ITALY: 2021-2022 SCENARIO

2021, SAME AS LAST YEAR?

6 January 2021

Sofia TOZY

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GROUP ECONOMIC RESEARCH

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RESUME

FACING DOWN THE PERIL OF A THIRD WAVE

The year 2020 was marked by the COVID-19 crisis, but it appears clear that the same will be true of 2021. The resurgence of the epidemic in October, which resulted in a jump in the number of cases by the end of that month, forced **the government to adopt new social distancing measures by instituting a lockdown that varies by region so as to preserve some of the economy**. These measures made it possible to partially curb the exponential growth in cases of COVID-19. But fear of a third wave of the pandemic in January following end-of-year celebrations nonetheless led the government to reinstitute a strict lockdown during the holidays. These new measures are expected to negatively impact fourth-quarter growth. **The expected decline in GDP is nonetheless expected to be smaller than what was observed in the second quarter. Counting the fourth-quarter decline, 2020 GDP growth is estimated to be 9.2%.**

It is likely that some of the restrictions will last beyond the month of December. This is because Italian authorities will be maintaining a high level of vigilance until the vaccination campaign that is expected to begin in the first quarter of 2021. **The fourth-quarter economic decline is expected to heavily impact 2021 growth due to overhang effects. For this reason, the recovery in the first quarter is likely to remain limited. If it is assumed there will not be a third wave leading to another lockdown in the springtime, 2021 growth is expected to approach 4%.**

In a high-uncertainty environment, domestic demand growth looks set to remain low. Consumption, which despite the third-quarter recovery remains 7% below pre-crisis levels, is expected to only partially return. Fears of an increase in the unemployment rate and **disposable income losses despite the short-time work measures will continue to constrain consumption growth and encourage precautionary savings.**

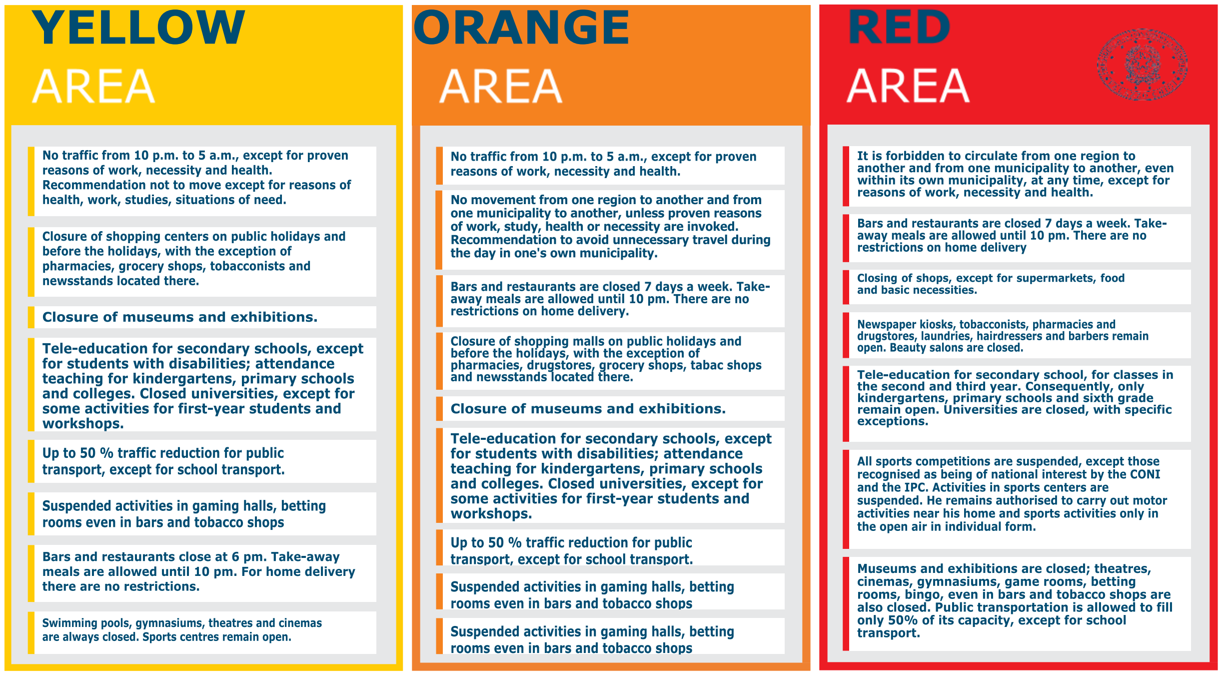
Italy's entrepreneurial ecosystem has demonstrated its resiliency in this crisis. Having come out stronger from previous crises, Italian businesses that are still faring badly due to their low productivity have been able to take advantage of their industrial specialisation. **However, the crisis will leave damaged sectors in its wake, such as tourism and services, which will continue to be hurt in 2021 by social distancing measures.** In 2021, however, Italian companies will need to face a new challenge. This is because the weakness of domestic demand and the international environment still marked by the pandemic will be weighing on their investment decisions.

At the cost of a larger national debt, the emergency measures taken by the Italian government have made it possible to contain the crisis' devastating effects on production factors. The 2021 budget is expected to mostly extend these measures while including an additional 1.3 points of GDP worth of spending to support the recovery. They are likely to be supplemented by the Italian stimulus and resilience plan expected for the first quarter of 2021, which is expected to help ease out of the crisis using NGEU funds. **The first version of the stimulus plan** was presented in early December. That plan **is centred on six pillars for a total of €196 billion**. Among the plan's six priorities: €48.7 billion will be allocated to digitalisation and innovation, €74.3 billion to the green revolution and ecological transition, and €27.7 billion for sustainable mobility infrastructure. The "education and research" section will increase by €19.2 billion, €17.1 billion for gender equality and €9 billion for health care.

