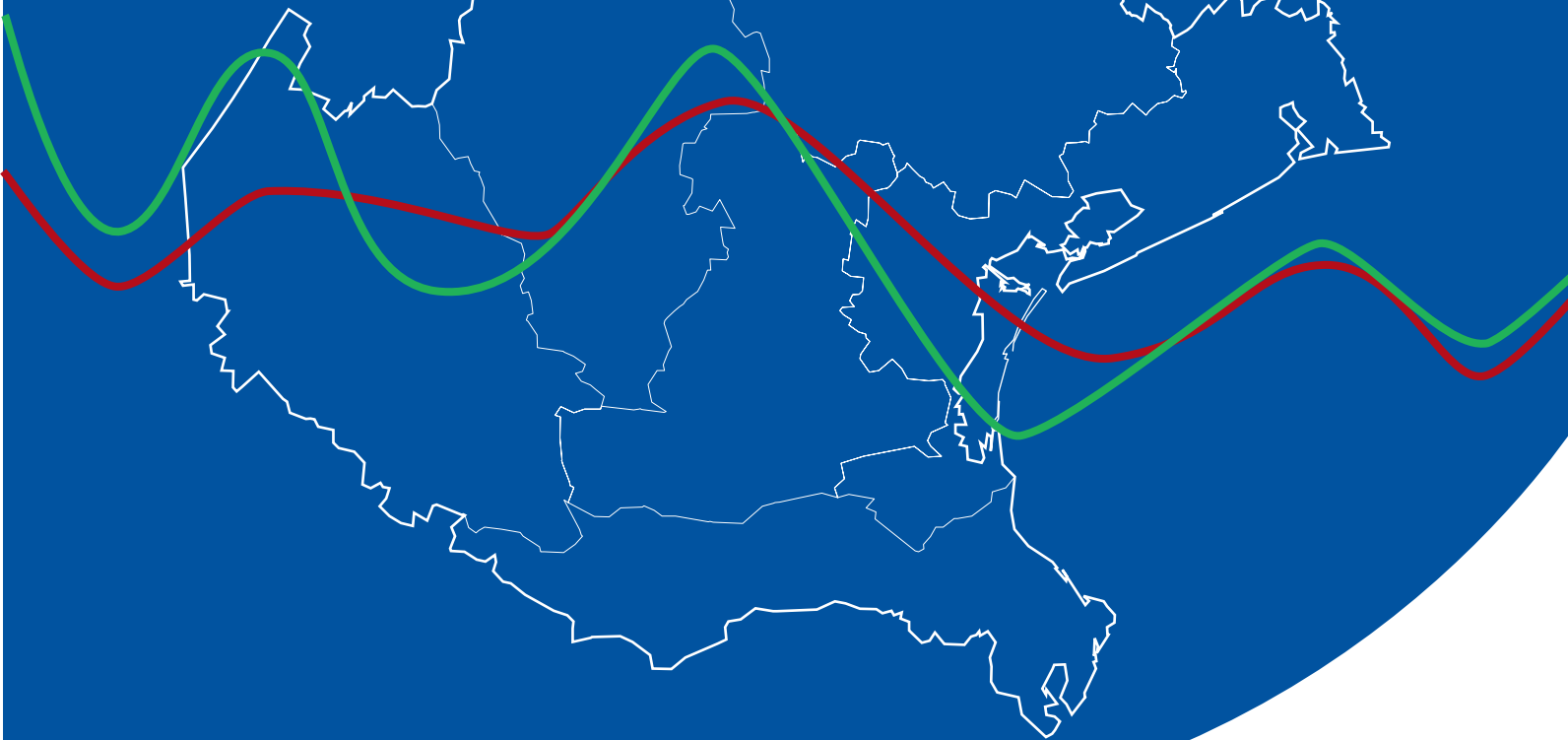


Veneto 2008

Economic report



Unioncamere
Veneto



Economic and social research centre

This presentation of the initial data on the economy of the Veneto region, which has now reached its ninth edition, is an important appointment in the panorama of regional economic information.

Upon reading the data, graphs and tables attentive readers will be able to understand the direction taken by our regional economy, which in terms of turnover, GDP and employment, remains solidly at the forefront in national and European rankings.

2007, in fact was another positive year, since Veneto's economy rose by 2.1% following 2006's good performance of 2.5%.

The stability of the agricultural sector was accompanied by growth in manufacturing and services, thanks to the favourable development of the tourist industry. This report reveals also that the Veneto is undergoing an 'epochal change' in its economic structure, with services taking the lead and accounting for 63% of the regional GDP.

Forecasts for 2008, on the other hand, estimate a growth of between 1.2 and 1.6%.

In addition to guarding their share of world markets Veneto companies are constantly committed to entering new ones, both in countries with advanced economies as well as in emerging countries. It is estimated that exports grew by 7% in 2007, which corresponds to a total of 49.5 billion Euro. Germany is still our best performing trading partner, followed by France and the United States. Also exports towards the Russian Federation experienced strong growth in 2007 and were up 31.3% compared to the previous year, letting the country rank sixth in the destinations of Veneto's exports.

This confirms that our Region will increasingly play a role as a connection between Italy and Europe.

Venice, March 2008

FEDERICO TESSARI

Chairman of Unioncamere del Veneto



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Introduction

Key economic indicators reveal that the Veneto region maintained a trend of positive growth in 2007, albeit more modest compare to the previous year.

According to the forecasts of the leading national and international statistical offices, the Italian economy is experiencing a slowdown: growth estimates for 2008 range from +0.7 percent expected by the EU Commission and + 1.1 percent forecast by OECD, with obvious repercussions also for economically sounder regions. It follows that if Italy's economy as a whole is suffering, Veneto's regional economy cannot but be adversely affected.

This is the somewhat paradoxical situation suggested by the initial data on the regional economy. Of course, if the economic performance of the Veneto alone is assessed and compared to that of other Italian regions, the outlook is positive. The regional GDP in 2008 is expected to grow by 1.2 -1.6 percent, which is above the national average and just a step behind Friuli Venezia Giulia, the best performing Italian region.

Indeed Northeast Italy (called Triveneto and consisting of the three regions Veneto, Trentino-Alto Adige/Südtirol, and Friuli-Venezia Giulia) is the only area of the country which experienced growth in labour productivity and employment rate. On the demographic and social side, the Veneto witnessed an increase in the birth rate, thanks to the higher fertility rate and the improved social integration of the immigrant population. As for efficient immigration policies the Veneto ranks second in Italy after South Tyrol.

