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ECONOMIC SURVEYS BY THE OECD

ITALY

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JUNE 1964

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

PARIS

ITALY

BASIC STATISTICS

THE LAND

Area (1,000 sq. km.)	301.2	Major cities (1961 census)	(thousands)
Agricultural area (1,000 sq. km.)	219.4	Rome	2,245
Woodland (1,000 sq. km.)	59.3	Milan	1,598
		Naples	1,196
		Turin	1,050

THE PEOPLE

Population end 1963 (thousands)	51,817		(thousands)
No. of inhabitants per sq. km.	172	Total manpower (1963)	20,470
Net natural increase in population:		Employment in the country (1963)	19,453
Annual average 1959-1963 (thousands)	435	in agriculture	5,206
Net rate per 1,000 inh. (1959-1963)	8.2	in industry	7,943
		others	6,304
		Net emigration (average 1960-1963)	168

PRODUCTION

Gross National Product in 1963 (billions of lire)	28,186	Domestic product in 1963 (at current prices):	
G.N.P. per head in 1963 (U.S. \$)	875	Agriculture	15 %
		Mining, quarrying and manufacturing	36 %
		Construction	8 %
		Services	41 %

THE GOVERNMENT

Public consumption in 1963 (percentage of the G.N.P.)	16	Internal public debt (ratio to Central Government current revenue) (1963)	115 %
Current public revenue in 1963 (percentage of the G.N.P.)	34	Government investment in 1963 (percentage of total investment)	14 %

LIVING STANDARDS

Calories per head, per day (1962-1963)	2,750	No. of cars per 1,000 inhabitants (1963)	75
Meat consumption, kg per year, per head (1963)	31.4	No. of telephones per 1,000 inhabitants (1961)	84
Gross average hourly wage of industrial workers in 1963 (lire)	344	No. of radio sets per 1,000 inhabitants (1963)	185
		No. of T.V. sets per 1,000 inhabitants (1963)	86

FOREIGN TRADE

EXPORTS

Exports of goods and services as a percentage of the G.N.P. (aver. 1961-1963)	12
Main exports in 1963 (percentage of total exports):	
Machinery	23
Fabrics and textile goods	14
Motor vehicles	7
Foodstuffs	14

IMPORTS

Imports of goods and services as a percentage of the G.N.P. (aver. 1961-1963)	16
Main imports in 1963 (percentage of total imports):	
Raw materials	24
Oil and other fuels	9
Foodstuffs	20
Engineering products	21

THE CURRENCY

Monetary unit: Lira.

Currency units per U.S. dollar. 625

ECONOMIC SURVEYS BY THE OECD

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed :

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy ;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development ;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D., which came into being on 30th September 1961.

The Members of O.E.C.D. are : Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

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ITALY

A. GENERAL SUMMARY

1. During much of the post-war period, Italy was able to combine rapid growth with price stability and a strong balance of payments. This has not been the case in the last two years. Production has continued to increase significantly till early 1964, but the more rapid growth of domestic demand — especially of consumers' demand — has given rise, since 1962, to a large current account deficit in the balance of payments, accompanied by considerable outflows of private capital. Moreover, pronounced pressures on costs and prices have been felt since late 1961 and have only very recently begun to show any signs of slowing down.

2. The most important single cause of this rather sharp reversal of economic trends was a shift in the distribution of income in favour of wage-earners, as unemployment, previously massive, was progressively absorbed. This was in marked contrast with developments during the 1950's, when wages and private consumption increased much less than investment and exports. That process could not be expected to continue indefinitely and its reversal in the last two years was, in a sense, a corrective adjustment. But the adjustment has been too rapid, putting great strains on costs and prices and the balance of payments.

3. These strains have led to a progressive shift in economic policy towards action to restore internal and external equilibrium. Credit restraint has been applied since the summer of 1963; new taxes on the purchase of cars and petrol were imposed in February 1964; efforts have been begun to reduce the budget deficit and to phase-out public investment projects; and proposals to restrict consumers' credit have been submitted to Parliament.

4. The choice and implementation of the various measures of restraint creates difficult problems, given the objective of maintaining the level of employment and reducing the still-important degree of disguised unemployment. Moreover, both the development needs of the South and certain new problems which rapid economic progress itself has created, call for substantial amounts of investment; for instance heavy internal migration to the cities has greatly increased requirements for low-cost housing, schools, hospitals and other urban services. The

Government is preparing a coordinated approach to such problems through a five-year economic plan. But success of the stabilisation measures is a pre-condition for tackling the country's long-term economic problems on a sound basis.

5. In March 1964, extensive international assistance was obtained for the Italian balance of payments. International support should enable the external deficit to be financed until the stabilisation measures have had time to exert their influence, and avoid the need — which would otherwise have been paramount — to adopt a policy of severe deflation. Recent information on economic developments presents a rather complex picture and makes short-term forecasts extremely uncertain. There are certain signs that demand — particularly investment — is slackening; and the trade gap has recently diminished. But price increases for industrial products have been appreciable except in the most recent period and the rise of wage rates has remained considerable. Full implementation of the measures and policies already adopted might well lead to an important improvement in the balance of payments for the remaining part of 1964; but the pace of improvement and its duration will depend, to a large extent, on the trend of wages in the near future; if this does not become more moderate, further measures of restraint may be unavoidable.

6. The two sections that follow describe the policy measures that the Italian authorities have taken, the shorter-term prospects, and the conclusions that may be drawn therefrom. The annex describes, in greater detail, the main economic developments in 1963 and early 1964 that made the policy measures necessary.

B. DEVELOPMENTS IN ECONOMIC POLICY

7. Economic policy could not be adjusted to new conditions as fast as would have been desirable. Throughout 1962 policy was expansionary; at the same time, the authorities sought to offset the international impact of the surplus still being shown by the Italian balance of payments through anticipated re-payment of public foreign debt and other arrangements. Although faced with rising costs and prices, the authorities did not consider it advisable to take action at that time to contain the growth of liquidity. On the contrary, when the external account turned into deficit towards the end of 1962, they again authorised foreign borrowing by commercial banks; this largely prevented, in the period up to September 1963, the contractive effect which the balance of payments deficit would otherwise have exerted. This direction of policy appears to have been based on the judgement that important restrictions on the growth of liquidity at that time would have had grave consequences on production, investment and employment, as industry was faced both with higher costs and with much reduced possibilities of finance through the capital market. Thus, sudden interruptions to the production process were avoided; but the passing on of

increased costs in the form of higher prices was to a certain extent facilitated. No brake was applied to the autonomous factors of increases in incomes, which in turn maintained the pressure on the balance of payments.

8. In the course of 1963, the upward movement of costs and prices continued to be strong; the external deficit on current account became substantial; and capital flight abroad increased. Accordingly, the authorities decided to take restrictive measures, which were progressively reinforced up to the early months of 1964. Action to reduce the rate of growth of bank credit was started in the summer of 1963; and in September, the important step was taken to prohibit further borrowing abroad by the commercial banks. At about the same time, the Government took certain decisions to prevent an increase in the budget deficit and increased the turnover tax on certain luxury goods. Furthermore, the application of rent control and the taxing of surplus site values aimed at reducing the strains on the housebuilding industry. On the other hand, indications of a progressive weakening of industrial investment and of reduced margins for self-financing led the Government to grant tax reliefs for re-invested earnings and accelerated depreciation allowances.

9. It was, however, apparent that further measures of restraint were necessary, and the following specific decisions were announced in February 1964:

- a) A purchase tax was imposed on new automobiles (and yachts). The rates varied from 7 to 15 per cent, but were later reduced by Parliament when it confirmed the decree.
- b) Increased taxes were imposed on petrol, raising its price by about 14 per cent except for foreign tourists. The estimated additional yield from these two measures amounts to 120-150 billion lire a year.
- c) It was proposed to control the terms of hire purchase. The conditions, as amended by Parliament, are 25 per cent down-payment and a maximum of 24 monthly instalments; restrictions would not apply for commodities below certain specified values. Statistics for consumers' credit are not available; according to an official estimate, annual sales on instalment of cars and household durables have been of the order of 700 billion lire.
- d) Action was taken to influence the prices of essential goods; this includes the continuation of massive imports of meat, butter, etc. and fiscal measures to avoid an increase in the price of sugar and to obtain price reductions for medicines.
- e) In order to encourage the flow of funds to the capital market, the tax on dividends has been drastically amended. Furthermore, the taxes on stock exchange transactions have been reduced.

10. More recently, restrictions were imposed on credit terms for the import of cars and household durables (maximum credit period allowed — one month). On the other hand, a number of decisions were taken for promoting Italian exports, including improved facilities for export credit and insurance, etc.

