 5½%, 1956-1963 /11	$	10,000 /12	10,000
Other U.S. government loans	$	222,292	222,292
$73,000,000 ERP loan 2½%, 1949-1983	$	71,693	71,693
$22,600,000 MSA loan 2½%, 1952-1987	$	22,600	22,600
$65,222,110 MA loan 3½%, 1949-1965	$	24,925	24,925
$124,432,050 SP (Bonner-Corbino) 2 3/8%, 1946-1975 /13	$	90,236	90,236
$18,000,000 SP (Del Vecchio) 2 3/8%, 1947-1976 /13	$	12,838	12,838
DEBT IN EPU UNITS OF ACCOUNT	u/a	156,168	156,168
u/a 207,000 Consolidated debt /14	u/a	107,225	107,225
Credit from EPU	u/a	48,943	48,943
SWISS FRANC DEBT	SwF	405,212	94,565
Publicly-issued bonds	SwF	70,880	16,541
SwF 22,682,200 Ital. Public Utility Inst. 1%-3%, 1947-1977 /15			
- assented	SwF	20,784	4,850
- non assented	SwF	96	22
SwF 50,000,000 Istituto Mobiliare Italiano 4½%, 1955-1971	SwF	50,000	11,669
Privately-placed debt			
SwF 100,000,000 Swiss Banks loan to Mediocredito 3%-4%, 1954-1959 /16	SwF	78,000	18,203
Loan from BIS			
SwF 50,000,000 loan to Istituto Mobiliare Ital. 4%, 1955-1960	SwF	50,000	11,669
Loan held by IBRD			
Portion of $70,000,000 loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	SwF	6,332	1,478

See footnotes at end of table.

Table 1: ITALY - EXTERNAL PUBLIC DEBT OUTSTANDING DECEMBER 31, 1956 (CONT.)

National, Government Guaranteed, and Istituto Mobiliare Italiano Guaranteed Debt

(In thousands)

Item	Debt outstanding December 31, 1956	
	In currency of payment	In U.S. dollar equivalents
SWISS FRANC DEBT (Continued)		
Government loan		
SwF 200,000,000 Swiss Natl.Rys. loan to Italian State Railways 3 3/4%-4 3/4%,1955-1981/4 /17	SwF 200,000	46,674
ARGENTINE PESO DEBT	M$N 235,907	13,105
M$N 316,860,600 Argentine Govt. loan to Italy 3 3/4%, 1947-1972	M$N 235,907	13,105
FRENCH FRANC DEBT	F 13,487,626	38,540
Privately-placed debt		
F 12,000,000,000 line of credit from Banque Française du Commerce Exterieur to Cassa per Il Mezzogiorno /18 , 5%,due in 5 years	F 12,000,000	34,285
Loans held by IBRD		
Portion of $70,000,000 loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	F 1,487,626 /5	4,255
NETHERLANDS GUILDER DEBT		
Portion of $70,000,000 IBRD loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	f. 31,216	8,215
POUND STERLING DEBT		
Publicly-issued bonds		
£ 462,460 Rep.of Italy Maremmana Ry.loan of 1862, 1%-3%, 1947-1977 /19	£ 426	1,193
DANISH KRONE DEBT		
Portion of $70,000,000 IBRD loan to Cassa per Il Mezzogiorno 4 3/4%, 1955-1975 /4	DKr 1,869 /5	271

Exchange rates: The following exchange rates have been used.
Par values: f.1=$0.26316; £1=$2.80; DKr1=$0.144778; M$N1=$0.05555
Current market value: SwF1=$0.23337 as of December 31, 1956
Other rates: EPU u/a 1=$1.00; F 1=$0.0028571

/1 Does not include the following:

a. Italy's obligation on the Austrian Guaranteed Conversion Loan 1934-1959. Italy guarantees the principal and interest up to 20½%. This loan is payable in several currencies. Payment of interest and sinking fund by the Austrian Government was suspended in 1939. The Italian Government,

/1 (Continued)

a. (Continued)
as one of the guarantors, advanced its share of the principal and interest beginning in 1948. Under an agreement concluded in December 1952, Austria resumed service of this loan.

b. Italy's obligation on World War II reparations is as follows:

(In U.S. dollar equivalents)

	Original amount	Creditor country	Debt outstanding December 31, 1956
Total			134,700,000
	100,000,000	U.S.S.R.	100,000,000
	125,000,000	Yugoslavia	10,000,000
	25,000,000	Ethiopia	19,700,000
	5,000,000	Albania	5,000,000

The following information has been received in regard to these debts:

1) U.S.S.R. - In December 1948 the two governments agreed to subtract from this debt the value of Italian properties in Hungary, Bulgaria and Rumania. The Italian Government believes the value of these properties to be at least equal to the amount of the debt. Any balance is to be paid in goods. A joint Italian-Soviet Commission was to assess the value of the properties but no decision has yet been reached.

2) Yugoslavia - An agreement of December 1950 provided for an initial payment equivalent to $30,000,000. A part of this (the equivalent of Lit 10,000,000,000) was to be withheld by the Italian Government on account of Italian properties nationalized by Yugoslavia. Under the agreement reached in 1955, this obligation was settled at the equivalent of $30,000,000. The debt is to be paid in deliveries of goods and investment credits equivalent to $10,000,000 each year from 1955 through 1957.

3) Ethiopia - According to The New York Times of March 6, 1956, Italy and Ethiopia have agreed to settle this obligation for the equivalent of $16,300,000. Italy is to build a hydroelectric power station in Ethiopia and to provide additional reparations in the form of equipment and installations.

4) Albania - According to Economic News from Italy dated July 15, 1955, the debt to Albania has been settled for the equivalent of $2,600,000, to be paid by delivery to Albania of Italian industrial products. The difference (equivalent to $2,400,000) from the original amount has been credited against Italian property located in Albania which Albania failed to return to the proper owners. The Italian government reports indicate, however, that this item has not been settled.

c. On May 23, 1955 the United States agreed to lend Italy the equivalent of $30,000,000 for the development of Southern Italy, Sicily and Sardinia. Although the initial agreement has been signed, the loan will not become effective until supplemental agreements (now under negotiation) are signed. The loan is to have a term of 40 years, and is to be repayable in either U.S. dollars or Italian lire at the sole option of Italy. Interest is to be calculated at 3% on the outstanding balance when payments are made in U.S. dollars, and when payments are made in lire, at 4%.

