

Veneto 2014

Economic report



Unioncamere
Veneto



Economic and social research centre

The presentation of Veneto's economy data reaches the 15th edition this year and confirms an important appointment in the panorama of regional economic information. Veneto, as Italy as a whole, is going through a phase of major institutional reforms that will define the profile for the coming years: the new electoral law, the transformation of the province, the abolition of the Senate.

The regional economy is trying to restart after the heavy economic difficulties that have sorely tested the productive fabric and social cohesion. Citizens, businesses, and institutions are called on, therefore, to take relevant decisions and it is important that everyone is well informed about the state and the dynamics of economic and social phenomena at the local level, of the progress made and of the problems still to be resolved.

The recession is technically over, but uncertainties about the economic performance for 2014 still remain. The signs of a strengthening in the cycle of the global economy have also begun to be reflected in the Italian economy, leading to a gradual resumption of production activity. The most recent data show that the intensity of the change is modest, barely visible, but it is enough to breathe a sigh of relief after the dramatic collapse of recent years.

In this context, the Veneto economy should in any case follow a moderately favourable trend. According to the latest forecasts, in 2014 regional GDP is expected to grow by 1 per cent, in line with the rest of the Northeast. Exports should maintain the driving role, but the most interesting and encouraging aspect is represented by the signs of recovery in domestic demand. The gradual resumption of production activity will allow a stabilisation of the labour market, although without creating jobs.

The ascent is still long and not without its difficulties. For this reason, today more than ever, we must help businesses to connect with the weak signs of revival. Internationalisation, simplification, access to credit, and efficiency of justice/in the system of justice, are some of the priorities on which it is necessary to intervene more effectively/incisively to accompany the recovery of the regional production system.

On these themes the Chambers of Commerce are working alongside businesses, making an important contribution with concrete measures to meet the demands of the entrepreneurial world. Through a strategic role as the hinge between the state and business, the Chamber of Commerce each day makes the relationship between public administration and the system of production more fluid, simplifying the starting up and developing of entrepreneurial activity in all its forms. From the protection of Made in Italy to the promotion of local economies, from alternative justice to the support of credit unions, the chamber system provides a support to the regional economy and without cost to the State.

It will continue to do this by placing its full potential at the service of the Country.

Venice, March 2014

FERNANDO ZILIO
President of Unioncamere Veneto

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This report has been drawn up by the Centro Studi di Unioncamere Veneto on the information and data available as of 14th March 2014.

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Printing: Tipografia Grafiche Vianello – Treviso

Circulation: 100 copies

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The volume is available on request from the Centro Studi di Unioncamere Veneto, and in electronic form from their website www.unioncamereveneto.it

The great uncertainty. Veneto restarts with a gasp of breath

Can one imagine a 2014 better than 2013 for Veneto and for the country? After six years of crisis can we say that it has really touched the bottom, and think that the recession in the Italian economy is really over? It would seem so. There are those who are firmly convinced and foresee a revival of the West, with the major advanced economies coming back to overcome the BRICS. On the other hand, there are those who believe that it is not over, and that the waiting continues.

To understand **how 2014 will be**, it seems useful to review the year just passed. 2013 did not have a happy start. The recessionary phase that characterised 2012 continued in the first part of the year with a new contraction of industrial activity, which was attenuated in the second quarter. With the onset of summer the first signs emerged of a stabilisation in the economic cycle and a gradual recovery of production activities, which were reinforced during the last months of the year determining an arrest of the fall in GDP, which had been in progress since the summer of 2011, and with a slow improvement in the economic climate.

One thing is certain. The signs of the strengthening of the cycle of the global economy in the course of 2013 have begun to affect the Italian economy, leading to a gradual resumption of production activity. The most recent data show that the intensity of the change is modest, barely visible, but enough to be able to breathe a sigh of relief after the dramatic collapse of recent years.

In other words, in the autumn of 2013 the Italian economy touched and passed a new low point, the second in six years, closing that particular recessive crisis that economists call the “W-shaped recession” invoked in last year’s report, and opening a new phase of the cycle.

The year behind our backs, therefore, represents for the economy of Italy and that of the regions a new “year zero”, a particular “base year” for the historical series and the economic statistics. From here it is necessary to start to measure the recovery of economic activity and evaluate the resumption of production levels, which will hardly revert to being what they were before the crisis.

On the basis of the economic indicators, it is plausible that the start of 2014 will mark a further strengthening of economic activity, albeit at a contained pace. The uncertainties in fact are various and could curb or impede the global expansion currently underway. The evolution of the economic scenario, the results of the normalisation of U.S. monetary policy, the new currency devaluations by emerging countries, a possible increase in international interest rates, these represent the main obstacles on the tracks along which the train of international recovery is driving.

The stock markets are going through a phase of broad earnings, driven by the influx of capital towards the Borsa, fiscal policies are taking on a less restrictive intonation, even in the Euro zone, but the financial conditions, although improved, are struggling to transmit the demands of the countries of the European periphery, where a marked contraction in the spread is being recorded.

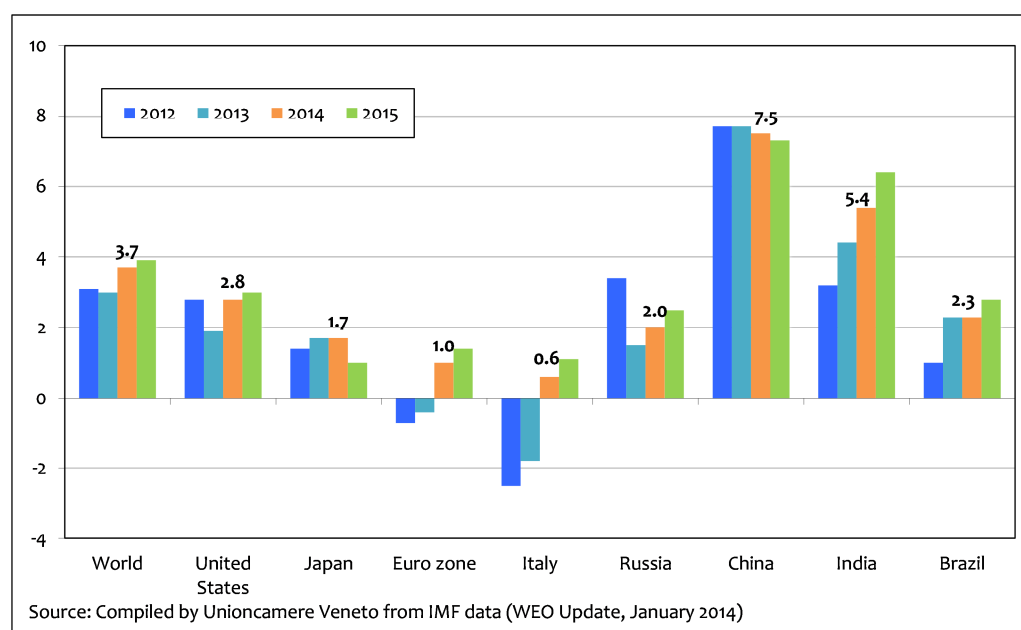
In the first months of the new year, therefore, the global macroeconomic outlook remains relatively relaxed and the forecasts maintain a positive accent for 2014, which overall promises to be a moderately favourable year.

According to the latest projections by the International Monetary Fund, distributed in January, global GDP, after having fallen 3 per cent in 2013, should increase by 3.7 per cent this year. Such a dynamic will be the result of an acceleration in economic activity in advanced countries (+2.2%) and a strengthening in the emerging markets (+5.1%). World trade is expected to grow at a rate of 4.8 per cent, a dynamic a little higher than that of the pre-crisis period, when global GDP was growing by an average of 4.5 per cent and trade by 9.5 per cent.

In **the United States** the rate of GDP growth should accelerate in 2014 compared to 2013 (+2.8%), while **Japan** should maintain its GDP growth (+1.7%), with a rate of expansion similar to that of the previous year.

Suffering from the change of regime of international monetary policy may be the major emerging economies. In recent months, India, Brazil, and Turkey have recorded depreciations in exchange rates, but the list might stretch, putting tension on all neighbouring countries. According to the forecasts, GDP growth in **China** will reach 7.5 per cent in 2014, while **India** is expected to achieve a growth of 5.4 per cent. The dynamics of production should also be strengthened in **Russia**, with a growth of 2 per cent, while in **Brazil**, the only exception, GDP is expected to stagnate at around 2.3 per cent.

Graph 1 – Rate of variation in GDP. Years 2012-2015



Thanks to the impetus of a more favourable international context, the prospects for the **Euro zone** are moderately positive. In 2014, GDP is expected to experience growth of 1 per cent, sustained by subdued exports, given the strengthening of the exchange rate of the euro against the dollar and the minor currencies. The arrest of the fall in employment and the stabilisation of the unemployment rate will not bring significant improvements to the labour market, and wages will suffer a further slowdown, favouring a fall in inflation. The dynamics in consumer prices in fact amounted to values lower than the target of the European Central Bank, triggering some fears for the risk of deflation. The expected fall in inflation could in fact result in an increase in the real rates of interest, hindering the reduction of the degree of public or private debt in countries in crisis.

Making the difference will still be the conditions of domestic demand, which will slow down the recovery in the countries on the periphery. Both in terms of household consumption and of business investments the outlook is uncertain, conditioned by an unfavourable salary dynamic and by still problematic financing.

The turning points of the cycle were shared by the major economies of the zone, including that of Italy, but the growth differentials among the different countries remain wide. In 2014, **Germany's** GDP will grow by 1.6 per cent while that of **France** will increase by 0.9 per cent. In contrast, the major countries of the Mediterranean, Italy and **Spain**, should still register a pretty moderate pace of recovery.

Despite having latched onto the international recovery, Italy remains the country with the lowest growth prospects of the G7. The climb from the deep rut carved by the recession¹ will in fact be very slow and erratic, marked more by possible decelerations than by gradual consolidation. GDP growth, which began in the fourth quarter of 2013, should continue at a moderate pace during 2014, before accelerating in 2015. Having a position of almost no variation in GDP inherited from 2013, the forecast for 2014 is for an annual growth lower than 1 per cent, which is between the 0.6 per cent estimated by the OECD, the IMF and the EU Commission, and the 0.7 per cent estimated by the Bank of Italy and ISTAT (only Prometeia and REF indicate a rate of 0.8%).

	2012	2013	2014	2015
Italy				
ISTAT March 2014, *November 2013	-2.4	-1.9	0.7*	-
Government September 2013	-	-1.7	1.0	-
EU Commission February 2014	-	-1.9	0.6	1.2
Bank of Italy January 2014	-	-1.8	0.7	1.0
Ref. January 2014	-	-1.8	0.8	1.1
Prometeia February 2014	-	-1.8	0.8	1.4
Confindustria December 2013	-	-1.8	0.7	1.2
OECD November 2013	-	-1.9	0.6	1.4
IMF January 2014	-	-1.8	0.6	1.1
Unioncamere-Prometeia December 2013	-	-1.8	0.7	-
Citigroup	-	-2.1	-0.2	-
Merrill Lynch	-	-1.2	-	-
Morgan Stanley	-	-1.0	-	-
Moody's	-	-1.8	0.2	-
Veneto				
ISTAT November 2013	-2.7	-	-	-
Prometeia February 2014	-2.6	-1.6	1.0	1.5
Unioncamere-Prometeia December 2013	-	-1.6	0.8	-

Source: Compiled by Unioncamere from cited sources

Table 1 – Italy and Veneto. Rate of variation of real GDP: forecasts compared. Years 2012-2015

¹ The duration of the 2012-2013 recession (9 quarters) has exceeded both that of 2008-09 (5 quarters) and that of the period 1992-93 (6 quarters).

Based on the forecasts, the dynamics of export growth will be sustained by the strengthening of international trade, expanding at an annual average of 3.5 per cent, even if this is at a lesser extent compared to the potential levels, due to the appreciation of the exchange rate since the start of 2013. Investments should return to growth, albeit at a moderate rate (+1.1 %), reflecting the improved demand outlook, the effects of increased availability of liquidity resulting from the payment of trade payables by the PA, and the gradual normalisation of conditions for the granting of credit. The reduced need for correction in the public accounts and the decline in inflation will favour an increase in the real disposable income of the private sector but not of household consumption (+0.2%), given the continuing weakness of the labour market. Employment should remain stable in 2014, and the unemployment rate should increase again, reaching around 13 per cent on average for the year.

Despite the weakness of the macroeconomic framework, the reflections in the evolution of the public finances will be contained. The **net borrowing** Public Administration (-3% of GDP in 2013) should show a decline during 2014 to touch -2.5 per cent, while the **primary surplus** (+2.2% in 2013) should tend to 2.7 per cent in 2014. The **incidence of public debt to GDP** in 2014 is expected to be at 132.7 per cent, in the presence of a dynamic of a very contained nominal GDP, and begin to shrink in 2015, benefiting from the improvement in the primary balance and of the recovery in economic activity. It is quite clear that a slower recovery in the Italian economy could undermine the measures already adopted, forcing the government to take a new budget manoeuvre to stay on course for the reduction of debt.

In this context, the economy of **Veneto** should nevertheless maintain a trend of weak growth in 2014. According to the most recent estimates (February 2014) Veneto will register an increase in GDP of **1 per cent**, in line with that of the North East. The increase will result from the positive export dynamic (+3.3% in volume) and from the expected recovery of domestic demand, as evidenced by the acceleration of imports (+3.8%). In 2014 investments are expected to grow by 1.3 per cent, while the recovery of household consumption will be less marked, registering an increase of 0.4 per cent. The gradual recovery in production activity will allow a stabilisation of the labour market in 2014: employment will remain unchanged (+0.1%), while the rate of unemployment, which also reflects the increased number of people seeking employment, is expected to reach an average 8 per cent for the year.

Table 2 – Scenario forecast to 2014: Comparison of Veneto, North-East, and Italy

Indicators *	Veneto	North-East	Italy
Gross domestic product	1.0	1.0	0.8
Consumption expenditure of households	0.4	0.4	0.2
Gross fixed capital Investments	1.3	1.5	1.1
Imports of goods from abroad	3.8	3.4	3.0
Exports of goods to foreign countries	3.3	2.7	2.9
Unit of labour	0.1	0.2	0.1
Rate of unemployment (%)	8.0	8.2	13.0

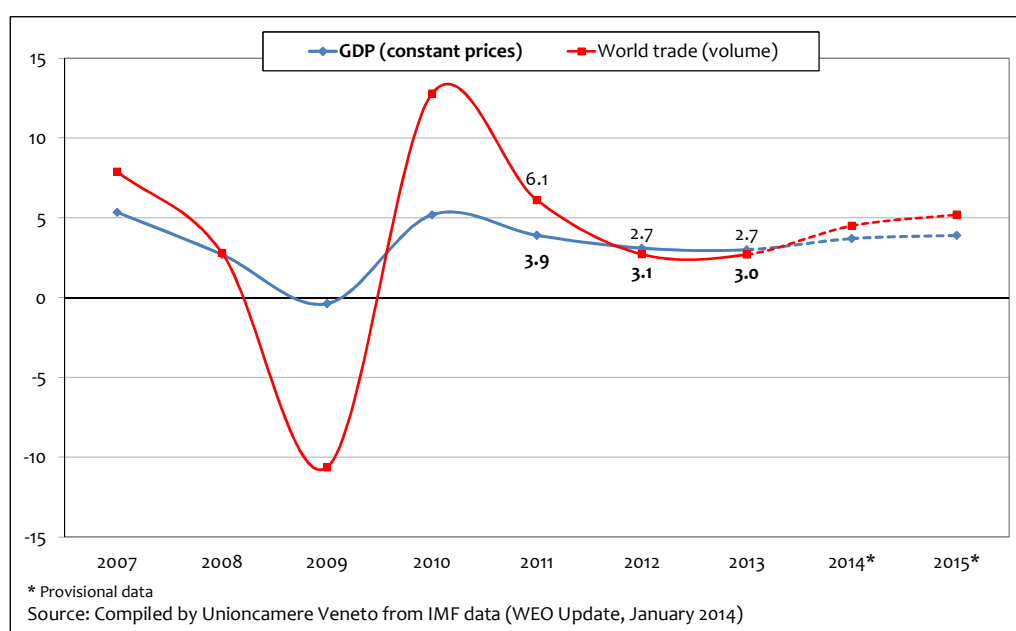
* % Variation of values at constant prices (year of reference 2005), unless otherwise indicated

Source: Prometeia (February 2014)

1. The International Scenario

Since the second half of 2013, the global economic outlook has been characterised by a **slow recovery**, with an improvement in emerging countries and a substantial stability in the advanced ones, yet still heavily tested by the debt crisis in some of the leading European economies.

According to the International Monetary Fund, in 2013 **global GDP** had a substantially stable trend, increasing by 3 per cent, after the increases of 3.1 per cent in 2012 and 3.9 per cent in 2011. One of the most noticeable outcomes of the stagnation in the global economy was the contraction in exports. **World trade** after the recovery of 2010 has continued at a moderate pace in both advanced and emerging economies in 2013, and has remained firm at 2.7 per cent.



Graph 2 – Dynamics of GDP and world trade (% variation on previous year). Years 2007-2015

The contribution to the increase of GDP of the **advanced economies** has remained unchanged (+1.3%) compared to 2012, showing a two-speed growth: on one side with the strengthening economies of the United States (1.9%), underpinned by less uncertainty about fiscal policy, and Japan (+1.7%), following its fiscal stimulus, contrasted on the other side by the weakness of the Euro zone (-0.4%), caused by the delayed recovery of Spain (-1.2 %) and even more so of Italy (-1.8%), together with the faint growth in GDP of Germany (+0.5%) and the flatlining of the French economy (+0.2%).

After the grave crisis of 2012, the result of a series of structural problems over several years, ending up in the solvency risk of sovereign debt, to which the weakening of domestic demand, the level of competitiveness and of investments, further problems were added: the persistence of access to credit, the decline in disposable income and problems of political order that have once again led the **European economy** into distress. In 2013, in fact, the modest recovery confirms inequality and fragmentation within the various economies of the zone, with greater difficulties for those that are struggling with problematic management of indebtedness, high stress occupations, and a consistent credit squeeze.

Table 3 –
Dynamics of
real GDP in other
countries
(% variation
from previous
year).
Years 2011-2013

	2011	2012	2013*			% GDP
			IMF	OECD	Eurostat	
World	3.9	3.1	3.0	2.7	2.9	100.0
Advanced economies	1.7	1.4	1.3	-	-	49.6
United States	1.8	2.8	1.9	1.7	1.9	19.3
Euro zone	1.5	-0.6	-0.4	-0.4	-0.5**	13.1
Germany	3.4	0.9	0.5	0.5	0.4	3.7
France	2.0	0.0	0.2	0.2	0.3	2.6
Italy	0.4	-2.5	-1.8	-1.9	-1.9	2.1
Spain	0.1	-1.6	-1.2	-1.3	-1.2	1.6
Japan	-0.6	1.4	1.7	1.8	1.6	5.5
United Kingdom	1.1	0.3	1.7	1.4	1.9	2.7
Emerging economies	6.2	4.9	4.7	-	-	50.4
China	9.3	7.7	7.7	7.7	-	15.4
India	6.3	3.2	4.4	3.0	-	5.7
Russia	4.3	3.4	1.5	1.5	-	3.0
Brazil	2.7	1.0	2.3	2.5	-	2.8

* estimated data

Source: Data 2011-2013: IMF; 2013 estimates: IMF (WEO Update – January 2014), OECD (Economic Outlook – November 2013), Eurostat (Winter 2014 forecast – February 2014, ** March 2014)

According to Eurostat, the **Euro zone** closed the 2013 year with a flexing of GDP of 0.5 per cent, stable compared to the previous year (-0.7%). The turning points of the cycle were shared by the major economies of the zone, including that of Italy, but the growth differentials among the different countries remain wide. The process of adjustment of imbalances within the Euro zone still appears very slow. While Germany and France seem to have started walking on a virtuous land, Italy and Spain show major difficulties.

Global GDP has grown above all thanks to the **emerging economies** (+4.7%), confirming the importance of the BRIC countries (+7.7% in China, +4.4% in India, +1.5% in Russia, and +2.3% in Brazil), with marked increases also in sub-Saharan Africa (+5.1%) and Mexico (+1.2%). The level of growth in emerging economies in the past few years has stood consistently above the average of developed countries, thanks to an economic model based on exports and characterised by a high population growth and low wages. However, even the economies of emerging

2. The Italian Economy

The long recession in Italy, which lasted throughout 2012, resulted in a scenario of huge uncertainty also for 2013. Such a situation was connected both to the international framework to which the domestic economy evolves, and to the implications of government provisions of public finance for meeting the national financial difficulties.