11. Apart from these specific measures, it was announced that the Government would take action towards the following objectives:

- a) *Reduction of the budget deficit.* In fact, the budget estimates for July-December 1964 (before the switch-over to a calendar year basis for the fiscal year) show a current deficit of 179 billion lire, representing — at an annual rate — a reduction of 31 billion lire.
- b) *Review and possible postponement of public investment projects.* The rate of investment expenditure through the budget is not closely determined by new appropriations, since very important unused credits are carried over from previous budget years. Moreover, public investment is to a large extent financed from extra-budgetary sources, i.e. from Post-Office savings and other funds under the Treasury's control or through the capital market. Efforts have already been started to delay investment projects which are not urgent or half-completed. The review of major investment projects, including those of state-owned enterprises, and the corresponding assignment of priorities will, according to the Government, take account of longer-term considerations. In the meantime, however, the rationing of public issues seems already to be resulting in at least some slowing down of new projects.
- c) *Reduction of the deficits of local administrations,* which have tended to grow substantially in the last two years. The Government has underlined the need to keep them within bounds and seems ready to use any statutory powers it possesses for this purpose.
- d) *Governmental insistence on the need for moderation, henceforth, in wage and salary increases.* The Government has held discussions with trade union and employers' representatives on the economic problems of the moment and has appealed for general wage restraint. With regard to the public sector, where claims have been presented for important rises, the Government representatives have proposed gradual increases, spread out over time.

12. In order to gain the necessary time for the corrective measures to exert their influence, and in order more efficiently to combat outflows of volatile capital, a substantial measure of international support for Italy's balance of payments was obtained in March 1964. This support consisted of the following elements:

- a) The equivalent of \$ 225 million was drawn from the Inter-

national Monetary Fund. This sum corresponds to Italy's gold tranche plus the deficiency in the Fund's holdings of Italian lire. Further drawings are possible, in accordance with the I.M.F. rules. An increase of Italy's quota (at present \$ 270 million) was requested some time ago.

- b) Reciprocal swap credits have been arranged with the U.S. Treasury and some European Central Banks amounting in total to about \$ 550 million.
- c) Medium-term credits for imports of U.S. goods have been obtained from the Import-Export Bank and the Commodity Credit Corporation, totalling \$ 450 million.

13. Discussions have also started with the World Bank for extending credits for investment projects in the South of Italy. The amount under negotiation has not been announced officially.

14. During the period under review, the Italian Government has also been actively preparing its longer-term economic programme. A national committee on economic programming had been set up in 1962, composed of experts and of representatives of industry, agriculture, trade unions, etc. A progress report on the committee's work was published last January. The Government has now reinforced the administrative and technical apparatus for proceeding further with these studies. It aims at the completion of a draft economic programme covering the years 1965-69 by next summer. This programme would be submitted to Parliament in the autumn, at the same time as the draft budget for 1965.

C. PROSPECTS AND CONCLUSIONS

15. The early months of 1964 saw certain indications that pressures on the economy might be beginning to ease. The latest policy measures may, thus, result in some slackening of the increase of demand. There are signs of some change of tendency in the building sector; and with private investment rather hesitant, a reduction in the rate of execution of public projects might well mean that investment demand in total ceased to rise. Moreover, the reduction in the rate of growth of bank credit may have significant effects if it becomes less easy in the near future for cost increases to be passed on to prices, and as long as finance through the capital market remains problematic. The tax measures and hire purchase restrictions will restrict demand for cars and household durables and should reduce total consumers demand significantly. But taking into account the likely—and desirable—increase of exports, it is still probable that total demand will continue to increase in the near future.

16. There are grounds for expecting that exports may rise this year

by some 10 per cent or even more, because of better harvests and the policy measures already taken. Moreover, present trends of demand and economic policy in many of Italy's major trade partners should help significantly in this respect. Imports in the last few months (up to April 1964) have first fluctuated around the peak levels reached in the autumn of 1963 and then have actually declined. But the decline would have to be confirmed in the coming months for the trade gap to improve significantly. Normal harvests and the special measures affecting cars should help prevent a renewed increase of imports. These two commodity groups, however, only represented about one quarter of total imports last year, so that the effect of these special factors on the total rate of imports is unlikely to be substantial. It should also be recalled that the underlying trend of imports since 1959 has been strongly upward. However, if internal demand in general grows less rapidly from now on, this would probably have a disproportionate effect on the volume of imports in the short term. But until further evidence becomes available, it would be wise to assume a rather slow improvement in the foreign trade balance; and even if the recent signs of improvement were to be clearly confirmed, the total trade deficit for 1964 might not be much different from that of last year.

17. The rapid deterioration of the balance of payments up to the early part of 1964 had been exacerbated by speculative capital movements. The important measures of temporary international assistance taken in March 1964 and the internal credit restrictions have put a brake on such movements. But a lasting improvement in this respect can hardly be expected before convincing evidence is available of a clear improvement in both the current balance of payments and in the internal financial situation.

18. Improvement in the external accounts might possibly be rather slow. The Italian Government aims at maintaining the levels of employment and output and this objective rules out really severe corrective measures. It seems, indeed, appropriate that the adjustment process should, in fact, be rather gradual because rapid adjustment would probably inflict costly disruptions on the economy. The foreign exchange reserves are still high, and some reduction during the interval before the stabilisation measures produce their full results should not be thought alarming. Moreover, other countries have already demonstrated, in a practical way, their willingness to lend support and the substantial amounts of credit already mobilised should be amply sufficient for the near future. But since the effects of the policy measures will probably take some time to work out, some medium - or long-term finance may be required, including the consolidation of some of the shorter-term credits recently given.

19. The first recommendation for internal policy, at present, must be that the measures announced should be fully and effectively applied. Moreover, since the situation is still uncertain, it will have to be watched

carefully, and the authorities should be ready to take additional measures quickly if the internal and external balance of the economy does not show clear signs of substantial improvement. Of crucial importance in this connection will be the trend of wages in the next few months. Since 1961, the average increase of wages has exceeded, by far, the average growth of productivity. Thus, the restoration of internal and external equilibrium requires a substantial slowing-down in the rise of incomes. Unless this rise were shortly to come down to more moderate levels, the need to take further action to restrict demand could not be avoided. In such a case, it will be preferable to apply fiscal measures designed to restrain the growth of private consumption, rather than other policies bearing on the already weak investment sector.

20. Italian economic policy is faced with a double task. It has, first, to continue its efforts to correct the present imbalances between consumption and saving, between rises in money incomes and increases in productivity and between foreign exchange receipts and outgoings. The second objective is the preparation of a five-year programme aimed at satisfying the country's vast development needs and at co-ordinating action by the public sector to solve long-standing problems such as that of the South, and the new problems created by the very fact of rapid post-war development. The way in which the second task is dealt with will be of very great importance for the long-term development of the economy. The elaboration of a balanced incomes policy should be an essential part of such a development programme.

21. It is indeed important to see current difficulties in perspective. The basic question is whether the present phase is merely a passing one, involving no more than an interruption of the rapid economic growth of the last decade, or whether Italy is now entering a new phase in which the sustainable rate of growth is likely to be more moderate.

22. In support of the latter view, it could be argued that the present difficulties are but the sign of the Italian economy entering into a stage of maturity, and that the experience of most developed economies exhibits a growth rate lower than the one Italy has enjoyed up to now. A lower rate of growth in the future could result, first and foremost, from the exhaustion of the plentiful labour reserves which have certainly been a fundamental condition of the Italian growth in the 1950's, both because of the smaller possibilities for increasing industrial employment, and because of the wage and cost pressures linked to a full employment situation.

23. But important labour reserves still exist, in agriculture, services and probably also in public administration. And it could be argued that the difficulties of the last two years contain, at least partly, a once-for-all element of structural adjustment both as to the pattern of demand — and, correspondingly, of national output — and as to the distribution of national income.

24. It would be premature to attempt a firm answer to these basic underlying questions. But two partial conclusions seem reasonably certain. First, from now on a problem of wage pressure will exist in Italy, very different in nature and degree from the problems of the 1950's. Second, even when the present phase of pronounced cost and demand pressures and of a sizeable external deficit is over, imports will remain a much higher proportion of national expenditure than in the past. Consequently, exports will have to expand rather considerably in the medium term, even though it would not be reasonable to expect them to grow at the exceptionally high rates of the period up to 1961. Both these considerations point clearly to the need to stabilise cost and price developments, not only to help solve present difficulties, but to restore the conditions in which rapid growth can be achieved. As rapid a rate of growth as possible is needed if Italy is to continue to make progress against the many social and economic problems with which she is faced.

Annex

DEVELOPMENTS IN 1963 AND EARLY 1964

OUTPUT AND DEMAND

25. The gross national product increased in volume by 4.8 per cent in 1963, compared to 6.3 per cent in 1962 and to exceptionally high rates in 1959-61. The deceleration was partly due to agriculture, which suffered from adverse weather conditions. The growth of total industrial output remained considerable, though with marked differences as between various branches of industry. But the expansion of domestic demand had already begun to exceed the growth of supply in 1962, when the external surplus on goods and services disappeared for the first time since 1958. 1963 saw an acceleration of this trend. Total national expenditure at current prices rose by about 15 per cent — a rate reflecting a faster cost-price spiral. The fact that total domestic output did not respond more closely to the pull of demand is partly explained by the composition of the additional demand; it was largely concentrated on sectors where supply was relatively inelastic (e.g. production of many food items), whereas in other sectors unused capacity has been reported (e.g. certain investment goods industries). These factors have reinforced the effects of booming domestic demand both on the level of internal prices, which rose by some 8 per cent in 1963 (national accounts concepts) and on the current external deficit, which represented roughly 2 per cent of G.N.P.