/2 Service on Italian bonds was paid without interruption until 1940 when payments were suspended because of the war. In December 1947 a debt adjustment plan was put into operation. This plan (the Lombardo Plan) provided for the issuance of

/2 (Continued)
four series of bonds:
a) $39,651,900 Republic of Italy bonds to holders of Kingdom of Italy 7% bonds due 1951.
b) $37,243,200 Credit Consortium for Public Works bonds to holders of bonds of the Credit Consortium, the cities of Rome and Milan, and the Mortgage Bank of the Venetian Provinces.
c) $55,076,660 Public Utility Credit Institute bonds to holders of twelve issues of public utility and industrial corporation bonds not formerly guaranteed by the Republic of Italy.
d) $1,921,000 Credit Consortium for Public Works bonds to International General Electric Co.

The new bonds of the Credit Consortium for Public Works and the Public Utility Credit Institute are guaranteed by the Republic.

Each bondholder received a principal amount of new bonds equivalent to the face amount of his old bond plus unpaid interest from June 10, 1940 to January 1, 1947. This unpaid interest amounted in most cases to between $400 and $500 per $1,000 bond. The new bonds are dated January 1, 1947 and mature on January 1, 1977. Interest is payable at the rate of 1% per annum from January 1, 1947 to January 1, 1950, at 2% from January 1, 1950 to January 1, 1952, and at 3% thereafter. The bonds are to be retired by a cumulative sinking fund of 1% per annum of the total bonds issued in the years 1952 to 1957 inclusive, and 2% per annum thereafter.

/3 International Power Securities Corporation (a United States company) was the holder of a group of bonds of Italian companies, amounting to $26,642,000. The Public Utility Credit Institute gave this corporation $18,000,000 of new bonds in exchange for these. The reason for the reduction from $26,642,000 to $18,000,000 was that a large portion of the obligations of International Power Securities Corp. was held by Italian residents. The new bonds bear interest at the rate of 1% for the years 1947-1949, 2% for 1950-1951, and 3% thereafter. The bonds mature on January 1, 1970 and are to be redeemed by a cumulative sinking fund of 1% per annum starting in the second half of 1950 and increasing to 2% per annum in the second half of 1957.

/4 Government guaranteed.

/5 The status of this loan as of December 31,1956 was as follows:

		In currency of payment	In U.S. dollar equivalents
Total loan			70,004,284 /a
Disbursed and still outstanding			30,004,053
Held by IBRD			24,004,053
U.S. dollars	$	9,785,815	9,785,815
Danish kroner	DKr	1,868,884	270,573
French francs	F	1,487,626,713	4,255,225
Netherlands guilders	f.	31,215,834	8,214,693
Swiss francs	SwF	6,332,206	1,477,747
Held by 3rd parties			6,000,000
Participation without recourse	$	5,000,000	5,000,000
Sales without recourse	$	1,000,000	1,000,000
Undisbursed			38,400,231
Effective			34,016,231
Not yet effective			4,384,000
Cancelled			1,600,000

/5 (Continued)

/a The total amount of this loan originally authorized was the equivalent of $70,000,000. The disbursements of the various currencies have been valued at the rates shown in the section above headed "Exchange rates". Since these rates for some currencies have changed from the rate used at the time of actual disbursement, the total shown here differs from the originally authorized amount.

/6 The status of this loan as of December 31,1956 was as follows:

	In currency of payment	In U.S.dollar equivalents
Total loan (all U.S. dollars)		10,000,000
Disbursed and still outstanding		9,849,000
Held by IBRD	$ 9,749,000	9,749,000
Held by 3rd parties (sales without guarantee)	$ 100,000	100,000
Repaid	$ 151,000	151,000

/7 The status of this loan as of December 31,1956 was as follows:

	In currency of payment	In U.S.dollar equivalents
Total loan		74,628,000
Disbursed and still outstanding	$ 90,000	90,000
Undisbursed		74,538,000
Effective		25,375,000
Held by IBRD		24,375,000
Participation funds not yet called		1,000,000
Not yet effective		49,163,000

/8 Of this amount, $21,109,215 was disbursed and still outstanding and $3,569 was undisbursed as of December 31, 1956.

/9 Of this amount, $2,712,667 was disbursed and still outstanding and $17,787,333 was undisbursed as of December 31, 1956.

/10 Completely undisbursed as of December 31, 1956.

/11 Guaranteed by Istituto Mobiliare Italiano.

/12 Of this amount, $1,583,349 was disbursed and still outstanding and $8,416,651 was undisbursed as of December 31,1956.

/13 The agreement provides that the United States may elect to accept either real property and improvements to real property or local currency instead of U.S. dollars for repayment of this obligation, to be used for U.S. government purposes, including cultural and educational programs.

/14 The status of debts consolidated June 30,1954 and June 30,1956 under bilateral repayment and amortization agreements was as follows on December 31, 1956:

Country	Total covered by agreement	Repaid July 1, 1954-Dec.31,1956	Balance due
	(In millions of EPU units of account)		
All	207.0	99.8	107.2
Austria	3.0	1.6	1.4
BLEU	45.0	24.0	21.0
Germany	83.0	41.3	41.7
Netherlands	30.0	9.4	20.6
Portugal	6.0	2.4	3.6
Sweden	6.0	4.0	2.0
Switzerland	34.0	17.1	16.9

/15 These bonds were given in exchange for SwF 17,440,000 First Mtge.Ref.S.F.Gold Series B bonds 6½%, 1930-1960 of the Piedmont Hydro-Electric Co. plus unpaid interest from April 1, 1940 to December 31, 1946 in the amount of SwF 5,242,028. The new bonds are dated January 1, 1947 and mature January 1, 1977. They bear interest at the rate of 1% per annum from January 1, 1947 to January 1, 1950, at 2% from January 1, 1950 to January 1, 1952, and at 3% thereafter.

/16 This loan is secured up to 50% by earmarked gold. It was granted to the "Istituto Centrale per il Credito a medio termine a favore delle medie il piccole industrie" by la Societe de Banque Suisse, le Credit Suisse and l'Union des Banques Suisses. The proceeds of this loan were transferred through the EPU, and the cumulative accounting deficit of Italy was thereby reduced.

/17 This loan bears interest of 3 3/4% per annum during the first six years, 4 1/4% from the seventh to twelfth years, and 4 3/4% thereafter. The proceeds of the loan were transferred through the EPU, thereby reducing Italy's cumulative accounting deficit. Before ratification of the agreement, 50% of the loan was to be transferred to Italy in gold. Payments of principal and interest are to be made in free Swiss francs.

/18 This credit was reported in the Italian press (24 Ore, Milan, Italy, May 13,1956) and no further information is available.