In 2013, Italy experienced a **still highly unstable economic framework**. Considerable uncertainties persist, associated with the contraction in production activity and the worsening of the economic conditions of businesses and households. The production system has been impacted by the negative cyclical phase in terms of the tightening of conditions for the access to credit, with effects on investment and the capacity to create jobs, while families have suffered the effects of wage moderations and the employment crisis with repercussions on consumption.

According to the latest estimates published by ISTAT, in 2013 the **Italian GDP** (with values concatenated to the reference year 2005) **decreased by 1.9 per cent** compared to the previous year² (-1.8% decrease of GDP corrected for the effects of the calendar), a less marked contraction compared to the -2.4 per cent in 2012. The modest recovery of the Italian economy is slow and has been marred by a depressed domestic demand, by a fragile labour market, and by a lacklustre dynamic of disposable income. In six years, since the end of 2007, GDP fell by 9 per cent and unemployment doubled (reaching a total 3.1 million).

	2011	2012	2013*
Millions of current Euro			
GDP	1,579,946	1,566,912	1,560,024
Household consumption	961,535	948,104	935,363
Gross fixed capital Investments	301,162	281,543	269,195
Imports of goods from abroad	477,654	457,201	436,088
Exports of goods to foreign countries	455,569	473,905	474,679
Disposable income	669,858	669,048	665,857
Current Euro			
GDP per capita	26,601	26,253	26,036
GDP per unit of labour	65,824	65,987	66,967
Final domestic consumption per inhabitant	16,189	15,885	15,611
Disposable income per inhabitant	11,278	11,210	11,113

Table 4 – Italy.
Structural economic indicators (values in current Euro). Years 2011-2013

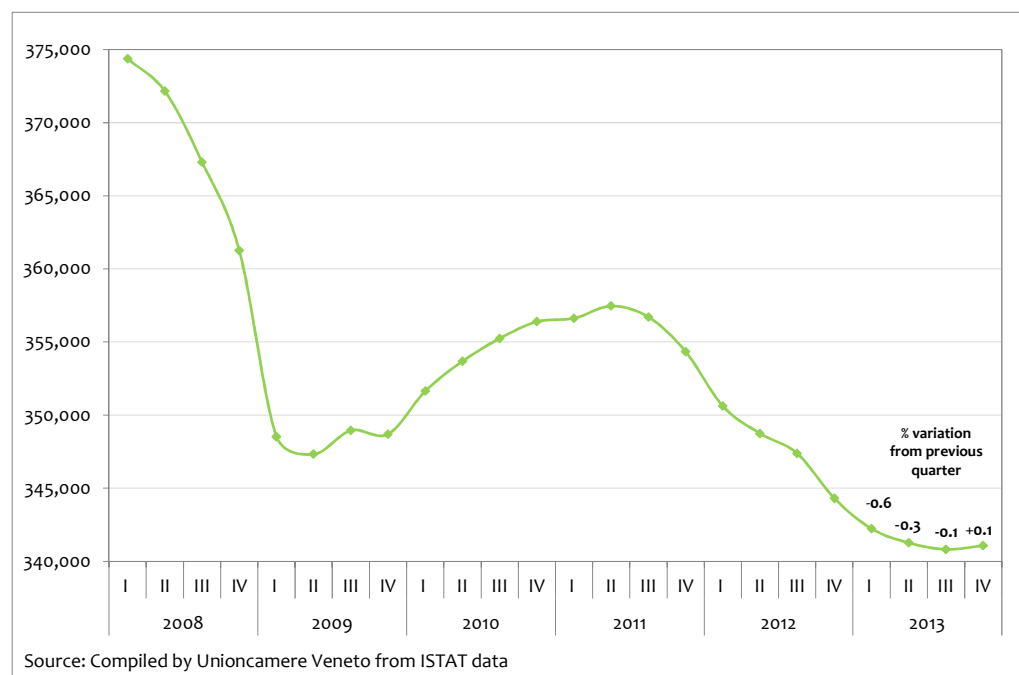
* provisional date

Source: Compiled by Unioncamere Veneto from ISTAT and Prometeia data

² The contraction of the Italian GDP is in line with previous forecasts made between late 2013 and early 2014 by leading research institutes. Both the OECD and the European Commission after having forecast a contraction in GDP of -1.8 per cent in 2013, in the last estimates revised the decline for Italy slightly downward taking it to -1.9 per cent. On the other hand, the IMF, both last October and in January, estimated a flexing of Italian GDP in 2013 equal to -1.8 per cent.

The data on the **economic base**, however, saw the easing of the recession during 2013: the fall in GDP in the second quarter is the eighth consecutive since mid-2011. However, GDP fell by only three-tenths of a percentage point, while it had fallen by 0.6 per cent in the first quarter of 2013, and by almost one percentage point in four of the five previous quarters. The stagnation in the third and fourth quarters of 2013 has moderated the reduction of GDP for the full year.

Graph 3 – Italy.
Trend of quarterly GDP
(data seasonally adjusted
and corrected for calendar
effects, millions of Euros,
year of reference 2005).
Years 2008-2013



At a **sectorial level**, the slowdown of the national GDP is attributable to the contraction of the value added in all the major sectors, with the exception of agriculture, forestry, and fishing (+0.3%). The decreases were 3.2 per cent purely in industry, 5.9 per cent in construction, and 0.9 per cent in services.

Under a territorial profile, according to the Prometeia estimates, in 2013 the decrease of GDP was higher for the South (-2.7%), while the Centre (-1.7%), the North East (-1.5%) and the North West (-1.3%) saw more modest reductions.

In 2013 from the side of national demand, consumption decreased overall by 2.2 per cent. In particular, in 2013 the expenditure for **final consumption by resident households** saw a broad contraction (-2.6%), which came in addition to the even more pronounced fall in 2012 (-4%). The decline in consumption was particularly marked in respect of goods (-4%), while expenditure on services decreased by 1.2 per cent. In terms of consumption functions, the most marked regarded spending on health (-5.7%) and for clothing and footwear (-5.2%). The **expenditure of Public Administrations** and **private social Institutions** on the other hand, registered decreases of 0.8 and 1.5 per cent respectively.

Gross fixed capital investments in 2013 are not broken down, marking a further decrease in volume (-4.7%) after the implosion that characterised the 2012 year (-8%). The drop has affected investment in construction (-6.7%) and in machinery and equipment (-6.3%), while for investments in means of transport there has been an increase of 12.9 per cent.

The only sign of support for growth, albeit feeble, comes from **exports** of goods and services, which have remained almost unchanged (+0.1%) over the previous year, while **imports** fell by 2.8 per cent.

	GDP	Household consumption	AA.PP & ISP consumption	Gross fixed capital investments	Exports **	Imports **
Piedmont	-1.8	-2.4	-0.2	-4.8	3.1	2.0
Lombardy	-1.1	-2.1	0.1	-4.6	0.1	-2.3
Veneto	-1.6	-2.3	0.1	-5.2	2.3	0.9
Emilia Romagna	-1.5	-2.2	-0.1	-2.9	2.3	2.1
Tuscany	-1.7	-2.3	-0.1	-5.0	-2.5	-5.4
North-West	-1.3	-2.2	-0.1	-5.0	0.6	-2.3
North-East	-1.5	-2.2	0.0	-4.4	2.1	0.6
Centre	-1.7	-2.4	-0.3	-5.6	0.4	-9.6
South and Islands	-2.7	-2.7	-0.5	-7.2	-9.3	-4.7
Italy	-1.9	-2.6	-0.8	-4.7	0.1	-2.8

* The National data are ISTAT estimates, the data for regions and divisions are Prometeia estimates

** The National data are related to goods and services, the data for regions and divisions are for goods

Source: ISTAT (National Economic Accounts), Prometeia (Scenarios for local economies – February 2014)

Table 5 – Principal economic indicators in some Italian Regions (% variation from the previous year calculated on concatenated values, year of reference 2005)*. Year 2013

In terms of **foreign demand**, in 2013 the substantial stability of national exports of goods (-0.1%) was the synthesis of divergent territorial dynamics. North Eastern Italy registered significant growth (+2.4%), which was followed, to a lesser degree, by the increase in sales from the North West (+0.6%). There were, however, marked contractions in sales from the island regions (-15.0%) and the South (-4.1%), with a weaker fall in sales from Central Italy (-0.7%). There was a continuation in the trend of increasing exports to markets outside the EU (+1.3%), and the contraction of sales to markets in Europe (-1.2%). The weakness of internal demand has once again led to a collapse in the **importation** of goods (-5.5%), particularly from non-European markets.

The collapse of production activity has had serious consequences on employment. On average, in 2013 the unemployment rate stood at 12.2 per cent, 1.5 percentage points higher than that recorded in 2012, whilst the **unit of labour** (ULA) decreased by 1.9 per cent. This drop affected the components of both employees (-1.9%) and independent workers (-2%). The decrease in ULA has affected all sectors, with a decline of 9 per cent in construction, 1.7 per cent in agriculture, forestry and fisheries, 1.4 per cent in industry in the strict sense, and 1.3 per cent in the service sector.

In 2013, as in previous years, the problems related to employment have been impacted by the massive utilisation of the **Cassa Integrazione Guadagni** (CIG - Wage Supplementation Fund). From the INPS data it is clear that at a national level in 2013 registered 1,076 million of hours were authorised of cassa integrazione (equivalent to more than 515,000 workers), with a slight decrease (-1.4%) compared to 2012 (when the hours were 1,090 million), a result of a contraction of nearly a quarter of the CIG in derogation (273 million hours). Instead, there was an increase in the authorised hours of ordinary CIG (more than 343 million, +2.4%) and extraordinary CIG (nearly 459 million, +14.6%). The forced abstention from work of more than half a million workers involved in the processes of cassa integrazione has resulted in an average loss of 8,000 Euros from the pay packet of each worker, representing a loss of over 4 billion Euros in wages overall.

According to ISTAT, the **income of employees** and the **gross remuneration** both decreased by 0.5 per cent. The gross remuneration per employee registered an increase of 2.6 per cent in the agriculture sector, 2 per cent in industry, 1.8 per cent

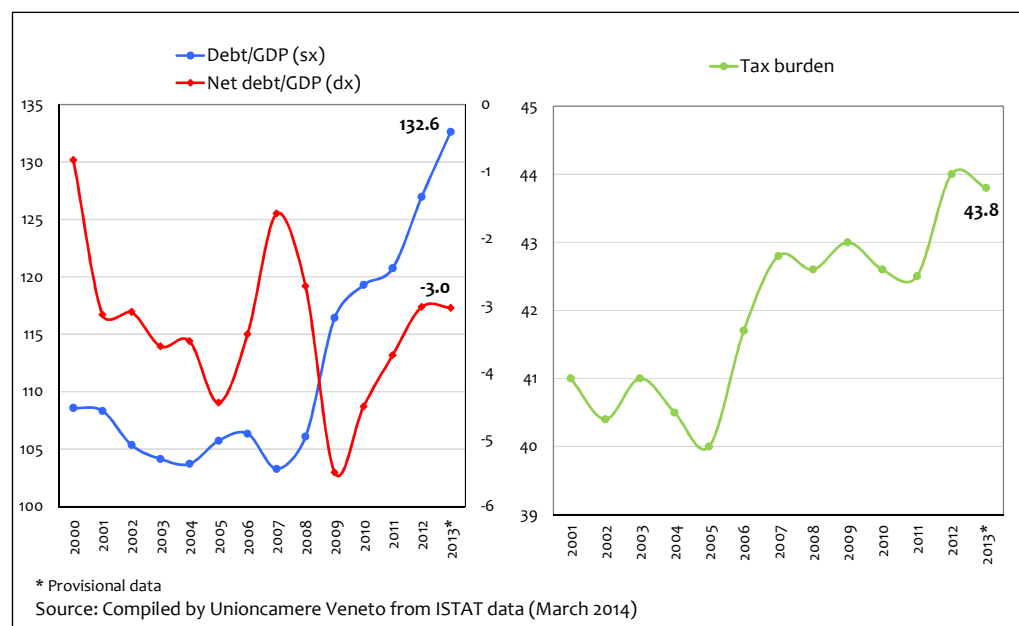
in construction, and 0.9 per cent in the service sector; with an increase of 1.4 per cent for the economy as a whole.

From the latest ISTAT estimates it also emerges how the **public accounts** remain stalled: the net public administration borrowing relative to GDP has remained on the verge of 3 per cent (despite a further decline in production). The **primary account** (net debt, net of interest expenditure) was positive, with an incidence on GDP of 2.2 per cent (in 2012 it was equal to 2.5%). The current account balance (savings or public administration deficit) was negative and amounted to almost -14 billion Euros, in contrast to -4.4 billion in 2012. This deterioration was the result of a **reduction of operating revenue** of around 5.3 billion Euros and an **increase of output revenue** equal to about 4.3 billion Euros.

The **total revenues** of public administrations (equal to 48.2% of GDP) remained unchanged (-0.3%) compared to the previous year (+2.5% in 2012). The current receipts registered a contraction of 0.7 per cent, to stand at 47.6 per cent of GDP. The increase in capital revenue (+57.3%) is mainly attributable to the increase in capital taxes due to one-off payment of substitute tax on the realignment of accounting values according to international IAS standards. The overall **tax burden** (the sum of direct and indirect taxes on capital account and social contributions in relation to GDP) was equal to 43.8 per cent, a slight decrease (-0.2 percentage points) compared to 2012.

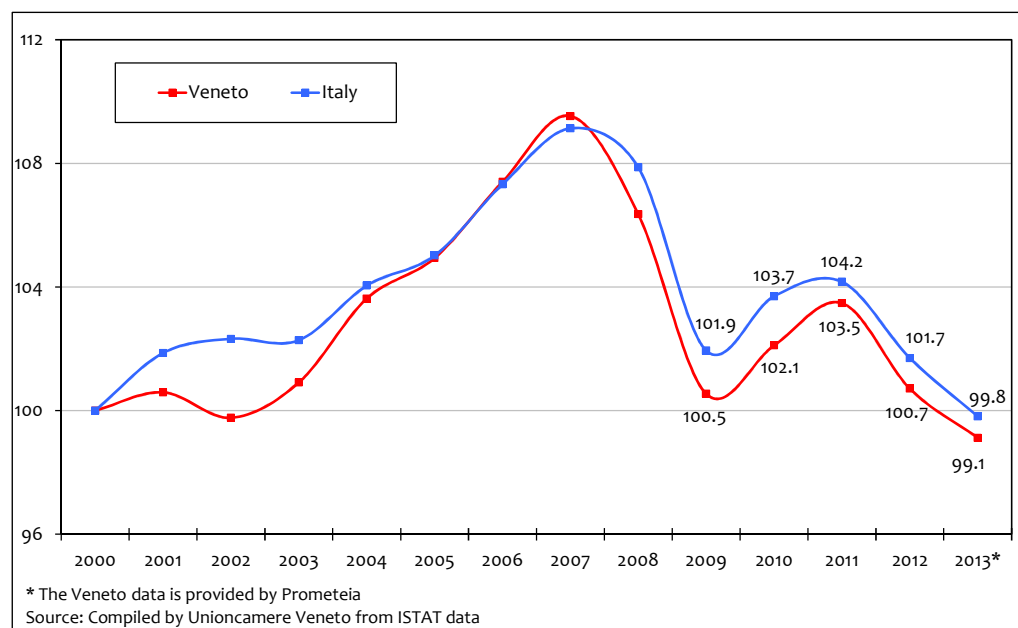
Although the **total expenditure** of public administrations amounted to 51.2 per cent of GDP, it remained steady (-0.2%) compared to 2012: in them the current outputs have grown by 0.6 per cent. The **welfare benefits** in cash increased by 2.7 per cent (+2.3% in 2012), was also affected by the marked increase in spending on social shock absorbers, particularly for unemployment benefits. Interest expense decreased by 5.1 per cent, compared with the increase of 10.3 per cent last year. Gross fixed investments (-9.2%) confirmed the downward trend observed in recent years.

Graph 4- Italy.
Debt and net debt in
relation to GDP (years
2000-2013),
and tax burden (years
2001-2013)



3. The Economy of Veneto

After an uncertain start to the year, the economy of the Veneto region began in the middle months of 2013 to show some positive signs. Production levels were stable in the third quarter, and in the fourth they even took on a positive momentum. However, it is still too early for these early signs of recovery to be visible in the main regional indicators. According to the latest estimates published by Prometeia, **the regional GDP ended 2013 with a further contraction of -1.6 per cent** compared to the previous year, reaching below the level of the product reached at the beginning of the decade.



Graph 5 – Trend of GDP in Veneto and in Italy (number index: base 2000=100). Years 2000-2013

The fall in GDP was widespread throughout the country, more pronounced in the South than in the regions of the North and Centre. Among the main competing regions, Veneto achieved a better result than Piedmont (-1.8%) and Tuscany (-1.7%), while Lombardy and Emilia Romagna scored the best performances (-1.1% and -1.5% respectively).

	2011	2012	2013*	
Millions of current Euro				% Share of Italy
GDP	148,441	146,605	146,577	9.4
Household consumption	87,347	86,340	85,483	9.0
Gross fixed capital Investments	31,012	29,024	27,713	10.4
Imports of goods from abroad	40,737	37,586	37,155	11.1
Exports of goods to foreign countries	50,318	51,178	52,274	13.6
Disposable income	99,556	97,654	98,326	9.1
Current Euro				number index Italy = 100
GDP per capita	30,583	30,031	29,823	114.7
GDP per unit of labour	64,928	64,589	65,412	97.9
Final domestic consumption per inhabitant	17,996	17,686	17,392	109.6
Disposable income per inhabitant	20,512	20,004	20,006	111.7

Table 6 – Veneto. Structural economic indicators (values in current Euros). Years 2011-2013

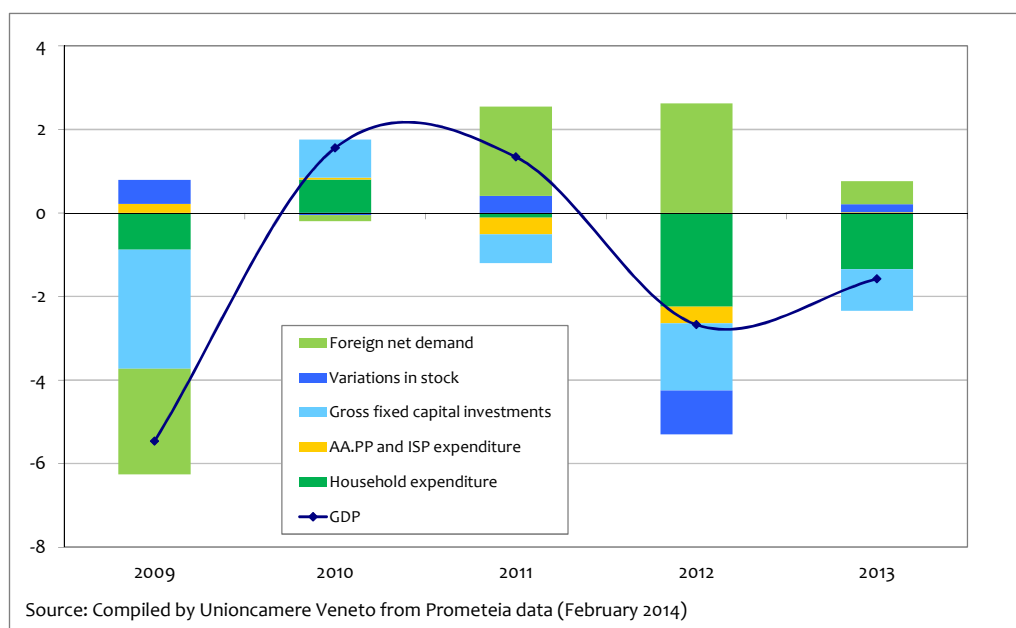
* provisional date

Source: Compiled by Unioncamere Veneto from Prometeia data (Scenarios for local economies – February 2014)

In 2013, the regional economy suffered a fall in domestic demand of 2.5 per cent (net of inventories), ascribable to the decline of household consumption, but above all to the yield of **gross fixed capital investments**. These last are in sharp decline (-5.2%), influenced by the tightening of the terms of credit, to the delayed payments from local governments bound to the pact of stability and instability of the economic cycle. The difficult conditions in the labour market have resulted in a decline in **final consumption expenditure** of resident households (-2.3%), while the manoeuvres made necessary by the consolidation of public finances have limited **the final consumption expenditure of public administrations and private social institutions** (+0.1%). The downsizing of household consumption has been particularly significant in the case of durable goods, compared to dietary ones that maintain the same impact on the average monthly expenditure of households, and services, where there was a fall in spending on health care, schooling and leisure & culture activities. According to a report by Findomestic, spending on durable goods decreased by -3.5 per cent with losses in both the expenditure for mobility and for the home, highlighting the limited impact which government incentives have had.