HEALTH CRISIS: THE CHALLENGE OF THE SECOND WAVE

LOCKDOWN, ACT II: A STAGGERED APPROACH

Restrictions by zone



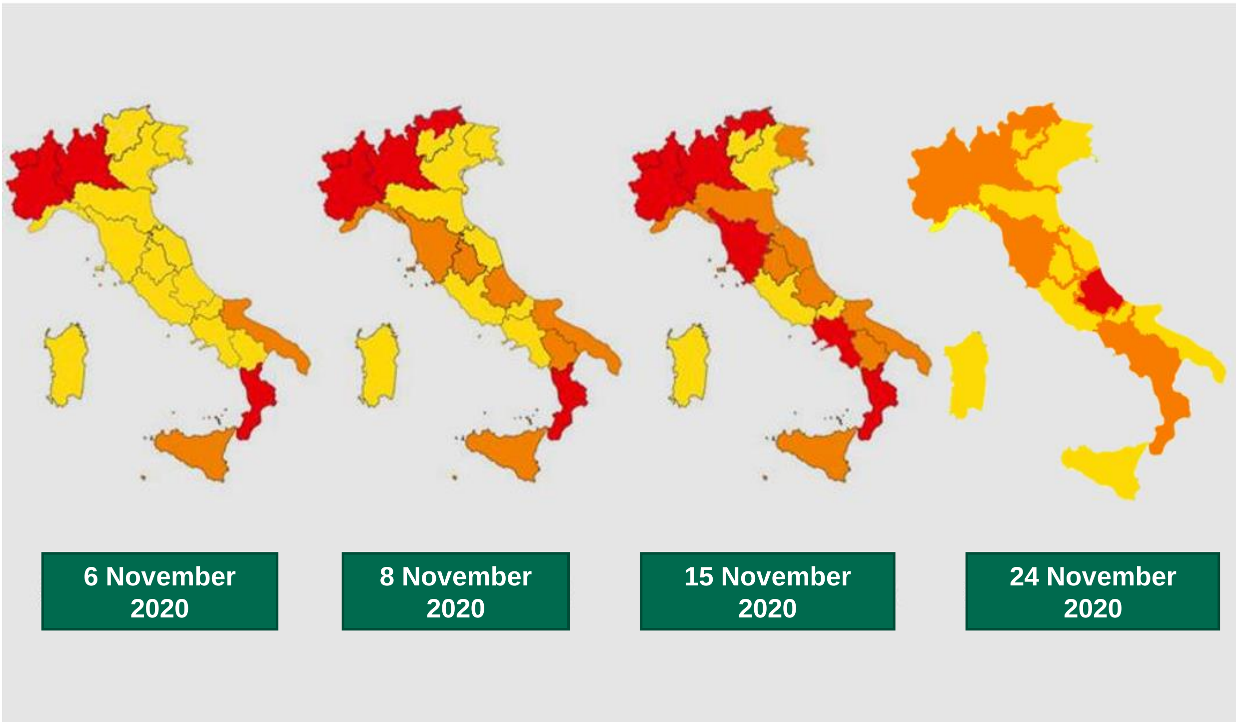
Source: Italian Government; Crédit Agricole SA

The government has adopted a staggered lockdown to address the second wave, which came into effect on 6 November. It divides the country into three types of zones (yellow, orange, and red) defined based on a series of 21 indicators that characterise the state of the pandemic. The yellow zones have looser restrictions, which gradually increase across the other zones, ending in total lockdown for red. That level of lockdown is similar to what was seen in March, but allows some economic activity to continue.

HEALTH CRISIS: THE CHALLENGE OF THE SECOND WAVE

COURSE OF THE LOCKDOWN IN NOVEMBER

Evolution of lockdown during the month of November



Source: Italian Government; Crédit Agricole SA

In early November, four regions – Lombardy, Calabria, Valle d'Aosta, and Piedmont – were designated as red zones. The deterioration of the health situation in the first half of November forced authorities to gradually place an increasing number of regions into the red and orange zones, which were ultimately extended to the entire country. By the end of November, a decline in daily cases allowed for a gradual loosening of the public health restrictions in several regions, which went to yellow. The method seems to be working, but it might not be enough to handle a third wave of the pandemic after the year-end holidays.

HEALTH CRISIS: THE CHALLENGE OF THE SECOND WAVE

CHRISTMAS CLAMPDOWN: THE GOVERNMENT TAKES A HARD LINE

New decree of 3 December 2020

Displacements

- From 21 December to 6 January, travel between the different regions and between the autonomous provinces of Trento and Bolzano is forbidden, even to reach second homes.
- On 25 and 26 December and 1 January, all traffic between municipalities is prohibited throughout the country.
- In any case, it is always permitted to return to the municipality of residence. This will allow, for example, the reunification of couples who are absent for work but who live under the same roof with a certain frequency.
- It is forbidden to move from 10 p.m. to 5 a.m. throughout the national territory.
- On 31 December, this ban is extended from 10 p.m. to 7 a.m. on 1 January.
- Travel will still be allowed (even at night) for reasons of work, necessity or health. The possibility of providing care for dependent persons is also included in case of need.

Return from abroad

- Italians who will be abroad for tourism between 21 December and 6 January will have to undergo a quarantine on their return.
- A quarantine is also foreseen for foreign tourists arriving in Italy during the same period.
- In addition, those who enter Italy from 7 to 15 January, having stayed or transited through other countries for tourism between 21 December and 6 January, must undergo quarantine.

Ski resorts and cruises

- The facilities for leisure skiing will be closed from 4 December to 6 January.
- From 21 December to 6 January, all cruises departing from, calling at or arriving in Italian ports are suspended.

Schools

- From 7 January, teaching will resume in secondary schools.
- In this first phase, at least 75% of the pupils will be guaranteed to return to each school.

Restaurant

- In the yellow zone, bars, restaurants and pizzerias will remain open (even on public holidays) with table service from 5 a.m. to 6 p.m. Each table can accommodate a maximum of 4 people, if they do not all live together. After 18:00 it is forbidden to consume food and drinks on the premises or in the street. From 18:00 to 22:00, take-away meals are allowed, while home delivery is always possible.
- In the orange and red zones, catering activities are open from 5:00 am to 10:00 pm only for take-away, while home delivery is always allowed.

Hotels

- Hotels remain open throughout Italy, but on New Year's Eve, the 31st in the evening, it will not be possible to organise evening parties and dinners. Therefore, the hotels-restaurants will close at 6 p.m. and after this time only room service will be possible.

Shops and shopping areas

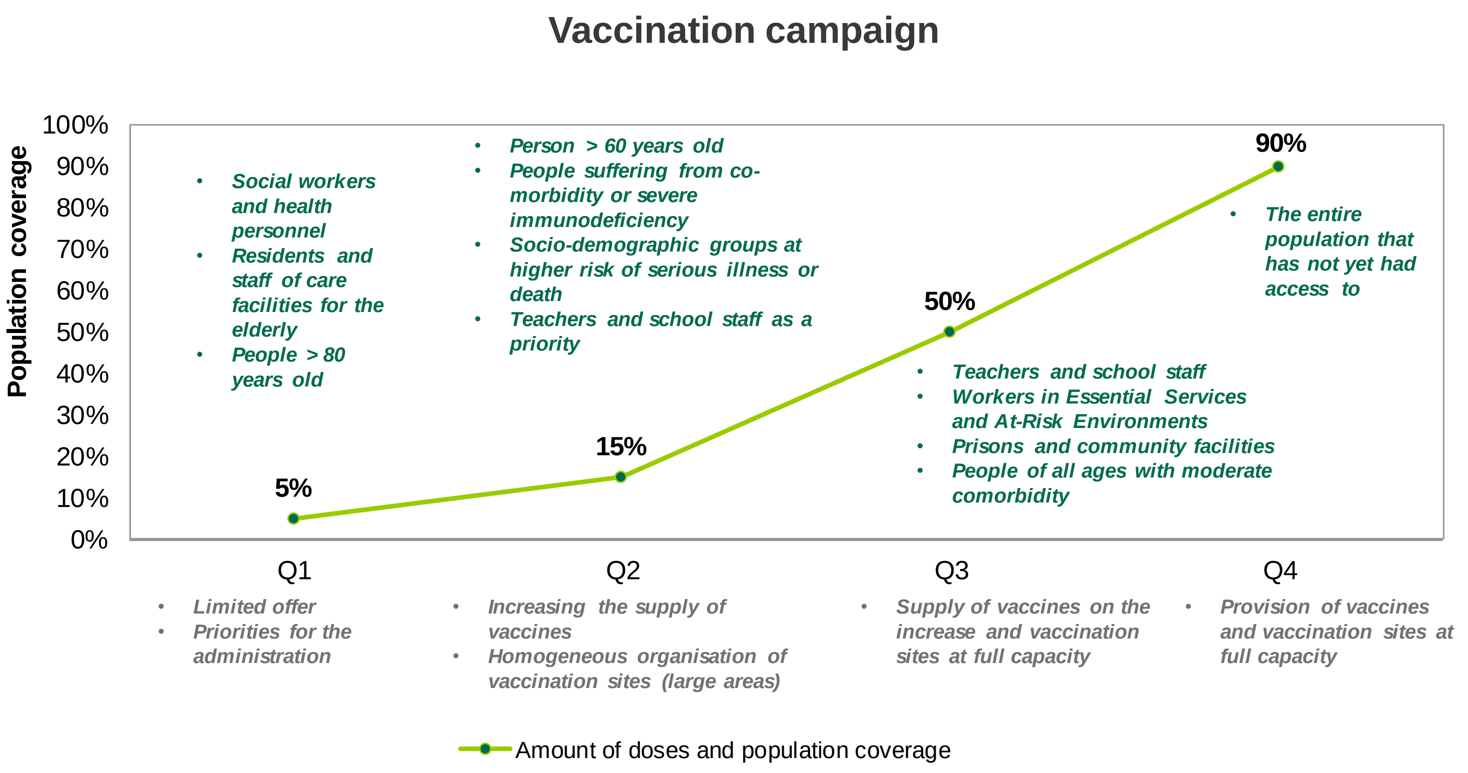
- From 4 December to 6 January, shops may remain open until 21:00. In the red zone, however, restrictions on the types of marketable products already provided will remain in force.
- From 4 December to 15 January, on public holidays and pre-vacation days, only grocery shops, pharmacies and parapharmacies, health and tobacco shops, newsstands and nurseries will be open in shopping centres and parks.