/19 These bonds were in default from July 1, 1940 until 1948. At that time interest due July 1, 1940 through September 15, 1947 was paid at the old contractual rate of 5%. The debt adjustment plan provides that the bonds will mature on July 1, 1977 and bear interest at the rate of 1% per annum from September 16, 1947 to July 1, 1950, at 2% thereafter to July 1, 1952 and at 3% thereafter. The bonds are to be redeemed by an annual sinking fund of 1% per annum from January 1,1953 to June 30,1957 and 2% thereafter.

IBRD - Economic Staff
April 18, 1957

Table 2

National Income and Expenditures

1954 - 1956

(in billions of current lire)

Sources of Income	1954	1955	1956
Agriculture, fishing and forestry	2,462	2,586	
Industry	4,001	4,404	
Trade, transport and services	2,463	2,700	
Net product of public administration	1,091	1,216	
Duplicated items	-872	-952	
Net product at factor cost	9,144	9,954	
Taxes not included in the estimate of goods and services	1,634	1,816	
Net product at market prices	10,778	11,770	
Net income from abroad	20	19	
Depreciation	1,022	1,113	
Gross national income	11,820	12,902	
Imports of goods and services (incl. income payments abroad)	1,678	1,856	
Total available resources	13,498	14,758	16,020

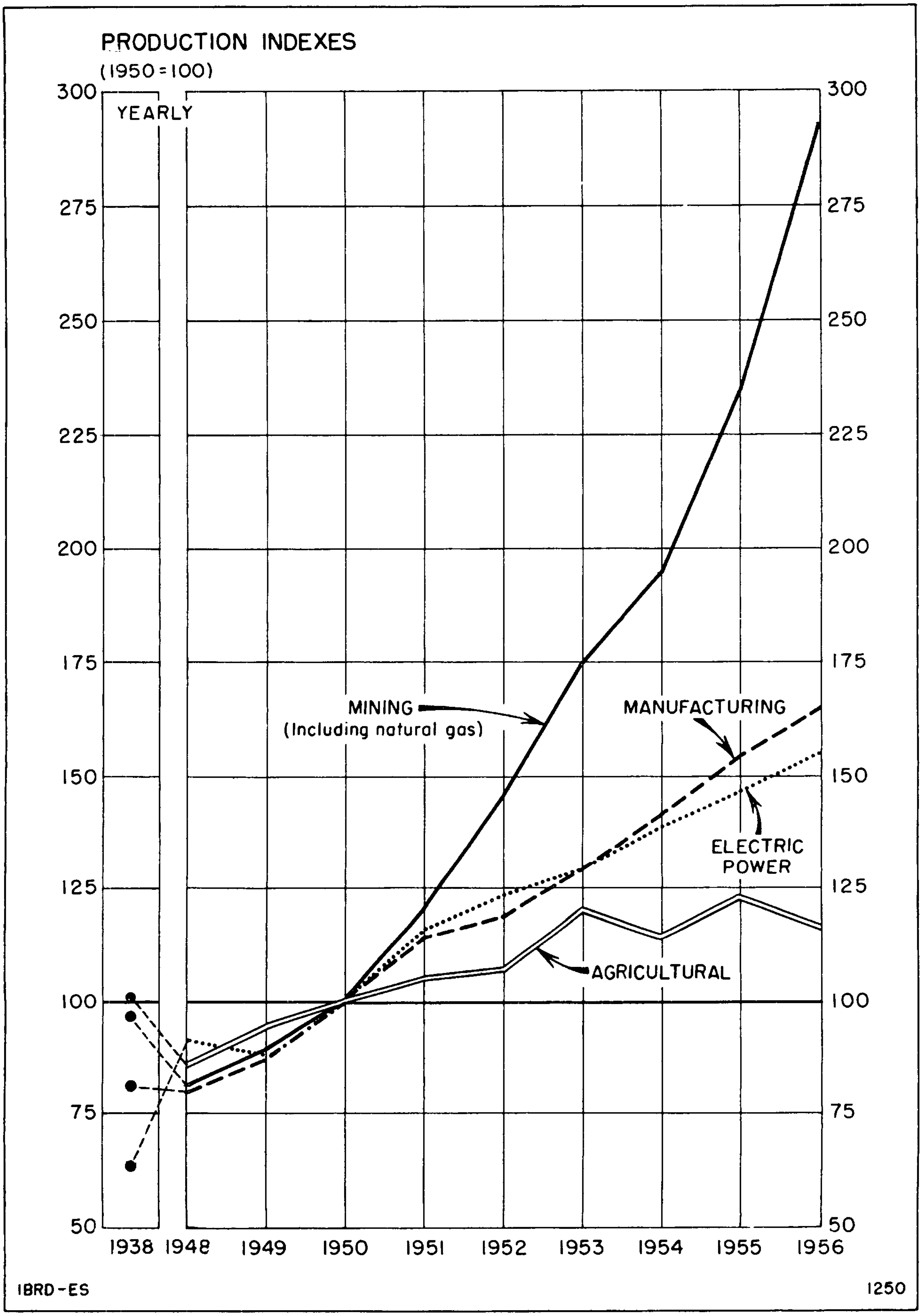
Expenditures	1954	1955	1956
Consumption			
- private	8,653	9,213	9,900
- public	923	1,000	1,096
Total consumption	9,576	10,213	10,996
Gross investment1/	2,489	2,925	3,130
Total use of resources internally	12,065	13,138	14,126
Exports of goods and services (incl. receipt of incomes from abroad)	1,433	1,620	1,894
Total available resources	13,498	14,758	16,020

1/ Inclusive of inventories

Table 3

Financing of Investment
1954-55
(in billion lire)

	1954		1955	
	Amount	%	Amount	%
Sources of Private Investment				
Issue of stocks and bonds	153	6.1	159	5.4
Investments of special institutes for agricultural, real estate & housing credit	81	3.2	93	3.2
Investments of special institutes for mortgage credit	102	4.1	137	4.7
Medium and long-term investments of credit institutions	19	0.8	20	0.7
	355	14.2	409	14.0
Less funds supplied to above institutes and institutions by the Treasury	40	1.6	49	1.7
	315	12.6	360	12.3
Investments of insurance companies	19	0.8	43	1.5
	334	13.4	403	13.8
Depreciation reserves	851	34.1	944	32.3
Self-financing, direct savings and short-term credits	423	17.1	618	21.1
Total	1,608	64.6	1,965	67.2
Sources of Public Investment				
Budgetary surplus over current expenditures	144	5.8	202	6.9
Treasury bonds	318	12.8	249	8.5
Postal savings funds	118	4.7	109	3.7
Railroad bonds	- 3	-0.1	72	2.5
Bonds of parastatal entities	20	0.8	20	0.7
Bank of Italy and Treasury note issue	65	2.6	99	3.3
Borrowings by local and regional administrations	59	2.4	36	1.2
Investments by insurance companies and credit institutes	78	3.1	76	2.6
Current accounts with savings institutes and banks	56	2.2	67	2.3
Funds of Cassa per il Mezzogiorno	- 3	-0.1	10	0.3
Social security funds	29	1.2	20	0.7
Total	881	35.4	960	32.8
Grand Total	2,489	100.0	2,925	100.0