Faced with a still struggling domestic market, foreign demand has remained the only driving force for growth. By analysing the **contributions to the change in GDP**, it is clear, in fact, that foreign trade has contributed 0.6 percentage points, while there were negative contributions from private consumption (-1.3 percentage points) and investments (-1 percentage points). The contribution of foreign demand, however, was lower compared to 2012, due to the effect of the revival in imports.

Graph 6 – Veneto.
Contribution
of components of
demand to the growth
of GDP (values of
percentages and
variation trends).
Years 2009-2013



According to provisional data released by ISTAT³, in 2013 Veneto **exports** continued to be an important source of growth for the regional economy, registering an increase of 2.8 per cent; in contrast, imports showed a weak decrease (-0.8%). The **balance of trade** in Veneto in 2013 was therefore positive by 15.3 billion Euros.

³ For further information refer to the section “Foreign trade”.

Since the start of the crisis, the productive structure and the labour market showed one of their worst performances in 2013. The number of **active enterprises** decreased by 1.8 per cent compared to the previous year⁴. Furthermore the number of companies that entered into liquidation increased, with 8,700 cases representing an increase of +8.6 per cent. There were 1,434 enterprises that began bankruptcy proceedings (of which 1,143 were only insolvencies), 17.4 per cent more cases than in 2012.

Dependent employment showed a further negative balance of over 18 thousand units, due to a slight decrease in recruitment (down from 619.2 to 616.4 thousand units, -0.5%) and a moderate rise in terminations (up from 633 to 635 thousand units, equal to +0.3%). According to the INPS data, in 2013 the authorised hours of **Wage Supplementation Ordinary Fund** showed a decrease (26.4 million), while those of **Wage Supplementation Extraordinary Fund** showed a new marked increase, exceeding 44 million hours⁵.

With regard to the generation of income, in 2013 the **added value** on basic prices is estimated to have decreased by 1.2 per cent compared to the previous year. Construction continued its negative trend (-5.7%), the seventh consecutive drop. Better, albeit negative, were the performances of the industrial sector (-1.2%), and agriculture and the service sector (both -0.8%).

2013 was still a difficult year for businesses and families, tested by the heavy effects of six years of crisis. The signs of recovery of the last few months have sparked hope, although the pace still remains weak. The positive result of exports is an indication of a faint revival of the competitiveness of our companies in international markets, but now a lot will depend also on how much the economic policies will succeed in addressing the main factors of weakness of the Italian economy, on which much remains to be done.

The crisis and the difficulty of families

The economic crisis of recent years has a significant effect on the labour market, with heavy repercussions on income and household consumption. According to ISTAT, in 2012 the **disposable income of households** in the Veneto region was equal to 97.131 million Euros, a decrease of -1.9 per cent compared to 2011. The decrease, in line with the national average and with Lombardy, is better than that shown in Emilia Romagna (-2%) and Tuscany (-2.3%), but worse than that of Piedmont (-1.8%). Considering the rate of change from 2009 to 2012, the Veneto region was the sixth in the rankings in terms of the increase in disposable income (+2.1%).

In 2012, the **disposable income of households per inhabitant** stood at 19,566 Euros demonstrating a contraction in current prices equal to 2.3 per cent on an annual basis. The variation between 2009 and 2012 translated into an increase in income of 0.9 per cent. Among the components, investment income recorded the most marked decrease (-4%). The income from employment, on the other hand, which represents the most significant share in the formation of household disposable income, remained substantially stable.

The decrease in disposable income has slowed the growth of consumption: the **average monthly expenditure** per household in 2012, amounting to 2,835 Euros, marked a decrease of -2.3 per cent compared to 2011. In 2012, Veneto maintained a good position in the regional classifications, coming in third place after Trentino Alto Adige and Lombardy, and standing well above the national average (2,419 Euros).

The contraction in the purchasing power of households has translated into an increase in the **index of the risk of relative poverty**. In Veneto, this indicator registers at 5.8 per cent of residents, a rise of 1.5 percentage points compared to 2011.

⁴ For further information refer to the section “Productive Structure”.

⁵ For further information refer to the section “Labour Market”.

Foreign trade

2013 saw a **record positive balance of trade** for Italy, and an acceleration of sales to countries outside Europe, in the face of a stationary overall figure (-0.1%), the synthesis of a net growth in the North Eastern regions and of a collapse in those of the island and southern regions. In particular, the North East has returned to being the locomotive of Italian exports (+2.4% compared to 2012), achieving a positive balance of trade almost 44 billion Euros.

In this context, Veneto's exports represented an important source of growth, recording an **increase of 2.8 per cent**⁶ in 2013 compared to the previous year and reaching a current value of **52.6 billion Euros** with an increase in absolute value of 1.4 billion Euros. The Veneto region confirmed itself as the second region in Italy, after Lombardy, for the value of export goods, with a 13.5 per cent share of national foreign sales. In contrast, imports, amounting to 37.3 billion Euros, showed a slight decrease (-0.8%). This resulted in a record positive balance of payments, with a quantified surplus of over 15.3 billion Euros.

Table 7 – Italy. Trade flows in some Regions (millions of Euros). Years 2012 and 2013

	Import			Export			Balance
	2012 (a)	2013 (b)	var.%	2012 (a)	2013 (b)	var.%	
Lombardy	116,155	111,103	-4.3	108,144	108,084	-0.1	-3,019
Veneto	37,586	37,266	-0.8	51,178	52,606	2.8	15,340
Emilia Romagna	28,380	28,639	0.9	49,480	50,788	2.6	22,149
Piedmont	26,762	26,933	0.6	39,874	41,379	3.8	14,446
Tuscany	22,222	20,364	-8.4	32,409	31,235	-3.6	10,871
Lazio	29,776	25,949	-12.9	17,954	17,667	-1.6	-8,282
Friuli Venezia Giulia	6,824	6,312	-7.5	11,465	11,402	-0.6	5,090
North-West	154,391	147,842	-4.2	155,456	156,457	0.6	8,616
North-East	78,802	78,060	-0.9	119,042	121,929	2.4	43,869
Centre	61,619	55,343	-10.2	64,596	64,121	-0.7	8,778
South	25,759	23,360	-9.3	27,094	25,971	-4.1	2,611
Islands	31,626	29,666	-6.2	19,462	16,540	-15.0	-13,126
Miscellaneous or not specified	28,095	25,184	-10.4	4,531	4,837	6.7	-20,347
Italy	380,292	359,454	-5.5	390,182	389,854	-0.1	30,400

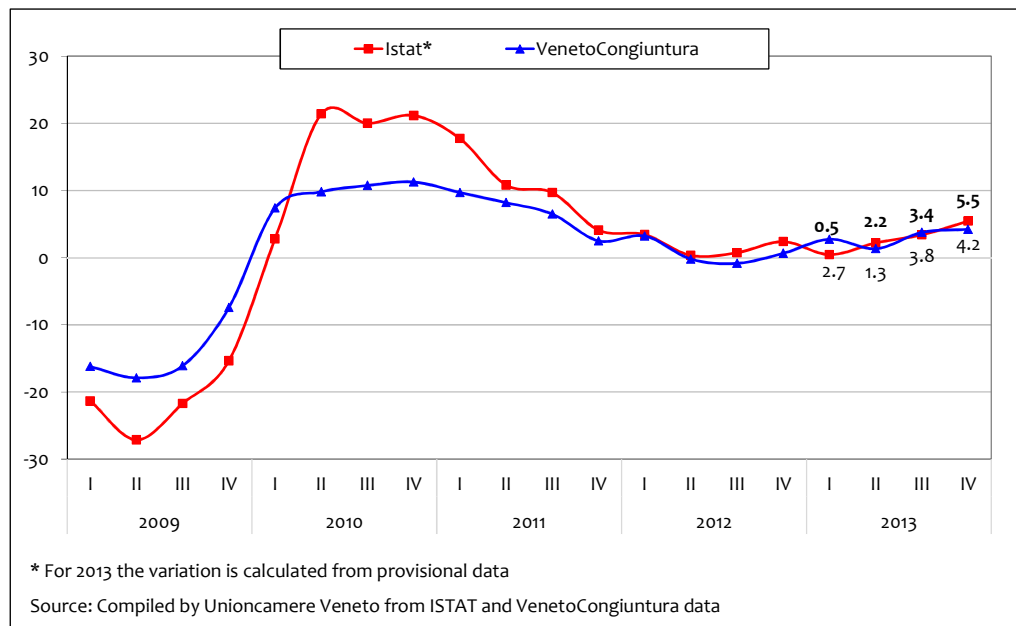
(a) definitive data; (b) provisional data

Source: Compiled by Unioncamere from ISTAT data

The dynamics of regional overseas sales was progressively pronounced during the course of the year. Both the ISTAT data and the results of the *VenetoCongiuntura* survey, carried out quarterly by Unioncamere Veneto on a sample of more than 1,200 manufacturing firms in Veneto with at least 10 employees, revealed the **strengthening of trade** with foreign countries **in the course of 2013**. Specifically, the foreign turnover of Veneto industry increased in every quarter of the year, more evidently in the last two quarters (+3.8% and +4.2%). This consolidation is also evident by comparing the provisional data released by ISTAT. In particular, it went

⁶ Not being able to display the definitive data, the change in 2013/12 has been calculated by relating the provisional data with definitive data consistent with the data published by ISTAT.

from +0.5 per cent recorded in the first quarter to an always more sustained growth in subsequent quarters, finishing with +5.5 per cent in the last three months of the year⁷.



Graph 7 – Veneto.
Export trends
(%variation from
previous year quarters).
Years 2009-2013

The products manufactured in Veneto (which represent almost the totality of goods sold), as is known, are intended primarily for the **European market**, with a share (equal to 56.5% in 2013), which in recent years has decreased significantly in favour of trade outside the EU, given the slack economy in Western Europe. In 2013, the top of the rankings for trading partners remained unchanged, confirming the predominance for exports of Germany, France, and the United States, and for imports of Germany, China, and France. Despite this static situation, interesting dynamics are noticeable regarding countries further down the list, which highlights how Veneto is quickly adapting to the continuous economic changes, and always searching for trading partners from among the most competitive and the biggest carriers of development. Among the main destination markets, those which have shown the greatest increases were the **United States** (+6.7%, to reach 3.5 billion Euros), **Russia** (+9.9%, 1.8 billion Euros), and **China** (+6.8%, 1.4 billion Euros).

Continuing in 2013, the greatest dynamism of Veneto exports has been to **countries beyond the borders of Europe**, towards which there was an increase of goods sold of 5.6 per cent compared to the previous year (22.2 billion Euros). At the same time, on the other hand, there was a continued drop in sales to the European countries hardest hit by the economic crisis, and to two of Veneto’s principal markets: Germany (+0.1% compared to 2012, almost 7 billion Euros), and France (-0.2%, 5.1 billion Euros).

⁷ Calculating the coefficient of correlations between the 2009-2013 series of quarterly variations in foreign turnover recorded by the VenetoCongiuntura survey and those obtained on the basis of export figures published by ISTAT, a value equal to 0.97 is obtained. It can therefore be considered that the data obtained from the Unioncamere Veneto survey are a good proxy for the dynamics of export flows at the regional level.

In recent years, cross-border business is mainly directed at new markets in the developing world, and looking at the modern routes of international trade highlights the strength of the BRIC countries. Total sales to these countries increased in 2013 by 6.4 per cent (over 4 billion Euros). In particular, Russia and Brazil have proved to be lively markets, and have increased their purchases of goods manufactured in the region by 9.9 and 6.5 per cent respectively, with total values of 1.8 billion and 503 million Euros. Even **China**, after a strong downward correction in the purchase of manufactured goods, in particular of goods related to industrial activities and infrastructure, has shown signs of stabilisation in the economy and a recovery of internal demand. In 2013 the purchase of manufactured products on the part of the Asian country grew by 6.8 per cent, with a value of 1.4 billion Euros. The lion's share of regional exports to the Asian giant continued to be machinery. In addition, there was a growth in the sale of clothing and footwear, confirming that China appreciates and consumes "made in Veneto" fashion, and the performance of food sales was also good. A different situation is, however, true of **India**, struggling with the economic slowdown and inflationary pressures: the sale of artefacts from Veneto decreased by -8.9 per cent (383 million Euros), especially with regard to machinery and equipment.

Table 8 – Veneto. Top 10 countries by origin of imports and desination of exports for manufactured goods* (millions of Euros). Years 2012 and 2013

Country	2012 (a)	2013 (b)	% Variation	% Total
<i>Imports</i>				
1 Germany	7,373	7,395	0.3	22.1
2 China	3,506	3,231	-7.8	9.7
3 France	1,901	1,971	3.7	5.9
4 Spain	1,636	1,654	1.1	4.9
5 Austria	1,382	1,538	11.3	4.6
6 Netherlands	1,419	1,291	-9.1	3.9
7 Romania	1,262	1,282	1.7	3.8
8 Belgium	1,266	1,171	-7.5	3.5
9 Switzerland	756	925	22.3	2.8
10 Poland	594	643	8.3	1.9
Ue 28	21,665	21,909	1.1	65.5
Outside EU28	11,267	11,518	2.2	34.5
BRIC	4,781	4,680	-2.1	14.0
Total	32,931	33,427	1.5	100.0
<i>Esportazioni</i>				
1 Germany	6,699	6,706	0.1	13.1
2 France	5,122	5,112	-0.2	10.0
3 United States	3,284	3,504	6.7	6.8
4 United Kingdom	2,427	2,539	4.6	5.0
5 Switzerland	2,552	2,473	-3.1	4.8
6 Spain	2,048	2,085	1.8	4.1
7 Russia	1,642	1,805	9.9	3.5
8 Austria	1,650	1,595	-3.3	3.1
9 Romania	1,346	1,413	4.9	2.8
10 China	1,290	1,378	6.8	2.7
Ue 28	28,671	28,904	0.8	56.5
Outside EU28	21,075	22,255	5.6	43.5
BRIC	3,824	4,069	6.4	8.0
Total	49,746	51,158	2.8	100.0

* In 2013 manufactured goods constituted 97% of exports and 90% of imports
(a) definitive data; (b) provisional data

Source: Compiled by Unioncamere Veneto from ISTAT data

Albeit with some difficulties, the emerging countries of Asia and Latin America have remained areas of growth, and important destinations for regional exports. In 2013, support for regional export sales to the **Asian economies** (14% of Veneto's exports of goods) was strengthened. The sales of manufactured goods to East Asia increased by 7.8 per cent (reaching 4.1 billion Euros), and by as much as 10.1 per cent to the Middle East (2.4 billion). In particular, it highlights the substantial increase in exports of goods to Hong Kong (+20.2%), the United Arab Emirates (+12%), Saudi Arabia (+11.9%), Qatar (+26.9%), and Vietnam (+46.7%). On the other hand, exports to Central Asia, including a weakening India, decreased by 7.6 per cent (750 million Euros).

The data also show a re-launch of exports to Africa and America. In fact they signal a fresh start for exports to **Northern America**, where the value of Veneto artefact sales increased by 7.4 per cent (going up to a level of over 4 billion Euros). In particular, after very difficult years, the American and Canadian markets have become more dynamic, where some Venetian products such as machinery, processed food, rubber-plastic, and electrical equipment are developing. In **Latin America**, in addition to the increase of sales to Brazil, the pace of growth of exports to Mexico is notable (446 million Euros of goods, +30% compared to 2012). The commercial performance with **Africa** was also good (+9.7%, almost 2 billion Euros of goods), which continues to show a positive economic momentum (mechanics being the true strength of Veneto's exports to Africa), despite the slowdown of its principal economy, South Africa.

With regard to the evolution of regional imports, 2013 showed a slight recovery (+1.5% on an annual basis, equal to 33.4 billion Euros) a reflection of the improvement in the economic environment. This trend is mainly attributable to an increase in the purchase of manufactured goods from countries outside the EU 28 (11.5 billion Euros, +2.2%), while in European countries purchases grew by only 1.1 per cent, with a weakening of the main partner countries. Regional imports from Northern Africa increased by almost a quarter, mostly as a result of larger acquisitions of gas and crude oil (particularly from Libya), and by 15 per cent from Central and South America, in large part attributable to the increase in imports from Brazil (+23.4%). The contraction of imports from North America (-6.5%, -11.9% with reference to the United States alone), from East Asia, driven by a lower procurement from China (-7.8%), and the Middle East, due entirely to the decline in the supply of energy products.

Analysis by **market sector**⁸ highlights how, in 2013, some of the principal highly specialised sectors of Veneto manufacturing recorded a growth compared to the previous year, giving new commercial opportunities for "made in Veneto" goods. After a difficult 2012, in 2013, the sale of **machinery**, the primary item of regional exports (19.5% of the total), regained ground, increasing by +3.3 per cent (10.2 billion Euros). Among the product sectors with a value above a 2 billion Euros threshold, the best performing goods were clothing (+4.8%), eyewear (+5.6%), food (+6, 1%), tanning and leather processing products (+11.4%), and footwear (+4.1%).

In particular, the export turnover related to **eyewear**, which represented more than half of the national total, derived primarily from the good results in American, German and French markets, but the export of Veneto eyewear experienced a

⁸ The classification of the commodity items used here represents an aggregation of Gruppi Ateco 2007 finalised to show the specific sectorial and territorial aspects of Veneto's foreign trade.

fresh boom thanks to sustained sales in emerging countries such as Turkey, United Arab Emirates, Brazil, Russia, and Thailand.

Also distinguished are the good results that continue to derive from sales of products in the **food sector**, an area for a long time indicated to be among the most promising. After a good 2012 (food products +10.1%, and beverages +9.1%), in 2013 the “made in Veneto” specialties registered a growth of 6.1 per cent (2.5 billion Euros), and beverages of 10.4 per cent (1.8 billion Euros), above all thanks to sales outside the European Union. Particularly positive was the performance of the wine sector, a sector in which Veneto is in first place among the exporting regions of Italy.

In addition, important regional manufacturing sectors which stood out in terms of sales were: **electro domestic appliances** (+8.1%, 1.4 billion Euros), and **paper and printing** (+4.5%, over 1 billion Euros).

On the other hand, the sectors of metallurgy, means of transport and component parts, and yarns and fabrics were not able to move into positive territory.

In 2013, the glimmer of revival in domestic consumption drove up higher **imports**, and there were very few items that showed a negative balance. Impacting very heavily on the final result were the lost imports of means of transport (-1.4% with a value of 4.5 billion Euros), which confirms the continuing difficulties in the car market.