Source: Italian Government; Crédit Agricole SA

To address that possibility, the government issued a new decree on 3 December to cover the holidays. It is expected to heavily limit public travel from 21 December to 6 January, banning movement between higher-risk regions and between towns around Christmastime. Although most of the country entered the yellow zones in early December, street crowds during that month, particularly in urban areas, led the government to impose an additional nationwide clampdown requiring a strict lockdown during the holidays.

NEW SUPPORT MEASURES TO ADDRESS THE CRISIS

VACCINATION NEAR THE END OF THE TUNNEL



Source: Ministry of Health; Crédit Agricole SA

The Italian government unveiled its vaccination plan in early December, a prerequisite to the vaccination campaign that is expected to proceed in four phases across 2021. Italy is set to receive 202 million doses in all, 28 million of which will be available in the first quarter. During this first phase, they will be allocated to health care and social workers, residents and staff of senior care facilities, and people over the age of eighty, who account for 5% of the vaccine-eligible population.

The second phase is expected to kick off the mass vaccination campaign, targeting people over the age of sixty, those with comorbidity risks, and some teachers. The third phase will target at-risk people, as well as frontline workers. Finally, access to the vaccine will be expanded to the whole population in the fourth quarter and is expected to continue into 2022.

NEW SUPPORT MEASURES TO ADDRESS THE CRISIS

RISTORI DECREE: A NEW FOUR-PART PACKAGE

Ristori Decree: 18 billion in new support measures

Ristori
October 28th

- Subsidies to sectors impacted by administrative closures (2.4 billion
- Extending the furlough scheme by six weeks (2.1bn)
- Tax credit for commercial rents (220.6 million)
- A one-off allowance of €800 for sports workers and €1,000 for tourism workers, as well as two new instalments of €400 emergency income.

6,4 bn

Ristori Bis
9th November

- A new subsidy round for an additional sector and an increase in the previous contribution
- Postponement of the second advance of Irpef, Ires and Irap and cancellation of the second instalment Imu Suspension of withholding and payment of VAT
- Suspension of social security contributions
- Tax credit on commercial rents
- Support for the tertiary sector and the agricultural supply chain

2,5 bn

Ristori Ter
23rd November

- Expansion of support measures for regions that enter red areas
- Grant to municipalities to respond to the food emergency through the provision of vouchers.
- Purchase and distribution of medicines for the treatment of patients with Covid-19

2 bn

Ristori Quater
30th November

- Postponement to 30 April 2021 of the second advance of Irpef, Ires and Irap.
- Suspension of payment of social security contributions, withholding tax and VAT in December
- Seasonal allowances for tourism, spas, entertainment and sales representatives
- Extension of Ateco codes

8 bn

Source: Italian Government; Crédit Agricole SA

The Ristori decree is expected to allocate €18 billion in response to the second wave of the pandemic. The measures of the 29 October decree, which particularly includes grants for sectors affected by the closures and an extension of short-time work, were gradually supplemented over the course of November and December to adapt to the state of the pandemic in the country. The list of activities covered by the grants has been expanded, and tax credits for commercial rents have been broadened. Finally, the last part of the decree required a vote on a new €8bn budget overrun by the Assembly. It enacted a broad tax moratorium extending until 31 April 2021.

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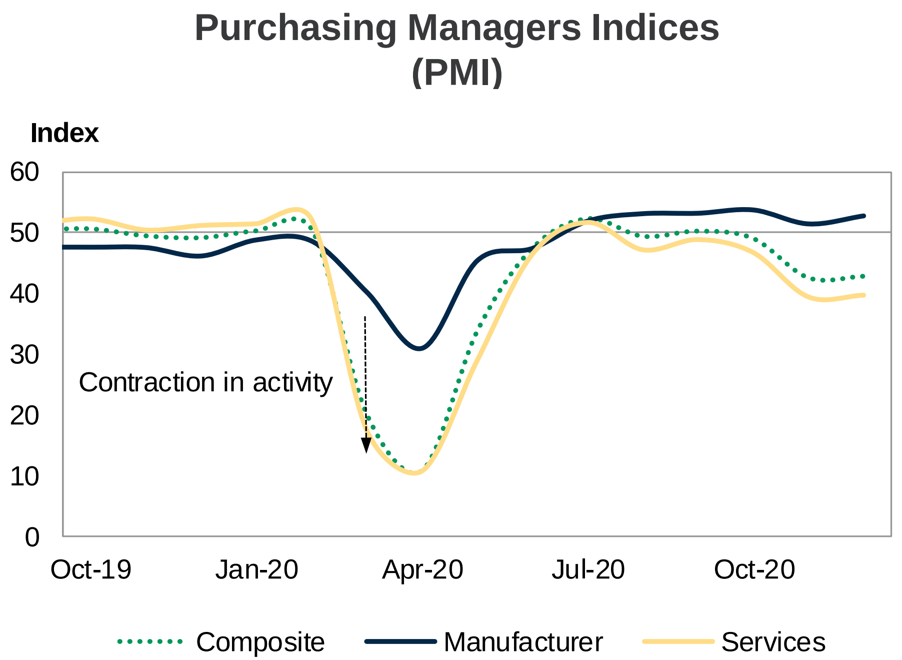
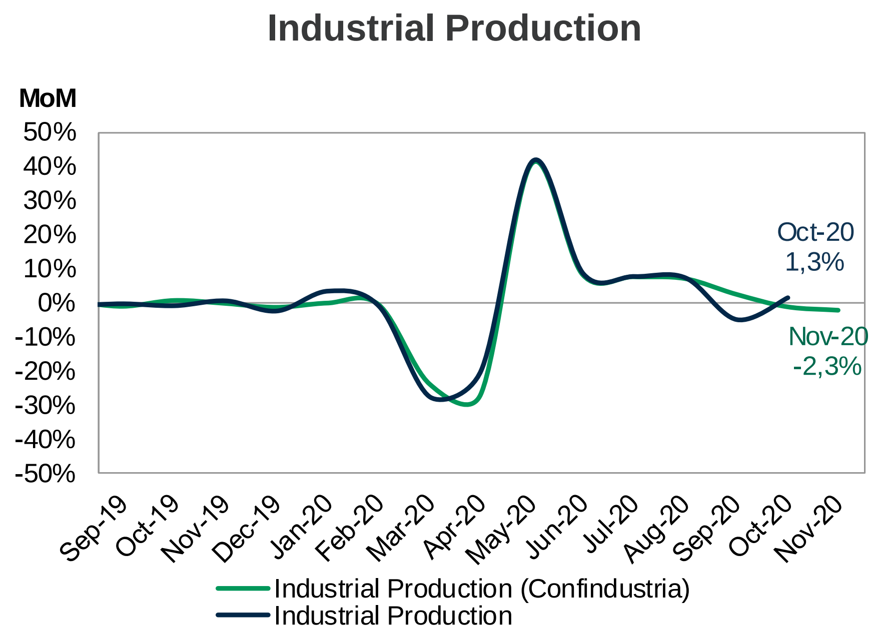
RECENT ECONOMIC TRENDS