26. The strong boom of 1959-61 had been characterised by a sharp increase of exports and investment. Since late 1961, however, the expansion of private consumption has provided the more important stimulus to the economy; behind this expansion lie the growth of employment in industry and services¹ and considerable wage increases. The aggregate income of dependent labour is estimated to have increased in 1963 by 22 per cent (following a rise of 17 per cent in 1962). Other incomes increased by only 4 per cent — i.e. actually declined in terms

1. Total employment rose slightly in 1963, net emigration declined and unemployment decreased considerably. The rapid switch of workers from agriculture to industry and services continued and dependent labour in industry rose by 3.7 per cent, compared to 3.2 per cent in 1962 and 4.4 per cent in 1961. Cf. Table IV in the Statistical Appendix.

TABLE 1. SUPPLY AND USE OF RESOURCES

	1963 AT CURRENT PRICES		PERCENTAGE VOLUME INCREASES			PERCENTAGE INCREASES OF IMPLIED PRICES	
	BILLION LIRE	% SHARE	1959-61 AVERAGE	1962	1963	1962	1963
Private consumption	17.543	62.2	6.4	7.4	9.6	5.0	6.7
Public consumption	4.452	15.8	5.0	4.3	5.6	10.0	15.6
Fixed investment	6.537	23.2	12.4	8.7	5.7	5.4	5.7
Changes in stocks	235	0.8	—	—
Exports of goods and services	4.829	17.1	17.2	10.7	6.3	0.7	4.3
Imports of goods and services	5.410	19.2	21.0	15.1	20.7	0.8	2.7
G.N.P. at market prices	28.186	100.0	7.5	6.3	4.8	5.9	8.5
G.D.P. at factor cost ¹	24.945	100.0	7.0	6.4	4.9	5.8	9.9
<i>of which:</i>							
Agriculture	3.797	15.2	2.0	0.7	-1.5	7.2	5.0
Industry	8.982	36.0	11.4	9.3	8.4	1.9	5.5
Construction	1.966	7.9	7.9	8.9	4.9	9.9	9.6
Other	10.200	40.9	5.7	5.0	5.1	2.0	11.1

1. Including duplications; the net figure was 23.235 bil. lire.

Sources: Italian submission to O.E.C.D.

TABLE 2. INDUSTRIAL PRODUCTION INDICES

Percentage increase.

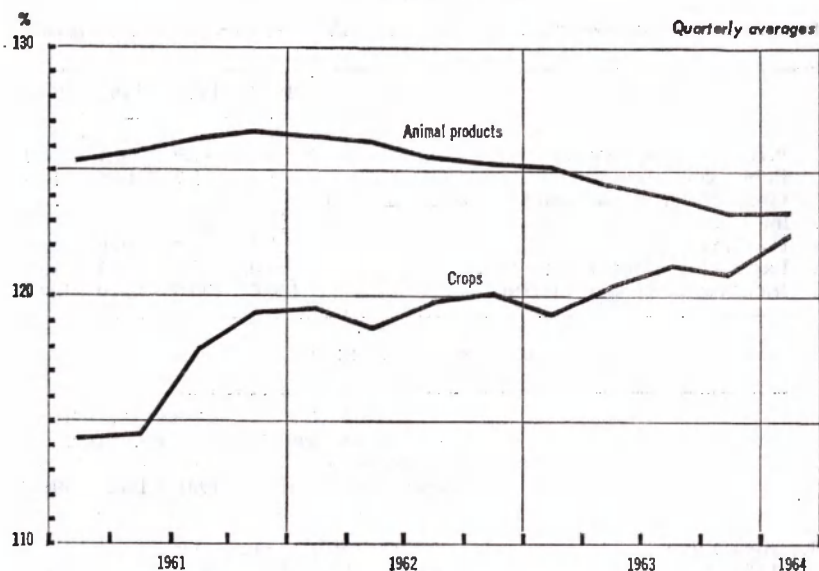
	1960	1961	1962	1963	END OF YEAR CHANGES ¹	
					1962 OVER 1961	1963 OVER 1962
Investment goods	19.6	12.0	7.4	7.6	7.4	4.0
Consumer goods	11.7	6.1	9.7	9.5	6.7	8.0
Intermediate products	14.9	15.4	12.3	8.8	7.5	12.1
General index	15.4	10.9	9.6	8.7	7.2	7.7

1. Seasonally adjusted indices; comparison of November-December averages.

Source: I.S.C.O.

of constant prices. The interpretation of these figures raises certain difficulties, since large shifts of manpower into dependent employment were taking place during this period, and since no separate estimates are available for profits, incomes of independent workers, etc. However,

Diagram 1. INDICES OF AGRICULTURAL OUTPUT
1952-55 = 100



Source : I.S.C.O.

it seems fairly clear that, after several years of generally high profit rates 1962 and 1963 saw an important distributional shift in favour of labour incomes and that this increased the average propensity to consume. In spite of pronounced price increases, the growth of consumers' expenditure in real terms (which in 1962 had exceeded the real growth of G.N.P. for the first time in ten years) attained the record rate of 9.6 per cent in 1963 — i.e. nearly double the rate of growth of the national product. Besides the increase of incomes *per se*, the large population movements into the towns and the continuous rapid switch to the consumption patterns prevalent in more opulent societies contributed to considerable shifts in the composition of consumers' expenditure. At constant prices, purchases of food rose last year by 7.3 per cent and household durables by 25 per cent. New registrations of automobiles increased by 44 per cent, after rising by about 30 per cent in each of the two previous years. Public consumption rose, by volume, at about the average rate for the last few years. But its rise in current prices was quite sharp, mainly owing to considerable salary increases. In 1963, the wage and salary bill of the public sector (including local government, etc.) increased by 22 per cent.

27. Despite the strong expansion of total consumption, gross fixed investment also increased somewhat more than the national product in

TABLE 3. GROWTH OF DEMAND, INVESTMENT AND REAL SAVINGS

A. DEMAND FACTORS

Annual increases at current prices as percentage shares of increase in global demand

	1960	1961	1962	1963
1. Private consumption	34.5	42.9	50.4	57.1
2. Public consumption	9.7	11.2	14.0	18.2
3. Gross domestic asset formation, excluding dwellings	30.5	16.6	13.3	7.8
4. Dwellings	1.3	9.4	9.0	6.3
5. Exports of goods and services	24.0	19.9	13.2	10.6
6. INCREASE IN GLOBAL DEMAND	100.0	100.0	100.0	100.0

B. GROSS INVESTMENT

	BILLION LIRE AT CURRENT PRICES			PERCENTAGE VOLUME INCREASE ¹		
	1961	1962	1963	1961	1962	1963
1. Agriculture	528	587	614	-3.9	7.2	-0.5
2. Industry	1,607	1,848	2,093	18.6	7.5	6.8
3. Transport	884	973	1,057	19.10	13.1	7.6
4. Dwellings	1,236	1,541	1,821	8.9	14.4	8.4
5. Public works ²	486	457	468	4.9	-8.2	-3.3
6. Other	358	440	484	18.1	10.1	2.7
7. Total fixed investment	5,099	5,846	6,537	12.2	8.9	5.5
8. Total excluding dwellings	3,863	4,305	4,716	13.2	7.2	4.5
9. Increases in stocks	295	300	235			
10. (= 7 + 9) Total gross investment	5,394	6,146	6,772			
11. Foreign balance on goods and services	+ 148	- 8	- 581			
12. (= 10 + 11) Real saving ...	5,542	6,138	6,191			
As percentage of G.N.P. :						
7. Total fixed investment ...	23.1	23.6	23.1			
8. Fixed "productive" investment	17.5	17.4	16.6			
12. Real saving	25.1	24.8	21.9			

1. At constant 1958 prices.

2. Excluding land reclamation, which is included in "1" and railway and telecommunication works, which are included in "3".

Sources: Italian submission to the O.E.C.D. and Relazione Generale 1963.

1963, and still represented over 23 per cent of the G.N.P.; it was the balance of payments deficit which reflected the decline in the savings ratio¹. The pattern of investment underwent significant changes.

1. For the balance of payments trends see paras. 36 to 41 below.

House-building again expanded considerably, but the volume of other construction declined. The continuing movement of workers away from the farms has given a push to the mechanisation of agriculture which was helped by financial support provided under the "Green Plan"¹. The increase of fixed investment in industry remained significant — 6.8 per cent in real terms. But long-standing investment plans, including those of the publicly-owned corporations, were probably responsible to a large extent for this increase. In fact, the weakness of export demand for certain capital goods, together with reduced possibilities of self-financing, the depressed state of the capital market and political uncertainties seem progressively to have dampened, in the course of 1963, new private plans for capital outlays; thus, the Government considered it necessary last September to restore the accelerated investment allowances.

28. The more recent indications about trends of output and demand show a somewhat complex picture. After a succession of poor crops, the harvests since last autumn have generally been quite favourable; early in 1964 there were also some signs of improvement in the output of animal products, which had declined in both 1962 and 1963. The level of industrial production remained high until March last and the upward trend probably continued in many sectors. But the adjusted index of production of investment goods January to March was slightly below the peak level of the second quarter 1963; and the general index has hardly moved from September to March. New plans for housebuilding have increased only slightly in the second half of 1963 and have even declined in the early months of 1964. Around the end of last year, there appeared sporadic signs of a weakening of demand. Some of these confirmed a trend previously noticed — an unsatisfactory level of orders for investment goods according to business surveys. Others may be regarded as manifestations of the economy's self-correcting mechanisms — certain indications of less buoyant sales of consumers' goods which may be linked to the considerable price increases. Some may partly reflect the first effects of policy measures — the trend in housebuilding plans already mentioned. Nevertheless, the general balance of evidence was that the expansionary factors of domestic demand were still definitely prevalent at the start of the present year: employment in industry and services continued high and unemployment was down, although there were already a few indications of an increase in short-time working; the rise of wage rates was no less important than in previous months; and public expenditure was expanding. It was against this background that new measures of restraint were announced in February.