Table 9 – Veneto.
Exports by product
item ordered by value
(millions of Euros).
Years 2011-2013

Product	2011 (a)	2012 (a)	2013 (b)	% var.	% tot.
1 Machinery	10,170	9,920	10,249	3.3	19.5
2 Metal artefacts	3,229	3,394	3,117	-8.2	5.9
3 Metal carpentry	2,873	2,936	2,941	0.2	5.6
4 Clothing	2,636	2,739	2,871	4.8	5.5
5 Eyewear	2,482	2,697	2,848	5.6	5.4
6 Miscellaneous electrical equipment	2,789	2,730	2,835	3.8	5.4
7 Food products	2,157	2,374	2,519	6.1	4.8
8 Tanning and leather processing	2,191	2,243	2,498	11.4	4.7
9 Furniture	2,174	2,234	2,265	1.4	4.3
10 Chemical, pharmaceutical, and synthetic fibre products	2,032	2,196	2,251	2.5	4.3
11 Footwear	2,192	2,109	2,195	4.1	4.2
12 Means of transport and components	1,927	2,003	1,923	-4.0	3.7
13 Beverages	1,491	1,627	1,797	10.4	3.4
14 Rubber and plastic products	1,698	1,646	1,772	7.6	3.4
15 Jewellery	1,557	1,709	1,735	1.5	3.3
16 Electro domestic	1,226	1,262	1,364	8.1	2.6
17 Yarns and fabrics	1,343	1,218	1,190	-2.3	2.3
18 Paper and printing	999	1,038	1,084	4.5	2.1
19 Miscellaneous products of industrial manufacture	938	963	1,014	5.3	1.9
20 Agricultural and fish products	819	820	801	-2.4	1.5
21 Electronics, medical and measuring equipment (excluding eyewear)	805	775	758	-2.2	1.4
22 Miscellaneous products	550	551	584	5.9	1.1
23 Knitwear	495	514	499	-2.9	0.9
24 Cut, shaped, and finished gemstones	425	460	493	7.3	0.9
25 Glass and glass products	427	413	422	2.1	0.8
26 Wood	248	247	277	12.1	0.5
27 Refined petroleum products	386	298	240	-19.3	0.5
28 Mining and quarrying products	60	60	63	4.8	0.1
Total	50,318	51,178	52,606	2.8	100.0

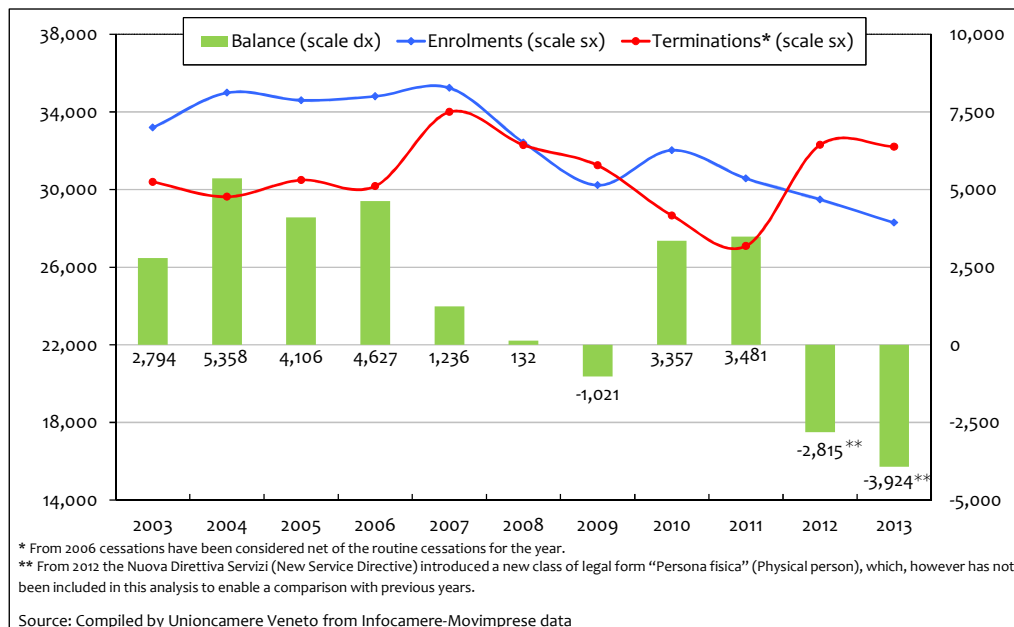
(a) definitive data; (b) provisional data

Source: Compiled by Unioncamere Veneto from ISTAT data

Demographics of business

2013 will be remembered as another difficult year for the entrepreneurial system of Veneto. The number of active businesses on the Chamber registers at the end of the year stood at 442,278, more than 8,000 units less than 2012, confirming the negative trend in place since 2009. **Since the start of the crisis (2008), in fact, the entrepreneurial system has lost more than 20 thousand production activities**, almost half of them in 2013. The negative development has also affected the stock of registered enterprises, in which are included those in a status of inactive, and undergoing liquidation. This showed a decrease of 1.4 per cent (-6,835 enterprises), with a position after 10 years of less than 500 thousand units.

This result was determined by a still negative dynamic of enrolment (-4.1% on 2012), insufficient to compensate for the closure of companies that took place during the year, which instead were stable, net of terminations of office (32,215, compared to 32,302 in 2012). The **overall balance** between the two streams was **negative to the tune of almost 4,000 units**, the worst performance in the last decade.



Graph 8 – Veneto.
Trends in enrolments,
cessations, and
balances of enterprises.
Years 2003-2013

Considering the changes of stocks in different sectors shows that the **loss of businesses was above all in the sectors of agriculture (-6.3%) and of industry (-3% including construction)**. The decrease in agricultural enterprises is, only in part, attributable to the economic crisis, while much has depended on a process of selection and transformation which has been underway for several years now in the sector, as emerged also from the data of the last agricultural census of 2010⁹. The same is true for firms in industry excluding construction, which recorded a decrease of -2.6 per cent; for these businesses, as for agriculture, the unfavourable economic situation fits into a process of restructuring already underway and which covers a longer time scale (in 10 years, the sector has seen the disappearance of almost 14 thousand productive units, equating to a quarter

⁹According to definitive data disclosed by ISTAT, in 2010 119,384 companies were recorded in Veneto, compared to 191,069 in the 2000 Census, and 224,704 in that of 1982.

of the industrial enterprises that were present in 2003). Conversely, the negative trend of construction companies is almost entirely attributable to the economic crisis, which put enormous strains on the sector. In 2013, in fact, construction lost more 2,300 units (-3.3%), which, added to those of 2012, exceeds the threshold of 5,000 businesses lost (about 10% of the sector).

Table 10 – Veneto.
Enterprises registered and active by sector and legal form (actual and % variation from the previous year).
Years 2012 and 2013

	Registered		Active		Registered	Active
	2012	2013	2012	2013	% Variation 13/12	
Economic Activity						
Agriculture, forestry, and fisheries	76,434	71,666	75,972	71,174	-6.2	-6.3
Mineral extraction	300	293	248	236	-2.3	-4.8
Manufacturing activity	62,899	61,632	55,875	54,414	-2.0	-2.6
Public utilities (electricity, gas, water, environment)	1,353	1,468	1,258	1,381	8.5	9.8
Construction	75,955	74,028	71,411	69,041	-2.5	-3.3
Sale and repair of motorcycles	111,460	111,298	103,774	103,442	-0.1	-0.3
Transportation, logistical, and warehousing services	15,328	15,100	14,114	13,759	-1.5	-2.5
Accommodation and catering services	32,750	33,141	28,581	28,785	1.2	0.7
Media and communication services	9,521	9,532	8,755	8,782	0.1	0.3
Financial and insurance services	9,369	9,675	9,000	9,319	3.3	3.5
Real estate activities	32,223	32,391	29,472	29,528	0.5	0.2
Advanced business support services	17,336	17,211	15,860	15,687	-0.7	-1.1
Rental activities, tourist services, and business support services	10,635	11,023	9,858	10,173	3.6	3.2
Private instruction and training services	1,805	1,829	1,698	1,725	1.3	1.6
Health, social assistance, and private health services	1,898	2,024	1,751	1,867	6.6	6.6
Personal service activities	4,227	4,374	3,738	3,861	3.5	3.3
Miscellaneous activities	18,887	18,975	18,436	18,472	0.5	0.2
Unclassified enterprises	17,631	17,516	498	632	-0.7	26.9
Legal form						
Capital company	109,634	110,785	83,608	84,305	1.0	0.8
Partnership	110,830	108,937	93,880	92,162	-1.7	-1.8
Sole trader	269,646	262,697	265,708	258,107	-2.6	-2.9
Cooperative	5,846	5,899	3,839	3,684	0.9	-4.0
Other forms	4,055	4,858	3,264	4,020	19.8	23.2
Total	500,011	493,176	450,299	442,278	-1.4	-1.8

Source: Compiled by Unioncamere Veneto from Infocamere-Movimprese data

From a more detailed analysis of **manufacturing firms**, it emerges that contractions affected all sectors, with the exception of that of the repair, maintenance and installation of machines, which was the only one to show a positive trend in 2013 (+4.1% compared 2012); however, according to the new ISTAT classification of economic activities, this sector is listed under manufacturing, even though it mainly operates in the services sector.

The largest decreases occurred in the industries of wood and furniture, of marble, glass, ceramics (all -3.9%), in the fashion industry (-3.4%), in metallurgy (-3.2%), in paper and printing (-3%), in means of transport (-2.9%), in electrical machines, and in machinery and equipment (-2.8%). The best of the regional average were the trends in other manufacturing industries (-2.1%), in rubber and plastic (-1.8%), while the chemical-pharmaceutical industry and the food industry showed a substantial stability. Considering the other sectors, the one that showed the best performance was the public utilities sector, which, driven primarily by the renewable energy segment, saw an increase of 9.8 per cent in active enterprises. The service sector also held, recording on the whole a measure of stability.

In particular, the increases that stand out were those of the assistance and health services (+6.6%), of financial services and insurance (+3.5%), of personal services (+3.3%) and rental activities, of tourist services and of business support (+3.2%). The only negative entries in the services sector were represented by the transport and logistics sector, which in 2013 recorded a further decrease (-2.5%), and that of advanced business services (-1.1%).

Economic Activity	Registered		Active		Registered	Active
	2012	2013	2012	2013	% Variation 13/12	
Food, beverages, and tobacco	4,032	4,039	3,648	3,650	0.2	0.1
Textiles, clothing, and footwear	11,521	11,185	9,901	9,561	-2.9	-3.4
Wood and furniture	9,683	9,365	8,596	8,261	-3.3	-3.9
Paper, folded paper, and printing	2,461	2,420	2,197	2,132	-1.7	-3.0
Chemical, pharmaceutical, and petroleum industry	687	687	588	588	0.0	0.0
Rubber and plastic materials	1,617	1,597	1,408	1,383	-1.2	-1.8
Marble, glass, ceramics, and other non-metallic minerals	3,196	3,117	2,825	2,714	-2.5	-3.9
Metal and metal products	12,967	12,679	11,778	11,396	-2.2	-3.2
Electrical and electronic machines	3,429	3,342	2,977	2,893	-2.5	-2.8
Mechanical machines and apparatus	4,697	4,582	4,050	3,937	-2.4	-2.8
Means of transport	1,107	1,087	945	918	-1.8	-2.9
Maintenance, repair, and installation of mechanical machinery and apparatus	2,723	2,855	2,635	2,743	4.8	4.1
Other industrial manufacturing	4,779	4,677	4,327	4,238	-2.1	-2.1
Total	62,899	61,632	55,875	54,414	-2.0	-2.6

Source: Compiled by Unioncamere Veneto from Infocamere-Movimprese data

Table 11 – Veneto. Registered and active enterprises by manufacturing sector (actual and % variation from the previous year). Years 2012 and 2013

The **process of resizing** that is characterising the entrepreneurial base of the Veneto region **could be partly reconcilable to the growth in size of firms**. What is evident, in fact, is a progressive shift from simpler and undercapitalised legal forms towards more structured forms. Also in 2013, companies with a share capital continued the positive tendency, with an increase of +0.8 per cent compared to 2012, in the face of downturns in cooperatives (-4%), sole traders (-2.9%) and in partnerships (-1.8%). The growth of other forms, on the other hand, is not characteristic of a strictly economic phenomenon, but of the introduction of the new class of legal form of the “physical person”, following the introduction of the New Services Directive.

Procedure for the insolvency and liquidation of businesses

The Infocamere data relating to insolvency and liquidations indicate that the long recession that has hit the regional economy has had a hard impact on Veneto's enterprises system. Bankruptcies, insolvencies, and voluntary liquidations have, in fact, easily surpassed the previous negative record. In 2013 more than 1,400 companies entered into **procedure for bankruptcy and non-bankruptcy**: the negative record of 2012 was thus abundantly surpassed (+17.4%), and 2013 was the year with the highest number of bankruptcies since the beginning of historical records (1,134).

Moreover, last year **procedures for dissolution and liquidation** were initiated for 8,700 companies, an increase of 8.6 per cent compared to 2012, an absolute record in this case. According to data from the Cerved Group, the impact of the crisis on corporate mortality in Veneto was less marked than it was in the rest of the country: in 2013 the exit ratio, given by the ratio between the capital companies exiting the market and the societies with a valid balance sheet was equal to 6.4 per cent compared to 7.5 per cent in the Marche and 7 per cent in Lombardy, who lead the national ranking.

The Labour Market

The crisis of the last few years has had dramatic repercussions on employment. From the second half of 2012 the demand for labour started to weaken again, and with the passing of the months the fall became more acute, continuing even in the last months of 2013. According to the calculations from Veneto Lavoro based on data from SILV¹⁰, 2013 ended with an employment balance still negative by over 18 thousand jobs, the worst figure since the collapse of 2009 (-40 thousand units) when the crisis started. The relapse is attributable to the slight contraction in recruitment (decreasing from 619.2 to 616.4 thousand units, -0.5%) and a moderate increase in terminations (rising from 633 to 635 thousand units, equal to +0.3%)¹¹.

Table 12 – Veneto.
New hires, terminations, and balance of salaried employment* by gender, citizenship, sector, type of contract, and age group (values in thousands). Years 2012 and 2013

	New hires			Terminations			Balance	
	2012	2013	% variation 13/12	2012	2013	% variation 13/12	2012	2013
Total	619.2	616.4	-0.5	633.0	635.0	0.3	-13.8	-18.6
Gender								
Male	303.9	308.5	1.5	316.3	321.0	1.5	-12.4	-12.5
Female	315.3	307.9	-2.3	316.7	314.0	-0.8	-1.4	-6.1
Citizenship								
Italian	448.3	448.6	0.1	460.4	464.3	0.8	-12.1	-15.7
Foreign	170.9	167.8	-1.8	172.6	170.7	-1.1	-1.7	-2.9
Sector								
Agriculture	52.5	53.5	1.9	52.2	53.3	2.0	0.2	0.2
Industry in s.s.	127.3	133.5	4.9	138.0	143.1	3.7	-10.7	-9.6
Construction	29.7	27.1	-8.8	36.7	32.9	-10.5	-7.0	-5.8
Services	409.7	402.4	-1.8	406.0	405.7	-0.1	3.7	-3.4
Type of contract								
Long term	92.3	82.0	-11.2	146.0	136.4	-6.6	0.1	-11.8
Apprenticeship	34.5	28.0	-18.9	27.5	23.8	-13.3	-4.7	-4.4
Short term	384.7	389.5	1.3	350.1	355.8	1.6	7.5	-0.3
Supply	107.7	116.9	8.5	109.4	119.0	8.8	-1.7	-2.1
Age group								
Young	219.2	209.9	-4.3	201.1	196.9	-2.1	-	-
Adult	364.9	369.8	1.3	379.5	388.8	2.5	-	-
Elderly	35.1	36.7	4.6	52.4	49.3	-5.9	-	-

* Net of domestic workers and intermittent workers

Source: Compiled by Veneto Lavoro from SILV data (extract 25th January 2014)

¹⁰ The SILV (System Informative for Labour in Veneto) enables the monitoring of the dynamics of the labour market in Veneto with reference to dependent employment and the segment of para-subordinate workers which are obliged to communicate the start of activity (planned collaboration, coordinated and continuous collaborations, “mini-Co.Co.Co.”). Refer to Veneto Lavoro, Report 2014, Descent over? Crisis in the sixth year: thinned again work positions and entrepreneurial resources, in www.venetolavoro.it.

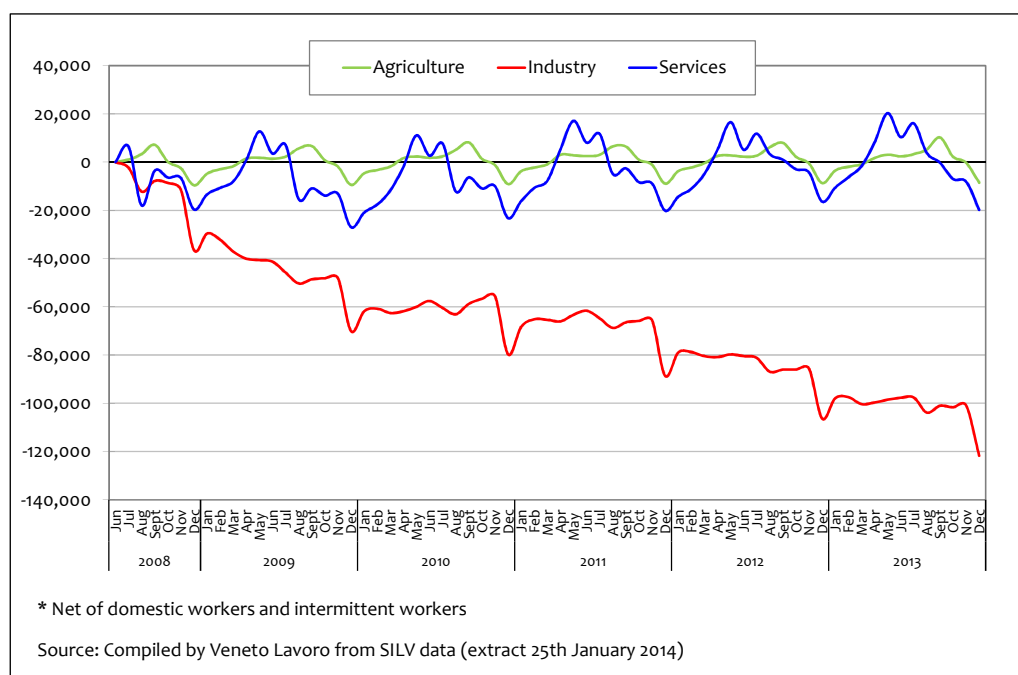
¹¹ These results are further reflected in the estimates of entrepreneurs detected through the Excelsior survey on the personnel requirements of companies carried out by Unioncamere. Veneto entrepreneurs, in fact, foresaw a fall in employment of around 23,700 units for 2013 (-1.9%, worse than the 0.7% of 2012), which represented the balance of just over 73,000 new hires and almost 96,800 programmed exits. For further information see: excelsior.unioncamere.net

As happens with cycles, in the first two quarter of 2013, a favourable trend was observed, characterised by positive employment balances (+28.5 and +18 thousand units respectively), whilst in the last six months there was a contraction in jobs that has reached its maximum level (a total of -65 thousand units), mainly due to the negative results of the last three months. This contraction is physiological, since in the last few months the administrative closures of contracts have been registered, especially those at the end of their term.

The essential stability in **recruitment** compared to 2012 is the fruit of the stability by Italian companies, and a decrease of -1.8 per cent by foreign ones. Furthermore it has weighed the decrease in the recruitment of women (-2.3%) compared to the growth in that of men (+1.5%). The demand for labour has continued to penalise young people (-4.3%), as opposed to the other age groups, which saw increases (+4.6% for seniors, with at the same time a marked reduction of the outputs from work, -5.9%). A sectorial analysis shows the increase of recruitment in industry excluding construction (+4.9%, with higher peaks in the sectors of tanning, food industry, and metal working), while the decline continued in construction (-8.8 %) and in the services sector (-1.8%).

The analysis of **net balances** has shown the greatest occupational contractions were in the components male (-12.5 versus -6.1 thousand for women) and indigenous (-15.7 versus -2.9 thousand for foreigners). The fall remains concentrated within industry excluding construction (9.6 thousand units less), construction (-5.8 thousand) and, unlike the previous year, also in services (-3.4 thousand). They were the traditional production of the Veneto manufacturing system to hold negative trends, particularly in the industries of metalworking and wood furniture, albeit with a slight attenuation compared to the past, and textile clothing.

With reference to the **types of contracts**, there were increases in long-term employment relationships (indefinite and apprenticeships), but at the same time there were decreases in recruitment (11.2% for the former, -18.9% for the latter) and in turnover (terminations were down -6.6% and -13.3%). A slight dynamism came from fixed-term contracts, above all those of administration (+8.5% recruitment).



Graph 9 – Veneto. Positions of salaried employment* per macrosector (cumulative variation compared to 26th June 2008, monthly data). June 2008 – Dec. 2013

Looking at the employment dynamic over the whole period of the crisis, the historic maximum positions of dependent employment in Veneto (reached in June 2008) and the following five years (until 30th June 2013), has highlighted an overall employment loss of 85 thousand units, the result of the loss of almost 98 thousand positions of dependent employment in industry, counterbalanced by slight increase in services and in agriculture.

In 2013, the companies that have announced the launch of **crisis procedures**¹² reached a new high (1,465 units), a sharp increase compared to 2012, and also compared to all previous years. The number of **“debutant” companies** is also growing (885), that is to say, companies that signal for the first time that they are having difficulty maintaining employment. At the same time, the number of workers potentially impacted in these crises announcements is growing, exceeding 40 thousand units. In 2013, 1,350 procedures were stipulated with verbal agreement concluded between the social partners for the management of companies in crisis, resorting to cassa integrazione straordinaria and/or procedures of collective redundancy, a sharp increase compared to 2012.

According to the INPS data, in 2013 the authorised hours of **Cassa Integrazione Ordinaria** (CIGO) registered a slight contraction, falling to 26.4 million, whilst the hours of Cassa Integrazione Straordinaria (CIGS) showed a new marked increase, surpassing 44 million (although the volume is less than that of 2010, when it was equal to 52 million). In addition, the data of January 2014 highlighted the tendency of a fall in CIGO and the growth of CIGS. Cassa integrazione in derogation on the other hand had a real “boom” of applicant companies: over 11 thousand, of which about 4,600 were “debutants”, with a total of over 62 thousand workers potentially involved. The hours of Cig in derogation actually utilised totalled 16.3 million (compared to 13.4 million in 2012). The worsening of the business crisis is also reflected in the increase of companies that have turned to **collective redundancies** (a little less than 1,200 versus 931 in the previous year), as well as in the number of redundancies, which have reached a new historical high (12,500 units) since the launch of its adjustments in 1991; in 2013 there was an average monthly flow of redundancies exceeding 1,000 units, approximately 11 redundancies for every enterprise involved; redundancies activated outside of the collective procedures (predominantly **redundancies activated by small businesses**) were on the other hand decreasing, as were the companies that activated them: this may be a modest positive signal, although it must also be considered that small businesses may have more quickly carried the transactions to termination to reduce labour costs, as in effect seems to be indicated by the peaking of redundancies in 2012¹³.