MANUFACTURING SECTOR RESILIENT WHILE SERVICES SUFFER AGAIN



Source : IHS, Crédit Agricole S.A.

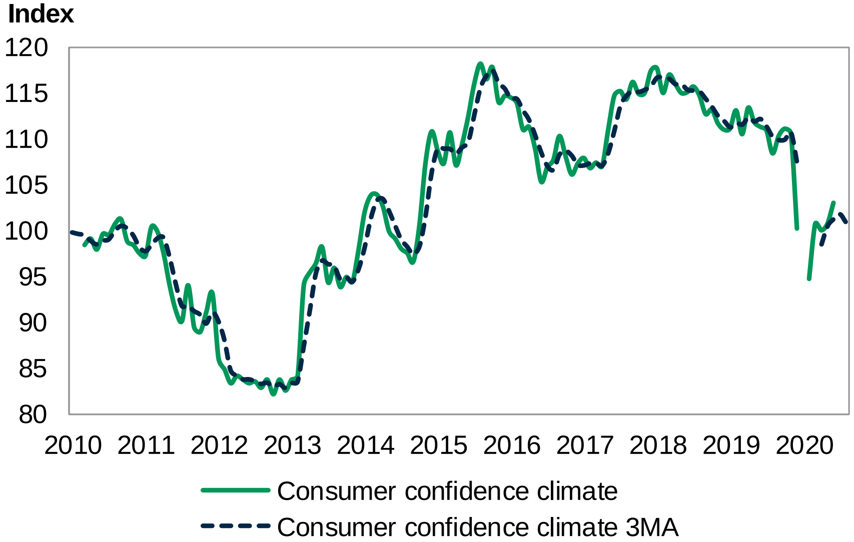


Source : Istat, Confindustria, Crédit Agricole S.A

The manufacturing sector continues to show resilience. After a sharp dip in industrial output in September (-5.3%), that figure recovered slightly in October (1.3%) driven by the increase in investment goods (2.6%) and intermediate goods (1.3%). The tightening of public health restrictions in the month of November is expected to plunge industrial output into negative territory once again. But this decline is expected to be smaller than the one observed during the first lockdown. This negative impact is found in business confidence indexes, which sharply contracted in November. The deterioration seems widespread, but remains clearest in services, from 87.5 to 74.7. In industry, the index fell from 94.7 to 90.2. This pessimism is not found in the manufacturing PMI, which continues to sit above the threshold of 50, declining slightly in November from 53.8 to 51.5. Services declined again (PMI at 39.4), although much less than in March-April, due to the partial closures in some sectors, many of which are related to tourism.

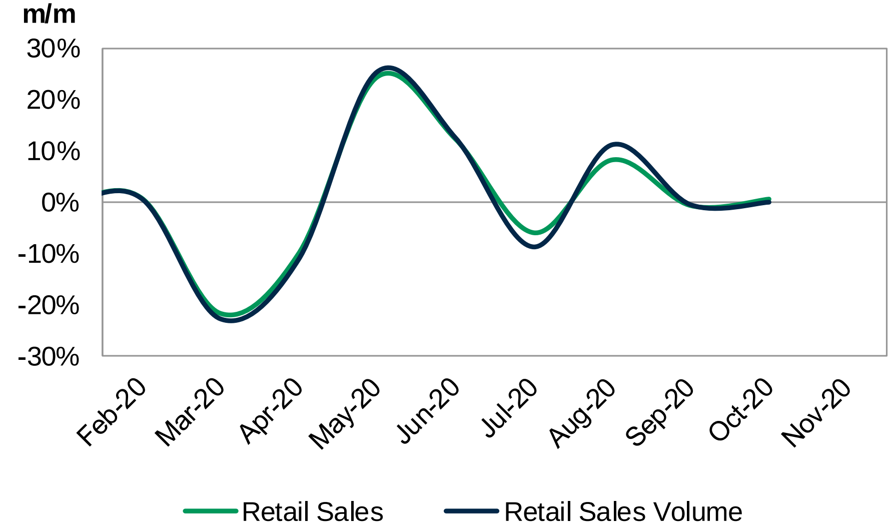
HOUSEHOLDS YET AGAIN PESSIMISTIC

Consumer confidence



Source: Istat, Crédit Agricole S.A.

Retail sales



Source: Istat, Crédit Agricole S.A.

The new lockdowns are also expected to continue to negatively impact household confidence, which has only partially recovered since the start of the health crisis. The confidence index had already fallen to 102.0 in October and dropped again in November. The economic climate and future climate are showing the biggest declines. More households are also anticipating an increase in the unemployment rate, as well as a deterioration in their personal financial situation. After a slight decline in September, retail sales returned to positive territory in October, rising 0.6% in value terms and 0.2% in volume terms, driven by an increase in food sales. This slight increase in October could prove temporary due to the new lockdown measures introduced in November. The effects of these new restrictions, however, are likely to be more diffuse than in April, because they affect different parts of the country in different ways.