1. The slight fall of total investment in agriculture shown in Table 3 (B) was caused by a decline in land reclamation and similar public works. The number of tractors increased by 13 per cent in 1963 and other agricultural machinery and equipment showed a rise of 18 per cent.

PRICES

29. After remaining relatively stable for a number of years, prices showed marked increases between late 1961 and the end of 1963. More recently, however, the increase has been much less pronounced. The main factors which pushed up prices were a sequence of poor harvests — in a period of rapidly expanding incomes and consumers' demand — and considerable and widespread wage rises. The rise in food prices was particularly sharp during the winter of 1962-63; it became, thereafter, more moderate because of higher food imports and better harvests. In the first four months of 1964 wholesale prices of agricultural products declined and consumers' prices for food were stable. Industrial wage increases had already pushed up prices of manufactures early in 1962, demonstrating the well-known lack of symmetry: the fall in labour unit costs throughout the period 1953 to 1960 had only resulted in an approximate stability of prices of industrial goods; but when unit costs started rising in 1961 a roughly parallel increase in prices followed without much delay. The continuing rise of wages and labour costs led to progressively more widespread price increases in industrial products, while the regular advance in prices of services became more pronounced. The upward trend of industrial prices had not slowed down significantly by March 1964. According to provisional data,

TABLE 4. TREND OF PRICES

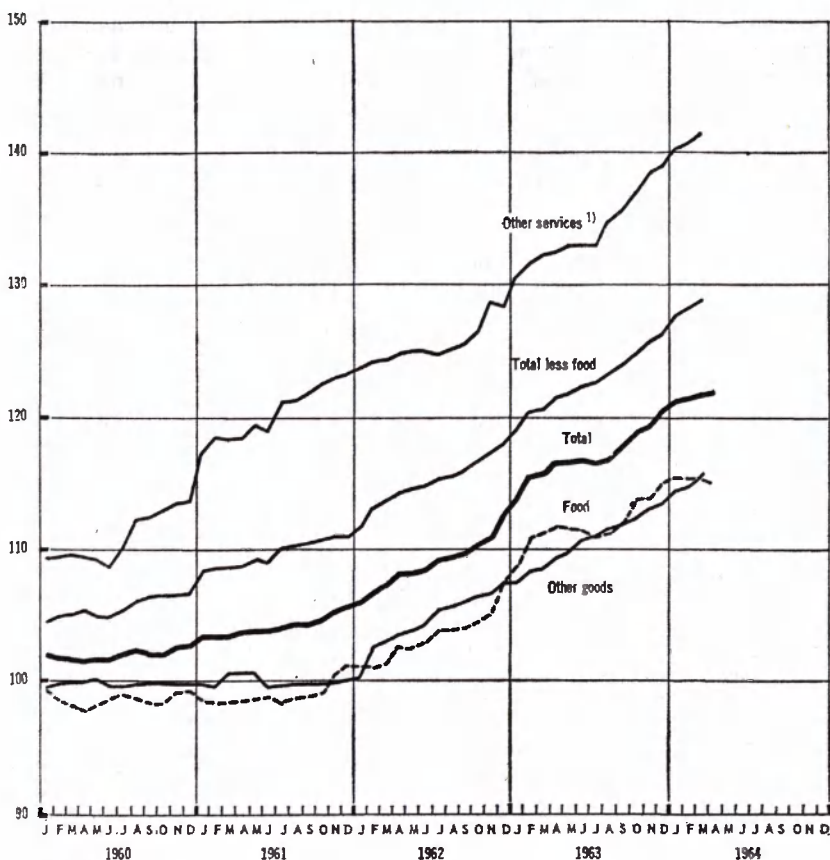
Percentage increases.

	INCREASE OVER PREVIOUS QUARTER					ANNUAL CHANGES OVER SAME MONTH A YEAR EARLIER			
	1963				1964	1963		1964	
	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	JAN.	JUNE	JAN.	APRIL
WHOLESALE PRICES :									
Agricultural products.....	3.7	-1.0	-1.3	3.3	-1.5	11.3	5.1	1.3	-1.1
Non-agricultural products.....	1.7	1.0	0.7	2.1	1.8	3.8	5.0	5.9	5.3
General index	2.1	0.6	0.3	2.4	1.0	5.5	5.0	4.9	3.9
CONSUMERS' PRICES :									
Food products	4.3	1.2	-0.3	2.4	0.8	7.8	8.2	6.0	3.0
Non-food products.....	1.3	1.9	1.2	1.2	2.1	7.9	6.6	6.4	5.8
Services	3.3	1.1	1.3	2.3	2.2	6.2	6.6	6.9	6.9
General index	3.3	1.4	0.4	2.2	1.5	7.2	7.4	6.5	4.7
COST OF LIVING :									
Food	4.0	1.5	0.2	2.1	0.7	8.0	7.6	6.5	3.5
General index	4.1	1.7	0.8	2.0	1.9 ¹	8.1	8.4	7.6	5.6

1. From January 1964, new cost-of-living index.

Source: I.S.T.A.T.

Diagram 2. CONSUMER PRICES
1958 = 100



1. Rent excluded.

Source: I.S.T.A.T. re-elaborated by O.E.C.D.

however, increases in wholesale prices of industrial products were stopped in April and May.

WAGES AND LABOUR COSTS

30. The rate of wage increases, which had been relatively moderate for several years, became progressively more rapid in the period under review (see Table 5 and Statistical Appendix). New regulations and agreements have tended to narrow regional wage differentials and provide for a move toward equal pay for women. Moreover, the

system of quarterly automatic revision of an important element of wages following variations of the cost-of-living index has contributed to the rapid increase of wage rates. This sliding-scale arrangement had exerted no strong upward pressure on wages as long as increases in the cost-of-living index remained modest (2.8 per cent on average from 1951 to 1961). But, as shown in Table 4, this index rose even more than the index of consumers' prices during the last two years¹.

31. The more important general cause of the sharp rise in wages, however, was the big drop in unemployment. From 1950 to 1960,

TABLE 5. WAGES

	ANNUAL % INCREASE DEC. 1961-DEC. 1962	ANNUAL % INCREASE DEC. 1962-DEC. 1963	PERCENTAGE INCREASES OVER 3 MONTHS AGO					
			1963				1964	
			FEB.	MAY	AUG.	NOV.	FEB.	APRIL
INDICES:								
<i>of minimum wage rates:</i>								
In industry:								
For single persons.....	11.3	15.3	5.6	3.5	1.6	3.8	5.6	7.1
For married persons.....	8.2	12.7	4.6	2.7	1.2	3.7	4.9	5.0
In Manufacturing ¹	7.5	11.3	6.1	2.3	1.2	1.4	2.7	5.4
In Construction ¹	10.7	15.5	1.8	2.3	1.0	9.4	11.5	4.8
<i>of hourly earnings:</i>								
In manufacturing ¹	15.7	16.1	3.9	6.4	2.5	0.5		

1. Including family allowances.

Sources: I.S.T.A.T., Bollettino Mensile di Statistica, O.E.C.D. General Statistics, and Relazione Generale 1963.

wage increases were relatively moderate and rises in industrial productivity substantial, so that unit labour costs fell steadily. The main factor behind this continuous shift in the net product of industry from wages to profits was the massive unemployment of the early 1950's. A change occurred from 1961, as evidenced by a more rapid fall in unemployment, a decline in net emigration and the appearance of scarcities of skilled labour. Internal migration to the industrial centres has increased substantially in the last two years. Disguised unemployment and under-employment remain large, but the change in the labour market has

1. A new official cost-of-living index, based on 1961, has started being published as from January 1964. The consumption pattern which it reflects is naturally quite different from that of the old index, which had 1938 as a base year. For example, the share of expenditure for food and drink is 55 per cent, as against 73 per cent in the old index. Due to the existing agreements, however, minimum wage rates continue to be linked for the moment to the old index.

been appreciable. This, combined with a changing social and political climate, led to much stronger pressures for higher wages. As a result, unit labour costs increased considerably in both 1962 and 1963¹. Wages in the low-productivity sectors of the economy have risen in sympathy with industrial wages and the movement became generalised.

32. Statistics for the more recent period do not indicate any slowing-down in the increase of wage rates. The sliding scale revisions of February and May 1964 have led to increases of minimum rates by about 2 per cent and [1.5 per cent] respectively; but in recent months the renewal of collective agreements (e.g. for construction workers) has played a more important role than the sliding scale adjustments in the increase of minimum wage rates. On the other hand, in the last months of 1963, earnings in manufacturing seem to have increased less than wage rates, whereas previously the wage drift had been considerable. There are some signs that this new tendency may have continued in the early months of 1964, particularly owing to short-time working.