However, the Veneto is not a separated island, but part of a country-system, or better said, of a country that has not succeeded in creating a consistent system yet. Sixty years after the Italian Constitution entered into force and five years after the reform of its Title V, Italy is experiencing considerable delay in developing into a modern state. The constantly precarious government budgetary position, the high cost of Public Administration, the growing costs of state bureaucracy and politics, the failure to implement federalism are all factors that produce extremely high burdens and inevitable detrimental side effects for the economic development of the country as a whole and the better performing regions.

An efficient and effective public administration is a decisive factor in sustaining the competitiveness of the country. Improved allocation of human and financial resources in the public administration, in fact, would contribute to improving the stability of the public accounts and, at the same time, would free up resources for economic development.

Creating a more favourable environment for the development of enterprise in order to favour the growth of the regional economic system is the most important institutional objective of Unioncamere del Veneto. But to achieve this objective, we need a system that valorises subsidiarity, regional and local autonomy, decentralisation, federalism and an efficient central state administration.

How, in fact, can we face world competition in our day and age if our overall system is not competitive? Or if regional businesses have to bear higher costs for state bureaucracy than their competitors in other countries, with fewer services provided by the state in return?

Today's Italy, where the Veneto is located, is moving away from Europe : Italian politics and the bureaucracy are not succeeding in following and accompanying the pace of change. To be at the top (or almost at the top) of Italy's regional rankings is a virtue that serves no actual purpose for the Veneto; on the contrary, it will probably not save the Veneto from the inexorable decline of the Italian economy.

What Veneto businesses really need is less bureaucracy, more efficient public services and more functional schools and universities, as well as more suitable infrastructures. These are all instances that urge Chambers of Commerce – as an institutional actor in charge of promoting the local economic development – to take action in support of the productive system, sharing strategic priorities with the relevant stakeholders, associations and institutions.

Again this year, this report prepared by Unioncamere del Veneto is intended to help interested parties reflect upon the future of the regional economic system, through an assessment of the local economic trends based upon facts and figures.

The following pages illustrate in a concise manner the structural trends followed by Veneto's economy in 2007, attempting to bring out the points of strength and weakness of a region that must look towards entrepreneurial development and the well being of its citizens.

Venice, March 2008

Gian Angelo Bellati
Director Unioncamere del Veneto

1. The international economic context

Following the positive result of 2005 and the economic boom of 2006, in 2007 the global economy recorded a slowdown both in terms of global GDP and trade. This is demonstrated by the latest information available, which indicates an increase of 4.9% in global GDP and 6.6% in global trade (chart 1).

The slowdown was expected and had been signalled by a few indicators, although forecasts at the beginning of the year suggested that 2007 would be another year of intense and extensive economic expansion, following the trend of the last four-year period.

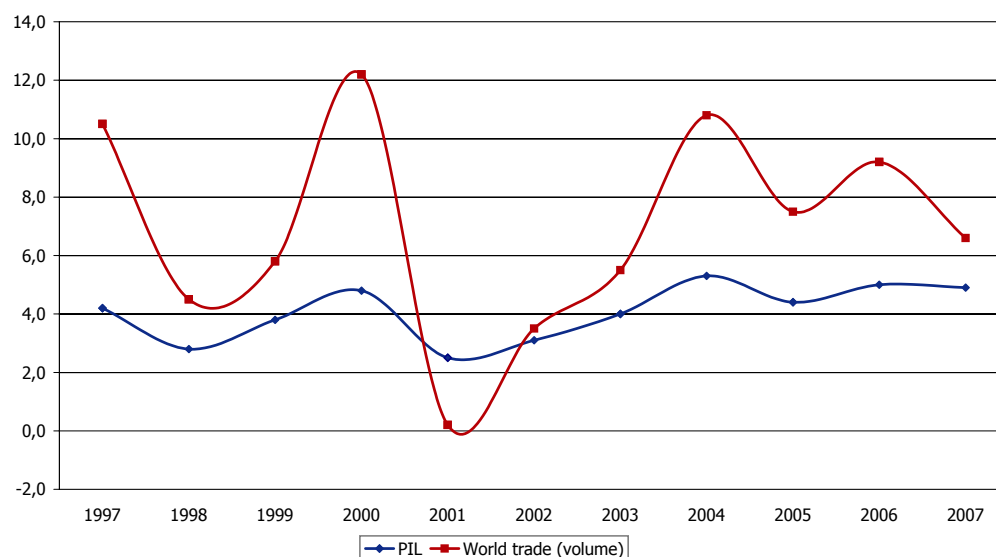
The world-wide macro economic scenario, which at the end of the second quarter of 2007 still showed extensive growth in all geographic areas and was in line with the trend recorded over the previous four years, changed dramatically in Q3 and was (and still is) heavily affected by two key elements. Firstly, the sudden (but not unexpected) crisis in the U.S. subprime mortgage market, which had immediate repercussions on financial markets and economic growth, with evident adverse effects also in Europe and Japan. Secondly, the strong rise in the price of raw materials, energy and foodstuffs, due to a variety of factors, including the high demand from emerging countries.

The global GDP grew by 4.9% in 2007

In the span of only a few months the world has gone from a climate of confident optimism to a situation of great uncertainty regarding the future, with growth estimates being revised down and inflation estimates being revised upwards.

The deceleration in the U.S. economy is therefore the root cause of the slowdown in the world economy. After years of uninterrupted growth, in 2007 the U.S. economy suddenly put on the brakes, confirming the signs of slowdown that had already emerged in 2006 (Table 1). Affected by a sluggish fourth quarter (+0.6%), the US GDP recorded an average annual increase of 2.2 percent (it was 2.9% in 2006). This figure reflects the crisis in the banking system, which was triggered in mid-year by the halt in the real estate market and the crack of sub-prime mortgages, with a domino effect on household expenditure, production and ultimately on jobs. To make matters worse, the current economic situation contributed to the peak in inflation (over 4%), generated by the increase in energy costs (+17% in one year), pushed up by the rise in crude oil due to the joint effect of the weak dollar and the strong demand from emerging economies, with China in the forefront.

Chart 1 - Volume of world GDP and world trade (% change over previous year). Years 1997-2007



Source: IMF data processed by Unioncamere of Veneto

And it is precisely the Asian driving engine that balances the growth in the world economy. Pushed by exports, in 2007 the Chinese economy expanded at a rate of 11.4%, touching the highest value in the last decade, despite the fact that the increase in international prices for foodstuffs and energy pushed inflation to record levels since 1996 (+4.5%). Growth also continued in other emerging countries, such as Brazil, Russia and India, where it was supported primarily by consumption and investments. Benefiting from the increase in exports and the increase in fixed investments, Japan's GDP recorded an increase of 1.9 percent in 2007, confirming the trend recorded in recent years, against modest dynamics of domestic demand.

Growth in the Eurozone continued also in 2007. Despite the slowdown in the last quarter, the year wound up with a 2.6 percent increase in the GDP, in line with 2006's results and slightly lower than the EU-27 growth rate (+2.9%).