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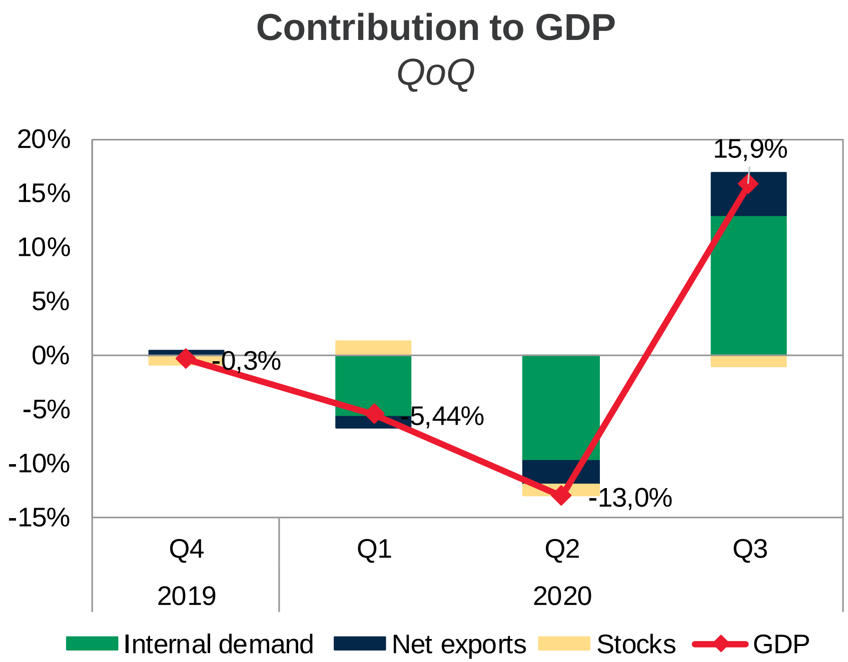
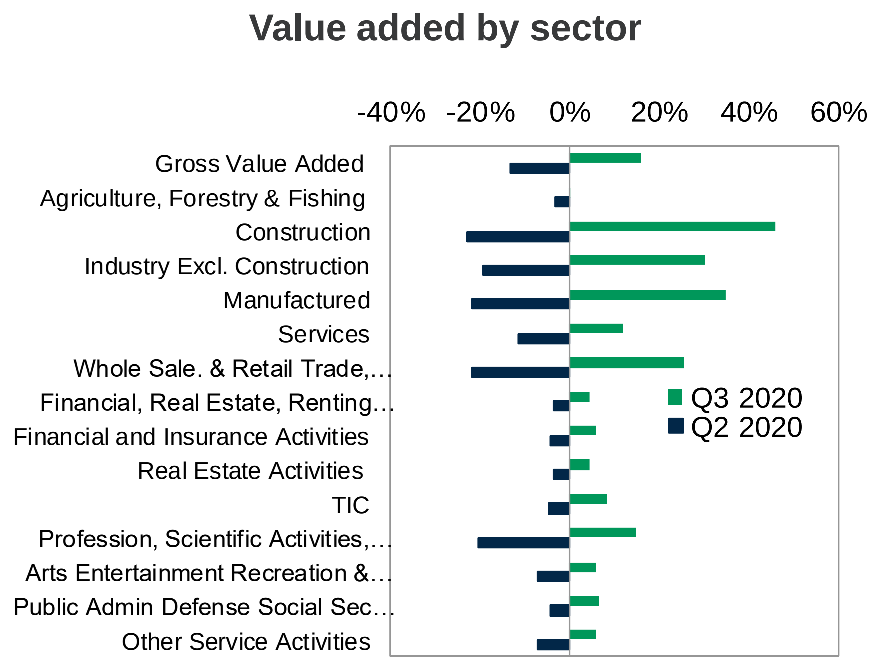
THE BASIS OF OUR SCENARIO

VERY STRONG REBOUND IN THE THIRD QUARTER



Source: Istat, Crédit Agricole S.A.



Source: Istat, Crédit Agricole S.A.

The second GDP estimate slightly revises third-quarter growth downward, from 16.1% to 15.9%, a 5% gap relative to the third quarter of 2019. **The strong rebound in the summer period was driven both by domestic demand, which contributed 13 percentage points, and by net exports, which contributed four.** Inventory changes, meanwhile, were a drag on GDP growth, cutting it by 1 point. The growth overhang for 2020 stands at -8.3%.

All economic sectors saw a third-quarter increase in added value, which was especially strong in sectors harmed by the lockdown, with 30.4% in industry, 45.9% in construction, 25.6% in retail, vehicle repairs, transportation, warehousing, housing, and food service, 15% in scientific activities and administrative support, and 8.5% in information and communication services (the only sector, along with construction, to grow on a year-on-year basis).

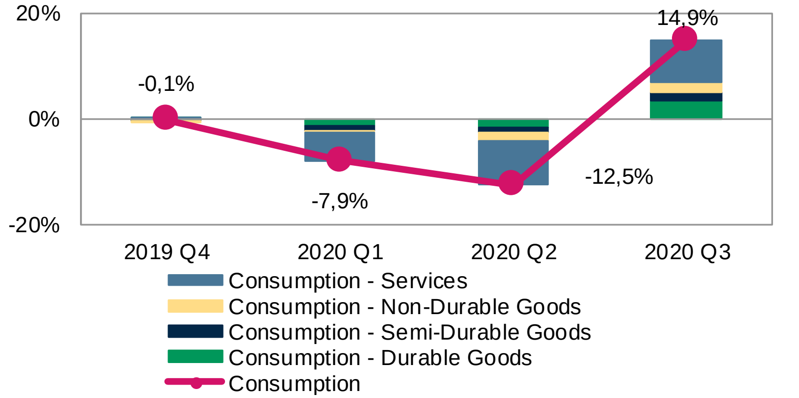
THE BASIS OF OUR SCENARIO

A FLEETING RECOVERY IN CONSUMPTION

Household consumption recovered 12.4% relative to the second-quarter low, though it failed to reach its pre-crisis level (-7.2% relative to Q4 2019). The durable (+46% relative to the second quarter of 2020) and semi-durable (+20.9% relative to the second quarter of 2020) goods segments saw the strongest growth. However, consumption was mainly driven by the recovery in services, whose 16% increase contributed 8 percentage points to the consumption increase. **Despite this new positive trend, service consumption remains 12.2% below its pre-crisis level. Consumption is likely to contract again in December due to the second lockdown. However, the impact of these measures will be smaller than in April.**

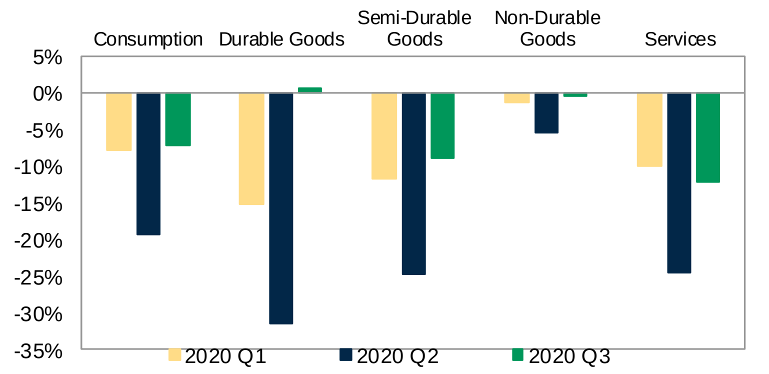
The lockdown has been less strict and staggered by region, which has enabled some shops to remain open (only 20% of shops closed entirely, according to an ISTAT survey). Some measures are also expected to limit the impact of the lockdown on consumer spending. Both Black Friday and "Italia Cashless", a government initiative that enables consumers to receive a payment card bonus of up to 10% on their purchases for a total of €150 between 8 and 31 December, are expected to give a small boost to consumption between late November and early December. Consumption data, however, will remain well below pre-crisis levels. The strong recommendations issued to Italians that they not gather together during the holidays, the travel ban between regions, and the closure of non-essential shops on Christmas Day will strongly limit end-of-year purchases. According to a Confcommercio survey, only 74.2% of consumers will be giving gifts during the holidays, compared to 86.9% in 2019. The Institute estimates that consumer spending on goods in December is likely to be 12% less than it was last year, dropping from €81bn to €73bn.