MONEY AND CREDIT

33. The expansion of liquidity continued fast until the summer of 1963. Thereafter, the shift in public policy resulted in a progressive deceleration: thus, in the five months to the end of March 1964, money supply increased by only 2.9 per cent as against an increase of 9.3 per cent in the comparable period a year earlier. The public sector had a considerable expansionary impact in 1963; the Treasury's recourse to the Central Bank increased from 660 billion lire at the end of 1962 to 1,400 billion in December last. In the first quarter of 1964, however, there was a reduction of 64 billion, compared to an increase of 212 billion in the first quarter of 1963². One of the more striking developments last year was the neutralisation, until September, of the effects of the balance of payments deficit through the increase in commercial banks' borrowing abroad (\$ 740 million new borrowing in January-September, compared to an external deficit of \$ 792 million in the same period). Thus, the banks had found it possible to continue increasing their credit operations. The situation has changed considerably since the autumn of 1963. Although the authorities did not let the economy feel the full impact of the balance of payments deficit, the expansion of commercial bank credit to the private sector slowed

1. The Ministry of Labour's statistics of wage earnings, hours worked, etc. cover a section of industry, which employed, in 1962, about half of all the wage-earners in manufacturing. Labour unit costs in this group of industries fell by 22 per cent from 1953 to 1960. In 1961, they increased by 1.9 per cent, in 1962 by 7.2 per cent and in 1963 10.1 per cent (cf. Bank of Italy, Annual Report for 1963).

2. In January 1963, maturing Treasury bonds of about 190 billion were not renewed with the purpose of helping the liquidity situation.

TABLE 6. MONEY AND CREDIT

Billion lire.

	INCREASES IN THE PERIOD INDICATED									
	1962				1963				END OF 1963 POS- ITION	1964
	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.		1st QTR.
MONEY SUPPLY:										
Banknotes and coins ¹	-252	122	156	435	-186	159	111	389	3,801	-264
Sight deposits ²	- 21	296	226	647	- 4	157	256	433	7,882	-322
Money supply	-273	418	382	1,082	-190	316	367	822	11,683	-586
CREDITS:										
Short-term	145	413	337	944	260	566	385	737	11,516	-237
Long-term	20	32	34	77	65	47	75	78	1,239	54
Total	165	445	371	1,021	326	613	460	815	12,776	-183
<i>of which:</i> Credits to private sector	138	427	313	909	311	627	397	770	11,467	-214
DEPOSITS:										
Sight deposits	59	257	234	566	43	141	220	380	7,491	-253
Savings deposits	213	150	273	499	211	119	208	470	8,497	50
Total	272	407	507	1,065	254	260	428	858	15,988	-203
<i>of which:</i> Private deposits	181	401	482	1,051	158	238	332	851	14,724	-313
CREDIT DEPOSIT RATIO³:										
Total credits/total deposits	71.4	72.7	72.7	74.4	75.4	78.2	78.9	79.8		79.6
Private credits/private deposits	68.8	70.1	69.9	77.1	72.7	76.0	76.4	78.6		78.0

1. Including cash in banks.

2. Including cashier's cheques.

3. End of period figures.

Source: Bollettino, Bank of Italy.

down considerably: the increase in short-term credit from October last to March 1964 was 3.3 per cent, compared to 11.9 per cent in the corresponding period a year earlier. Thus the banks' liquidity improved slightly, despite a slower rise in deposits. The effects of credit restraint must have been appreciable, given the reduced possibilities of self-financing and the strained conditions of the capital market. The deterioration of the capital market and the upward trend of yields continued in the first quarter of 1964¹.

PUBLIC FINANCE

34. In recent years the budget deficit has tended to grow. But owing to large carry-overs both of unused appropriations (mainly for investment) and revenue ascertained but not received, the deficit on a cash basis has tended to be smaller. The initial forecasts for the current financial year (July 1963-June 1964) involved a current account deficit of about 390 billion lire. Up to the end of March 1964 it amounted to 292 billion, but, as shown in Table 7, it was only 9 billion on the basis of cash receipts and expenditure. The most important cause of the increase in the Treasury's recourse to the Bank of Italy in 1963

TABLE 7. PUBLIC FINANCE
CASH OPERATIONS OF THE TREASURY

Billion lire.

	1961-62	1962-63	FIRST NINE MONTHS		
			1961-62	1962-63	1963-64
BUDGET :					
" Current section " (parte effettiva) :					
Receipts	4,559	4,963	2,962	3,367	3,792
Expenditure	4,601	5,109	2,925	3,480	3,801
Current deficit or surplus	- 42	- 146	+ 37	- 113	- 9
Net capital movements	- 70	- 228	- 54	- 162	+ 90
Surplus or deficit of the Budget	- 112	- 374	- 171	- 275	+ 81
OTHER TREASURY OPERATIONS	+ 258	+ 34			
TOTAL TREASURY CASH DEFICIT OR SURPLUS	146	- 340			
FINANCED BY :					
Bank of Italy	- 144	338			
Treasury Fund	- 2	2			

Sources: Mondo Economico, Supplemento " Congiuntura Economica ", and Gazzetta ufficiale (Conto del Tesoro). 31st March 1964.

1. See Statistical Appendix, Table VII.

was not the budget deficit, but extra-budgetary operations. In fact, various funds controlled by the Treasury — mainly post-office deposits — showed a smaller increase during this period, while the calls on such funds rose considerably. There were higher cash requirements on the part of local administrations which, in general, had growing deficits; various issues guaranteed by the Government as well as issues of State-owned enterprises had to be absorbed, given the fact that the capital market had narrowed very considerably; finally, cash was needed to pay the instalments for the nationalisation of the electricity sector. The total of these calls on the above-mentioned funds exceeded their resources and the difference of 477 billion lire (for the seven months to January 1964) was covered through money creation by the Central Bank.

BALANCE OF PAYMENTS

35. The overall surplus in the balance of payments, sizeable since 1958, dropped sharply in 1962 and gave way to a deficit of about \$ 1,250 million in 1963. This rapid deterioration was due partly to a switch from surplus to deficit in the capital account. For the main part, however, it was caused by the movement of the balance on goods and services from a surplus of over \$ 200 million in 1961 to equilibrium in 1962 and to a deficit of the order of \$ 1 billion in 1963. Taking account of unilateral transfers, the current deficit worked out at \$ 627 million last year; the net capital outflow was \$ 617 million. In the first months of 1964 both the current and the capital account continued to show deficits; but improved considerably in April.

FOREIGN TRADE

36. The deficit on current account was due to a substantial widening of the trade gap, which in turn was principally caused by the rapid growth of imports. Both temporary and more permanent factors have contributed to this growth. The accidents of weather explain to a certain extent the need for greater food imports, which the authorities took positive measures to encourage. Part of this expansion, however, reflects the fact that the shifts in Italian agricultural output away from, for example, wheat growing and towards animal products and other types of "high-income" food are proceeding far more slowly than the growth of demand for such food products. The rapid expansion of total domestic demand was, evidently, a primary cause of the general increase of imports. But its effects were reinforced by special factors. First, the pattern of additional consumers demand (for non-food products) was such as largely to exceed domestic supply in some sectors — notably automobiles — or had a higher import content. Second, there was the progressive lowering of import duties and the abolition of the remaining quota restrictions on non-agricultural imports; since, in many cases, the initial degree of protection in Italy was among the

TABLE 8. BALANCE OF PAYMENTS

\$ Million.

	1962	1963	1962				1963				1964
			I	II	III	IV	I	II	III	IV ¹	
1. Trade deficit (imports f.o.b.) .	- 877	-1,779	-191	-187	-224	-275	-360	-466	-458	-495	-567
2. Services	+ 877	+ 834	+ 85	+174	+418	+200	+104	+158	+436	+136	+ 93
3. Goods and services	0	- 945	-106	- 13	+194	- 75	-256	-308	- 22	-359	..
4. Unilateral transfers	+294	+ 318	+ 64	+ 80	+ 77	+ 73	+ 67	+ 80	+ 75	+ 96	..
5. CURRENT BALANCE	+294	- 627	- 42	+ 67	+270	- 2	-189	-228	+ 53	-263	-474
6. Capital movements plus errors and omissions	-244	- 617	- 52	- 85	+ 65	-172	- 79	-184	-165	-189	+ 77
(5+6) OVERALL BALANCE.....	+ 50	-1,244	- 94	- 18	+335	-174	-268	-412	-112	-452	-397
7. Monetary movements:											
a) Official reserves (increase = -)	- 22	+ 384	+140	+ 40	- 13	-189	+115	+ 8	-115	+376	+233
b) Other official	-458	+ 210	-	- 38	-277	-142	- 1	+ 21	+ 24	+165	+361
c) Commercial banks	+430	+ 650	- 46	+ 16	- 45	+505	+154	+383	+203	- 89	-197
Total	- 50	+1,244	+ 94	+ 18	-335	+174	+268	+412	+112	+452	+397

1. Most figures for this quarter were established by difference.

2. Current items on a transactions basis are approximate estimates by the O.E.C.D. Secretariat; item 2 includes item 4.

Source: Bank of Italy, I.S.C.O. and Movimento Valutario.

highest in the E.E.C., the effect of its reduction on imports was probably rather marked. But although the acceleration of the growth of imports, which dates back to 1959 [see Table 9(A)] may contain some once-for-all elements, with domestic production likely to adapt itself gradually to the new pattern of demand, it is probable that, in reaching its present levels of output and income, the economy has moved forward to a stage where the import content of national expenditure will be substantially higher than in previous years.