PRODUCTION INDEXES
(1950=100)
YEARLY
MINING
(Including natural gas)
MANUFACTURING
ELECTRIC POWER
AGRICULTURAL
300
275
250
225
200
175
150
125
100
75
50
1938
1948
1949
1950
1951
1952
1953
1954
1955
1956
IBRD-ES
1250

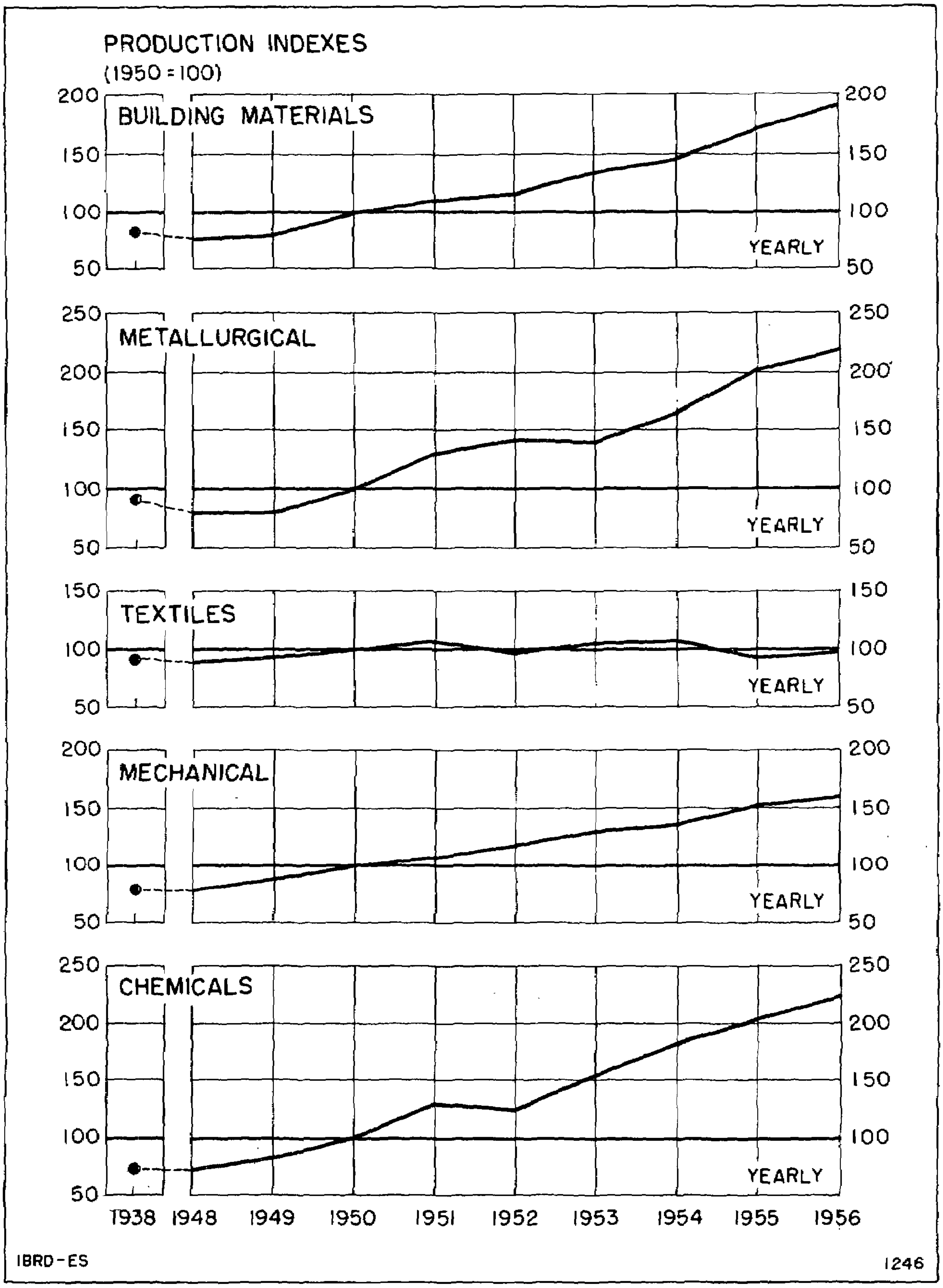

PRODUCTION INDEXES
(1950 = 100)
BUILDING MATERIALS
METALLURGICAL
TEXTILES
MECHANICAL
CHEMICALS
YEARLY
200
150
100
50
250
1938
1948
1949
1950
1951
1952
1953
1954
1955
1956
IBRD-ES
1246

Table 4

Overall Changes in the Italian Population 1952-56

(In thousands)

	Births	Deaths	Surplus of Births over Deaths	Net Balance of Migratory Movements	Effective Increase	Population at the End of the Year
1952	847	478	369	- 134	235	47,457
1953	842	476	366	- 147	219	47,676
1954	871	442	429	- 181	248	47,924
1955	868	447	422	- 239	183	48,107
1956*	874	497	377	- 147	230	48,337

* Provisional figures.

Table 5

Industrial Production

Index 1950 = 100

Annual Average

	1951	1952	1953	1954	1955	1956
Total	115	120	132	145	158	170
Main Categories						
Manufacturing	114	118	129	142	154	163
Foods	104	110	113	118	122	129
Textiles and clothing	107	98	104	106	95	100
Cotton	107	93	92	97	84	90
Silk and artificial fabrics	110	65	73	67	68	72
Metallurgical	128	142	140	163	201	221
Engineering	106	116	129	135	152	160
Chemicals and products	145	146	177	219	246	270
Chemicals	150	146	172	212	247	270
Coal and petroleum	138	179	229	284	304	338
Artificial fibers	128	76	104	124	128	139
Mining (incl. natural gas)	120	146	174	195	234	293
Manufactured gas and electricity	117	123	129	139	147	155

Sources: "Bulletino mensile de statistica" and/or "OEEC monthly bulletin."