Contribution to household consumption



Source: Istat, Crédit Agricole S.A.

Differential with pre-crisis level



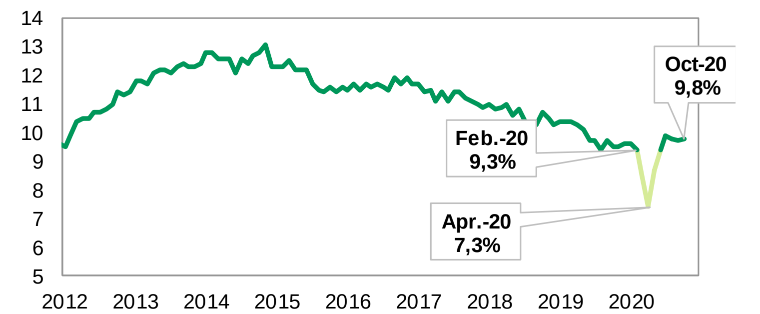
Source: Istat, Crédit Agricole S.A.

LABOUR MARKET: EXTENSION OF THE SHORT-TIME WORK SCHEME

Economic growth was accompanied by a 21% increase in hours worked, from the previous quarter. Despite the cyclical increase stemming from the economic recovery, **the number of hours worked remains 4.3% lower than in the third quarter of 2019. The third-quarter recovery, however, remains visible in the unemployment rate,** which rose 0.2 points to 57.9%. That increase is also seen in jobs held (+0.5) and workstations (+2.4). **However, it remains uneven, with a strong recovery in construction (+2.0%, +17,000 jobs) and services (+3.3%, +263,000 jobs), but was less marked in industry** in the strict sense (+0.4%, +14,000 jobs). The short-time work scheme continues to slow the rise in unemployment in Italy.

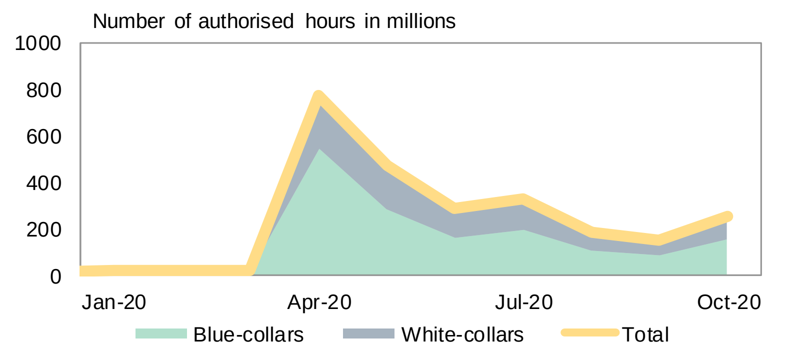
In October, the unemployment rate remained stable at 9.8% compared to September. **The short-time work measures were extended by six additional weeks** by the Ristori decree **and are expected to be renewed for an additional twelve weeks by the 2021 finance law.** They are likely to apply until 30 June 2021 for the special exceptions and 31 March for ordinary processing. At the same time, the finance law is expected to include a new system targeted at freelancers in particular. The special income allowance and operational continuity allowance may provide financial support ranging from a minimum of €250 to a maximum of €800 per month over a six-month period in this category. This allowance is expected to be tax-exempt and is likely to be given to nearly 300,000 workers whose income was reduced more than 50% by the crisis. Since the start of the COVID-19 emergency, the lay-off fund has covered more than 6.6 million workers (3.5 million with direct payments and 3.1 million in adjustments based on an advance from companies) for 3.4 billion hours and 24.8 million total services paid. The second wave led to another increase in requests for authorised hours, more than 80% larger than the previous month. According to a Bank of Italy memo, **without these support policies, the number of lay-offs would have risen about 30% in 2020 to 700,000 people.**

Unemployment rate



Source: Istat, Crédit Agricole S.A.

Number of hours covered by short-time work

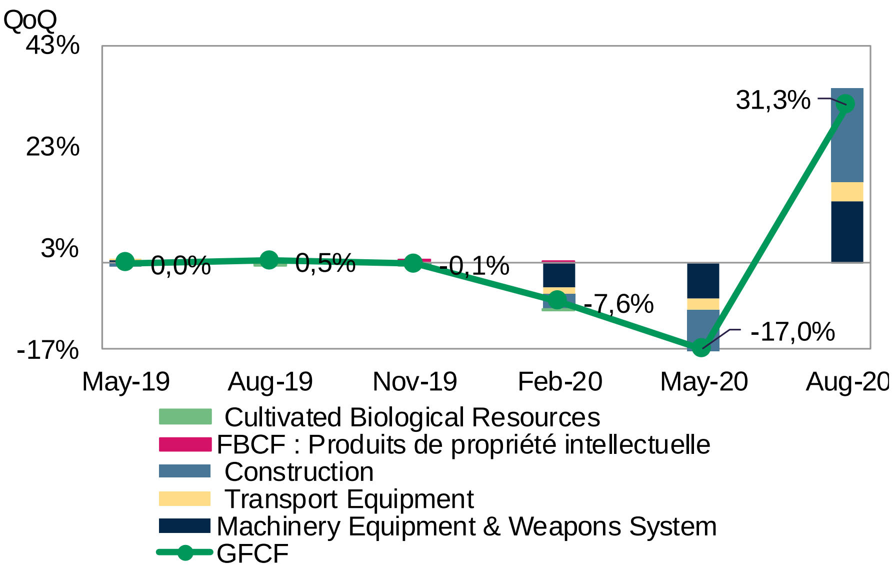


Source: Inps, Crédit Agricole S.A.

THE BASIS OF OUR SCENARIO

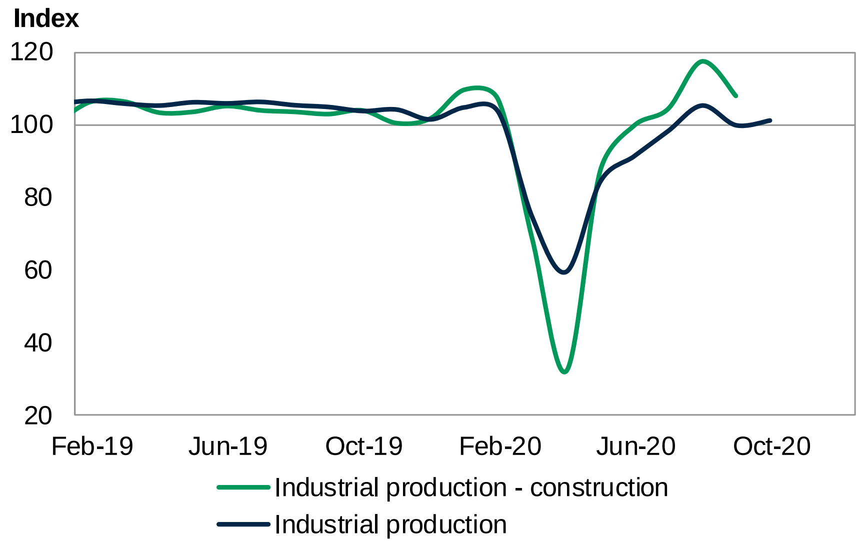
INVESTMENT: A TEMPORARY CATCH-UP EFFECT

GFCF details



Source: Istat, Crédit Agricole S.A.