37. The expansion of exports, very vigorous in past years, slowed down considerably since the latter half of 1962. The deceleration was due largely to food products and automobiles. Apart from harvest variations, the more general cause for the weakening in the growth of exports appears to have been booming domestic demand. Even in cases where capacity limits were not reached, it is probable that the attractions of the domestic market reduced the pressure to export, which had been so conspicuous a feature of Italian industry for several years. The considerable increases in unit costs must have had some effect on the competitive position of Italian manufactures; but from the evidence available it would not seem that they have undermined it seriously; in previous years there had been a substantial fall in unit costs.

38. The most recent statistics available (up to April 1964) indicate that the trade deficit has declined since the late months of 1963. Imports continued to show a sharp increase compared to twelve months earlier, but they were below the high level already reached in the autumn of 1963 (see diagram). Exports continued to show a steady progress. In the recent months a clear tendency for a reduction of the trade gap is apparent in the customs returns.

TABLE 9a. VOLUME INDICES OF FOREIGN TRADE

	<i>Percentage increases.</i>	
	IMPORTS	EXPORTS
Average 1953-1959.....	8.4	13.9
— 1960	42.2	20.7
— 1961	14.0	20.0
— 1962	16.5	12.2
— 1963	20.7	3.2
First half 1962 ¹	10.7	19.8
Second half 1962.....	22.0	5.5
First half 1963	22.1	0.7
Second half 1963	19.7	5.6

1. Over corresponding period of previous year.

Source: O.E.C.D. General Statistics.

TABLE 9b. COMMODITY BREAKDOWN OF FOREIGN TRADE

Billion lire.

	1961	1962	1963	PERCENTAGE INCREASES		
				1962 OVER 1961	1963 OVER 1962	1ST QTR. 1964 OVER 1ST QTR. 1963
i) IMPORTS						
1. Agricultural products, foods, beverages and tobacco.....	584	613	960	4.9	56.6	27.5
2. Textile materials and products.	296	317	376	7.0	18.6	36.6
3. Metals and metal products...	385	447	505	16.1	12.9	9.3
4. Automobiles and spares	61	113	202	85.2	78.7	13.9
5. Other means of transport....	63	68	62	7.9	-8.9	-38.0
6. Other engineering products..	489	656	842	34.1	28.3	21.5
7. Chemical products	305	335	377	9.8	12.5	49.2
8. Coal and crude oil.....	403	455	514	12.9	12.9	30.7
9. Other imports	593	664	874	11.9	31.4	12.6
10. TOTAL IMPORTS	3.264	3.791	4.712	16.1	24.3	22.6
11. Total minus 1 and 4	2.619	3.065	3.550	17.0	15.8	21.9
ii) EXPORTS						
1. Agricultural products, foods, beverages and tobacco.....	408	461	446	13.0	-3.3	-7.7
2. Shoe industry.....	70	79	93	12.8	17.7	13.3
3. Textile materials and products.	381	413	453	8.3	9.6	15.3
4. Metals and metal products...	128	126	129	-1.6	2.3	16.6
5. Automobiles and spares	173	234	234	35.2	0.0	14.0
6. Other means of transport....	141	118	129	-16.4	9.3	-11.8
7. Other engineering products ..	576	645	745	13.7	15.5	13.0
8. Chemical products	376	416	448	10.6	7.6	14.0
9. Other exports.....	370	424	477	14.5	12.5	28.2
10. TOTAL EXPORTS	2.614	2.916	3.154	11.5	8.2	12.0
11. Total minus 1 and 5	2.033	2.221	2.474	9.2	11.5	15.5

Source: I.S.T.A.T., Statistica del Commercio con l'Estero.

INVISIBLES AND TRANSFERS

39. As shown in Table 8, the important structural surplus on services and transfers (of the order of \$ 1.2 billion) declined slightly in 1963. The principal reasons were: the smaller growth of tourist receipts; increased Italian travel abroad; a higher deficit on transport; and slower growth of workers' and emigrants' remittances, reflecting the slowing down of emigration. The decline continued in the first quarter of 1964, but there has been an improvement in the recent period.

TABLE 9c. SHARE OF ITALIAN EXPORTS

\$ Million; monthly averages.

	1961				1962				1963				1964
	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.
1. Italy	325	331	358	392	376	384	388	418	395	413	430	454	442
2. E.E.C.	2,576	2,686	2,652	2,867	2,795	2,286	2,745	3,052	2,832	3,144	3,087	3,467	3,390
3. O.E.C.D. Europe	4,325	4,439	4,354	4,782	4,610	4,964	4,497	5,069	4,727	5,129	5,018	5,719	5,356
1 as % of 2	12.6	12.3	13.5	13.7	13.5	13.6	14.1	13.7	13.9	13.1	13.9	13.0	13.0
1 as % of 3	7.5	7.5	8.2	8.2	8.2	8.2	8.6	8.2	8.4	8.0	8.5	7.9	8.2

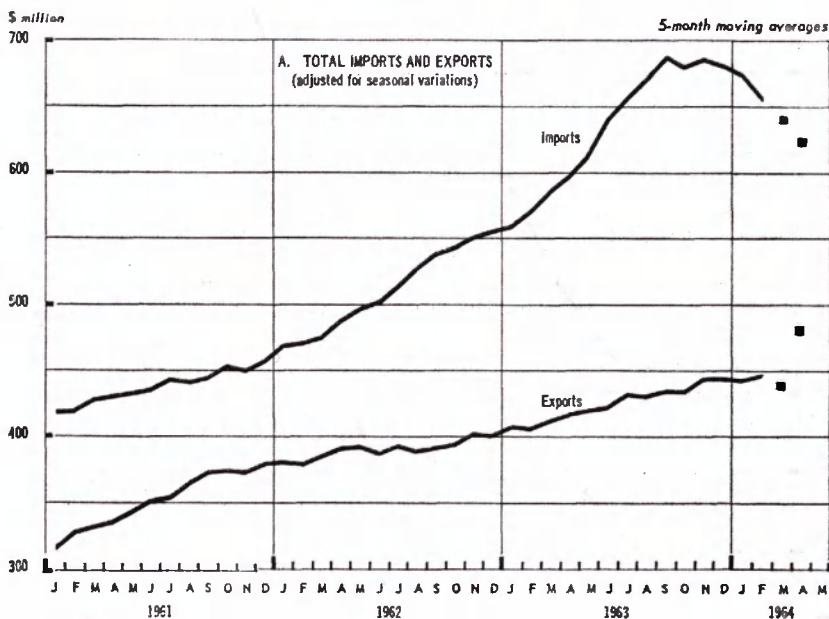
Source: O.E.C.D. General Statistics.

CAPITAL MOVEMENTS AND RESERVES

40. The very sharp increase in unidentified outflows of private funds makes it difficult to interpret capital movements. Foreign exchange expenditure by the authorities for the re-purchase of Italian banknotes almost doubled in 1963 and amounted to nearly \$ 1.5 billion. To a large extent, these were the counterpart of recorded capital inflows which, in reality, concealed purchases of Italian assets by Italian residents. (The point of this operation lies in the fiscal advantages gained thereby.) For the remaining part, they reflected capital flight abroad. Moreover, leads and lags in payments seem to have developed unfavourably for Italy last year. In early 1964, the capital outflow seems to have continued on a considerable scale prior to the announcement of the measures of international support for the Italian balance of payments; however the new measures have put a brake on the capital flight.

41. The external deficit was financed in the first eight months of 1963 through considerable borrowing abroad, mainly in the Euro-dollar market, by the Italian commercial banks. Their net debtor position (in foreign exchange and lire) reached a peak of about