Table 6

Agricultural Population as Percentage of the Total Population and Agriculture's Share of the Gross Domestic Product

	Population Dependent on Agriculture, Forestry & Fishing, 1950, as % of Total Active Population (1)	% of Gross Domestic Product at Factor Cost Earned by Agriculture, Forestry and Fishing			Index	
		1950 (2)	1952 (3)	1954 (4)	3/1 (5)	4/1 (6)
United Kingdom	5	6.0	5.6	4.9	1.12	.98
Belgium	12	8.8	8.0	8.3	.67	.69
U.S.A. 1/	12	6.1	5.4	4.5	.45	.38
Switzerland 1/	16		(about 11 percent)			
Canada 1/	16 (1951)	10.9	10.2	6.0	.64	.38
Norway 1/	18	8.4	6.7	7.3	.37	.41
Sweden 1/	18		(about 7 percent)			
Netherlands	19 (1947)	12.9	13.0	11.5	.68	.61
Iceland 1/	20	-	16.7 3/	16.0 3/	.84	.80
Denmark 1/	22	20.4	20.9	18.4	.95	.84
Germany	23	12.3	11.9	10.9	.52	.47
Luxembourg	26 (1947)	-	9.5	-	.37	-
France 1/	32 (1946)	-	15.0	-	.47	-
Austria	32 (1954)	16.4 3/	15.6 3/	15.5 3/	.49	.48
North Italy	37 (of North)		22 (of North)		.59	-
Italy	39 (1954)	29.5	25.4	24.5	.65	.63
Ireland	40 (1951)	31.3	32.4	30.7	.81	.77
Portugal 2/	47	26.8	27.4	27.1	.58	.58
Spain	49		(about 35 percent)			
South Italy	53 (of South)		43 (of South)		.81	-
Greece	54 (1951)	33.5	33.8	35.1	.63	.65
Turkey	76 (1945)	49.0	48.9	41.1	.64	.54

1/ Excluding forestry and fishing.
2/ Including forestry, excluding fishing.
3/ At market prices.

Sources: South Italy and North Italy: P. Saraceno, Annex to "The Economic Development of the Mezzogiorno", Report of the Italian Commission of Studies on Italian Under-developed Areas, Milan, 10-15 October 1954, Vol. I, pp. 22-23.
OEEC - Agricultural Policies in Europe and North America, May 1956.

Table 7

Net Investments in Shares and Bonds of Joint-Stock Companies[1/]

(in billions of Lit.)

	1954	1955	1956
Banks, stock market, financial and insurance institutions	6.0	11.9	
Transportation and communications	14.0	14.7	
Electricity, gas and water	16.1	21.0	
Hotels, rest homes and amusements	1.5	1.2	
Housing, public works and land reclamation	1.4	3.0	
Food products	3.6	6.7	
Wood	-	0.5	
Non-metallic minerals	5.7	4.1	
Steel, metallurgical and mechanical products	60.6	47.0	
Chemical products	10.3	8.6	
Paper and printing	2.7	1.8	
Leather and hides	0.4	0.5	
Textiles and clothing	10.4	8.8	
Miscellaneous products	2.6	1.3	
Retail trade and sundry services	1.6	0.9	
Natural gas and petroleum	18.0	27.3	
Total	153.0	159.3	230

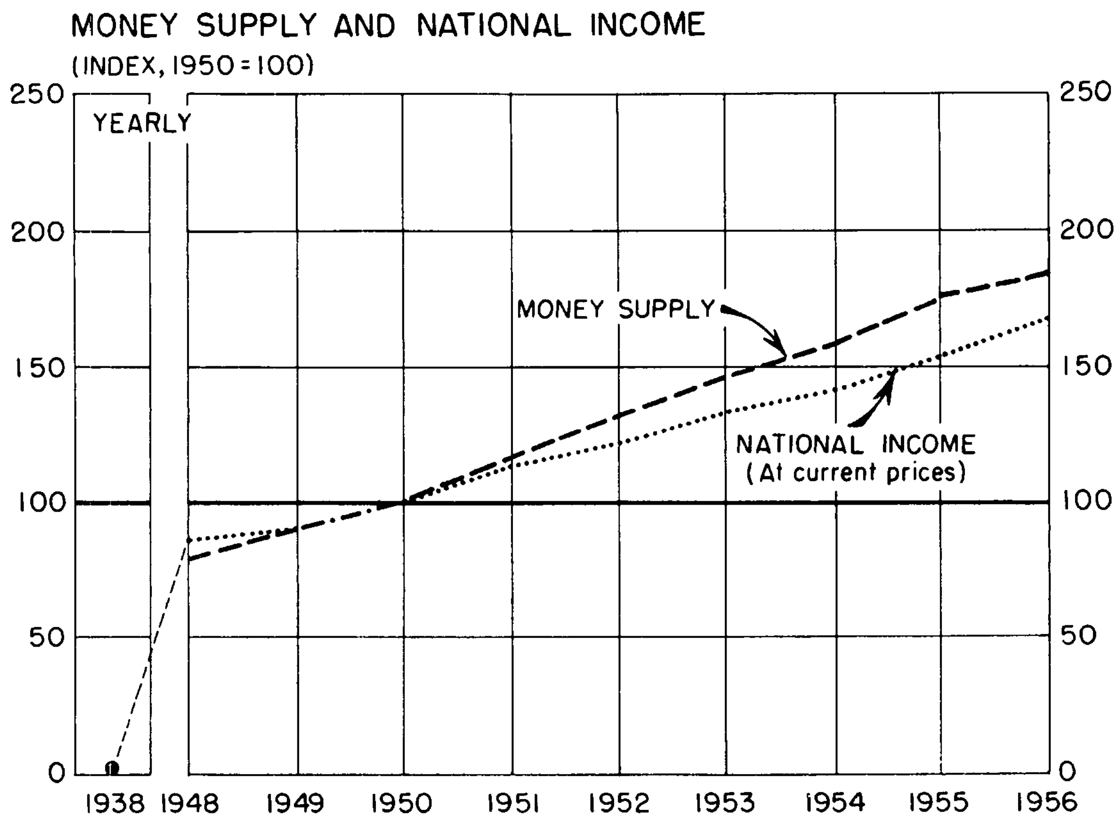
1/ Excluding IRI

Table 8

Total Recourse of the Several Economic Sectors to the Banks, Special Financial Institutions and the Capital Market

(1955 breakdown and 1949-54 totals)
(Annual increases in billion lire)