The employment decrease detected through the SILV administrative data is partially confirmed by the results of the economic surveys of Unioncamere Veneto. According to **VenetoCongiuntura**, the negative variation in employment in the **manufacturing** sector was less marked, showing an average annual drop of 0.6 per cent (it was 0.9% in 2012). The drop detected by **VenetoCongiuntura** regarded, to a worrying degree, small businesses: in particular, micro-enterprises (up to 9 employees) which experienced a drop in employment of -4.3 per cent, small businesses of -2.4 per cent. The employment dynamic in medium-sized

¹² Derived from a procedure for the formalisation of a corporate crisis which opens with a statement from the company to the union representatives, to INPS, and to the Commission for provincial labour.

¹³ Refer to *Veneto Lavoro, Crisi aziendali. L’impatto occupazionale – Veneto at Lavoro, Corporate crisis. The impact on employment*. Report February 2014.

enterprises was stable, whilst large businesses marked an increase in average annual employment of +1.1 per cent. There was a continuation of the contraction in employment in the sectors of wood and furniture, with a decrease of -2.5 per cent, and those of marble, glass and ceramics, and paper and printing, each with a variation of -1.8 per cent. Textiles, clothing, and footwear (-1.5%) are also suffering. The only sectors that registered a slightly positive employment dynamic were those of means of transport (+1.2%), and rubber and plastics (+0.7%). Of the other business sectors tracked by the *VenetoCongiuntura* survey, a contraction was also shown in **construction** (-2.7%), while there was substantial stability in **commerce**.

According to the trends highlighted by ISTAT, employment in Veneto once again decreased compared to 2012 (-2.6%), the **number of employed fell to 2.082 million**, showing a sharper decline than that recorded in the North East (-1.8%) and in the country as a whole (-2.1%). **In terms of sector profiles**, there was employment growth only in the service sector (+2.4%), whilst employment decreased in all other sectors. Standing out particularly were the strong contractions recorded in construction (-11.7%) and agriculture (12.6%), whilst more minor ones were registered in industry excluding construction (-4.4%), and commerce (-4.3%).

Overall, the **employment rate**, which represents the ratio between the number of employed in the 15-64 age group and the corresponding population, marked a value of 63.3 per cent in 2013, nearly two percentage points less compared to 2012 (65%). The **unemployment rate** showed a worsening by one percentage point compared to 2012, reaching 7.6 per cent. This variation differs by 4.6 percentage points from the average national figure, which is more alarming (+12.2%). The number of **people in search of employment** has grown (171 thousand units from 150 thousand), with a variation on an annual basis of +14 per cent.

	Veneto			North-East			Italy		
	2012	2013	var. %	2012	2013	var. %	2012	2013	var. %
Labour force	2,286	2,252	-1.5	5,450	5,416	-0.6	25,642	25,533	-0.4
Total employed	2,136	2,082	-2.6	5,087	4,997	-1.8	22,899	22,420	-2.1
Agriculture	75	66	-12.6	186	168	-9.9	849	814	-4.2
Industry in s.s.	602	576	-4.4	1,334	1,295	-2.9	4,608	4,519	-1.9
Construction	167	148	-11.7	365	342	-6.5	1,754	1,591	-9.3
Trade, accommodation, and catering	453	433	-4.3	1,032	1,014	-1.8	4,651	4,569	-1.8
Services	839	859	2.4	2,170	2,179	0.4	11,037	10,927	-1.0
In search of employment	150	171	14.0	363	419	15.7	2,744	3,113	13.4

Source: Compiled by Unioncamere Veneto from ISTAT data

Table 13 – Italy, North-East, and Veneto. Labour force by sector of activity (values in thousands). Years 2012 and 2013

The crisis has reduced the employment prospects of **young people** in a dramatic way, with many of them remaining unemployed for a long time before entering the labour market. Today, in Italy as in Europe, one in four young people is unemployed. The **unemployment rate for 15-29 year olds** in the Veneto region started its upward trend in the first half of 2008, when many temporary employment contracts expired and were not renewed due to the reduction of production levels. After reaching an initial peak in the first quarter of 2010, the youth unemployment rate temporarily settled in the period of weak recovery. The new fall in the production levels registered between the end of 2011 and the beginning of 2012, however, resulted in a renewed acceleration, reaching a peak of 17.4 per cent in 2013 (two percentage points more than in 2012), although better than the national figure (29.6%). During the same period, unemployment among adults has also increased, but much less. The difficulties of young people to enter the labour market emerge by comparing the rate of unemployment of 15-29 year olds with the total, which is not only rising higher and higher, but it has also progressively increased from 3 percentage points in 2007, to 9.8 in 2013.

Agriculture

The 2013 agricultural year in Veneto is to be considered substantially positive in terms of product value. The **gross production** in fact increased overall by around 3 per cent compared to 2012, reaching 5.5 billion Euros, a result obtained thanks to the good performance of field crops.

If the excessive spring rainfall penalised some crops (wheat in particular), the predominantly favourable weather pattern of the following months made it possible to achieve high productions of other important crops, such as maize and soya, which in 2012 had been the subject of sharp falls due to the summer drought. There was a slight decrease in ligneous crops, of which viticulture products were especially negatively impacted by a drop in prices; and animal husbandry, which was partially penalised by the unsatisfactory results of beef.

Taking into consideration the values of production at the previous year's prices, it can be seen that the overall market trend made little impact on the value realised, the increase of which is therefore due almost entirely to an increase in the quantity of production compared to the previous year.

Table 14 – Veneto.
Dynamics of gross
agricultural production (%
variation from previous
year). Year 2013

	at current prices	at current prices
Herbaceous crops	+13 ÷ +15%	+12 ÷ +14%
Woody crops	-1 ÷ -3%	+1 ÷ +3%
Livestock products	0 ÷ -2%	-2 ÷ -3%
Gross production	+2 ÷ +4%	+2 ÷ +4%

Source: estimates by Veneto Agricoltura based on ISTAT data

Still significantly down the number of **agricultural enterprises** registered with the Chambers of Commerce of Veneto, which fell to 67,682 units, a decrease 6.5 per cent compared to 2012, primarily due to the consistent reduction of individual enterprises, fell to 57,500 units (- 7.8%). It remained unchanged the number of enterprises in the food industry, stable at 3,650 active units.

After the substantial increase in the number of **people working in agriculture** observed in the period 2010-2012, with an average annual increase of around 10 per cent, in 2013 there was a drop of 12.6 per cent compared to the previous year, falling more than 65 thousand units.

The **trade balance** of agro-food products in 2013 registered a worsening of the deficit, amounting to more than 880 million Euros, due to the effect of an increase in imports (+7.6%) more pronounced than that of exports (+6.1%, which benefited from the good performance of food and beverage products).

Examining in detail the results of economic production achieved in 2013 by individual crops and livestock, the negative effect on some crops of the exceptional spring rains should be highlighted: from March to May a quantity of rain fall in Veneto which was more than double the average for 1994-2012, with temperatures well below the norm.

Affected, above all, were the autumn-winter **cereals**, whose productions were generally decreased: wheat (-14%) and durum wheat (-39%), while barley production increased by 36 per cent, but only thanks to the considerable increase in the size of the planted area (+44%). In sharp recovery from the terrible 2012, characterised by its' very dry summer, maize was confirmed as the regions' first crop, with cultivation covering an area of 250,000 hectares (-8%) and production rising to 2.2 million tonnes (+48 %). In spite of decreases in quantities, the price of cereals has often suffered the trends of international prices, influenced by a year that was globally generally very productive. Results for annual average prices were therefore downward, for maize (-7%), wheat (-5%) and barley (-15%), while the price of durum wheat was stable. In contrast the price of rice increased (+6%).

With regard to **processed crops**, there was a significant recovery in soya, which increased its surface area of planting (+20%) but above all also its productivity (+116%, a record for the last ten years), and also succeeded in maintaining its markets (+4% average annual price). The spring rains, on the other hand, created difficulties for the sowing of sugar beet, whose surface and production dropped by around 27 per cent. For other crops, there was an increase in tobacco production (+19%), a decrease in oilseed rape (-27%), and a more than doubling of the hectares planted with sunflower (+128%).

Horticultural crops also seem to have been negatively affected by the climatic anomaly, considering the declines suffered in the production of potatoes (-40%), chicory (-8%), lettuce (-9%), garlic (-7%) and asparagus (-25%), although from a commercial point of view, the scarcity of product has generally supported their prices. Among the principal **fruit crops** it was a positive year for the production of apples (+40%), but less so for pears (-19%), peaches (-8%) and kiwis (-9%), which, however, obtained higher market prices than the previous year.

Veneto **viticulture** benefited from an altogether favourable summer-autumn period that enabled it to straighten out a vegetative and psychopathological situation that, in the spring, appeared very worrying. The production of grapes and wine increased by 9 and 11.5 per cent respectively compared to the scarce 2012 harvest, returning to its highest level in recent years, but depressed prices of grapes resulted in an average decrease of 11 per cent.

The results for **animal husbandry** were light and dark for, whereas the price of milk benefited from an increase of about 5 per cent, the prices of beef fell overall. There was a substantial stability in the market for pork, whilst that for poultry showed an increase of 5 per cent. The reduction in feeding costs observed in the second quarter of 2013 allowed breeding to recover part of the added value. The decline continued in the Veneto fishing fleet (-2%) and for the quantities produced in the first six months of 2013 from marine **fishing** (-6%), although the average selling price of fish jumped by about 10 per cent.

Manufacturing industry

After the heavy slowdown in production levels of 2012 (-5.3%), 2013 was another year of great uncertainty for businesses in Veneto. The second phase of recession, which began in October 2011 and continued for eight consecutive quarters, has in fact shown an inversion in its tendency in the last part of 2013, raising hopes for a recovery of the regional economy.

In 2013, the regional index of **industrial production**, calculated by Unioncamere Veneto on the basis of the *VenetoCongiuntura*¹⁴ survey, showed an average annual variation of -0.8 per cent. Production registered a progressive attenuation in the intensity of the contraction: in the period January-March the indicator signalled a decline of -2.9 per cent going up to -0.2 per cent in the third quarter, and a change of sign in the last quarter (+1.4%).

Table 15 – Veneto.
Performance of the principal economic indicators (average annual % variation of quarterly trends).
Year 2013

	Production	Turnover	Internal orders	External orders
Sector				
Food, beverages, and tobacco	-1.5	-0.6	-0.4	2.0
Textiles, clothing, and footwear	-1.6	-1.1	-1.6	-0.7
Wood and furniture	-3.1	-2.3	-3.8	4.9
Paper, printing, publishing	-0.5	1.0	-1.1	6.2
Rubber and plastic	-0.6	0.4	-0.7	0.0
Marble, glass, ceramic, and other non-metals	-3.7	-2.9	-5.2	4.2
Metals and metal products	-0.1	0.4	-1.0	3.1
Mechanical machinery and apparatus	0.0	-0.7	-1.8	2.7
Electric and electronic machinery	1.6	1.8	-1.6	7.1
Means of transport	0.2	0.6	0.5	-0.5
Miscellaneous manufacturing enterprises	1.0	1.8	1.1	3.7
Main classification of industry				
Instrumental goods	0.4	0.4	-2.8	4.3
Intermediate goods	-1.0	-0.4	-0.8	1.9
Consumer goods	-1.3	-0.7	-1.7	2.3
Dimensional classification				
2 – 9 workers	-3.1	-3.2	-2.8	0.4
10 – 49 workers	-0.3	0.4	-1.2	3.8
50 – 249 workers	-0.6	0.7	-0.7	3.1
250 or more workers	1.6	-1.0	-1.5	0.9
Total	-0.8	-0.4	-1.5	2.8

Source: Unioncamere Veneto – VenetoCongiuntura survey

On a **dimensional** level, the fall of production levels were in regard in particular to micro-enterprises which have shown an average annual decrease of -3.1 per cent, mainly driven by a marked contraction in the first 3 quarters and which eased only in the last (-0.2%). There were much better results, mainly driven by the strong performance between October and

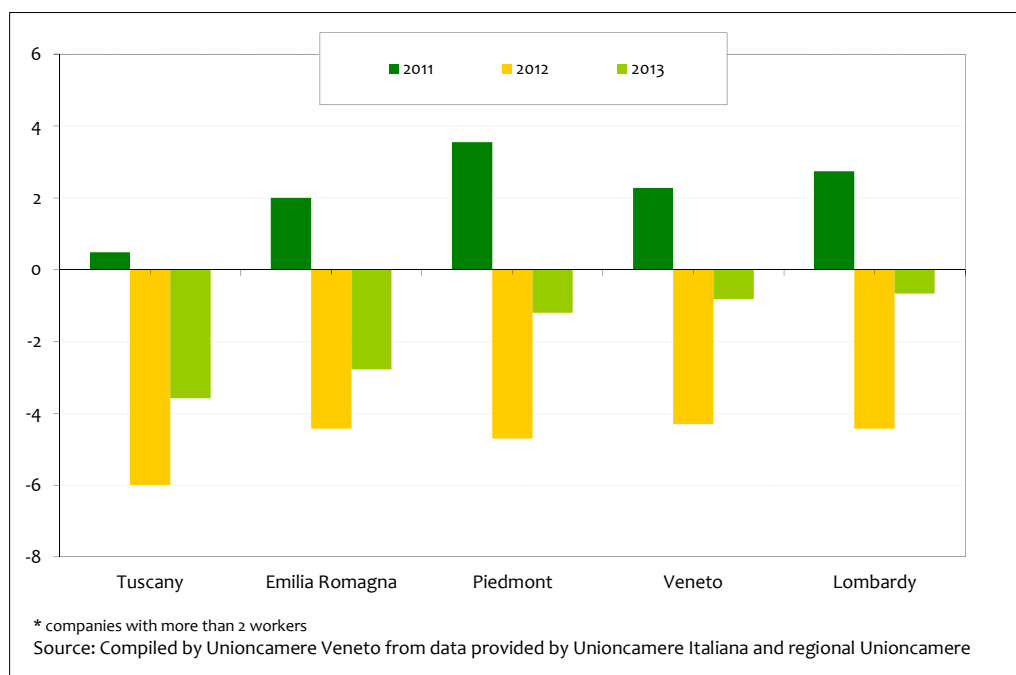
¹⁴ The *VenetoCongiuntura* survey, conducted every quarter on a regional sample of more than 2,000 manufacturing firms with at least 2 employees, represents the main reference for the economic analysis of manufacturing firms, both for extending the scope of observation and for the rigor of the methodology adopted (for further information see www.venetocongiuntura.it).

December, for small and medium sized businesses (-0.6 and -0.3% respectively). On the other hand positive performances were recorded by larger companies that reached an annual average of +1.6 per cent thanks, above all, to the improvement registered as from July.

With regard to the types of goods, there was slight growth for capital goods industries (+0.4%), while negative balances were experienced in industries producing intermediate goods (-1%) and consumable goods (-1.3%).

At the sectorial level, production decreased across all sectors except in the electrical and electronic equipment sector (+1.6%), and in other manufacturing industries. The contraction of the indicator was particularly marked for the industries of marble, glass and ceramics (-3.7%) and that of the wood and furniture (-3.1%).

The dynamics that emerged from the economic surveys of Unioncamere Veneto are in line with the data released by Unioncamere Italiana, which highlights a dynamic of production equal to -1.2 per cent for the North East. This figure, when compared with the performance of the rest of the country, is located almost 2 percentage points above the national annual average, while it is in line with the results of the main regions of the North West, such as Lombardy (-0.7%) and Piedmont (-1.2%).



Graph 10 – Italy. Trend of industrial production in some regions (% variation from previous year). Years 2011-2013

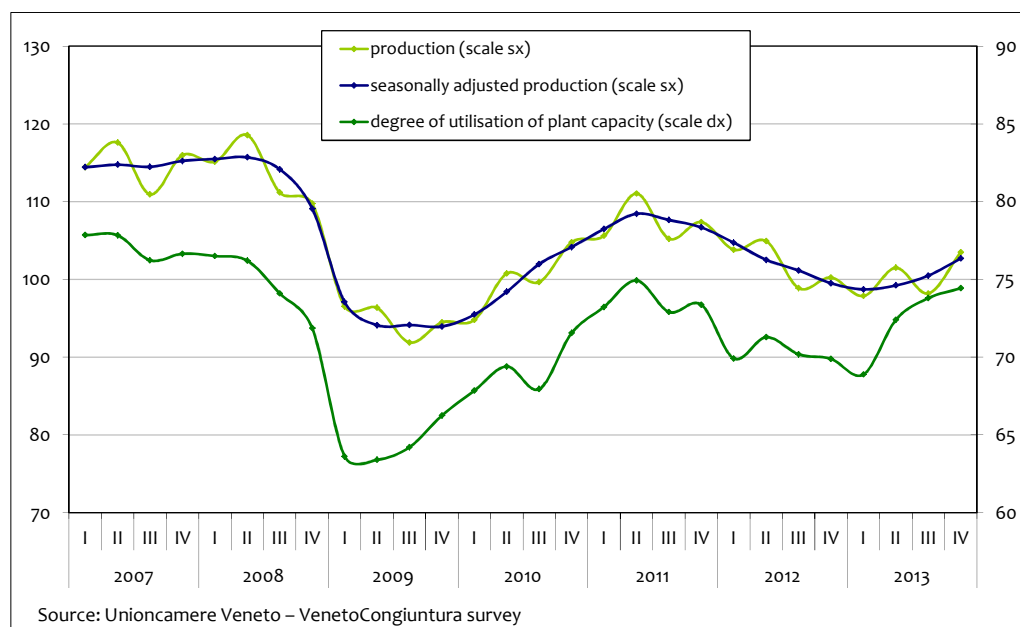
The weak change of the trend in industrial activity is also visible from the indicator of the **degree of plant utilisation** during 2013, which showed a growing dynamic over time to reach a value of 74.4 per cent (it was 70 at the end of 2012).

As for production, the indicator of **industrial turnover** also showed a slight recovery compared to the particularly negative result of 2012 (-3.7%), although it did not result in a change of sign. Overall revenues, according to the data from *VenetoCongiuntura*, fell by -0.4 per cent, principally attributable to the negative standing of the first few months. In the second part of the year, on the other hand, the indicator registered positive variations (+0.6% and +1.7% respectively).

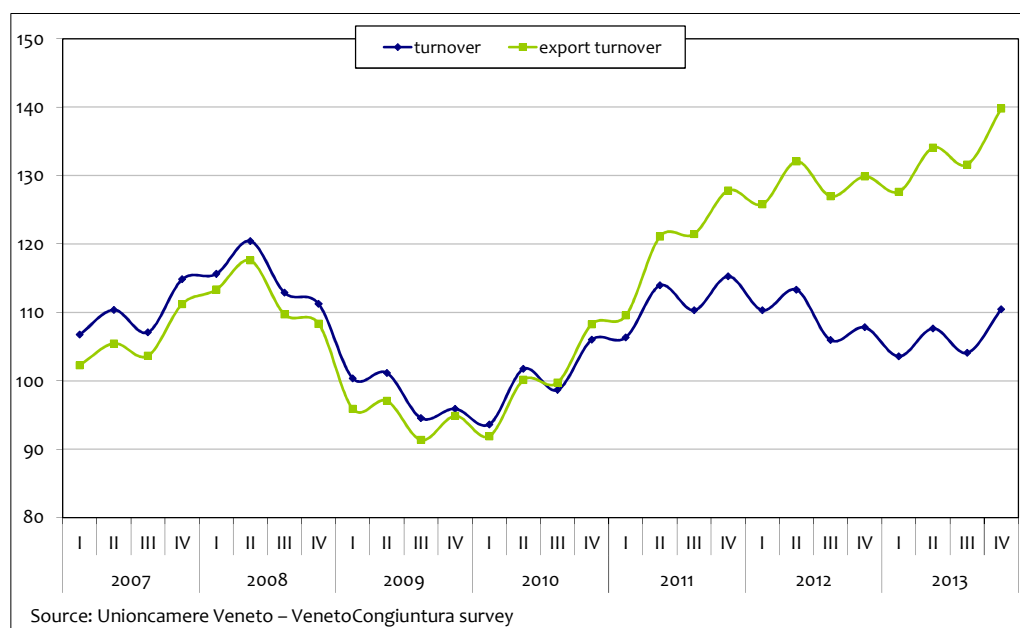
Foreign turnover remained the only towing force in the Veneto economy with a positive dynamic equal to 2.5 per cent.