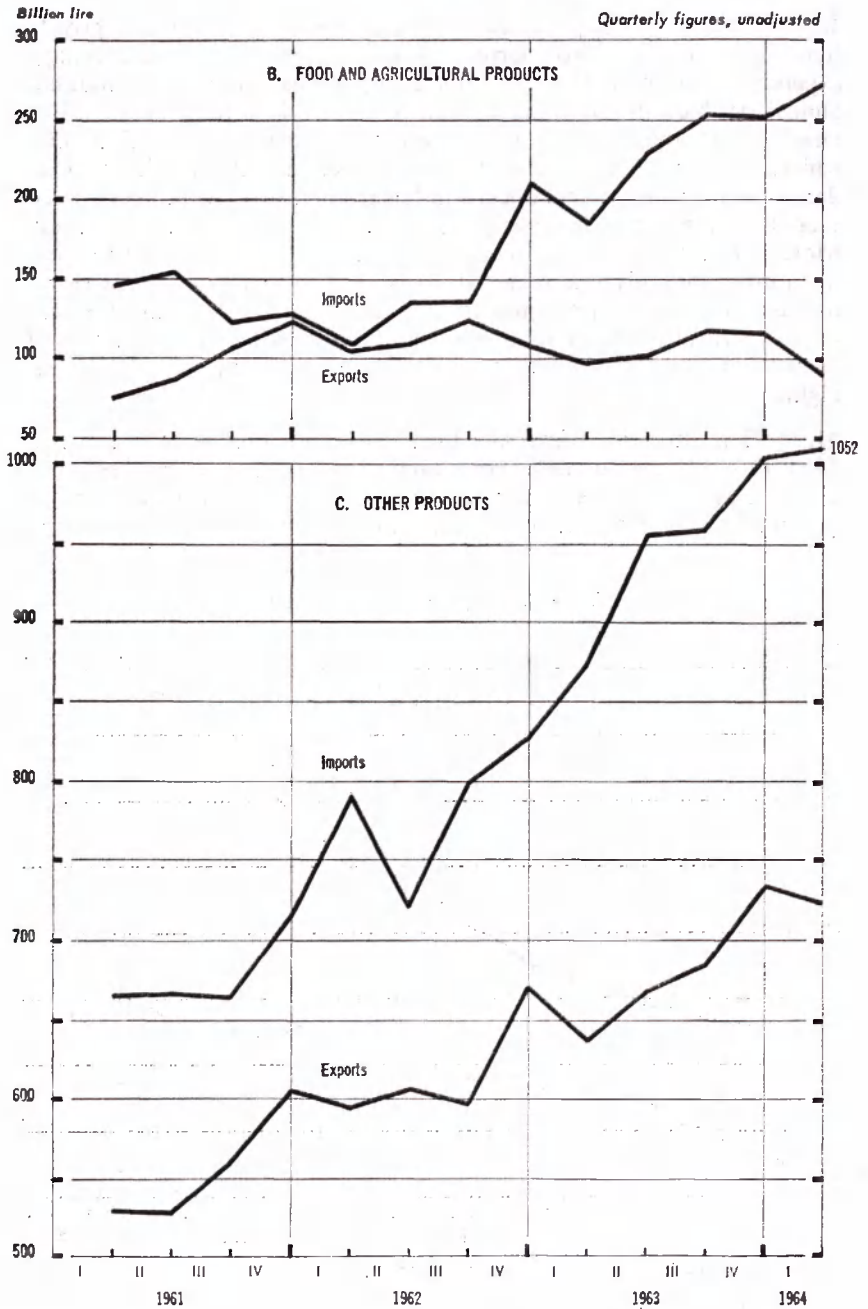
Diagram 3. FOREIGN TRADE



Source: O.E.C.D. Foreign Trade statistics.

■ Latest monthly figures.

Diagram 3. FOREIGN TRADE



Source: I.S.C.O.

\$ 1,370 million in August, compared to \$ 600 million in December 1962 and to \$ 150 million in October 1962 (when the freedom to borrow was restored). After new regulations had prevented further borrowing by the commercial banks, their net debtor position declined steadily and in March 1964 was some \$ 300 million below the August peak. Thus, from the end of last summer, it has been the official reserves which felt the main impact of the balance of payments deficit. They fell by \$ 750 million in the six months to February 1964 when they stood at \$ 2,736 million¹. In March, after the drawings on I.M.F., gross reserves increased by \$ 88 million.

1. Taking account of other net liabilities of the monetary authorities and subtracting the commercial banks' total debtor position, the overall net reserves stood at about \$ 1.4 billion. This calculation does not include I.M.F. drawing rights and other second line reserves.

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STATISTICAL APPENDIX

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TABLE I. NATIONAL PRODUCT AND EXPENDITURE

Billion lire.

	AT CURRENT PRICES				AT 1958 PRICES			
	1960	1961	1962	1963	1960	1961	1962	1963
1. Private consumption	12,235	13,305	15,006	17,543	12,204	13,142	14,122	15,485
2. Public consumption	2,896	3,175	3,645	4,452	2,699	2,832	2,955	3,123
3. Gross fixed capital formation	4,441	5,099	5,846	6,537	4,408	4,948	5,381	5,690
4. Changes in stocks	305	295	300	235	319	307	298	221
5. Exports of goods and services	3,411	3,908	4,357	4,829	3,493	4,061	4,496	4,781
6. Total use of resources	23,288	25,782	29,154	33,596	23,123	25,290	27,252	29,300
7. Imports of goods and services	3,351	3,760	4,365	5,410	3,516	4,056	4,668	5,634
8. Gross national product at market prices	19,937	22,022	24,789	28,186	19,607	21,234	22,584	23,666
9. Gross domestic product at factor cost ¹	17,497	19,211	21,621	24,945	16,981	18,387	19,565	20,530
of which:								
10. Agriculture, forestry and fishing	2,993	3,397	3,668	3,797	2,754	3,143	3,166	3,129
11. Mining, manufacturing and public utilities	6,358	7,044	7,848	8,982	6,515	7,180	7,853	8,517
12. Construction	1,276	1,430	1,711	1,966	1,232	1,348	1,468	1,540
13. Other (transport, commerce, banking, public administration and miscellaneous services)	7,045	7,682	8,732	10,200	6,665	7,062	7,418	7,795

1. Adjusted to offset some duplications in estimates by sectors.

Sources: Italian submission to the O.E.C.D.

TABLE II. INDUSTRIAL PRODUCTION

Monthly averages : 1953 = 100.

	1960	1961	1962	1963	1963				1964		
					1st	2nd	3rd	4th	JAN.	FEB.	MARCH
					QTR.	QTR.	QTR.	QTR.			
UNADJUSTED INDEX:											
1. Mining	183	198	199	190	184	185	190	202	201	203	203
2. Manufacturing	184	205	226	246	236	249	237	262	256	247	257
3. Textiles	127	126	136	140	141	141	131	145	129	140	141
4. Food and drink	153	159	168	189	181	173	170	231	199	181	177
5. Base metal industries	228	248	260	275	273	283	265	279	274	270	269
6. Engineering goods	164	189	196	213	212	226	193	222	212	216	211
7. Transport equipment	228	256	301	355	333	374	341	373	380	380	362
8. Chemicals	242	293	335	364	338	365	368	386	393	311	397
9. Miscellaneous petroleum products	228	256	304	347	332	329	352	376	395	396	405
10. Artificial textile products and cellulose ...	285	326	420	478	440	472	457	532	572	539	571
11. Electricity and gas.....	160	171	183	198	202	192	190	209	229	210	214
12. GENERAL INDEX.....	182	202	222	241	232	243	233	257	252	243	252
ADJUSTED INDEX:											
1. Investment goods	188	210	226	243	236	250	239	248	246	251	246
2. Consumption goods.....	162	174	190	209	200	209	208	218	217	215	217
3. Intermediate products	215	249	279	304	291	301	302	321	329	299	332
4. GENERAL INDEX	182	202	222	241	232	243	239	251	251	246	252

Sources: I.S.T.A.T. and I.S.C.O.

TABLE III. OTHER BUSINESS INDICATORS

Monthly averages.

	UNIT OF BASE	1959	1960	1961	1962	1963	1962		1963		1964
							1st HALF	2nd HALF	1st HALF	2nd HALF	1st QTR.
BUILDING ACTIVITY:											
Buildings completed.....	Thousands of rooms	169	169	185	214	237	180	247	195	278	
Building plans approved	—	240	220	264	344	407	329	360	413	401	
Number of working days in public works .	Thousands	7,340	6,878	6,486	5,263	4,146	5,081	5,445	3,980	4,311	
Value of public works begun	Billion lire	5.9	6.1	6.5	5.8	5.5	5.2	6.5	4.8	6.3	
CONSUMPTION:											
Retail sales (in department stores)	1955 = 100	157	179	194	210	242	185	250	212	272	
Private cars bought	Thousands	21.0	31.7	41.0	52.8	76.3	53.4	51.4	77.9	74.8	86.3

Source: I.S.T.A.T. Bollettino mensile di statistica.

TABLE IV. EMPLOYMENT

In thousands.

	AVERAGE FIGURES					JANUARY	
	1959	1960	1961	1962	1963	1963	1964
1. LABOUR FORCE ¹ :							
Male	14,859	14,882	14,826	14,737	14,710	14,310	14,501
Female	5,544	5,602	5,701	5,768	5,760	5,738	5,727
Total	20,403	20,484	20,527	20,505	20,470	20,048	20,228
2. EMPLOYMENT ² :							
<i>In the country</i>							
Agriculture	6,066	6,028	5,689	5,474	5,206	5,138	4,918
Industry	6,928	7,201	7,466	7,693	7,943	7,845	8,035
Other	5,883	6,001	6,140	6,200	6,304	6,263	6,560
Total	18,887	19,230	19,295	19,367	19,453	19,246	19,513
3. UNEMPLOYMENT	1,117	836	710	611	504	802	715
4. REGISTERED IN LABOUR EXCHANGES ³	1,689	1,546	1,407	1,162	1,059	1,344	1,236
5. EMIGRATION (net)	192	177	181	125		

1. Including workers abroad.

2. Includes temporary workers for the samples January 1963 and 1964.

3. Categories I and II.

TABLE V. PRICE INDICES

Averages.