Production in construction



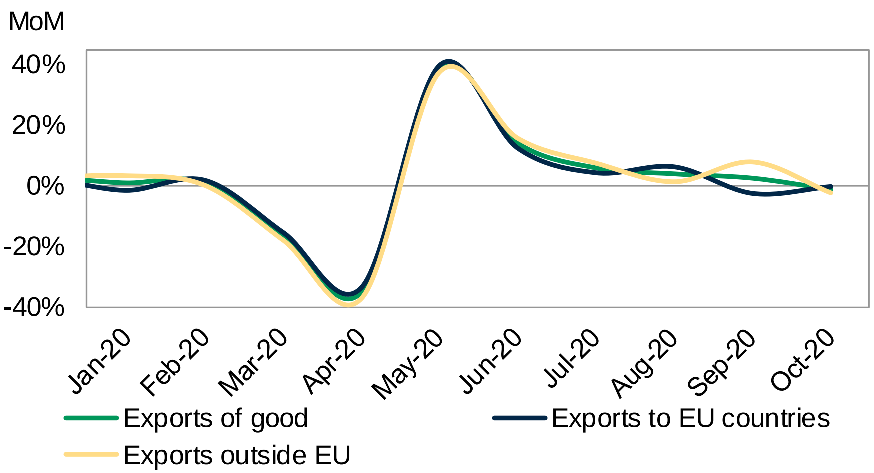
Source: Istat, Crédit Agricole S.A.

The third quarter featured a substantial recovery in investment. Gross fixed capital formation grew 30% over the second quarter of 2020. This strong rebound enabled investment to return to pre-crisis levels, growing 0.8% over the fourth quarter of 2019. All of the components are affected by this increase. In line with production data in the sector, the construction segment – which saw the largest increase, rising more than 45% above the second quarter – contributed 18.7 points to GFCF. The catch-up is due both to the growth in the housing segment and in other buildings, with an increase of 45.0% and 45.1%, respectively, in the third quarter of 2020. The strong increase in productive investment (more than 34.5%) did not make it possible to make up the losses seen in the first half of the year, with a 4.3% decline from pre-COVID levels.

THE BASIS OF OUR SCENARIO

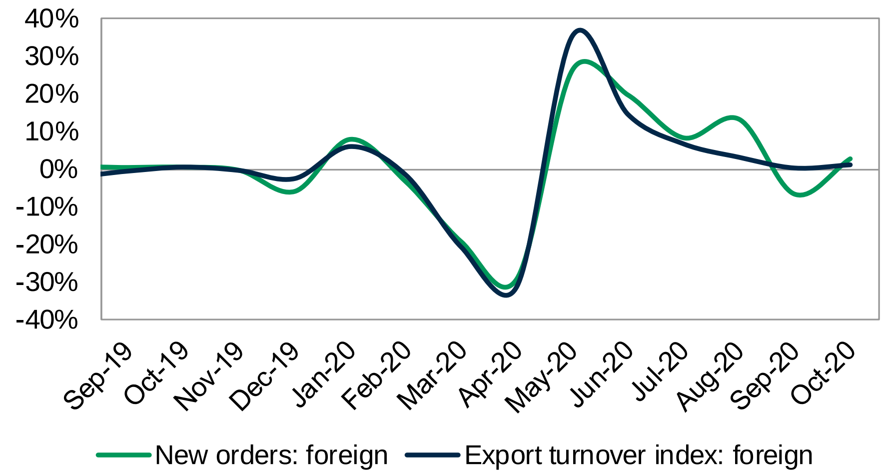
VOLATILE EXPORTS

Foreign trade by partners



Source: Istat, Crédit Agricole S.A.

Export orders



Source: Istat, Crédit Agricole S.A.

The collapse in global trade due to the closures and the marked reduction in international tourism led to a **large decline in foreign trade over the first half of the year (-20% from the first half of 2019), in both goods and services. Exports, however, recovered during the third quarter, increasing +30%** over the second quarter, a much faster pace than imports (+15.9%). **Exports, however, remain sharply down from their pre-crisis levels (-8.7%).**

The second wave of the pandemic striking Europe could put up roadblocks to this trend. After five months of growth, exports saw a decline in October (-1.3%) which affected both EU and non-EU markets. However, it does conceal some uneven trends: **While the recovery is continuing in Germany and China, demand is down in France, Spain, the United Kingdom, and the United States. After a decline in October, the recovery of non-EU sales in November is expected to offset weak demand within the union,** though not enough to lead to fourth-quarter export growth.

THE BASIS OF OUR SCENARIO

STILL UNDER THE PANDEMIC IN 2021

The second wave of the pandemic has swept away optimistic scenarios for an end to the crisis. Imposing another lockdown in Italy would hamper growth in the fourth quarter again, but the projected decline would be smaller than in the springtime. Paradoxically, **the major economic rebound in the fourth quarter has led us to revise the growth estimate upward for what was an *annus horribilis* for the economy. Growth is expected to contract 9.1% this year. More than 2020, the expected decline in GDP at the end of the year will penalise 2021 growth through the overhang effect. The technical rebound expected next year was heavily revised downward in light of the pandemic's course.** Without assuming a third wave that would require another strict lockdown, the public health situation is expected to keep dictating the pace of growth in the first half of 2021. **The tangible effects of the vaccination campaign are not expected to materialise until the second half of 2021. In the meantime, the government is likely to opt for caution and vigilance while adopting more targeted measures, similar to what was done in autumn. Production is expected to hold up well, except for certain service sectors** such as hotels, restaurants, and entertainment that will continue to be hurt by administrative measures (curfews, closures). This leaves the thorny question of market demand. In a high-uncertainty environment, **domestic demand growth looks set to remain low.** Consumption, which despite the third-quarter recovery remains 7% below pre-crisis levels, is expected to only partially return. **Although the consequences of such a crisis in the labour market are still being masked by the support measures, they are being anticipated by households that are expected to continue opting for precautionary saving. For businesses, weak demand will weigh on investment decisions, despite the incentives included in the finance law. Finally, a global environment still asymmetrically marked by the pandemic will continue to worsen the volatility of foreign demand.**

Growth forecasts

Italy	2020	2021	2022	2021				2022			
%				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	-9,2	4,0	3,9	1,7	0,7	1,4	0,9	1,0	1,0	1,0	0,4
Households consumption	-10,4	3,1	4,3	1,4	0,7	1,3	0,8	1,2	1,2	1,4	0,4
Investment	-8,4	9,7	6,7	2,2	1,3	2,3	1,7	1,4	1,9	1,4	1,1
Change in inventories*	-0,5	-1,1	-0,1	0,3	-0,1	0,1	0,1	-0,1	-0,1	-0,1	0,1
Net export*	-0,8	1,2	0,1	0,0	0,1	0,0	0,0	0,1	0,1	0,0	-0,1
Unemployment	9,4	11,8	12,8	10,4	11,8	12,3	12,6	13,1	12,8	12,7	12,4
Government net lending	-11,0	-7,8	-4,7								