Orders also recuperated the marked loss recorded in 2012 (-4.6%), registering an average annual variation of -0.3 per cent. The recovery, though, has not affected the domestic market where orders were down -1.5 per cent across all size classes of business. Despite the fact that the result was in loss, the negative quarterly trend had been progressively improving during the course of the year, registering a positive variation (+0.6%) in the last quarter. In line with **foreign turnover**, the trend of foreign orders was positive. The average annual variation stood at +2.8 per cent, 3.3 points more compared to 2012, and was characterised by a quarterly trend of strong growth. At the sectorial level, all fields recorded a positive trend, particularly marked for the sectors of printing and paper, wood and wooden furniture, and marble, glass, and ceramics, that have somewhat offset the contractions registered in the orders deriving from the domestic market. With regard to **employment**, the indicator has been gradually improving over the quarters, registering a variation on an annual basis equal to -0.6 per cent.

Graph 11 – Veneto.
Trend of industrial production (index raw and seasonally adjusted: base 2005=100) and of degree of utilisation of plant capacity in enterprises with at least 10 workers. Years 2007-2013



Graph 12 – Veneto.
Trend of turnover and export turnover in enterprises with at least 10 workers (number index: base 2005=100). Years 2007-2013



Construction

For the construction market in the Veneto region, 2013 was a particularly difficult year. Overall, the sector has lost 7 per cent of **investments** compared to 2012. The most marked negative dynamic was recorded by the **new build** market with a fall of -11.7 per cent, whilst that of **refurbishment** showed a fall of -3.5 per cent, thanks to the positive performance of the residential recovery (+0.9%), driven by incentive policies and the “house plan”.

But beyond the data trend of the short term, the profound sense of crisis can be seen from the comparison between the value of investments made in 2008 and those of 2013. In five years, at current values, Veneto has lost exactly one quarter of its construction market, marking a worse dynamic than the national average.

	2008	2013	var. % 13/12	var. % 13/08	% tot. 2013
New construction	9,023	4,901	-11.7	-45.7	40.6
residential	4,872	2,364	-10.6	-51.5	19.6
private non-residential	2,506	1,023	-21.6	-59.2	8.5
public non-residential	366	295	-7.0	-19.2	2.4
civil engineering	1,280	1,219	-5.0	-4.7	10.1
Renovation	7,047	7,173	-3.5	1.8	59.4
residential	3,457	3,863	0.9	11.7	32.0
private non-residential	2,204	2,474	-5.6	12.2	20.5
public non-residential	452	272	-7.3	-39.9	2.3
civil engineering	933	564	-18.3	-39.5	4.7
Total investments	16,070	12,074	-7.0	-24.9	100.0

Table 16 – Veneto.
Investments by
market of reference
(millions of Euros in
current values).
Years 2008 and 2013

Source: compilation and estimates by CRESME for CEAV-Unioncamere observatory

In 2013 the overall market share held by refurbishments increased, touching 60 per cent of investment share, compared to around 40 per cent in 2008. In five years the market, besides having decreased its investment capacity, has profoundly changed its breakdown, with very significant reductions in some historical segments such as, for example, private non-residential new construction (in 5 years more than halving its turnover), and new residential construction (which has lost more than 50% of investments).

The trend of the quarterly **turnover** of businesses in 2013 showed a tentative rebounding and a progressive improvement of negative indexes. However, the particularly negative economic situation is reflected in the employment and entrepreneurial system. According the ISTAT figures on the workforce, in 2013 **employment** in the construction sector in Veneto quite literally collapsed, marking a fall of -11.7 per cent, with a decrease of -8.8 per cent in dependent employees and -15.8 per cent in independent workers. Between 2008 and 2013 employment decreased by approximately 180 thousand units to 148 thousand.

Table 17 – Veneto.
Artisan and non-artisan
enterprises active in
construction by legal form.
Years 2010-2013

	2010	2012	2013	var. % 13/12	var. % 13/10
Artisan					
Capital company	2,258	2,482	2,559	3.1	13.3
Partnership	7,956	7,530	7,381	-2.0	-7.2
Sole traders	47,799	45,409	43,450	-4.3	-9.1
Other forms*	61	65	74	13.8	21.3
Total	58,074	55,486	53,464	-3.6	-7.9
Non-artisan					
Capital company	9,675	9,486	9,324	-1.7	-3.6
Partnership	3,222	2,973	2,870	-3.5	-10.9
Sole traders	2,788	2,691	2,661	-1.1	-4.6
Other forms*	807	775	722	-6.8	-10.5
Total	16,492	15,925	15,577	-2.2	-5.5
Total	74,566	71,411	69,041	-3.3	-7.4

* In "Other forms" are comprised cooperatives and consortiums

Source: Compiled by Unioncamere of Veneto from Infocamere-Movimprese data

The data concerning the number of **active enterprises** in construction showed a contraction of -3.3 per cent in 2013 compared to the previous year. This contraction was mainly attributable to that in artisan enterprises (-3.6%), compared to non-artisan (-2.2%). Additionally, in 2013 all the various legal forms of enterprise reported negative trends, with the exception of artisan capital companies (+3.1% compared to 2012) and other artisan forms of operation (+13.8%). This confirms that the more structured companies and cooperative enterprises demonstrated that they could cope better with the crisis, a useful element to define a strategic framework of reference for the market in the future.

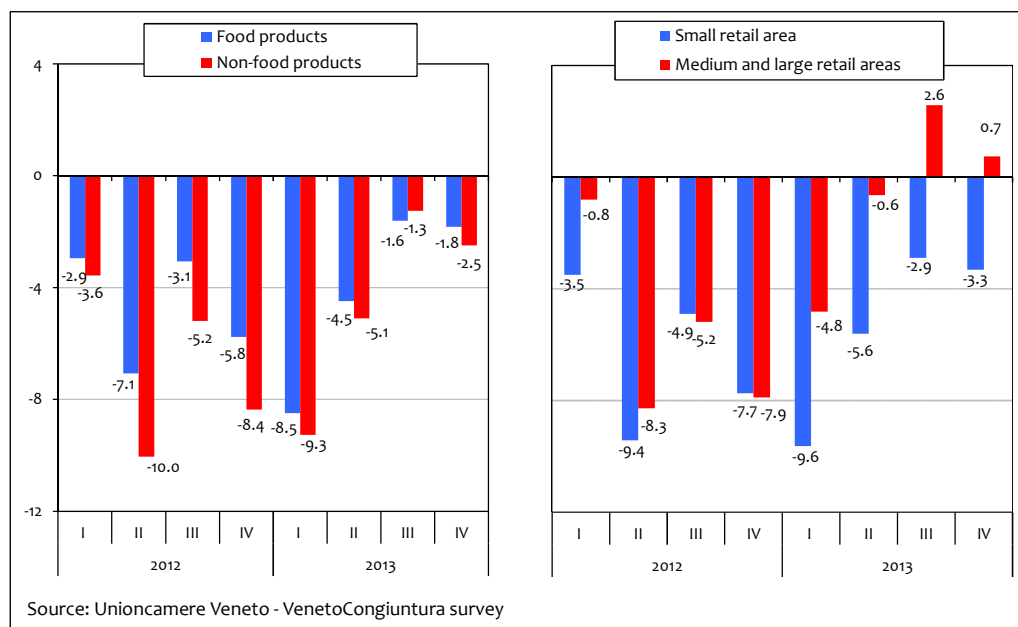
The results emerging from the Edilcassa Veneto -Unioncamere quarterly Osservatorio on the construction market, however, have highlighted the better prospects for entrepreneurs in the future, however much will depend on the effects of national incentives for energy efficiency, building renovations, and on regional programmes relating to the "house plan ter", approved at the end of November 2013 and which had a warm welcome from businesses. In the face of a scenario of such a long crisis, based on the results of a survey conducted among a sample of 500 firms by Unioncamere Veneto in the context of a European project (www.profilo-ita-slo.eu) it emerged that 62 per cent of firms stated that they had not put any strategies in place. The sector, therefore, discounts not only the crisis, but also the necessity of revising its entrepreneurial models and business systems in the face of an evidently more difficult market that requires greater specialisation and operative capacity.

Commerce

The 2013 year closed with a still negative value for **sales by the retail trade** in Veneto. According to the *VenetoCongiuntura* survey from Unioncamere Veneto, the **average annual contraction** in turnover was **equal to 2.2 per cent** on a trend basis. This, however, was a limited loss when compared to the result of 2012 (-5.8%), and was similar to that recorded in 2008. The dynamic appeared in improvement, above all, in the last two quarters of the year, driven by trading in medium and large stores, which showed a variation of -0.5 per cent averaged over the year. On the other hand, the performance of smaller structures remains negative, but with less marked variations in the second half of the year (-5.4% averaged over the year). The balance of sales between food and non-food stores was worse for the latter (-4.5%) compared to -4.1% for food products.

Considering these trends, and also taking into account what emerged from the indicators of the survey on industrial firms, it could tentatively be said that perhaps we have reached a turning point in a recession that has by now lasted for more than 6 years.

The indicator of **orders** also showed more optimistic signs in the last months of 2013, providing an encouraging outlook for the new year.



Graph 13 – Veneto. Trend of retail sales detailed by product type and by dimension of enterprise (% variation from previous year quarters). Years 2010 and 2013

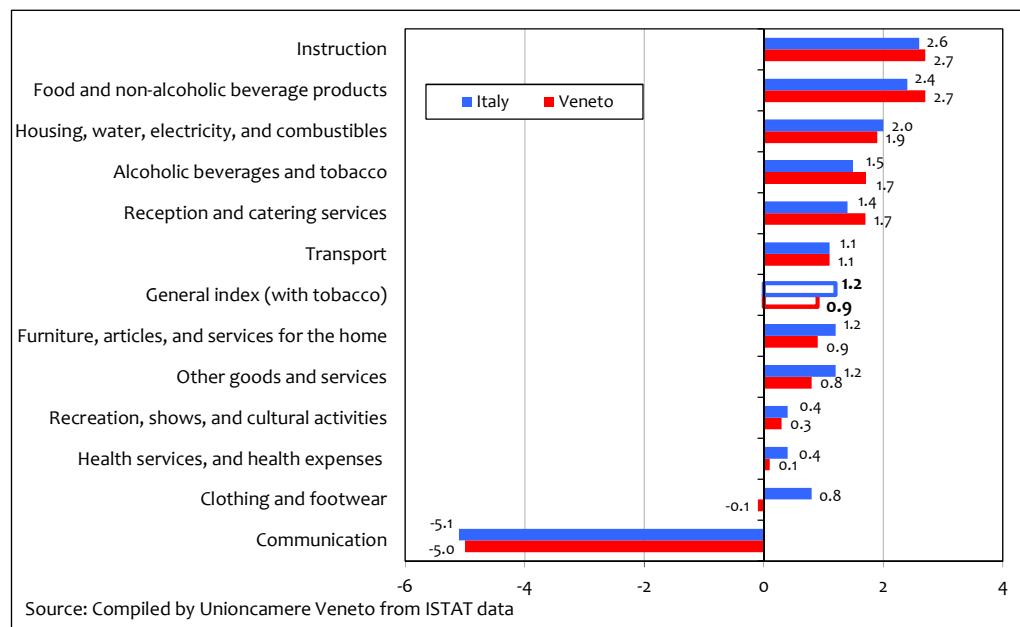
The data from Veneto are fully reflected in the performance of the retail trade at the national level. According to the ISTAT data, in 2013 sales showed a decrease of 2.1 per cent on the previous year. The breakdown of this figure was 1.1 per cent for food products and 2.7 per cent for non-food products. In large retailers sales dropped 1 per cent in terms of trend, while the decrease for businesses operating in small areas was 2.9 per cent.

The less negative trend in consumption was also undoubtedly influenced by the low inflation. According to the ISTAT figures, the average annual variation in the **NIC index** (National Index of Consumer prices for all goods inclusive of tobacco) stood at +1.2 per cent at the national level and at +0.9 percent at the regional level: a decrease compared to 2012 and 2011 when, in the Veneto region as in Italy as a whole, the values always ranged between 2.5 and 3 per cent.

With reference to the items of expenditure, at the regional level the highest rates

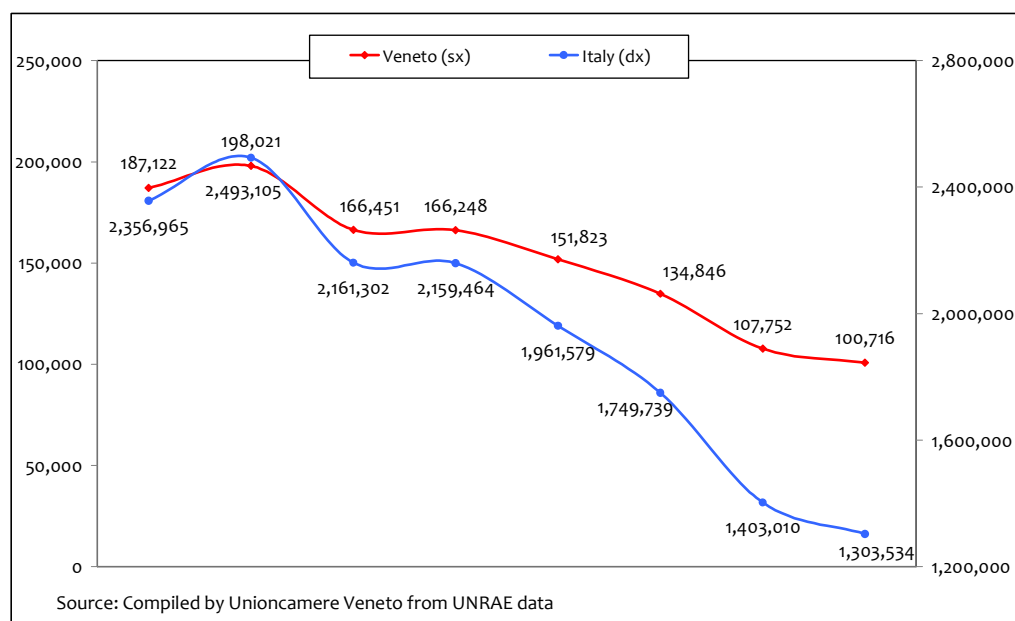
of growth in prices affected the costs of education and of food and non-alcoholic beverages (both 2.7%), of housing, water, electricity and fuel (+1.9%), of alcoholic beverages and tobacco, and of catering and accommodation services (both +1.7%), and of transport (+1.1%). More moderate increases, lower than the average, related to the other items, with the exception of health services and health expenses and clothing and footwear, that were stable, and of communications that instead decreased by 5 per cent.

Graph 14 – Veneto.
Index of consumer prices for all goods (NIC) (% variation from previous year).
Year 2013



In the **car market** segment, the difficulties still continue. The Veneto region, according to UNRAE (National Union Foreign Automobile of Representatives), saw a decline in new car registrations in 2013 of 6.5 per cent, equal to approximately 7 thousand less cars, affecting all makes, Italian as well as foreign. The crisis in the sector, which began in 2008, has manifested itself throughout the country with an average Italian variation in 2013 worse (-7.1%) than that for the region.

Graph 15 – Italy and Veneto. Registrations of passenger cars.
Years 2006-2013



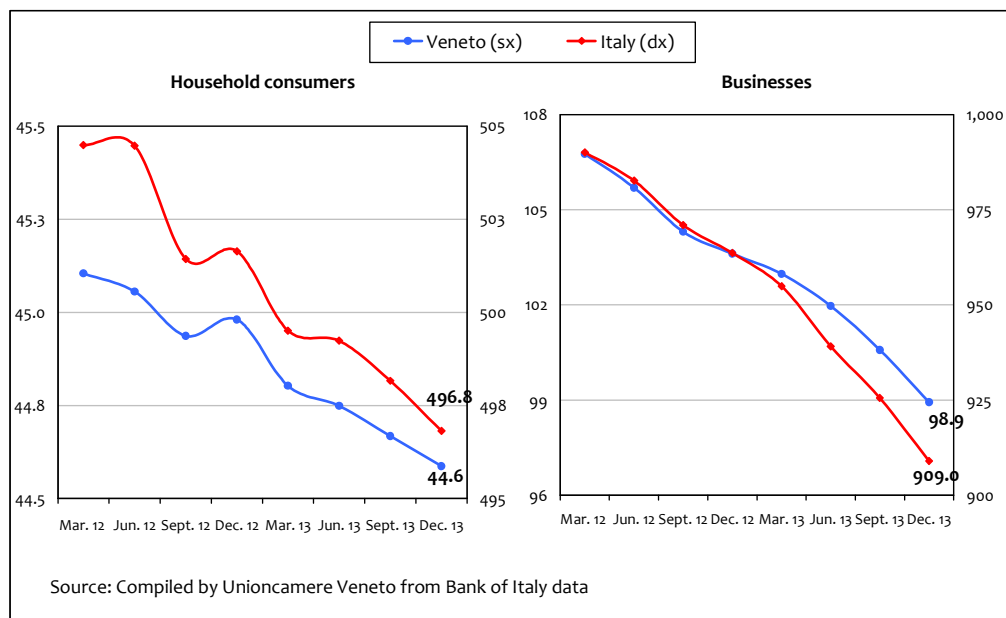
Credit

In 2013 the lending activities of the banking system continued to show a worrying decrease, by now underway since the second half of 2011. The contraction was 3.4 per cent for the Veneto region and as much as 4.1 per cent for Italy as a whole (i.e. almost double the percentage compared to 2012).

This trend continues to be provoked, on the one hand, by the reduction of investment in the real economy owing to a recovery that does not arrive and that will end up favouring only the most innovative part of the production system; on the other hand, however, the banks themselves do not offer sufficient credit for the constraints of the precautionary standards at the international level (Basel II and III), and for the elevated suffering that continues to occur in ever increasing measure, hand to hand as the crisis draws in ever wider bands of enterprises.

Loans granted to **household** consumers were also further reduced, although to a lesser extent (-0.9% in Veneto and -1% nationally). This fact, on the one hand, reveals the difficulty of households to obtain new loans due to the falling income and rising unemployment, on the other hand, it manifests perhaps a more pronounced optimism of banks in the successful outcome of these operations than those to businesses. Without delving further into the subject, it seems instead that, in perspective, companies and individuals are equally exposed to material risks and that, at least for new loans, fostering productive investments can best contribute to restore the equilibrium to corporate compromises.

Instead, the shortage of credit manifests itself most dramatically in **businesses**, which recorded a drop of 4.5 per cent in our region and 5.7 per cent in the country as a whole.



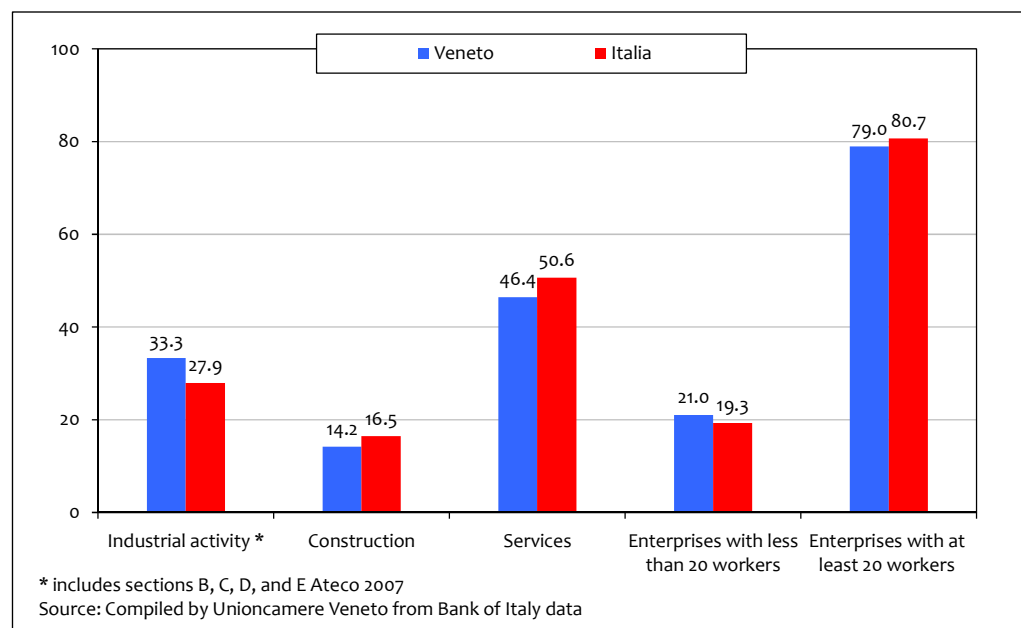
Graph 16 – Italy and Veneto. Trend of bank lending to businesses and household consumers (values in billions of Euros). Mar. 2012 – Dec. 2013

Although the situation in Veneto is less negative than it is for Italy as a whole, it should be noted that the regional production has decreased less than the national one and however together the levels of GDP have fallen less than the levels of bank credit. As the latter represents, in fact, the only source of capital borrowing (non-commercial) for micro-enterprises and SMEs, the responsibility of the **credit crunch** in the economical weakening of these same enterprises becomes evident, and in the inhibition it provokes against the realisation of new projects which,

ultimately, would lead to an exit from the crisis. In fact, a shortage of credit such as the current one determines the contraction of corporate liquidity with ripple effects throughout the chain and, therefore, reduces the total turnover even in productions not yet economically compromised, and also the inability to initiate new even innovative investments, which however require major initial financing, even if adequate growth can be predicted in the future returns.