Global trade chalked up
a 6.6% increase

However when analysing the leading economies in the area, a differentiated cyclical picture emerges. Growth is sustained primarily by Germany, which recorded an increase of 2.5 percent, acting as a locomotive for the entire European economy. Spain also continued its trend of growth, winding up 2007 with an average annual growth of +3.5 percent. Due to the unfavourable progress in exports, France recorded more modest growth of +1.9 percent, while across the English Channel the United Kingdom continued to expand and grew by 2.9 percent.

After filling the growth gap, in 2007 the Eurozone finally surpassed the United States (it had last happened in 2001), a lead which could in any case turn out to be short-lived. The financial turbulence caused by the American mortgage crisis and the continuous increase in oil and raw materials prices could adversely affect the European economic growth, slowing down the pace of the last two-year period.

Table 1 - Dynamics of the real GDP in several countries (%change over previous year). Years 2005-2007

	2005	2006	2007			% GDP
			Imf*	Oecd	Eurostat	
World	4,8	5,4	4,9	-	-	100,0
Advanced economies						
United States	3,1	2,9	2,2	2,2	2,2	19,7
Euro Area	1,5	2,8	2,6	2,6	2,6	14,7
Germany	0,8	2,9	2,4	2,6	2,5	3,9
France	1,7	2,0	1,9	1,9	1,9	2,9
Italy	0,1	1,9	1,7	1,8	1,5	2,7
Spain	3,6	3,9	3,7	3,8	3,5	1,8
Japan	1,9	2,2	1,9	1,9	2,4	6,3
United Kingdom	1,8	2,8	3,1	3,1	2,9	3,2
Emergent economies						
China	10,4	11,1	11,4	11,4	-	15,1
India	9,0	9,7	8,9	8,8	-	6,3
Russian Fed.	6,4	6,7	7,0	7,3	-	2,6
Brazil	2,9	3,7	4,4	4,8	-	2,6

* WEO Update (January 2008); in italic WEO (October 2007)

Source: 2005-2006 data: IMF; estimates 2007: IMF, OECD; Eurostat

2. The national economic outlook

Also Italy was adversely affected by the weak economic situation, more than the rest of the Eurozone. The Italian economy, which was already performing modestly in the late spring of 2007, closed out the year in a phase of slowdown, due to the rocketing oil prices and a weak world economy troubled by the U.S. mortgage crisis. This reduced the margins for optimism of the leading statistical offices and research institutes.

As a result, after the remarkable growth recorded in 2006, forecasts formulated during 2007, which initially had estimated a GDP growth of around 1.5 percent, had to be reassessed several times.

After having forecast a growth rate of 2 percent for 2007, in December the OECD¹ corrected their growth estimates downwards to 1.8 percent. The IMF² instead, estimated a growth rate of 1.5 percent in the spring and revised the estimate upwards to +1.8 percent in autumn – slightly less than the Italian Government's³ and European Commission's⁴ forecasts, both of which settled in at 1.9 percent.

According to the final data published by Italy's national statistical office ISTAT at the end of February, average GDP growth in Italy in 2007 was 1.5 %, marking a deceleration compared to the 1.8 % of the previous year⁵. Nevertheless, public accounts showed significant progress: net borrowing (deficit) decreased from 3.4 to 1.9 %, while the primary surplus grew from 1.3 to 3.1%. The tax load hit a new record, amounting to 4% of the GDP in 2007, the highest value since 1997, when the so-called 'Euro tax' was introduced.

Thus, Italy slowed down, although it maintained a growth rate above the average performance of 1.1 % per year recorded at the beginning of the decade. But there is still a considerable gap between Italy and the rest of the Euroland: more than one percentage point compared to Euroland's growth rate of 2.6%. So the distance between Italy and the leading countries in Europe (Germany, France and Spain) and world-wide (United States and Japan) is growing.

The weak growth rate concerned the domestic components of the GDP in particular. The acceleration in the prices of energy products and foodstuffs and the more restrictive financing conditions contributed to the slowdown in domestic demand during the second half of the year. Consequently, the bottom line in the growth of consumption in 2007 stopped at 1.4 %, while investments increased by only 1.2 %. Despite the strong revaluation of the Euro against the dollar, foreign demand showed surprising dynamics: in 2007 exports of goods and services recorded an overall increase of 5 %, compared to the 4.4% growth in imports.

With regard to product categories, in 2007 the GDP growth in real terms was supported by industrial sectors (+0.8%), construction (+1.6%) and services (+1.8%), with no contribution coming from the agricultural sector.

Italy recorded a deceleration in 2007 compared to the previous year: ISTAT data indicates a growth of +1.5%

1 OECD, *Economic Outlook (May and December 2007)*.

2 IMF, *World Economic Outlook (April 2007 and October 2007)*.

3 *Programme Forecast Report (September 2007) and Italian Stability Programme (November 2007)*.

4 *European Commission, Economic Forecast (November 2007)*

5 *In addition to the estimates for 2007, the ISTAT published their revised estimates of GDP growth for the 2004-2006 period, made in compliance with EU regulations (compare www.istat.it). In particular, the growth in the GDP in 2006 was reduced by a tenth of a point (it had been estimated at +1.9%).*

Industry and construction supported GDP growth in 2007

In 2007, the employment (expressed in labour units net of workers receiving unemployment benefits) rose by 1%, due to the increase of 1.5% recorded by the employed component, which balanced the contraction of -0.4 % in the self-employed component of the labour force. In terms of sectors, the total number of jobs increased in the construction industry (+2.4%) in services (+1.1 %) and in the manufacturing industry (+ 0.9%), against a contraction of 2.9% in the agricultural sector.

Table 2 - Main economic indicators in some Italian regions (% change over previous year). Year 2007

	GDP*	Domestic demand*	Household consum.*	Gross fixed invest.*	Exports*	Employment
Piedmont	2,1	2	1,6	4,5	4,6	0,6
Lombardy	2,2	2,0	1,8	3,4	3,5	0,7
Veneto	2,1	2,1	2,4	2,3	3,5	0,8
Emilia Romagna	1,9	2,8	2,6	4,8	2,9	1,8
Tuscany	1,1	2,1	1,9	3,9	2,4	0,3
North-west	2,1	2,1	1,7	4,1	3,9	0,8
North-East	2,0	2,3	2,5	3,0	3,2	1,2
Centre	1,5	1,8	2,0	2,2	1,6	2,5
South	1,4	1,6	1,1	4,3	1,4	0,0
Italy	1,5	1,4	1,4	1,2	5,0	1,0

* data for region and division are Unioncamere estimates

Source: Istat, Unioncamere-Prometeia, "Scenari di sviluppo delle economie locali" (December 2007)