* Contributions to GDP growth

Source: Istat, Crédit Agricole SA

THE BASIS OF OUR SCENARIO

PUBLIC FINANCES

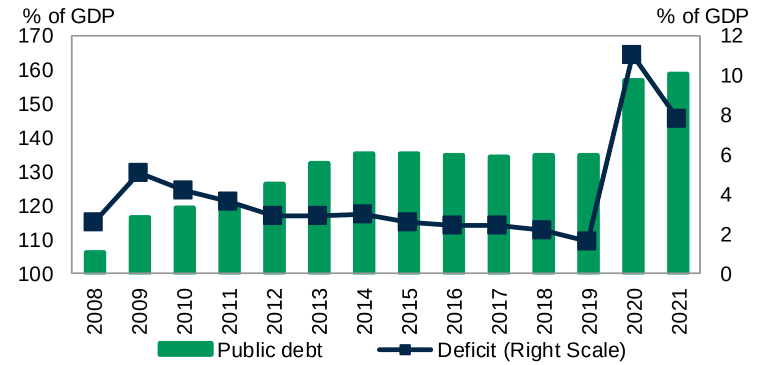
In response to the crisis, the Italian government committed nearly €100 billion in public spending through three decrees (Cura Italia, Rilancio, and the August decree) **plus the €18 billion from the Ristori decree allocated to support measures for the second wave.** Despite these new fiscal measures, lower spending than budgeted, combined with improved tax receipts over the first eight months of the year, are expected to continue **the rise in the public deficit, estimated to be 11% in 2020. It is likely to raise the public debt ratio to 157% of GDP.**

The finance law also provides an expansionist budget for 2021, with a fiscal envelope equal to 1.3 pp of GDP, which is projected to raise the public deficit to 7% of GDP next year, and cause the public debt ratio to grow to 158%.

The ECB is expected to continue to provide a lasting low-interest-rate environment. Purchases of sovereign debt by the monetary policy institution will continue to limit pressure on Italian sovereign debt. In September 2020, Italian sovereign bond purchases under the PEPP programme amounted to €95.2 billion out of a total of €511.6 billion, which brought the Italian share to 18.6%. The average maturity of the PEPP is 6.95 years, which makes it possible to absorb short-term market shocks.

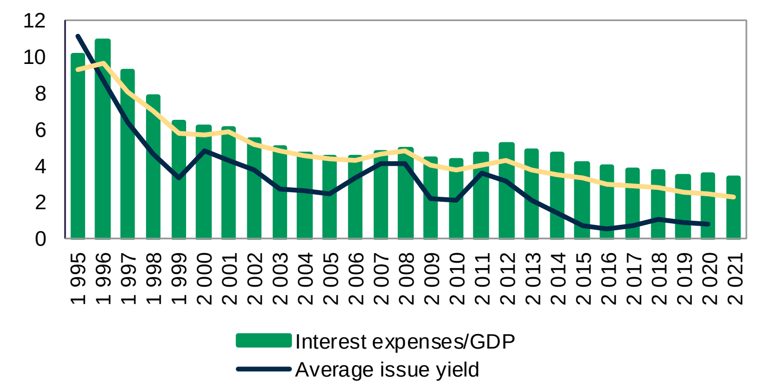
The payment of European aid will give relief to Italian public finances. In addition to the "Next Generation EU" fund, the country will benefit from the SURE plan intended to support short-time work schemes within the Union. This €27.4 billion fund will enable the government to save more than €5.5 billion in interest over the next fifteen years. For now, Italy has received €16.5bn in support from the SURE fund.

Public finances



Source : AMECO, MEF Crédit Agricole S.A.

Financing conditions



Source : AMECO, MEF Crédit Agricole S.A.

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FOCUS: THE 2021 FINANCE LAW

A HYBRID BUDGET

Much like 2021, the 2021 finance law will be a transitional budget that combines both relief and stimulus measures. This is because the 2021 budget is expected to **extend** some of the existing measures taken to address the public health crisis, such as:

- Extending into the first months of 2021 the **job support measures** (short-time work scheme, and alternatively, the exemption of social security contributions; the freezing of lay-offs for economic reasons; the renewal of fixed-term employment contracts).
- Another extension of **liquidity support for companies** (government guarantees and special moratorium on loans), and relief for the productive sectors most severely affected by the crisis.
- And a series of measures to promote health, education, and safety.

At the same time, the budget calls for a series of **stimulus measures that affect both the productive sector and households, equivalent to 1.3 pp of GDP in government spending.**

Among the stimulus measures directed at businesses, the Transition 4.0 plan expands and **extends the scope of existing investment incentives by increasing tax credits for purchases of new capital goods, research and development spending, and training. At the same time, the government wants to continue strengthening the financial solidity of companies by encouraging their recapitalisation.** The finance bill therefore extends certain measures already introduced in May that encourage risk capital contributions by small and medium enterprises and introduces tax incentives for business combination transactions.

For households, the measures cover two areas: employment and families. The budget provides **increased employment support in the southern regions, but is also targeted to young people.** Hiring in the southern regions is expected to benefit from a 30% discount, which is set to decrease over the years, enabling a reduction in labour costs for companies operating on those regions. For the employment of young people under 35, companies are expected to receive a 50% cut in their social security contributions.

Families, meanwhile, will benefit from **a reform to social benefits, which will be converted into a single benefit for dependent children.** This measure, as with tax exemptions to stimulate employment, is expected to fall under a broader budgeted tax reform, which is still in the planning stages. Besides the aforementioned measures, it is also likely to include the cut in the tax liability of income between €28,000 and €40,000 (the “€100 bonus”).

FOCUS: THE 2021 FINANCE LAW

BUDGETING MEASURES

Budget Law 2021					
	€ Billion	% GDP		€ Billion	% GDP
Total to be financed	**27,7**	**1,6**	**Total financing**	**5,8**	**0,3**
Least recipes	**14,1**	**0,8**	**New recipes**	**3,5**	**0,2**
Completion of the reduction of the tax burden on labour costs	2,1	0,122	Other income / coverage	0,1	0,006
Incentives for the South	6,6	0,385	Other receipts from EU funds / coverage	3,4	0,199
Tax reform	3	0,171			0,002
Investment support	1,6	0,094			
Other entries/interventions	0,8	0,044			
Additional expenses	**13,6**	**0,8**	**Lower expenses**	**2,3**	**0,1**
Interventions from different ministries: University, research, development of disadvantaged areas, allowances for health personnel, etc.	5	0,292	Other expenses / coverage	2,2	0,129
Refinancing of peacekeeping missions, the "safe roads" operation, the business crisis fund and additional funds	1,4	0,079	Tax deductions for building renovations and eco-bonuses	0,03	0,002
Family policies	0,1	0,005			
Business support	5,2	0,299			
Employment support	0,3	0,02			
Other expenditure/interventions	1,6	0,095			
			Budgetary effort	**21,9**	**1,3**

Source: Italian Government; Crédit Agricole SA

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