Economic Sector	Banks	Special Financial Institutions	Stocks and Bonds	Total	Percentage Distribution 1955
1. Private institutions	50.7	-	-	50.7	5.2
2. Para-statal agencies	16.4	8.6	-	25.0	2.6
3. Banks, stock market, financial and insurance institutions	14.1	-4.5	11.9	21.5	2.2
4. Transportation and communications	18.2	24.5	14.7	57.4	5.9
5. Electricity, gas and water	3.5	65.0	20.7	89.2	9.2
6. Hotels, rest homes and amusements	7.3	6.0	1.2	14.5	1.5
7. Housing, public works and land reclamation	58.4	67.0	3.0	128.4	13.2
8. Agriculture, related primary materials and equipment	13.9	37.0	-	50.9	5.2
9. Cereals and other food products	108.2	54.3	6.7	169.2	17.4
10. Wood	14.0	1.6	0.5	16.1	1.7
11. Non-metallic minerals	48.7	8.4	31.8	88.9	9.1
12. Steel, metallurgical and mechanical products	99.4	13.4	47.0	159.8	16.5
13. Chemical products	32.8	12.0	8.6	53.4	5.5
14. Paper and printing	8.1	0.5	1.8	10.4	1.1
15. Leather and hides	2.7	0.2	0.5	3.4	0.3
16. Textiles and clothing	-22.4	1.0	8.8	-12.6	-1.3
17. Miscellaneous products	1.5	-4.4	0.9	-2.0	-0.2
18. Retail trade and sundry services	45.9	1.1	0.9	47.9	4.9
Total 1955	521.4	291.7	159.3	972.4	100.0
1954	470.6	216.8	153.0	840.4	
1953	493.8	198.4	181.7	873.9	
1952	463.4	178.9	116.6	758.9	
1951	269.9	169.6	81.9	521.4	
1950	292.5	176.9	89.7	559.1	
1949	323.2	141.6	104.6	655.8	


MONEY SUPPLY AND NATIONAL INCOME
(INDEX, 1950=100)
250
200
150
100
50
0
YEARLY
MONEY SUPPLY
NATIONAL INCOME
(At current prices)
1938 1948 1949 1950 1951 1952 1953 1954 1955 1956

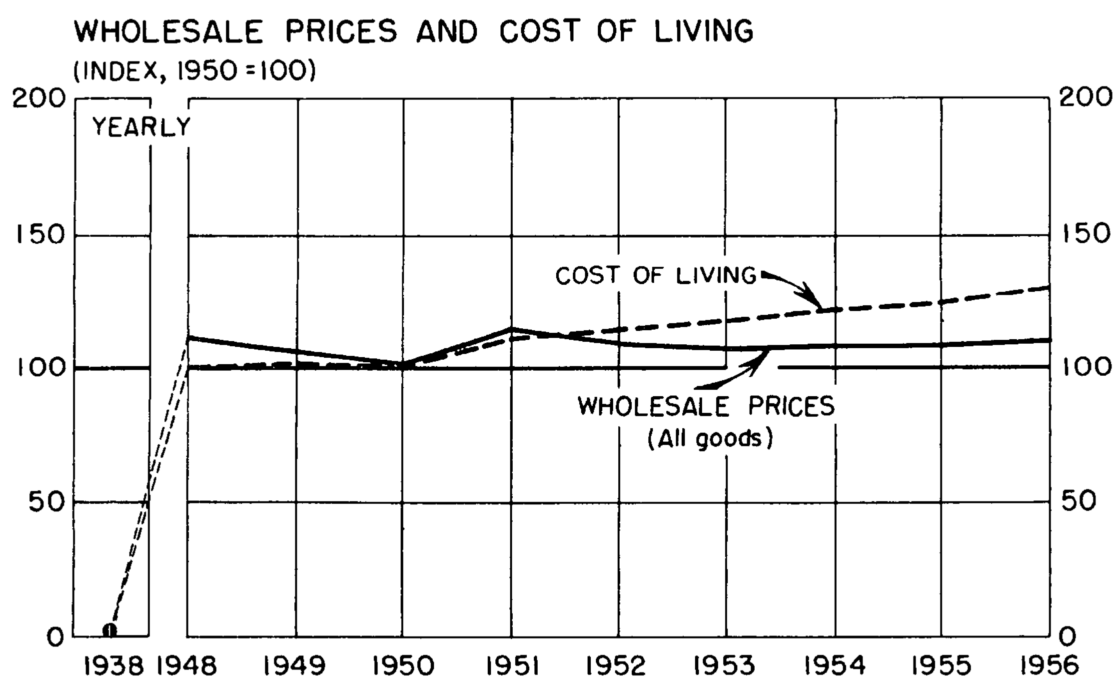

WHOLESALE PRICES AND COST OF LIVING
(INDEX, 1950=100)
200
150
100
50
0
YEARLY
COST OF LIVING
WHOLESALE PRICES
(All goods)
1938 1948 1949 1950 1951 1952 1953 1954 1955 1956

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Table 9.

Government "Appropriations" Budget

(in billions of Lit.)

Authorized expenditure	1952/53 (1)	1953/54 (1)	1954/55 (1)	1955/56 (2)	1956/57 (3)	1957/58 (3)
Current civilian expenditures	1,396	1,486	1,744	1,914	2,031	
Current military expenditures	480	454	458	442	456	
Investment expenditures	509	439	514	453	471	
Other capital expenditures	25	30	28	30	25	
Total authorized expenditures	2,410	2,409	2,744	2,839	2,983	3,101(4)
Assessed revenue						
Taxes on income and property	383	440	465	537	592	
Indirect taxes and other current revenue	1,376	1,563	1,795	1,950	2,055	
Capital revenue	130	43	91	19	19	
Total assessed revenue	1,889	2,046	2,351	2,506	2,666	2,885(4)
Deficit	- 521	- 363	- 393	- 333	- 317	- 216

(1) Final estimate.
(2) Provisional estimate up to March 1956.
(3) Initial estimate.
(4) Provisional figures (totals including issue or redemption of public debt).

Table 10

Budget and Treasury Financing

(in billions of lire)

	1954/55		1955/56	
A. Budget Operations				
Current Items: Receipts	2,313		2,485	
Payments	-1,931		-2,137	
Surplus		383		348
Carry-over: Receipts	249		313	
Payments	-651		-814	
Deficit		-402		-501
Net Deficit		-19		-153
B. Treasury Operations				
Subscriptions to Treasury bills (Buoni del Tesoro) net of interest and including net IBRD counterpart operations	65		73	
Banca d'Italia	-		-	
Cassa Depositi e Prestiti (Postal Savings) account	-45		99	
Social Security Institutes account	8		-2	
Banca di Napoli and other banks	1		5	
Other interest-bearing accounts at Central Treasury	-20		-3	
Non-interest bearing accounts	-37		+35	
Other debits and credits of Treasury	16		3	
Net balance of Provincial Treasuries with Central Treasury	33		-58	
Cash	-		-2	
		19		153

Table 11

Commodity Distribution of Exports

(in millions of $)