	1960	1961	1962	1963	1963				1964			
					I	II	III	IV	JAN.	FEB.	MARCH	APRIL
WHOLESALE PRICES : (1953 = 100)												
Agricultural products	102.0	103.8	112.8	119.8	120.4	119.2	117.8	121.7	121.1	119.5	118.9	118.0
Non-agricultural products	97.9	97.7	99.2	104.0	102.2	103.3	104.2	106.4	107.9	108.2	108.5	108.5
General index	98.8	99.0	102.0	107.3	106.0	106.7	107.0	109.6	110.7	110.6	110.7	110.5
CONSUMERS' PRICES : (1953 = 100)												
Food products	113.4	113.8	118.8	128.6	126.8	128.3	128.0	131.3	132.5	132.4	132.4	132.3
Non-food products	103.6	103.5	108.8	115.4	112.7	114.9	116.3	117.7	119.3	119.6	120.8	121.0
Services.....	135.6	146.3	153.5	164.6	161.2	163.0	165.1	168.9	172.0	172.8	173.4	174.1
General index	115.4	117.8	123.3	132.5	130.1	131.9	132.5	135.4	137.2	137.4	137.8	138.0
COST OF LIVING ¹ : (1938 = 1)												
Food.....	75.30	76.54	80.55	87.29	85.75	87.08	87.25	89.08	116.2	116.2	116.5	116.9
Clothing.....	65.98	66.29	69.00	73.30	71.83	72.86	73.49	75.02	114.3	114.9	115.8	116.2
Housing	55.01	62.37	70.03	79.31	76.69	78.94	80.12	81.49	129.7	129.8	129.8	131.2
General index	68.42	70.42	74.52	81.07	79.34	80.72	82.23	82.97	116.8	117.1	117.6	118.1

1. From January 1964, new cost of living index, 1961 = 100.

Source : I.S.T.A.T.

TABLE VI. WAGES AND SALARIES

Indices: 1938 = 1.

	EXCLUDING FAMILY ALLOWANCES					INCLUDING FAMILY ALLOWANCES				
	ANNUAL AVERAGES			DEC.	APRIL	ANNUAL AVERAGES			DEC.	APRIL
	1961	1962	1963	1963	1964	1961	1962	1963	1963	1964
A. MINIMUM CONTRACTUAL WAGE RATE :										
1. In agriculture.....	105.86	121.73	147.70	157.97	163.15	122.48	142.72	158.24	164.86	167.85
2. In industry.....	89.54	99.62	113.88	119.97	131.52	101.24	109.50	121.23	126.83	136.68
<i>of which :</i>										
In manufacturing	91.27	101.00	115.87	120.45	129.77	98.09	105.10	117.04	120.67	127.21
In construction	84.57	98.08	110.12	121.49	145.52	106.86	119.59	130.24	140.34	161.69
3. In transport	79.16	99.62	113.88	119.97	111.89	99.97	108.99	115.39	117.74	130.05
4. In commerce	86.39	91.76	103.61	107.08	112.85	103.72	108.88	119.25	122.36	127.66
B. MINIMUM CONTRACTUAL SALARY RATE :										
1. In industry	70.41	76.91	91.73	96.22	112.05	77.21	82.98	94.68	98.46	103.67
2. In commerce	79.07	84.35	97.88	101.51	107.29	87.34	91.96	103.18	106.26	111.29
3. In public administration	73.18	85.85	112.24	115.33	115.33	76.98	87.24	109.93	112.53	112.53

Source: I.S.T.A.T.

TABLE VII. MONEY AND CREDIT

Billion lire : end of period.

	1961	1962				1963				1964
		1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.
I. MONEY:										
1. Monetary circulation ¹	2,746	2,529	2,643	2,796	3,135	3,036	3,190	3,264	3,576	3,537
2. Sight deposits ²	5,892	5,871	6,167	6,393	7,040	7,036	7,194	7,449	7,882	7,559 ⁴
3. Money supply ¹	8,638	8,400	8,810	9,189	10,175	10,072	10,384	10,713	11,458	11,096 ⁴
4. Savings deposits	6,356	6,569	6,719	6,991	7,490	7,702	7,821	8,024	8,503	8,547 ⁴
5. Post Office savings	2,309	2,372	2,402	2,458	2,611	2,684	2,722	2,779	2,814	2,895 ⁴
II. CENTRAL BANK										
1. Credit to Treasury	729	543	317	391	664	877	804	926	1,403	1,339
2. Credit to banking sector ³	802	696	837	859	1,050	993	1,213	1,159	1,480	1,630
III. OTHER BANKS										
1. Total bank deposits	11,194	12,187	12,594	13,100	14,165	14,419	14,679	15,134	15,980	15,785 ⁴
2. Credit	8,539	8,704	9,194	9,522	10,542	10,868	11,481	11,940	12,755	12,572 ⁴
3. Government securities	2,231	2,329	2,381	2,418	2,206	2,317	2,302	2,331	2,262	2,337 ⁴
4. Shares and debentures	1,102	1,207	1,261	1,330	1,501	1,559	1,612	1,704	1,812	1,829 ⁴
IV. SPECIAL INSTITUTIONS FOR MEDIUM- AND LONG-TERM CREDIT										
1. Credit to private sector	4,271	4,550	4,746	5,058	5,400	5,673	5,914	6,156	6,414	
V. CAPITAL MARKET (per cent yields: monthly averages)										
1. Government securities	4.93	4.81	5.42	5.31	4.88	4.92	5.19	5.44	5.62	5.86
2. Other securities	5.52	5.59	5.87	5.99	5.95	5.87	5.98	6.21	6.42	6.92
3. Shares	2.65	2.82	3.31	3.57	3.45	4.00	3.61	4.01	3.92	4.24
Annual capital market issues:										
1. Government securities	416.8				608.2				267.4	
2. Other securities	749.3				971.9				1,143.9	
3. Shares	135.3				62.0				-71.3	
4. Total capital market issues	1,301.4				1,642.1				1,340.0	

1. Excluding cash in the banks, except 1964.

2. Including cashiers cheques.

3. Including credits to special credit institutions.

4. End of February.

Source: Bollettino, Bank of Italy.

TABLE VIII. BALANCE OF PAYMENTS

Million \$.

	1960	1961	1962	1963
A. CURRENT ITEMS:				
1. Imports (f.o.b.)	4,204	4,659	5,459	6,725
2. Exports	3,570	4,103	4,581	4,946
3. Trade balance	- 634	- 556	- 872	- 1,779
4. Foreign travel	548	647	724	749
5. Workers' remittances	151	190	260	281
6. Other services	32	- 45	- 106	- 197
7. Balance on services	731	792	878	833
8. BALANCE ON GOODS AND SERVICES	97	236	0	- 945
9. Private transfers	255	316	347	338
10. Public transfers	- 35	- 43	- 53	- 20
11. CURRENT BALANCE	317	509	294	- 627
B. CAPITAL MOVEMENTS, NON-MONETARY SECTOR:				
12. Private	304	500	541	1,485
13. Public	47	32	9	- 355
14. Total	351	532	550	1,130
C. ERRORS AND OMISSIONS:				
15. Repatriation of Italian banknotes	- 185	- 330	- 766	- 1,463
16. Other	- 41	- 133	- 28	- 284
17. Total	- 226	- 463	- 794	- 1,747
18. Sub-total (B + C)	+ 125	+ 69	- 244	- 617
D. MONETARY CHANGES:				
19. Changes in official reserves (- = increase)	- 127	- 340	- 22	- 384
20. I.M.F. position	-	- 175	40	- 23
21. Other official	- 47	- 102	- 498	233
22. Foreign position of commercial banks	- 268	40	430	650
23. Total	- 442	- 577	- 50	1,244

Sources: Bank of Italy.

TABLE IX. GEOGRAPHICAL DISTRIBUTION OF ITALIAN FOREIGN TRADE

Monthly averages; million \$.

	1961	1962	1963	1963		1962 OVER 1961 % INCREASE	1963 OVER 1962 % INCREASE	JAN.-FEB.		
				1st HALF	2nd HALF			1963	1964	% INCREASE 1964 OVER 1963
TOTAL IMPORTS	438	508	631	602	660	16.1	24.2	550	707	28.5
1. From E.E.C. countries	129	158	207	195	219	22.2	31.0	176	239	35.7
<i>of which</i> : France	40	45	61	58	64	12.5	35.5	52	77	49.5
Germany (F.R.)	68	86	107	100	113	26.4	24.4	92	119	28.6
2. From other European O.E.C.D. countries	77	93	111	105	117	20.7	19.3	112	130	16.0
<i>of which</i> : United Kingdom	24	32	38	37	40	33.3	15.6	35	42	18.8
3. From United States and Canada	79	80	93	89	97	1.2	16.2	83	98	18.0
4. From other countries	153	177	220	213	227	15.6	24.3	179	240	34.0
TOTAL EXPORTS	351	391	423	404	442	11.3	8.2	376	436	15.9
1. To E.E.C. countries	110	136	150	142	158	23.6	10.2	135	161	19.2
<i>of which</i> : France	27	36	44	43	45	33.3	22.2	40	53	32.5
Germany (F.R.)	63	75	76	71	80	19.0	1.3	69	73	5.7
2. To other European O.E.C.D. countries	88	94	96	95	97	6.8	2.1	89	117	31.4
<i>of which</i> : United Kingdom	24	23	22	22	23	- 4.2	- 4.4	20	25	25.0
3. To United States	36	41	43	40	46	13.8	4.8	36	53	47.2
4. To other countries	117	120	134	126	141	2.5	11.6	116	105	- 9.5

Source: O.E.C.D. Foreign Trade Statistics.

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