Italy – Economic Situation

Most observers recognize that the coming of the Single European Market of 1992 presents a significant challenge to Italy, particularly in light of its high level of public debt and budget deficit, the disparities between the country's northern and southern regions, and its dependence on imported energy.

Italy is nonetheless one of the industrialized world's most dynamic economies. In recent years it has enjoyed a growth rate higher than that of most OECD countries, largely because of sustained foreign demand for Italian products and industry's creativity, technological know-how, and adaptability.

The country's powerful private industrial groups (Fiat, Montedison, Olivetti and Pirelli) have ventured successfully into European and international trade. In this sense, they are central to the dynamism of the Italian economy. As well, the state-owned corporations, which account for more than one-third of Italian production, have adopted measures, in some cases privatization, to more adequately respond to market forces.

Government policies encouraging structural adjustment and stimulating competitiveness have helped Italian industry. The decision to bring the lira into the European monetary system several months before the July 1, 1990, deadline, and the liberalization of movements of capital announced in May 1990, show determination to progress toward European economic and monetary union.

The government has also attacked the budget deficit with expenditure-cutting, revenue-increasing measures aimed at limiting the deficit to 9.4% of the gross national product in 1991, compared with 10.7% in 1990.

The Italian government anticipates growth of 2.7% in 1991 compared with 2.9% in 1990. However, most observers feel that, in view of international events and increased oil prices, a 2% growth rate is more likely. Inflation should be about 6% in 1991, and unemployment, 11%.