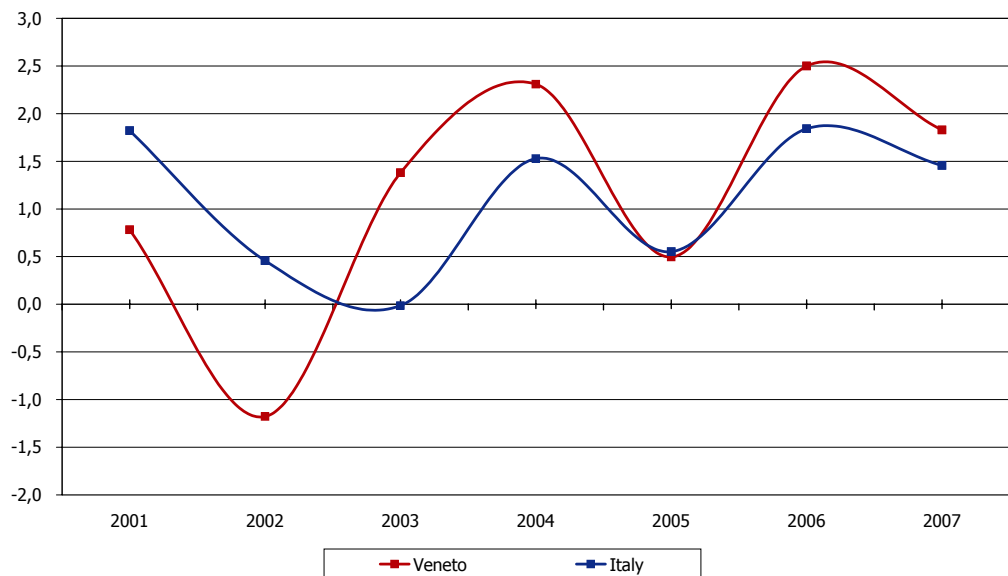
3. The Veneto economy in 2007

In line with the rest of the country, the Veneto maintained a trend of growth in 2007, albeit more modest than in the previous year. According to the estimates published by the Italian Association of Chambers of Commerce (Unioncamere italiana), the regional GDP at constant prices recorded an increase of 2.1% over 2006, six tenths of a point above the growth rate recorded in Italy. Following the flat dynamics of 2005 (+0.5%) and the boom recorded in 2006 (+2.5%), the forecasts for 2007, which estimated a growth rate of 2% in May, were revised upwards during the course of the year, settling in at just above 2% at the end of the year. The forecasts formulated by Prometeia were less optimistic, estimating a growth rate of 1.8% for the Veneto and 1.9% for the Northeast (Chart 2). Despite the worrisome signs coming from the most important advanced economies, with the United States at the head of the list, the Veneto economy overall wound up the year once again with growth and positive results in all sectors of the economy, especially in industry and tourism.

According to the Italian Association of Chambers of Commerce, Veneto's GDP increased by 2.1%

Compared with other regions (Table 2), the regional rate of growth was greater

Chart 2 - GDP in the Veneto and in Italy (% change over previous year). Years 2001-2007



Source: Prometeia and Istat data processed by Unioncamere of Veneto

than in Emilia Romagna (+1.9%) and Tuscany (+1.1%), in line with Piedmont and slightly less than in Lombardy (+2.2%). Again in 2007, the North-eastern regions, led by Friuli Venezia Giulia (+2.2%) and the Veneto, contributed to towing the growth of the Italian economy, together with the Northwest (+2.1%), followed at a distance by the regions of Central Italy (+1.5%) and the South (+1.4%).

Looking at the components of the aggregate demand, the regional GDP growth in 2007 was sustained by domestic demand, which increased by 2.1% and in particular by private consumption, which recorded an increase of 2.4 percent (+2.1% in 2006). Positive results were also obtained on the side of investments, which booked an annual increase of 2% in 2007 (+1.7% in 2006).

Table 3 - GDP, employment and productivity: comparison between the Veneto and Italy. Years 2000, 2005-2007

	2000	2005	2006	2007
	<i>abs. Value</i>			
Veneto*				
GDP (millions euro)*	111.714	115.970	118.870	121.043
Labor units (000)	2.174	2.254	2.292	2.323
GDP per labor unit (000 of euros)	51,4	51,5	51,9	52,1
Italy**				
GDP (millions euros)**	1.191.057	1.243.575	1.266.471	1.284.920
Labor units (000)	23.412	24.412	24.826	25.071
GDP per labor unit (000 of euros)	50,9	50,9	51,0	51,3
	<i>index number (2000=100)</i>			
Veneto				
GDP (millions euros)	100,0	103,8	106,4	108,4
Labor units (000)	100,0	103,7	105,4	106,8
GDP per labor unit (000 of euros)	100,0	100,1	101,0	101,4
Italy				
GDP (millions euros)	100,0	104,4	106,3	107,9
Labor units (000)	100,0	104,3	106,0	107,1
GDP per labor unit (000 of euros)	100,0	100,1	100,3	100,7

* Istat for years 2000-2006 (regional contability); Prometeia for year 2007 (December 2007 estimates)

Source: Istat, Prometeia

Following the recovery recorded in 2006, 2007 confirmed the favourable dynamics of Veneto's commercial trade. According to our estimates⁶, exports increased by 7% (+13.9% in 2006), while imports rose by 5.9%.

With reference to the components of the added value, in 2007 the growth of the regional economy was supported by the manufacturing sector, with an increase of 2.9%. The agricultural and services sectors also contributed to the growth of the regional economy, marking up an increase of 2% each. No contribution came instead from the construction industry, which confirmed the flat dynamics recorded in 2006.

There were signs of slowdown on the side of the productive structure and employment. In 2007 the number of active enterprises remained stable (+0.1%), while the number of workers rose by 0.8 percent, thus contributing to a further increase in the level of productivity of the regional economic system. In fact, in 2007 the value of the regional GDP per labour unit recorded an increase of 0.5%, exceeding the threshold of 52,000 Euro and thus widening the gap with respect to the national average (Table 3).

According to the initial data available, 2007 can be considered a year of growth for the Veneto, determined by the performance of industry and the dynamics of exports, together with the recovery in private consumption.

The growth of the regional GDP was sustained by domestic demand and by private consumption

⁶ For further information refer to the paragraph on "Foreign Trade".

Agriculture

The results of the Veneto agricultural sector, based on provisional data disseminated recently by the INEA, indicate that 2007 was a favourable year for farmers. According to initial estimates, gross agricultural production in the Veneto region increased by over 10 percent compared to 2006, recording a turnover of 4,800 million Euro, while in real terms the growth was more modest (+1 ÷ +3%), due to the unfavourable climatic conditions for several crops. Trends were fairly consistent across the sectors in the year just concluded. Herbaceous crops showed growth rates of over 15 percent at current prices and a less remarkable increase in real terms; the percentage variation experienced by ligneous crops was approximately the same, although there was a more marked growth in real terms (+3%). Also products from animal husbandry rose by 4% with an increase in turnover thanks to the price recovery in the poultry sector.

