

# Italy - Economic Outlook 87 Country Summary

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The recession in Italy, which had one of the largest peak to trough falls in output in the OECD area, ended in mid-2009. Although growth picked up to a 2% annual rate in the first quarter, the recovery is projected to proceed at a moderate pace for 2010 as a whole, strengthening a little in 2011. Government policy has helped to limit unemployment, which will nevertheless continue to rise slowly into 2011. Excess capacity will exert continuing downward pressure on inflation after a short-term increase due to resurgent energy prices.

Italy kept its budget deficit in line with plans in 2009, thus generating bond-market confidence and a relatively low risk premium. It is necessary to pursue substantial fiscal tightening in 2011, as the government has announced, which will require a high degree of spending restraint. Reliance on one-off measures should be avoided and attention should be paid to maintaining and improving efficiency.

## Italy: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	929.2	-1.7	0.8	1.1	-0.5	0.9	1.1
Government consumption	317.3	0.6	0.2	0.2	0.3	0.4	0.2
Gross fixed investment	324.8	-12.2	-0.5	3.8	-7.4	2.0	4.4
Machinery and equipment	157.5	-16.8	1.5	4.8	-8.6	3.0	5.2
Construction	167.3	-7.9	-2.1	2.9	-6.3	1.1	3.8
Residential	78.5	-9.3	-2.8	3.0	-8.9	2.5	2.7
Non-residential	88.8	-6.6	-1.5	2.9	-4.1	-0.1	4.6
Final domestic demand	1 571.3	-3.4	0.5	1.4	-1.7	1.0	1.5
Stockbuilding <sup>1</sup>	5.8	-0.5	0.7	0.0			
Total domestic demand	1 577.1	-3.9	1.1	1.4	-2.1	1.2	1.5
Exports of goods and services	451.8	-19.1	2.5	3.6	-11.4	3.1	3.8
Imports of goods and services	461.3	-14.8	2.7	3.0	-8.4	1.7	3.2
Net exports <sup>1</sup>	-9.5	-1.2	-0.1	0.1			
GDP at market prices	1 567.6	-5.1	1.1	1.5	-2.9	1.5	1.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook: Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 87 database.

## OECD Projections - Italy