	1951	1952	1953	1954	1955	1956
Foodstuffs	328	315	365	403	419	492
Textiles	616	331	354	338	362	410
Metals and minerals	65	75	69	72	117	183
Machinery	298	318	307	323	407	507
Coal and coke	-	8	3	2	2	4
Mineral oils	48	90	144	180	164	171
All other	293	250	265	320	386	390
Total	1,648	1,387	1,507	1,638	1,857	2,157

Source: "Commercio Con l' Estero" by the Central Institut of Statistics of Italy

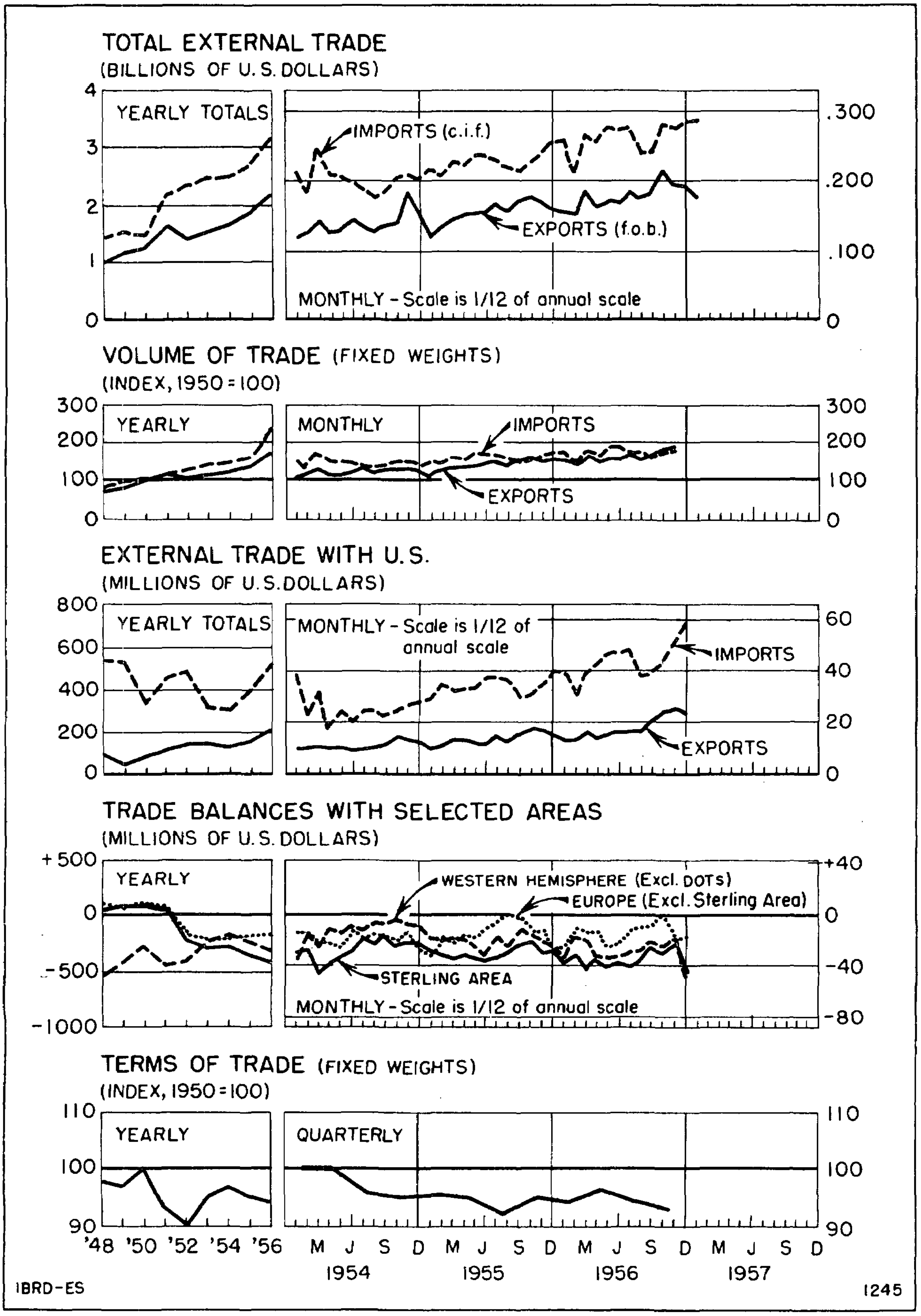
Table 12

Commodity Distribution of Imports

(in millions of $)

	1951	1952	1953	1954	1955	1956
Foodstuffs	448	427	470	374	485	527
Textiles	501	475	437	426	389	410
Metals and minerals	190	256	258	288	395	506
Machinery	197	314	357	362	361	388
Coal and coke	224	190	163	149	181	216
Mineral oils	210	261	299	345	350	408
All other	398	413	437	494	550	714
Total	2,168	2,336	2,421	2,438	2,711	3,169

Source: "Commercio Con l'Estero" by Central Institut of Statistics of Italy



TOTAL EXTERNAL TRADE
(BILLIONS OF U.S. DOLLARS)
YEARLY TOTALS
IMPORTS (c.i.f.)
EXPORTS (f.o.b.)
MONTHLY - Scale is 1/12 of annual scale
VOLUME OF TRADE (FIXED WEIGHTS)
(INDEX, 1950 = 100)
YEARLY
MONTHLY
IMPORTS
EXPORTS
EXTERNAL TRADE WITH U.S.
(MILLIONS OF U.S. DOLLARS)
YEARLY TOTALS
MONTHLY - Scale is 1/12 of annual scale
IMPORTS
EXPORTS
TRADE BALANCES WITH SELECTED AREAS
(MILLIONS OF U.S. DOLLARS)
YEARLY
WESTERN HEMISPHERE (Excl. DOTS)
EUROPE (Excl. Sterling Area)
STERLING AREA
MONTHLY - Scale is 1/12 of annual scale
TERMS OF TRADE (FIXED WEIGHTS)
(INDEX, 1950 = 100)
YEARLY
QUARTERLY
'48 '50 '52 '54 '56
M J S D M J S D M J S D M J S D
1954 1955 1956 1957

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Table 13

Regional Distribution of Trade

(in millions of $)

	1952	1953	1954	1955	1956
EPU Area					
Exports	906	986	1090	1182	1378
Imports	1317	1622	1680	1776	1996
Balance	-411	-636	-590	-594	-618
U.S. and Canada					
Exports	149	158	141	176	234
Imports	541	360	316	433	560
Balance	-392	-202	-175	-257	-326
Other Dollar Area					
Exports	51	48	75	72	93
Imports	71	59	49	61	92
Balance	- 20	- 11	+ 26	+ 11	+ 1
Other Countries					
Exports	281	315	332	410	453
Imports	407	380	393	436	522
Balance	-126	- 65	- 61	- 26	- 69
Total					
Exports	1387	1507	1638	1858	2158
Imports	2336	2421	2438	2706	3170
Balance	-949	-914	-800	-848	-1012