Gross agricultural production increased by 10% in 2007

Herbaceous crops showed a slight increase in production in 2007 (+1%), reversing previous year's negative trend.

In spite of a slight decline in the total cultivated area, corn was confirmed as the most important crop in the region, with about 300,000 hectares of cultivated land. Regardless of slight drought, yields increased and overall production confirmed the levels of 2006.

Industrial crops were dominated by the come back of the sugar beet: the area given over to this crop increased and production rose by over 25%. Yields were also high, albeit lower than in the previous year. The area given over to the cultivation of tobacco increased and production rose by about 10 percent over 2006. The climatic conditions allowed farmers to obtain yields that were qualitatively and quantitatively satisfying, despite the drought in July. Soybean production decreased, as a result of a smaller land under cultivation and plummeting production (-25%), due to unfavourable weather conditions. The area under sunflower was greatly reduced notwithstanding the growing interest in investing in energy crops for the production of bio energy.

The fruit and vegetable sector recorded a contraction in production of approximately 5% in real terms, the drop being more modest at current prices. Overall fruit production remained unchanged compared to 2006. It was a negative year for apples both in terms of overall production and yields. The production of pears and nectarines went well. Satisfying results were obtained for grapes, both in terms of quantity and quality despite the mild winter and

Table 4 - Veneto. Gross agricultural production (% change over previous year). Year 2007

	<i>at current price</i>	<i>at costant price</i>
Herbaceous crop	+14 ÷ +16%	0 ÷ +2%
Wood plantations	+16 ÷ +18%	+2 ÷ +4%
Livestock products	+10 ÷ +12%	+3 ÷ +5%
Gross output	+10 ÷ +12%	+1 ÷ +3%

Source: INEA estimates

Production trends were fairly consistent across sectors

high temperatures, which determined an early harvest 15-20 days ahead of time. Overall, wine production increased by about 5%. The turnover of the sector is estimated to grow by about 20%. The demand remains high for exports, which increased by 11%.

The economic performance of the livestock production sector was uneven: pig farming did not go very well, while cattle breeding remained stable and poultry farming fared well. Indeed, the growth in livestock production, both at current prices and in real terms, result primarily from the good performance of poultry farming products, be they meat or eggs.

From the point of view of the productive structure, the number of companies in the agricultural sector has shrunk again. At the end of 2007 there were 85,444 enterprises (88,630 in 2006), a 3.6% decline compared to 2006. Bad news on the employment side: in 2007 the number of workers dropped by 5.7%, thus reversing previous year's positive trend.

Industry

In 2007 the number of active industrial enterprises grew by 1.1%

Overall, 2007 was a fairly positive year for the industrial sector (manufacturing and construction). The entrepreneurial base grew by 1.1 % (+1,500 units) compared to 2006, bringing the total number of active companies to over 138 thousand.

However, a more detailed look at the situation will reveal a variety of trends. After overtaking the manufacturing sector in 2005, in 2007 the construction sector continued to develop, passing the mark of 72 thousand companies. On the other hand, the number of manufacturing companies continued to decrease, settling in at below 66 thousand units (Table 5).

In terms of value added, the growth of the regional economy in 2007 was sustained by the manufacturing sector, with an increase of 2.9%. No contribution was made instead by the sector of construction, which confirmed the flat dynamics recorded in 2006.

Table 5 - Registered and active companies by sector and legal form.
Years 2006 - 2007

	Registered		Active		Registered % change 07/06	Active % change 07/06
	2006	2007	2006	2007		
Business activity						
Agriculture, hunting and forestry	89.222	85.444	88.630	84.868	-4,2	-4,2
Fishing, fish farming and associated services	2.747	2.923	2.686	2.852	6,4	6,2
Mining	370	355	298	293	-4,1	-1,7
Manufacturing	75.727	74.938	66.096	65.833	-1,0	-0,4
Electricity, gas and water prod. and distrib.	235	254	210	229	8,1	9,1
Construction industry	73.778	75.520	70.408	72.151	2,4	2,5
Retail and wholesale; rep. pers. and home care goods	115.441	115.088	106.232	106.003	-0,3	-0,2
Hotels and restaurants	26.348	26.621	22.652	22.929	1,0	1,2
Transport, storage and communication	18.570	18.189	17.301	16.922	-2,1	-2,2
Money and financial brokerage	8.976	9.065	8.472	8.595	1,0	1,5
Real estate, rental, IT, research	61.416	63.832	55.462	57.812	3,9	4,2
Education	1.495	1.506	1.390	1.398	0,7	0,6
Health and othe social services	1.484	1.536	1.319	1.376	3,5	4,3
Other public, social and personal services	18.551	18.785	17.649	17.911	1,3	1,5
Housekeeping and life-in-care	3	3	1	1	0,0	0,0
Non classified businesses	19.223	18.620	615	845	-3,1	37,4
Legal status						
Joint-stock companies	95.277	99.182	68.648	72.647	4,1	5,8
Partnerships	118.875	118.050	96.598	96.852	-0,7	0,3
One-man businesses	290.335	286.225	288.093	284.173	-1,4	-1,4
Other statuses	9.099	9.222	6.082	6.346	1,4	4,3
TOTAL	513.586	512.679	459.421	460.018	-0,2	0,1

Source: Infocamere data processed by Unioncamere of Veneto

Manufacturing Industry

Overall, 2007 was a positive year for Veneto's manufacturing sector

Overall, 2007 was a positive year for Veneto's manufacturing industry. Following the boom of the last months of 2006, the outlook remained positive throughout 2007, although manufacturing companies advanced at a more modest pace during the second half of the year. The results of "VenetoCongiuntura", the survey conducted by Unioncamere del Veneto on a sample of almost 2,000 companies with at least 2 workers⁷, reveal that the manufacturing sector continued its positive trend during the first half of 2007, with growth rates that approached the annual average of 2006 (+4%). During the first quarter, industrial production recorded an increase of 3.5 %, which was confirmed in the second quarter (+ 3.3%). However during the summer, industrial production showed the first signs of slowdown, with an increase of 1.3% in the third quarter, which was then consolidated in the last quarter of 2007 with a growth rate of 1.9 %.

The size of companies was a decisive factor also in 2007. During the first nine months of the year, the best- performing companies were the larger –sized ones. In the last quarter also micro-enterprises played their part in the recovery, however showing positive results only at the end of the year.

