



Ressort: Politik

Italy's high public debt: the main reason for fiscal rigor

Rome, 16.04.2019 [ENA]

The Bank of Italy on 15th April adjusted Italy's public debt upwards by 5.3 billion euros in 2018. The debt is now 2.32195 trillion euros or 132.2% of GDP. Italy's high public debt is the main reason for fiscal rigor. The Italian government's economic strategy seems to confirm the main features of the previous governments: above all, the competitive devaluation to increase exports. The growth of labor incomes

is procedurally established below the inflation and nominal productivity. Since 2000, Italian salaries have grown more in those sectors in which productivity has increased less.

In the short term, employment has moved towards sectors where labour productivity increased less.

In Italy, the planned unemployment rate will grow in 2020 at 11.2% and by 2022 it will still be at 10.7%.

Concern has also been expressed by trade unions about the resources needed for the measures announced by the government and for the reforms scheduled, because it is not clear where they will be taken, meanwhile other cuts in public spending are envisaged, starting from health and public employment.

At the moment public investments seem insufficient to generate new growth. The Government in fact predicts only 1.3 billion for 2020 and 1.6 for 2021. The increase in resources should create public investments till 2.6% of the GDP in 2022, while they were 3% in 2007.

Scarce investments are expected also for Southern Italy. At the moment, the Italian government seems to need an organic set of policies for the South, while a logic of mere financial incentive is still used.

There's the necessity to plan a gradual increase in public investments up to 6% of GDP for social, energy and digital infrastructures.

The 2019 Italian growth forecast included by the government in the Economic planning, + 0.2% taking into account the effect of the maneuver and of the so called "decree for growth" and the decree to "Unblock building sites" is likely to occur. But the risks are very important, because all the estimates are hanging on the hypothesis that the government of Italy manages to neutralize the safeguard clauses concerning VAT, a ballast of over 23 billion on the 2020 accounts, finding alternative coverages for an equivalent amount. If the mission failed there would be depressive effects on consumption and therefore on the GDP.

But without the VAT increases and without equivalent resources to be found through the spending review or the reshaping of tax deductions, the deficit would rise to 3.4% of the GDP.

This is what emerged from the hearings of the representatives of Istat, the Bank of Italy and the

Redaktioneller Programmdienst: European News Agency

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Parliamentary Budget Office before the Joint Parliamentary Budget and Finance Committee, engaged in examining the Economic planning.

Bericht online lesen:

https://turotti.en-a.ch/politik/italys_high_public_debt_the_main_reason_for_fiscal_rigor-74222/

Redaktion und Verantwortlichkeit:

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