With regard to the principal **sectors of economic activity**, it can be observed that the percentage composition of corporate loans remained broadly stable.

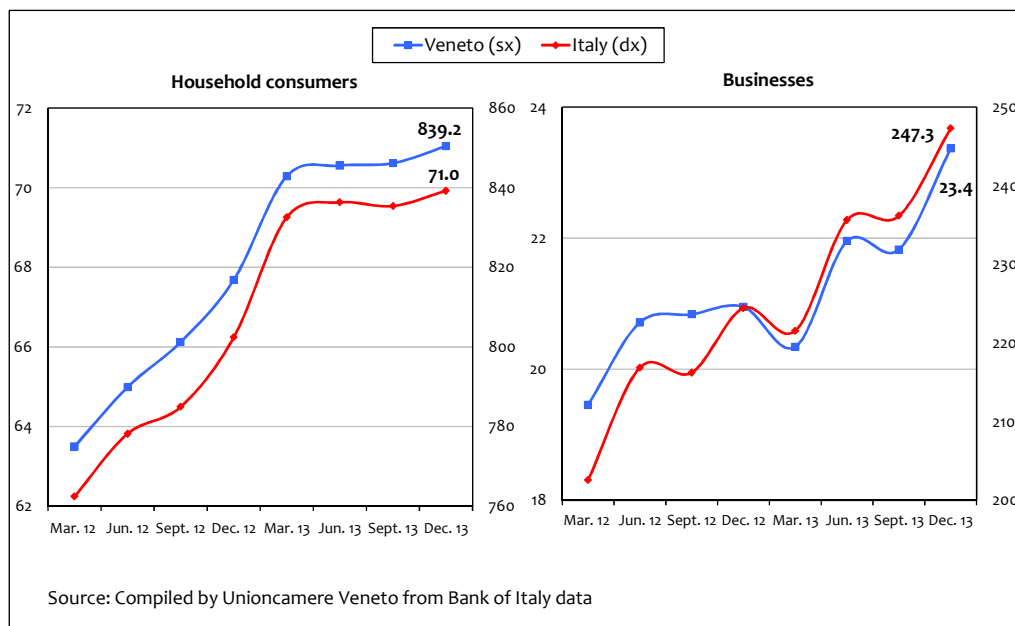
Graph 17 –Italy and Veneto.
Trend of lending to
productive activities
by economic sector
and dimensional
classification of enterprise (%
of total).
December 2013



The reduction of loans to **businesses with fewer and more than 20 employees** is uniform. It should be emphasized, however, that the share of credit to small business was negatively disproportional to that of larger companies and is not justified at the aggregate level, either in turnover or in the overall added value (which is found in more balanced proportions within the two dimensional categories). Evidently it is not correct, as it is generally stated, that smaller companies would be more indebted than the others to the banking system, and yet for this reason now find it much harder to obtain credit. On the contrary, it can be deduced that small businesses have always been underfunded by lenders (their high indebtedness is therefore attributable to debt supply) and even today, in the presence of credit restrictions, suffer the same fate as the larger companies.

Deposits maintained a positive trend (+6.4% in the Veneto region and +5.8% at the national level). Therefore, the large influx of deposits was not directed in the credit to the economy, but turned to other uses among which government securities that, above all, ensured good returns with a marginal risk. Now, however, in the presence of a *spread* with the German bond rates much reduced, new opportunities could arise in favour of credit to businesses, at least for those who know how to catch the nascent recovery. This obviously will come true to the measure in which the banking system know how to adjust in a timely manner to changing trends in a forward-looking perspective of growth. Otherwise the prolongation of the current crisis for lack of financing will definitively determine the collapse of the economic system and thus that of credit.

From the point of view of supply it can be noted that households deposits grew by 4.9 per cent at a regional level and by 4.6 per cent on a national average. Since household incomes and consumption have declined, it can be deduced that the savings are more for a precaution, but especially that the greater sums are held in liquid form (deposits which are readily utilisable) for future negative necessities. Paradoxically, deposits from business have increased even more (+11.4% in the Veneto region and +10.2% in the country as a whole), in spite of the serious difficulties of the latter. In reality, the contraction of credit and of liquidity in general entails the necessity for companies to retain stable readily liquid reserves in excess of any unfavourable eventuality that could daily occur in the incessant operative flow of collections and payments (only one unexpectedly late collection could throw the entire process into crisis, in the absence of the availability of new lines of credit).



Graph 18 – Italy and Veneto. Trend of bank deposits by businesses and household consumers (values in billions of Euros). Mar. 2012 – Dec. 2013

Small enterprises and the difficulties of access to credit

According to data from the Bank of Italy, **in the last two years (2012-2013) loans to small businesses** (performing loans or net of non-performing loans) **fell by almost 20 billion Euros**, from €174.6 billion at the end of June 2011 to €155.5 billion at the end of June 2013. For start-up enterprises a contraction of credit was found without precedent that, measured in real terms, had an even wider effect (-15% for a fall of around 26 billion Euros in two years).

The intensity of the decrease was highly accentuated in all areas of the country, although its greatest force was in the South (-11.6%). In second position was the North East, in line with the Italian average (-10.9%), which has suffered a *credit crunch* greater than the North West and Central Italy. Among the regions of the North, **Veneto and Emilia Romagna showed the greatest contractions of credit**, at -12.6 and -11.6 per cent respectively.

The data are confirmed by surveys of the **Osservatorio on credit to small enterprises** carried out by Enterprise Foundation. In Italy in the period April-September, 2013, **less than 4 out of 10 small businesses (36.3%) made an application for funding**. It is a fact in sharp decline compared to the findings of the previous surveys, and highlights how the *credit crunch* is generated not only by a tightening of banking conditions (increasing the difficulty of access to credit) but also by the reduction of requests for funding requests on the part of small businesses.

The excessive demand for guarantees was the main difficulty of access to credit (45.5% of businesses), followed by the timing of the procedures that are too long (22.7%).

Tourism

The deep recessive phase that has struck across all sectors of the economy has also knocked tourism in Veneto that counted, for the second consecutive year, a decline of attendance in the face of a substantial improvement in arrivals (+1.1%). To the -1.7 per cent recorded in 2012 was added a further contraction of -1.3 per cent in 2013 that brought **overnight stays** to slightly exceed the threshold of **61.5 million**. A result appreciable in itself since this was the third best of all time, but one that hides the great difficulties of the sector that has witnessed the visible fall of national institutions, which have never been so little represented in terms of admissions (-6% admissions and -1.3% arrivals). The negative trend of the Italian clientele, which began in the aftermath of the international crisis, has persisted over the years, gaining strength especially in the last two years (14.2% in overnight stays compared to 2011) when the structural, financial, and economic problems of the nation manifested themselves with greater intensity, inexorably eroding the spending capacity of households. This phenomenon, which is common to all the tourist zones of Italy, has seen not only the progressive decrease in the number of Italians who took a holiday in Veneto, but has also impacted on duration of their stay: the average stay of fellow countrymen appeared also in decline in 2013, passing from 3.9 to 3.7 days, so that for the first time it was lower than that of foreigners (3.9 days) which has been stable over the last three years. Especially noteworthy were the absences of repeat guests coming both from within the region and from Lombardy, that together totalled as much as 70 per cent fewer overnight stays by Italians.

Table 18 – Veneto.
Tourist movement
by receptive
structure and
segment.
Year 2013

	2013			% variation of presence from 2012		
	Arrivals	Presence	A.S. *	Italians	Foreigners	Total
Receptive structure						
hotel	11,165,338	29,542,147	2.6	-4.1	2.1	-0.1
extra-hotel	4,819,634	31,991,134	6.6	-7.6	0.4	-2.4
Segment						
city of art	8,445,287	18,249,771	2.2	-1.3	3.9	2.2
lake	2,216,134	11,039,250	5.0	-13.4	0.2	-2.1
sea	3,727,235	24,805,496	6.7	-7.5	-0.2	-2.8
mountain	953,681	4,570,883	4.8	-7.1	-0.1	-5.6
thermal spa	642,635	2,867,881	4.5	-2.1	2.5	-0.1
Total	15,984,972	61,533,281	3.8	-6.0	1.2	-1.3

* average stay

Source: Compiled by Unioncamere Veneto from Region of Veneto (SIRT) data

The strong degree of international openness of Veneto, which once again managed to intercept the expansive movement of world tourism, was critical to mitigate the bad performance of compatriots. **Foreigners**, who in 2013 constituted as many as **65.5 per cent of guests**, reached almost 10.5 million arrivals (+2.4%), with close to 41 million overnight stays (+1.2), setting a further historical record. Indispensable as ever was the contribution to the numbers by visitors originating from Germany, who equalled those of the previous year, while Austrian and Dutch guests, another important point of reference for tourism in Veneto, appeared to

be significantly reduced, especially in terms of presence. Standing out for its negative contribution to the numbers was that of visitors coming from Spain (-16.7% admissions), underlining the degree of difficulty that the Iberian country is still going through. On the opposite level, the return of Americans and British to the cities of art (+2.1% and +4.6% respectively of overnight stays) was very welcome, as was the flow generated by visitors coming from Russia and outside Europe, a sign that tourism in Veneto is fully capable of expressing itself to attract visitors from the new markets.

Despite this positive flow, the results of the sample survey on international tourism conducted by the Bank of Italy showed a decrease of 6 per cent in tourist spending generated by foreigners in 2013, which returned, after the exploits of the last year, to below **5 billion Euros** (4.701 million). Veneto remained solidly in third place in the regional rankings, but expressed a trend antithetical to its main domestic competitors and to the national average (+2.9%). Alongside the internal picture, there was also an important shrinkage in the expenditure incurred by Venetian travellers abroad, which decreased by over four percentage points. A decline greater than that detected at the Italian level (-1.7%).

There was a re-confirmation of the attraction of the **cities of art** that welcomed an ever-greater number of visitors (+3.2%), accompanied also by a significant growth in overnight stays (+2.2%). There was light and shadow, instead, on other destinations: if the **thermal baths** enjoyed a significant flow of arrivals (hotel guests, in evidence above all from the higher categories, whose numbers were never before so substantial) maintaining an almost unchanged rate of attendance, the same can not be said for the **seaside** (-2.8% overnight stays) or for the **mountains** (-5.6%) who forewent, as well as the worsening of the Italian economic crisis, the uncertain start of the summer season due to the prolonged bad weather. The **lakeside area**, despite stability in terms of arrivals, suffered a decline in admissions of 2.1 per cent due to the lack of stays of repeat guests (Dutch and Austrians first and foremost, and also to a lesser extent Germans).

A glance at the type of welcome showed a substantial stability in terms of arrivals of the **complementary sector** (-0.4%) and the strengthening of the **hotel sector** (+1.7%), thanks to the performance of the structures of superior quality, which were alone in accruing positive signs. In terms of attendance, the same dichotomy can be seen: high standard hotels counted gratifying figures (+3.5%), whilst those in the lower categories suffered, especially those less qualified (-7.8%). In synthesis, the result accounts for a certain stability in overnight stays (-0.1%). In the complementary sector (-2.4%) only the agrotourism sector was smiling, moving forward both in the number of arrivals and in attendance, whilst other facilities reported values at a loss. The average length of stay decreased slightly for both types of accommodation, standing at 2.6 days (it was 2.7 days) for hotels and 6.6 days (was 6.8) for other facilities.

Transport

The increase in connectivity of the transport networks, roads, railways, ports, airports, and freight terminals is the essential pre-condition for the development of businesses and the economy of the territory.

To this end it becomes indispensable to have networks of fast and efficient local transport, with the strengthening of local road systems, the upgrading of public transport by road, and the revaluation of rail transport.

The 2013 year closed with a fairly stable trend in mobility for the regional **motorway network** compared to 2012. The data released by Aiscat, in fact, showed a progressive reduction of the previous negative trend which had heavily penalised the sector in 2012 (-5.7%), showing a decrease of total kilometres travelled by vehicles on motorways of only -1.2 per cent during 2013. The values remained negative, but with improvements for the components of both light vehicles (-1.1%, which exceeded 9.3 billion vehicles/kilometre) and heavy (-1.5%, with 3.5 billion vehicles/kilometre).

The regional **rail network**, which stretches 1,188 km of line (7% of the national total), increased its performance in mobility in 2013, reaching 159 thousand workers a day, 4 per cent more than in 2012, carrying a total 48.5 million passengers over the year.

In terms of **airports**, according to data compiled by Assaeroporti, the airports of Veneto registered an increase in **cargo traffic** of 9.7 per cent in 2013, with a freight exchange in excess of 50 thousand tonnes of goods. Determining this positive result after the decrease of 2012 (-4.6%), was the Marco Polo airport in Venice, which registered an increase of freight amounting to 11.7 per cent; on the other hand the variation was negative for the Valerio Catullo airport in Verona (-4.9%).

Table 19 – Veneto.
Data of traffic
(movements,
passengers, and
freight) at airports.
Year 2013

Airport	Movements		Passengers		Cargo (tonnes)	
	total value	var.% 13/12	total value	var.% 13/12	total value	var.% 13/12
Venezia-Treviso	99,358	-4.9	10,579,186	0.5	45,662	11.5
Treviso - Antonio Canova	18,359	-9.5	2,175,396	-6.8	0	0.0
Venezia - Marco Polo	80,999	-3.8	8,403,790	2.6	45,662	11.7
Verona – Valerio Catullo	31,347	-13.0	2,719,815	-15.0	4,745	-4.9
Total	130,705	-7.0	13,299,001	-3.1	50,407	9.7

Source: Compiled by Unioncamere from Assaeroporti data

In contrast, the **passenger sector** showed a sharp fall. In particular, in 2013 there were nearly 422 thousand fewer passengers in transit at airports in Veneto than in 2012, a loss of -3.1 per cent. This negative result came after 3 years of growth, when it reached +18.7 per cent during the 2009-2012 period. The performance of air transport in Veneto was conditioned by the unfavourable situation of the internal market that has brought a strong decrease in domestic traffic. In addition to this, the regional airport system has been affected by the increasing difficulty to overcome the competition from ever more prevalent low-cost carriers and, the new phenomenon of recent years, the high-speed rail lines with important connecting routes in the country.

In spite of the negative performance of the regional airport system, the Marco Polo airport in Venice ended the year positively with an increase in passenger numbers equal to +2.6 per cent, with 8.4 million movements, taking fifth place in the national ranking for passenger traffic, after Rome Fiumicino, Milan Malpensa, Milan Linate, and Bergamo.

A weight on the Veneto airport system as a whole, which otherwise scored +0.5 per cent after the 8.9 per cent of 2012, was the reduced traffic at **Antonio Canova airport in Treviso** which suffered a contraction in movements of -6.8 per cent.

The **airport of Valerio Catullo in Verona**, which also operates the airport of Brescia, recorded an annual drop of -15 per cent with a loss of around 479 thousand travellers. In spite of the contraction compared to the previous year, in the last two months of the year there were positive signs, with an increase of domestic traffic of 5 per cent. In addition, in December, the charter recovered almost 90 per cent of its traffic compared to the previous month, due to the resumption of flights to the Red Sea. The 2.7 million passengers, of whom 1.8 million were international, had Catania as their favourite national destination with 235,850 passengers (+4%), whilst Rome, Naples, and Palermo lost passengers compared to the previous year. Among the favourite international destinations, the ones that stood out were: London (286,444 passengers; +12%), Frankfurt (130,216 passengers; 32%), Monaco (104,207 passengers; 8%) and Moscow (75,639 passengers; +112%). For 2014 some novelty is planned in terms of new traffic, with the addition of new flights to domestic destinations, as well as new European and intercontinental routes.

	2012	2013	Var.% 13/12
Movement of goods (tonnes)	25,349,248	24,411,377	-3.7
liquid bulk cargo	11,086,598	9,945,840	-10.3
solid bulk cargo	6,458,942	6,537,275	1.2
break bulk cargo	7,803,708	7,923,424	1.5
Movement of containers (TEU)	429,893	446,591	3.9
Movement of passengers	1,998,960	2,072,642	3.7
Cruise	1,739,501	1,841,477	5.9
Ships arriving	3,745	3,572	-4.6

Source: Compiled by Unioncamere Veneto from data provided by Porto di Venezia

In 2013 the **port of Venice** recorded an overall annual decrease in the movement of goods equal to -3.7 per cent, about 938 thousand tonnes less compared to 2012. The negative performance can be attributed in particular to liquid bulk traffic that lost 10.3 per cent with marked decreases in the movement of crude oil (-20.7%). Regarding the sector of solid bulk and that of general cargo, positive variations were recorded equal to +1.2 per cent and +1.5 per cent respectively. Within the negative variations, that of coal traffic (-22.9%) stood out. This was attributable to the cyclical trend of landings, related both to the storage capacity and the sourcing strategies of the terminal, as well as that of the Ro/Ro sector (-13.2%), which was frustrated by the economic crisis, in particular that of Greece, and the limitations imposed by the installation of the caissons of the MoSE levee system at the mouth of the port of Lido. The year ended positively for the two top sectors: the movement of containers (TEU) (+3.9%) reaching 446,591 TEU, and the movement of passengers (+3.7%) with an increase in cruise passengers equal to 5.9 per cent.

Table 20 – Port of Venezia. Movements of goods, containers, and passengers. Years 2012 and 2013

Between the four freight terminals of Veneto (Venice, Padua, Rovigo, and Verona), the **Interporto Quadrante Europa** in Verona registered the best performance, handling almost 6.8 million tonnes of cargo in 2013, sub-divided between containers, semi-trailers, swap bodies and traditional wagons. The goods transported by means of conventional rail transport amounted to 14,930 tonnes, directed mainly to Germany (74.4% of the goods), the Netherlands (8.1%), Denmark (6.3%) and Italy (4.4%).

Innovative and technological services

KIBS (Knowledge Intensive Business Services) represent a phenomenon that in recent years has increased its importance on a regional level as a factor of competitiveness and development. Despite the economic crisis, services with a high knowledge content have resisted the difficulties altogether, contributing to strengthen the innovation system of the region, both through the creation of innovative new businesses and by encouraging a network of innovative services which have benefited the entire entrepreneurial and social fabric of Veneto.

According to the latest available data, elaborated by EbicomLab, at the end of 2013 KIBS in Veneto have almost reached the threshold of **30 thousand local units**, a considerable figure that indicates a strengthening of the sector in years in which other sectors have manifested heavy contractions of activity and employment.

This result is the fruit of a heightened orientation towards innovation that characterises the predominant part of KIBS, and which enables them to better cope with the difficulties of a crisis that majorly affects traditional businesses. It is, in fact, the most innovative KIBS which highlight the best performance and which resist in the face of a general trend of falling demand, of orders, to the lengthening of times of payment, to the increasing requests from customers for new services as well as the improvement of existing ones.

From a survey of the Osservatorio Permanente on innovative services, edited by Fondazione Nord Est, it appears that in 2013 turnover for 63 per cent of KIBS either increased or remained stable compared to 2011. In this context, one third of KIBS signalled an increase of turnover, a result that rises to almost 40 per cent in the case of the most innovative companies.

If on one hand the KIBS have reacted to the crisis better than other types of business, on the other hand the future development of the sector depends on them overcoming some critical issues, such as there being a large majority which favour a regional/inter-regional (North East) relational system, whereas today an enlargement of their market at least to a European level is fundamental, initiating an adequate process of **internationalisation** of their services.

Even the networks between KIBS, for example, are modest if compared to what would be needed to address the **knot dimension** of many service enterprises and for managing issues relating to the penetration of new markets and new areas of development. The network, as an external form of growth and of competitiveness, not surprisingly interests to a greater extent the most innovative and dynamic KIBS, while those with more of a local vocation develop mainly *company-level* strategies.

Another crucial element is constituted by the capacity to develop new and more intensified **relations** with the public structure, with research centres, and with the areas of incubation present within the territory (Veneto, with three structures, is second after Lombardy for the number of certified incubation centres), with a

view to a greater clustering of relationships. In this sense, there exists an untapped potential of connection between different structures that slows down the innovative process. With new relational clusters it would, therefore, strengthen the regional system of innovation and encourage the growth of innovative start-ups, able to provide a continuous flow of new ideas, projects, skills, and opportunities, both sectorial and transversal. According to the most recent data elaborated by Infocamere, there were a total of 148 **innovative start-ups**¹⁵ in Veneto in February 2014, 8.4 per cent of the Italian total, placing our region in fourth place after Lombardy, Emilia Romagna, and Lazio.