As shown in chart 3, companies with a staff of 10 or more after an exciting start, with production growing by + 3.7% during Q1 and by + 3.5% in Q2, recorded a more modest increase of 1.6% during the summer months, which

Table 6 - Veneto. Main economic indicators for the manufacturing industry (% change over the same quarter of the previous year). Year 2007

	I quart. '07	II quart. '07	III quart. '07	IV quart. '07
	< 10 empl.			
Output	-0,3	-0,7	-2,0	1,4
Total turnover	0,0	-0,6	-1,6	1,3
Total employment	-1,8	-0,3	-1,4	1,3
	10 empl. and more			
Output	3,7	3,5	1,6	1,9
Total turnover	6,4	5,2	4,1	2,6
Total employment	0,3	0,6	0,6	0,4
	total			
Output	3,5	3,3	1,3	1,9
Total turnover	6,1	4,9	3,7	2,5
Total employment	-0,0	0,4	0,3	0,6

Source: Unioncamere of Veneto - VenetoCongiuntura economic survey

⁷ Starting from the first quarter of 2006, the VenetoCongiuntura survey was extended to companies with less than 10 employees, which represent 2/3 of the regional manufacturing system. This was a result of the collaboration between Unioncamere del Veneto and Veneto's Confederation of Artisans and Small Firms (Confartigianato del Veneto). The VenetoCongiuntura survey thus became the main instrument to assess the economic situation of manufacturing enterprises, both on account of the size of the interviewed sample (almost 2,000 companies each quarter) and the rigorousness of the method it employs.

they were able to consolidate at the end of the year (+1.9%). The progress of micro-enterprises, on the other hand, was different. After three quarters of downturn (-0.3% in the first, - 0.7% in the second and -2.0% in the third), they closed the year with a positive result growing by 1.4% on an annual basis.

As an annual average, industrial production chalked up an increase of +2.7% in 2007 over the previous year, against a national figure of +0.4 percent (raw data, ISTAT). Also a survey carried out by the National Association of Italian Chambers of Commerce (Unioncamere Italiana) on the performance of small and medium sized industrial companies reveals that in 2007 companies based in Northeast Italy recorded an average annual growth in production of 2.1%.

The positive trend of Veneto's industry is also confirmed by the indicator concerning the level of plant use (uptime), which during 2007 reached 77.1% of full operational capability as an annual average rate (same as in 2006).

The Veneto companies' turnover has also increased during 2007, more markedly during the first nine months of the year, as can be seen from as revealed by the trend of the moving average, calculated on the values of the recorded variations (chart 4).

On the average, industrial production, the turnover, orders and domestic demand grew during the year, while the propensity for exports remained constant

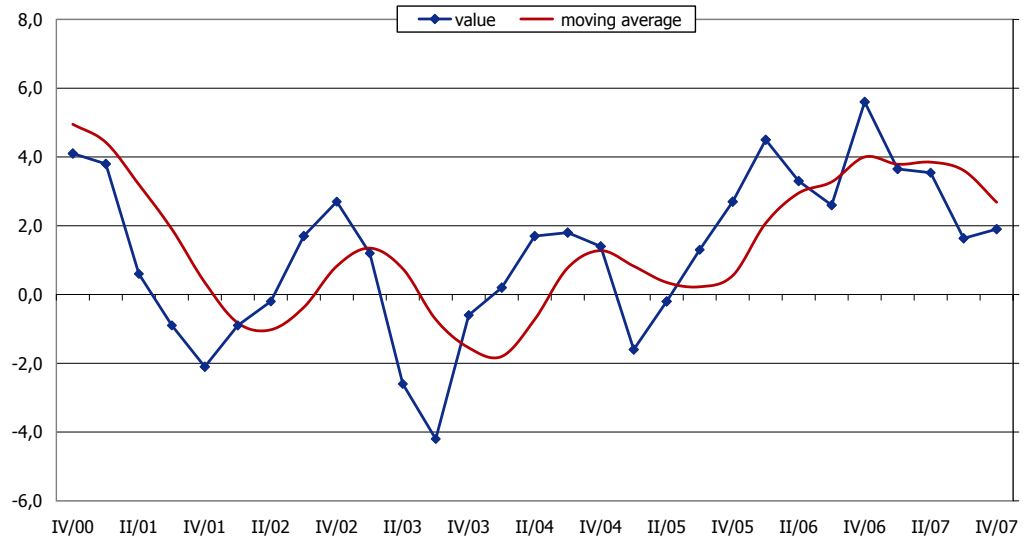
In particular, after a brilliant start of the year (+6.1%), the total turnover grew by +4.9 percent during the second quarter and by +3.7 % in the third, to wind up the year with a more modest growth rate of +2.5%. The contribution of foreign orders to the rise in companies' turnover was decisive, with a 7% increase on average and a peak exceeding 9% at the beginning of the year. Sales generated abroad grew also for exporting companies, with the percentage of foreign turnover reaching 59.1% of total turnover in 2007, against 43.8% in 2006.

Firms' export propensity, instead, remained almost unchanged as a result of a still meagre number of micro-enterprises that sell their products to foreign markets (about 12%), against a greater propensity to export of companies with more than 10 employees (the percentage goes up to 50%, to come close to 100% in companies with over 250 employees).

Orders also showed extremely positive trends during the year, especially for foreign sales. The contribution of orders from the foreign market was decisive in small and medium sized enterprises, growing by an annual average of 5.2%, with a peak of 7% in the first quarter of the year. All in all, the performance of internal demand was positive: it posted an average increase of 2.2% with a particularly good performance during the last months of the year (+3.2%), following a downturn of -0.4 percent during the summer months.

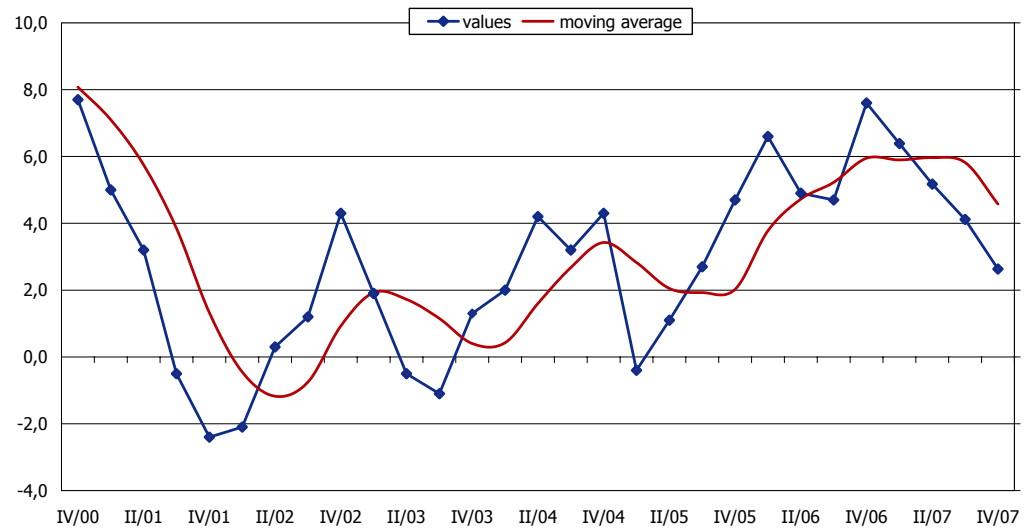
Signs of recovery came also from the labour market. The employment figure remained stable during the first quarter of 2007, while it grew by +0.4 percent in the second quarter, by 0.6% in Q3 and by +0.6 percent in the fourth quarter. Overall, the number of workers increased on the average by 0.3 percent. This is a significant figure considering that the trend had remained negative since the first quarter of 2004. On the whole, therefore, it can be said that 2007 was a positive year for Veneto's industry, in spite of the ongoing reduction in the number of enterprises. In fact, in 2007, the number of manufacturing companies dropped by 0.4 percent (-283 companies), to less than 66 thousand units at the end of the year.