Table 14

Imports from U.S. and Canada

(in millions of $)

	1951	1952	1953	1954	1955	Jan. - Oct. 1956
Cereals and flour	67.2	88.9	53.0	2.7	4.6	12.4
Cotton	123.4	133.4	57.9	49.2	38.6	23.4
Coal	85.6	70.1	28.3	35.8	92.9	99.8
Oils and fats (foods)	12.3	2.7	10.4	0.1	-	-
Oils and fats (ind.)	7.8	8.7	6.7	10.0	17.5	18.0
Iron and steel	12.6	18.0	15.1	15.0	16.9	11.9
Chemicals	31.9	34.0	27.2	32.6	40.0	35.8
Machinery	72.7	95.8	77.4	84.8	73.2	63.2
Others	90.3	89.2	83.5	85.8	150.9	174.2
Total	503.8	540.8	359.5	316.0	434.6	438.7

Table 15

Exports to U.S. and Canada

(in millions of $)

	1951	1952	1953	1954	1955	Jan.-Oct. 1956
Foods	26.4	31.2	36.8	38.6	41.8	37.3
Textiles and clothing	25.8	25.0	35.5	28.8	37.6	39.4
Base metals	14.2	19.2	15.1	9.0	7.0	17.3
Machinery	13.2	27.6	25.8	19.6	27.9	35.8
Others	43.1	46.1	44.7	45.2	61.7	53.2
Total	122.7	149.1	157.9	141.2	176.0	183.0

Table 16

Goods and Services Transactions with EPU Area

(in millions of $)

	1951	1952	1953	1954	1955
Trade balance (exports-imports f.o.b.)	+ 92.7	-339.8	-528.4	-466.2	-470.9
Foreign travel	+ 64.7	+ 61.7	+ 86.9	+ 85.3	+123.0
Investment income	+ 0.9	- 3.8	- 2.7	- 8.3	- 15.6
Workers' earnings	+ 22.9	+ 37.3	+ 40.4	+ 40.2	+ 45.0
Other services	- 46.1	- 7.9	- 10.0	+ 7.7	+ 31.4
Balance goods and services	+135.1	-252.5	-413.8	-341.3	-287.1

Table 17.

Goods and Services Transactions with Convertible Currency Areas

(in millions of $)

	1951	1952	1953	1954	1955
Trade deficit (imports-exports f.o.b.)	-320.8	-329.5	-172.2	-134.8	-184.3
Foreign travel	+ 7.0	+ 12.3	+ 41.6	+ 51.2	+ 64.4
Investment income	- 6.7	- 10.2	- 5.0	- 6.5	- 4.6
Emigrant remittances	+ 21.2	+ 28.2	+ 43.2	+ 49.2	+ 57.0
Other services	- 24.0	+ 0.4	+ 40.5	+ 78.1	+ 55.8
Deficit on goods and services	-322.7	-298.8	- 51.9	+ 36.8	- 11.7

Table 18

Balance of Payments

(in millions of U.S. dollars)

	1951	1952	1953	1954	1955	1956
Current Account						
Imports, c.i.f.	-2017	-2085	-2118	-2221	-2518	-2908
Exports	1580	1356	1333	1474	1729	2079
Freight receipts	132	166	134	135	157	190
Net tourism receipts	75	77	131	139	190	213
Emigrant remittances	69	102	119	114	125	155
Net investment income	1	1	3	-8	-16	-12
Other	37	61	116	99	83	112
Deficit	-123	-322	-282	-268	-249	-172
Special Receipts						
Offshore procurement	-	1	61	133	129	81
Economic Aid - ECA, MSA, FOA, ICA	280	218	133	104	41	32
Other transactions - military troop pay, etc.	15	38	43	20	33	45
Sub-Total	295	257	237	257	203	158
Capital Items						
Loans - Received	-	5	5	39	111	43
Amortization	-25	-50	-36	-27	-27	-18
Net foreign capital invested in Italy	9	16	19	55	74	99
Sub-Total	-16	-29	-12	67	158	124
Increase or Decrease (-) in Foreign Exchange Reserves	156	-93	-57	55	109	110

Table 19

EPU Position

(in millions $)

	Surplus or deficit during period1/	Credit accumulated or repaid by Italy during period2/	Gold or $ received by or paid in by Italy during period3/	Credit or debit balance end of period4/	Cumulative net amount of gold or $ received or paid by Italy at end of period5/
1952					
1st quar.	+13.7	+ 6.9	+ 6.9	+251.4	+105.2
2nd quar.	-42.6	-21.3	-21.3	+208.8	+ 83.9
3rd quar.	- 3.8	- 1.9	- 1.9	+205.1	+ 82.0
4th quar.	-57.6	-28.8	-28.8	+147.4	+ 53.2
1953					
1st quar.	-95.3	-47.7	-47.7	+ 52.1	+ 5.6
2nd quar.	-64.1	-58.5	- 5.6	- 12.0	-
3rd quar.	-28.8	-24.8	- 4.1	- 40.8	- 4.7
4th quar.	-71.7	-47.1	-24.5	-112.5	- 28.6
1954					
1st quar.	-51.2	-16.4	-34.8	-143.3	- 63.4
2nd quar.	-59.6	-22.0	-76.5	-166.7	-139.9
3rd quar.	-29.8	+27.4	-18.2	- 95.0	-158.2
4th quar.	-52.3	-21.9	-30.4	-116.9	-188.6
1955					
1st quar.	-77.2	-35.3	-41.9	-152.2	-230.5
2nd quar.	-68.6	-30.5	-38.2	-182.7	-268.7
3rd quar.	+46.9	+22.7	+24.0	-160.0	-244.7
4th quar.	-91.7	-19.0	-72.5	-179.0	-317.2
1956					
1st quar.	-37.2	- 6.0	-31.2	-185.0	-348.4
2nd quar.	-48.4	+23.0	-71.3	-162.0	-419.7
3rd quar.	+26.2	+12.7	+13.6	-149.3	-406.1
4th quar.	-53.1	- 6.9	-46.4	-156.2	-452.5
1957					
1st quar.	-67.0	-10.8	-56.5	-167.0	-509.0

1/ Surplus (+); deficit (-)
2/ Credited accumulated (+); credit repaid (-)
3/ Received (+); paid (-)
4/ Credit (+); debit (-)
5/ Received (+); paid (-)

MAY 1957

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