Economy: Fragile but, Even so, it Moves

Judith Harris (May 06, 2014)

Eppur si muove – But even so, it moves, said Galileo Galilei after his trial. If the U.S. economy is hustling, and Europe's is recovering after more than five years of the doldrums, Italy's finally is showing signs of moving forward. Combined with a drop of almost 10% in purchases of imported items, sales of domestic products have risen by 7.3%. The government's battle against tax evaders has made progress, and so far this year over last tax revenues are up by 9.1%, according to the financial daily Il Sole/24 Ore.

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The European Union Commission acknowledges that Italy is emerging from the nasty recession that began in 2008, albeit "gradually." Its prediction is that the economy will grow this year by 0.6%

(albeit a shade less than the government has been predicting) and, in 2015 will rise by 1.2%. “The EU estimates confirm that Italy is improving,” crowed Finance Minister Pier Carlo Padoan. “Their forecasts show growth, improved competitiveness, and above all improvements in investments and employment.”

The EU Commissioners also announced that they would make no specific comment on the Italian government’s economic policies until June, or conveniently just after the May 25 pan-European elections. These elections lurk noisily in the background these days because they are being viewed as a litmus test of the relative strengths of the big four political leaders. Former Premier Silvio Berlusconi on the right is on the warpath, putting his daughter’s name at the top even as a good number of his fellow party members object. The minority governing partner Angelino Alfano is fighting for space on the right while Premier Matteo Renzi, who is openly at war with the labor leaders of his own Partito Democratico, is somewhere in mid-stream. And the popular populist spoiler Beppe Grillo.

To return to the economy, the products illustrating the Italian style and way of life are finding admirers in the newer boom economies. The slogan is “belli e ben fatti” – good looking and well made -- and this attention to quality is the branding trend Italian manufacturers are promoting. A hike in demand from Russia, the Emirates and China is already visible, up 45% to these countries in 2013 over 2012, and is expected to continue. Marketing experts who attended the fifth annual meeting in Milan last week called Esportare la Dolce Vita – Exporting the Sweet Life – promoted by the industrial associations Confindustria and Prometeia suggest that, besides quality, behind this is the notion that the products evoke the country itself. Fashions (shoes, eyeglasses, jewelry), food and stylish home decorating objects lead the pack. A newer market: Latin America, led by Brazil with its boomlet economy.

Inflation has been contained, with a median of 1.2% in 2013 – the lowest since 2009 and an improvement over the previous year’s 3%. A signal of a possible return of foreign investors in Italian enterprises is the increase of 9.2% to 15.2% in 2013 over 2012 in the Societa’ Generali in Italy, whose field is corporate and investment banking.

Taking a more intimate look at domestic accounts, the Campania Region is being admired because its health services budget has moved into the black side of the ledger.

This hardly means the problems wrought by the recession are behind – on the contrary. From January to July 2013 consumption of gasoline dropped by 6.3%, meaning that, because the petrol tax is large, its contribution to tax revenue declined by almost 3%. The recession also has meant that, between 2008 and 2012, at least 9,000 companies considered “historical” because in business at least half a century shut their doors, according to researchers for the Monza and Brianza Chamber of Commerce in Lombardy. Consumption overall dropped by almost 8% between 2012 and 2013, Codacons reports, with the decline hurting above all manufacturers and retailers of clothing, foodstuffs and household goods.

Writing in La Repubblica, the authoritative Massimo Riva points out that Italy still has the worst public debt in Europe despite the fact that it is second on the continent in manufacturing. Labor costs are still too high, he says, making Italy less competitive. Obviously there are exceptions, he warns, but far too many Italian entrepreneurs are more stodgy and less innovative than their peers elsewhere. “The recession may be ending but the culture of the businessmen must change,” he concludes.

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