Chart 3 - Veneto. Industrial production trend in companies with 10 or more employees (% quarterly var. against the previous year and moving averages). Years 2000-2007



Source: Unioncamere del Veneto - VenetoCongiuntura survey

Chart 4 - Veneto. Industrial turnover trend (% quarterly var. against the previous year and moving averages). Years 2000-2007



Source: Unioncamere of Veneto - VenetoCongiuntura survey

Construction

The Veneto construction market slowed down in 2007, although the number of active enterprises increased by 2.5%

After nine years of a positive cycle, the construction sector recorded a slight downturn in 2007. According to Cresme estimates, construction investments (over 163 billion Euro) decreased by 0.4 percent last year compared to 2006. Thus a phase of uninterrupted development ended due to the drop recorded in new homes and public calls for tender. In line with the rest of Italy, in 2007 the building industry, which is decisive for the economy and regional employment, experienced a downswing also in the Veneto. That was especially marked on the front of non-residential building and public works.

According to estimates issued by ANCE (National Association of Building Constructors), construction investments amounted to 16.5 billion Euro in 2007, recording an increase of +1.8 percent in value, but a decrease of 1.1 percent in terms of quantity (Table 7). This result is explained by the slowdown in growth in housing construction (+0.3% of new homes, compared to +1.5% in 2006) and by the reduction in the field of public works (-7.2%, stable in 2006) and private non-residential construction (-1.5%, as compared to +1.8% in 2006). Growth continues, on the other hand, for the renovation sector, which increased by 1 percent over the previous year. This latter sector continues to benefit from the tax incentives for retrofitting works, which increased by +7.2 percent during the first nine months of 2007 over the same period of 2006. That leaves room for hope concerning a reinforcement of the sector in 2008, also thanks to the extension of incentives for another three years foreseen by the latest Budget law.

Table 7 - Veneto. Construction investments (millions of Euro). Years 2005-2007

	2005	2006	% change on prev. year		% change on prev. year		% comp.	
			value	volume	value	volume		
Residential buildings	8.451	8.800	4,1	0,9	9.124	3,7	0,7	55,3
- new res. buildings	4.500	4.714	4,8	1,5	4.873	3,4	0,3	29,5
- extraordinary maintenances and recovery	3.951	4.086	3,4	0,2	4.251	4,0	1,0	25,7
private no residential buildings	4.845	5.080	4,9	1,8	5.155	1,5	-1,5	31,2
public no residential buildings	2.267	2.335	3,0	0,0	2.232	-4,4	-7,2	13,5
Total investments	15.563	16.215	4,2	1,0	16.511	1,8	-1,1	100,0

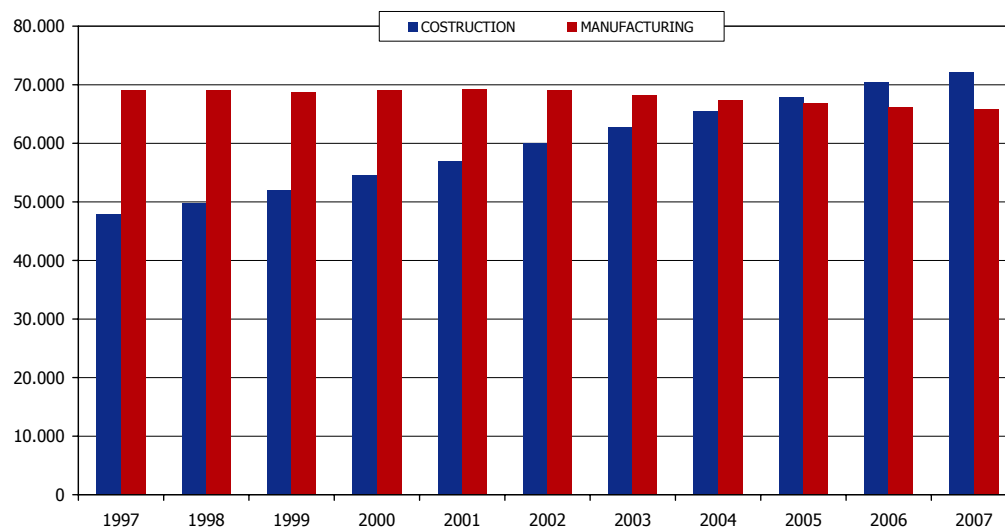
Source: ISTAT and Unioncamere data processed by ANCE - ANCE Veneto

Although construction played an important role in the regional economy in 2007, the sector did not contribute to the growth in added value and employment. Unlike 2006, when the building industry recorded a yearly increase in the number of employees of 1.6 percent, there was a drop of 2.4 percent in 2007.

Recourse to unemployment benefits dropped by almost 4 percent in terms of hours granted, going back to 2004 levels (2.5 million hours) (Table 8). From the structural point of view, however, the number of companies is increasingly

growing. In 2007 it rose by 2.5%, which in absolute terms, corresponds to almost 1,800 new companies over 2006 (Chart 5). Active business thus exceeded the threshold of 72 thousand units, consolidating the advantage over manufacturing companies (65 thousand units).

Chart 5 - Veneto. Number of active companies in the manufacturing and construction industry (absolute values). Years 1997-2007



Source: Infocamere data processed by Unioncamere of Veneto

Table 8 - Veneto. Hours of unemployment benefits by sector of activity. Years 2005-2007.