Regions	total value	% Tot.	% Cum.
Lombardy	345	19.6	19.6
Emilia Romagna	200	11.4	31.0
Lazio	183	10.4	41.4
Veneto	148	8.4	49.8
Piedmont	137	7.8	57.6
Tuscany	125	7.1	64.7
Trentino Alto Adige	83	4.7	69.4
Italy	1,759	100.0	100.0

* Data updated to February 2014

Source: Compiled by EconLab Research Network from Infocamere data

Table 21 – Italy.
Distribution of innovative start-ups in the top Italian regions for significance. February 2014

Observing the period 2008-2013 a picture emerges of continuous growth of innovative enterprises, both for Veneto and for the North East. However, a comparison with the national average also highlights a potential for growth in the number of start-ups that is still untapped, in part due to insufficient relational fabric and of incubation that does not generate an effective system necessary to create an environment conducive to innovation, as instead is the case in the North West. In this area, the development of an innovative entrepreneurial fabric is further encouraged by an urban system, concentrated in a few poles, able to generate for businesses and for society those economies of scope, typical of the city effect, which lie at the base of the principal innovative phenomena in Europe. The additional challenge for innovative services is that of increasing **productivity** and developing more efficient and effective forms of organisation. Some KIBS are trying to recover productivity through the standardisation of the services they offer at the expense of the customisation of the same. Others instead focus on customisation in order to generate greater added value for the customer, with higher returns for themselves.

All this shows a great process of evolution within the sector of advanced services, the effects of which will be decisive for the future development of the regional economy, underlining how the KIBS will be increasingly at the centre of the socio-economic transformation that is underway within the regional economic system.

¹⁵ Here the term start-up is intended within the meaning of Legislative Decree no. 179 of 18th October 2012, converted into Law no. 221 of 17th December 2012

Table 22 – Italy, North-East, and Veneto.
Distribution of innovative start-ups. Years 2008-February 2014

	2008	2009	2010	2011	2012	2013	2014*	Total
Veneto	1	10	16	16	35	65	5	148
North-East	3	26	45	73	112	198	33	490
Italy	5	96	158	248	389	738	125	1,759

* Data updated to February 2014

Source: Compiled by EconLab Research Network from Infocamere data

Artisans and small enterprises

At the end of 2013 the number of **active artisan enterprises** in the Veneto region amounted to 135,209 units. The by now persistent negative trend of recent years (-0.5% in 2008, -2.2% in 2009, -0.4% in 2010, -1.1% in 2011, and -1.9% in 2012) was further confirmed in 2013, with a reduction in the number of businesses of as much as 3,275 units (-2.4%).

In terms of individual **sectors** of regional artisan activity, the two most significant aggregations (manufacturing and construction, which together represent 2/3 of the total number of craft enterprises operating in Veneto) both confirmed a decrease: -2.6 per cent in manufacturing and -3.6 per cent in construction. There were also decreases for the enterprises active in other artisan sectors, albeit with a lower numerical importance inside the segment. In 2013, in fact, there were negative performances in the enterprises of transport services, logistics and warehousing (-3.3%), personal services (-4.2%), and agriculture, forestry and fishing (-1.6%). Businesses operating in the retail and repair of motorcycles (-0.1%) and in financial and insurance services, on the other hand, remained unchanged. There were marked contractions for enterprises engaged in the extraction of minerals (-10.4%), real estate activities (-15.8%), and in public utilities (-5.5%), however these represent a tiny proportion of artisan activity, at the limits of relevance (0.1% and 0.2% of the total).

Some tertiary sectors, however, showed positive performances, among which: +4 per cent for rental activities, tourist services, and business support services; +0.7 per cent for lodging and catering services¹⁶; +0.3 per cent for advanced business support services; +1.6 per cent for media and communication services.

With regard to the **legal form** of enterprises, the results for the year once again underlined an expansive trend for capital companies (+4.1%), which for artisans are limited liability companies (Ltd.). Downward variations were instead registered for partnerships (-2.3%) and for sole traders (-2.9%), which, despite repeated reductions, together continue to represent the most prevalent legal form of regional artisan enterprises (73.2%). Cooperatives and other forms also registered a modest growth (+1.1%).

¹⁶ In this sector, it should be stated, in homage to the law 443/1985 which regulates the artisan, concentrated principally on the activity of the “preparation of foods for take-away, ice cream shops, and patisseries.”

	Enterprises active		Var. 2013/2012		% total
	2012	2013	%	v.a.	
Agriculture, forestry, and fisheries	1,455	1,432	-1.6	-23	1.1
Mineral extraction	77	69	-10.4	-8	0.1
Manufacturing activity	36,808	35,850	-2.6	-958	26.6
Public utilities (electricity, gas, water, environment)	256	242	-5.5	-14	0.2
Construction	55,486	53,464	-3.6	-2,022	40.1
Sale and repair of motorcycles	6,834	6,830	-0.1	-4	4.9
Transportation, logistical, and warehousing services	9,787	9,461	-3.3	-326	7.1
Accommodation and catering services	4,020	4,048	0.7	28	2.9
Media and communication services	1,019	1,035	1.6	16	0.7
Financial and insurance services	18	18	0.0	0	0.0
Real estate activities	38	32	-15.8	-6	0.0
Advanced business support services	2,183	2,189	0.3	6	1.6
Rental activities, tourist services, and business support services	3,360	3,494	4.0	134	2.4
Private instruction and training services	193	189	-2.1	-4	0.1
Health, social assistance, and private health services	120	121	0.8	1	0.1
Personal service activities	551	528	-4.2	-23	0.4
Miscellaneous activities	16,025	16,018	-0.0	-7	11.6
Unclassified enterprises	254	189	-25.6	-65	0.2
Legal form					
Capital company	8,150	8,486	4.1	336	5.9
Partnership	28,765	28,093	-2.3	-672	20.8
Sole trader	101,307	98,365	-2.9	-2,942	73.2
Cooperative and other forms	262	265	1.1	3	0.2
Total	138,484	135,209	-2.4	-3,275	100.0

Source: Compiled by Unioncamere Veneto from Infocamere-Movimprese

As for the **main economic indicators**, the data collected within the scope of the sample survey carried out by Confartigianato Veneto reported a new contraction in **turnover** (albeit more contained compared to the -16.7% in 2012) equal to -3.1 per cent. The fall was more intense for businesses providing personal services (-5.1%), and in construction (-3.4%). Specifically, manufacturing firms also suffered a reduction of **production** (2.5%) as well as of **orders** (-1.8%).

	Production *	Turnover	Orders *
Manufacturing	-2.5	-2.4	-1.8
Building/Construction		-3.4	
Services to businesses		-2.4	
Services to persons		-5.1	
Total for sectors	-2.5	-3.1	-1.8

* refers solely to manufacturing enterprises

Source: Osservatorio Congiunturale sull'artigianato Veneto – Confartigianato Imprese Veneto

Also **from the point of view of employment**, downward values continued to be registered, confirming the downward trend of the last four and a half years. In 2013, the fall in employment was equal to -2.8 per cent, slightly less marked than the decreases in employment of 2009 (-5.2%) and 2012 (-4.5%), but higher than those of 2010 (-1.3%) and 2011 (-0.6%).

The downturn has affected all three macro sectors without distinction, albeit with different levels of intensity: -2.4 per cent in manufacturing, -3.8 per cent in construction, and -2.8 per cent in tertiary services. Even at the level of individual

Table 23 – Veneto.
Active artisan enterprises by sector and legal form. Years 2012 and 2013

Table 24 – Veneto.
Principal economic indicators of artisan and small enterprises (% variation from previous year). Year 2013

sectors we notice a general downward trend: the sectors most affected are those of food (-5.4%), construction (-3.9%), plant engineering (-3.6%), and personal and other services (-3.8%). All the sectors therefore show, albeit with some rarefied exceptions, strong difficulty at coping with a situation that, for more than half a decade, has not seemed to show signs of inverting its trend: strategic interventions of a legislative nature and of credit support are ever more necessary to benefit the entire regional economy.

Table 25 – Veneto.
Salaried employment in
artisan enterprises (%
variation from previous
year). Years 2009-2013

Category	2009	2010	2011	2012	2013
Food	0.7	4.2	0.3	-3.0	-5.4
Textiles, Clothing, Footwear	-6.8	-3.3	0.8	-5.6	-2.4
Wood	-5.2	-4.7	-2.1	-5.6	-2.6
Graphics	-3.8	-0.1	-3.5	-5.4	-0.2
Ceramics, Chemicals, Glass	-5.6	-0.6	1.0	-1.2	-3.0
Mechanics	-8.7	0.5	0.4	-1.9	-1.5
Other manufacturing	-4.3	-5.1	-1.6	-3.5	-3.5
Total Manufacturing	-6.3	-1.0	-0.1	-3.2	-2.4
Building	-6.1	-5.9	-4.4	-9.4	-3.9
Plant engineering	-3.0	0.0	-2.2	-4.7	-3.6
Total Construction	-4.8	-3.3	-3.4	-7.2	-3.8
Repair of motorcycles	-0.1	0.3	0.7	-4.5	-2.5
Services to persons and various	-3.1	-1.6	0.1	-5.3	-3.8
Transport	-2.4	2.9	3.9	-7.0	-1.3
Total Services	-2.1	0.2	1.3	-5.6	-2.8
Total	-5.2	-1.3	-0.6	-4.5	-2.8

Source: Confartigianato Imprese Veneto – Bs consulting

4. Focus: dynamics and perspectives of the national public accounts and of the local administrations of Veneto¹⁷

The exit from the procedure for Italy's excessive deficit, which took place in the spring of 2013, undoubtedly represents a positive element but that, however, constitutes merely one step along the path of consolidation of national public accounts.

The recent Stability Law (Law no. 147 of 27th December 2013) has laid the foundations for the framework of public accounts for 2014. Perspectives on national public finances for the current year are contained in a recent publication of the Accountant General of the State: this document, entitled "Nota tecnico-illustrativa alla Legge di Stabilità 2014" (Technical-illustrative notes to the Stability Law 2014), provides the programmatic framework for national public accounts for the three years 2014-2016, integrated with the effects of the provisions contained in the recent Stability Law.

According to what is reported in the cited paper, in 2014 the **net debt** should improve compared to the previous year, going from -3 to -2.5 per cent of GDP. The primary balance, calculated as the difference between revenue and final expenditure of public administrations, net of interest expenses, is expected to stand at 2.9 per cent of GDP, improving by seven-tenths on the GDP data of 2013. The European Commission, however, outlines a less flattering picture as regards the public debt, which is expected to grow from 132.6 per cent in 2013 to 133.7 per cent in 2014.

For the current year there is expected to be a slight downsizing of **public expenditure** in terms of its impact on GDP, the overall output of the Public Administration should decrease compared to 2013, to stand at 50.9 per cent. It should be noted that since 2009 the level of public expenditure in Italy has been consistently higher than the threshold of 50 per cent of GDP. The expected decrease of public expenditure is attributable to the decrease of personnel costs for the Public Administration (the earnings of salaried employees), and of intermediate consumption: the first aggregate is expected to fall from 10.5 to 10.1 per cent of GDP, while the second should fall from 8.3 to 8.1 per cent of GDP.

After years of continuous growth, **spending on social benefits**, comprising pensions and social assistance, should give the first signs of stabilisation (20.6% of GDP). Social benefits constitute the main aggregate of Italian public expenditure: in 2004, this item absorbed 39 per cent of primary public spending (net of interest expenses), with the share growing progressively over the following ten years until it reached 45 per cent. Gross fixed investments should not differ significantly from the values of 2013: in 2014, in fact, the aggregate should reach 1.9 per cent of GDP, an increase of 0.2 percentage points compared to the previous year.

As regards the **fiscal pressure**, the programmatic framework of the public accounts for 2014 outlines a growth compared to the levels of the previous year.

¹⁷ For the preparation of this study, reference was made to the following texts:

- . European Commission (2014), European Economic Forecast. Winter, 2014, February
- . ISTAT (2014), GDP and indebtedness AP. Years 2011-2013, communiqué of 3rd March 2014
- . Ragioneria Generale dello Stato - General Accounting Office of the State (2014), Note on the technical and Illustrative the Stability Law 2014 "Veneto Region (2013), Budget estimates for the financial year 2014 and multiannual 2014-2016, Report to the DDL of the initiatives of the Regional Government of 16th December 2013.

In fact, the amount of tax revenues expressed in relation to GDP should increase from 43.8 to 44.3 per cent; a level not seen in the last twenty five years. Similarly, the tax burden, which is the aggregate of the difference in the tax burden not including social contributions, is expected to result in an increase compared to 2013, reaching 30.6 per cent of GDP.

Table 26 – Italy.
Principal indicators of
public finance (in
percentual on GDP).
Years 2012, 2013, and
2014

	2012	2013	2014
Net debt	-3.0	-3.0	-2.5
Primary balance	2.5	2.2	2.9
Public debt *	127.0	132.6	133.7
Public expenditure	51.1	51.2	50.9
Income from salaried employe	10.5	10.5	10.1
Intermediate consumption	8.4	8.3	8.1
Social benefits	19.9	20.5	20.6
Gross fixed capital investments	1.9	1.7	1.9
Fiscal burden	44.0	43.8	44.3
Tax burden	30.2	30.0	30.6

(*) For 2014: EU Commission, “European Economic Forecast. Winter 2014”

Source: Compiled by Centro Studi Sintesi from data provided by ISTAT and Ragioneria Generale dello Stato

The **local administrations** have contributed significantly to the path of consolidation of the national public accounts. The excess required of Regions, Provinces, and Municipalities from the major financial manoeuvres approved between the summer of 2010 and last December amounted, at the end of 2013, to 23.9 billion Euros. This amount (net of interventions on health spending) is projected to grow further in 2014 until it touches 25.5 billion Euros.

In particular, the financial assistance allocated to the regions is set to increase significantly. The Stability Law for the year 2014, in fact, has ordered a tightening of 1 billion Euros of the Internal Stability Pact of the Regions (700 million borne by the ordinary regions and 300 million borne by the Regions with special statutes). This new provision will produce a lowering of the spending cap that the Regions are obliged to respect in order to avoid the excess of the Internal Stability Pact. In Veneto, this measure will result in a new regional narrowing of Regional spending to 75 million Euros (equal to 15 Euros per inhabitant). In the last years the maximum spending limit, net of spending on public health and the granting of credit, granted to the Region of Veneto has been reduced by almost 550 million Euros. The setting of the **Stability Pact of the Regions** is still affected by the spending levels of the past; specifically, the financial contribution required from each Region is determined in proportion to the average spending recorded in recent years. In the notes that accompany the draft law relating to the Budget estimate for 2014 of the Veneto Region, the distortions in the system described above clearly emerge. The ceiling of average cash in the period 2007-2013 is equal to Euros 381.7 per capita in Veneto, compared to 1,136 Euros in Basilicata and 1018.7 Euro's in Molise; similarly in the same period, the ceiling of expertise is equal to Euros 455.5 per capita in the Veneto region, compared to 1,292.4 Euros of Basilicata and 1,183.2 Euros of Molise.

In 2013, a first step was made towards overcoming the “historical” criteria of apportioning between the Regions of the resources destined for the financing of health care. On the 26th July 2013, the Ministry of Health, on the basis of what is provided in the legislation, identified the five best Regions in the field of health care, namely those capable of guaranteeing the provision of the LEA in conditions of economic equilibrium, as well as of respecting the criteria of the quality of the services provided, appropriateness and efficiency: these are, in order, Umbria, Emilia Romagna, Marche, Lombardy, and Veneto. The legislation provides that, within the *rosa di cinque Regioni* (“The Rose of Five Regions”), the State-Regions Conference identifies three that will constitute the benchmark for the allocation of health needs. For the year 2013, the State-Regions Conference (in the session of 5th December 2013) chose Umbria, Emilia Romagna, and Veneto. However, since the agreement between the Regions was signed in December, the first application of the standard costs could only be applied to the last few months of 2013. It is estimated that Veneto region, thanks to the adoption of this methodology, has obtained about 43 million Euros more: in fact, with the full application of past criteria, Veneto would have received 8.435 million in 2013, whilst, with the standard costs, the allocated resources amounted to 8.478 billion Euros. The needs of Veneto were subsequently supplemented with an additional 18 million Euros “reward share”.

With regard to the **Provinces**, there were no new restrictive measures for 2014 with respect to the cuts already made over the last few years: in the final analysis, the value of the manoeuvres undertaken from 2010 to 2013 for the Provinces of Veneto remains at the level of the previous year, with an amount equal to 135.2 million Euros (an average of 27 Euros per inhabitant). The consolidation of the financial assistance required from the provinces is likely attributable also to the special institutional and regulatory framework, characterised by numerous commissariats agencies, pending the launch by the Parliament of provisions that should “downgrade” to second level agencies with a widely reduced sphere of administrative functions compared to the current situation.

The financial structure of the **Municipalities** also presents for 2014, numerous points of uncertainty and criticality. In the course of 2013 further restrictive manoeuvres to be borne by the municipal finance have not been adopted; however, in 2013 and in 2014, the financial effects of certain measures approved in the recent past will fully develop. In particular, we refer to the decree on *Spending review* (Legislative Decree no. 95 of July 6th 2012) and to the Stability Law for the year 2013 (Law no. 228 of 24th December), which overall have ordered the reduction of resources for municipalities of 500 million in 2012, 2,250 million in 2013, and 2,500 million in 2014. Considering also those provisions, the cumulative cut in resources to the Municipalities of Veneto (relative to the manoeuvres approved since the summer of 2010) should rise from 458.7 million Euros in 2013 to 475.8 million Euros in 2014, therefore in the current year the Municipalities of Veneto will suffer a reduction in resources of around 17 million Euros compared to 2013. The reduction of resources between 2011 and 2014 appear to have been most significant for the Municipalities of Venice (128 Euros per inhabitant) and Verona (108 Euros), whilst they had a relatively contained effect on those in the provinces of Rovigo (75 Euros per inhabitant) and Treviso (77 Euros). This situation is attributable to the fact that the *manoeuvre in the summer of 2010* (Legislative Decree no. 78 of 31st May), ordered a reduction in transfers of 2.5 billion Euros (equal to 40% of the total cuts to municipal Administrations), borne exclusively by municipalities with populations greater than 5,000 inhabitants; it follows then that the provinces less penalised by the manoeuvre tend to be those that are

characterised by the presence of many urban centres of a contained demographic dimension.

The framework of municipal finance in 2014 will be characterised by the application of the IUC (single municipal tax), provided for by the recent Stability Law (Law no. 147 of 27th December 2013). This new municipal tax is divided into TARI and TASI; the former is intended to cover the cost of waste collection services, while the latter is aimed at guaranteeing resources for the essential services of the Municipalities. The basic rate of TASI was fixed at 1 per thousand: with respect to principal residences, the maximum rate in 2014 can not exceed the ceiling of 2.5 per thousand, while for production and commercial real estate the overall imposition (IMU + TASI) can not exceed 10.6 per thousand.

Table 27 – Veneto.
Reduction in resources to
the Municipalities set by
the financial manoeuvres
of the period 2010-2013.
Detailed by province.
Years 2013 and 2014

	Millions of Euros		Euros per inhabitants	
	2013	2014	2013	2014
Belluno	18.7	19.6	88	92
Padua	81.5	84.2	87	90
Rovigo	17.9	18.5	72	75
Treviso	66.8	68.7	75	77
Venice	105.6	110.4	122	128
Verona	95.4	99.2	104	108
Vicenza	72.8	75.2	84	86
Veneto	458.7	475.8	93	96

Source: Compiled and estimated by Centro Studi Sintesi from data provided by the Ministry of the Interior

Starting from 2014, the TASI replaced the IMU on principal residences: despite a base rate that at present is contained, there is a risk that for some owners of first homes, TASI is more onerous than IMU. In fact, the TASI does not provide for the application of the fixed deductions (of 200 Euros basic with an additional 50 Euros for each child) that characterised the regulatory system of the IMU. In order to fund the tax relief for principal residences, the decree “Save Rome-ter” (Legislative Decree of 6th March 2014, no. 16) enabled Municipalities to increase the TASI rate to 0.8% above the maximum level currently laid down by the law, with the possibility of adjusting the margin between principal residences and other real estate. The risk is that possible increases will primarily concentrate on real estate destined for production and commercial use, as is already partially the case with the IMU. It is estimated that the application of the base rate of the TASI (1 per thousand), would increase the levy borne by Veneto productive real estate on average by 12 per cent compared to 2013; hypothesising the adoption of the increase of 0.8 per cent over the maximum level (TASI+ IMU = 11.4%), the levy on the shops, artisan workshops, and factories of Veneto could increase on average by 34 per cent compared to the IMU paid in 2013.