Business	2005	2006	2007	% change 2007/2006
Fields of bus. related to agriculture	0	175.860	15.942	...
Mining (metal and other minerals)	0	128	12	...
Timber	293.555	218.855	209.180	-4,4
Food	240.965	207.946	172.673	-17,0
Metallurgical	105.145	86.820	45.023	-48,1
Machanical	4.347.820	6.387.589	3.577.412	-44,0
Textiles	2.227.897	2.263.858	1.705.383	-24,7
Clothing and furniture	1.288.225	791.207	866.649	9,5
Chemicals	372.695	223.902	290.946	29,9
Skins and leather	632.024	546.606	389.912	-28,7
Mineral processing	419.390	564.702	283.779	-49,7
Paper and printing	233.246	96.840	151.734	56,7
Building (brick)	317.123	154.199	103.340	-33,0
Electricity and gas	0	0	0	...
Transport and communications	110.578	93.471	6.270	-93,3
Miscellaneous	86.131	93.643	130.043	38,9
Tobacco-growing	0	0	0	...
Sales	28.439	50.260	1.167.507	2.222,9
Building total	2.907.062	2.460.943	1.625.864	-33,9
TOTAL	13.610.295	14.416.829	10.741.669	-25,5

Source: INPS data processed by Unioncamere of Veneto

Crafts and small enterprises

Artisan firms and small enterprises play an important role in Veneto's production system, representing approximately 2% of the productive units active in the regional territory (actually, 39.4%, if we exclude the agricultural sector).

In 2007 the number of artisan firms in the Veneto exceeded the threshold of 147 thousand units (Table 9), recording an increase of 0.3 percent over the stock of 2006 (+2.1 % in 2006).

As in previous years, the increase was sustained entirely by the growth in

Table 9 - Veneto. Active artisan firms registered by sector and legal form. Years 2006-2007

	Registered		Active		Registe- red % change 05/04	Acti- ve % change 05/04
	2006	2007	2006	2007		
Economic activity						
Agriculture, hunting and forestry	2.168	2.258	2.162	2.252	4,2	4,2
Fishing, fish farming and associated services	0	0	0	0
Mining	87	88	87	88	1,1	1,1
Manufacturing	46.458	45.936	46.147	45.655	-1,1	-1,1
Electricity, gas and water prod. and distrib.	8	6	8	6	-25,0	-25,0
Construction industry	58.529	59.899	58.363	59.723	2,3	2,3
Retail and wholesale; rep. pers. and home care goods	9.412	9.195	9.381	9.168	-2,3	-2,3
Hotels and restaurants	264	235	262	233	-11,0	-11,1
Transport, storage and communication	12.158	11.613	12.120	11.583	-4,5	-4,4
Money and financial brokerage	24	22	24	22	-8,3	-8,3
Real estate, rental, IT, research	4.831	4.935	4.805	4.913	2,2	2,2
Education	150	155	148	154	3,3	4,1
Health and othe social services	61	69	61	69	13,1	13,1
Other public, social and personal services	13.211	13.314	13.193	13.298	0,8	0,8
Housekeeping and life-in-care	0	0	0	0
Non classified businesses	153	181	124	158	18,3	27,4
Legal status*						
Joint-stock companies	5.192	5.908	5.105	5.801	13,8	13,6
Partnerships	33.012	32.481	32.641	32.154	-1,6	-1,5
One-man businesses	109.016	109.228	108.863	109.093	0,2	0,2
Other statuses	294	289	276	274	-1,7	-0,7
TOTAL	147.514	147.906	146.885	147.322	0,3	0,3

*data have been affected by legislative amendments made in 2001, which have awarded "Srl" public limited companies artisan status

Source: Infocamere (Italian Chambers of Commerce IT consortium) data processed by Unioncamere of Veneto

In 2007 artisan firms grew by 0.3% over 2006, thanks to the increase in the number of limited companies

limited companies. Following the boom recorded in the three-year period 2001-03 resulting from the amendments and additions made to the framework law on artisan firms and the successive consolidation in the period between 2004 and 2006, the increase in 2007 amounted to 1.6 %, bringing the stock to 5,801 units. New contraction for partnerships (-1.5%) while the number of sole proprietorships remained basically stable.

From the point of view of sectors of business, the artisan manufacturing businesses (over 71.6% of the total) showed a growth of 0.8% over 2006, which is the combined result – like in 2006 – of a new downturn in the manufacturing sector (-1.1%) and the expansion of construction companies (+2.3%). In the services sector the stock of companies showed a slight contraction (-1.4%), which is primarily due to the sectors of “hotels and restaurants” (-11.1%) and transportation (-4.4%).

Table 10 - Veneto. Main economic indicators for artisan firms and small-sized enterprises (% variation over the previous year). Year 2007

	Production	Building	Business services	People services	Total of all sectors
Demand/orders	0,5	-1,3	0,8	0,4	-0,1
Turnover	-0,7	-0,5	0,7	-0,2	-0,3
Prices	0,9	7,3	6,1	6,0	7,4
Employment	0,8	-0,4	1,7	0,4	0,5
Propensity to invest*	2,8	-1,9	4,5	2,6	1,4

* The average has been taken for investments

Source: Confartigianato Veneto (regional federation of crafts) - "Sintesi" Studies Centre

The trend of the primary economic indicators is an important indicator of the state of health of artisan firms and small-sized enterprises (Table 10). According to the six-monthly survey conducted by Confartigianato Veneto, the picture that emerges is not entirely encouraging. 2007 wound up with a decrease in turnover of – 0.3 %, especially for manufacturing and construction (–0.7 and 0.5% respectively).

According to Confartigianato Veneto's six-monthly research, the current situation is not entirely encouraging

The turnover reflects the dynamics and proportions in the evolution of demand, which remained basically stable overall (- 0.1% compared to 2006), but was quite diversified within the indicator (Table 10).

Employment in artisan companies went fairly well (Table 11), showing an increase of 0.4% (-0.5% in 2006) with peaks of excellence in manufacturing, in the foodstuffs sector (+6.7%) and in the machining and mechanical sector (+2.9%). In services, the transportation sector performed well (+2.5%).

Table 11 - Veneto. Employees in artisan companies (% variation over previous year). Years 2003-07

Sector	2003	2004	2005	2006	2007
Food	-3,0	1,6	2,6	-0,2	6,7
Textile, Clothing, Footwear	-6,1	-7,6	-7,4	-2,8	-5,9
Timber	-0,8	-1,4	-4,6	0,8	0,8
Graphic design	0,4	-2,2	-2,9	1,3	3,6
Ceram. Chemicals, Glass	-0,1	-1,2	-3,9	-0,3	-0,9
Mechanics	-2,0	0,5	-2,2	1,2	2,9
Other manuf.	-6,8	-4,0	-4,3	-2,1	-1,4
Manufacturing total	-3,1	-2,1	-3,6	-0,2	0,5
Building	-8,5	-1,7	-1,1	-1,3	1,3
Systems engineering	1,2	-0,9	-3,0	-1,7	-1,5
Construction total	-4,6	-1,4	-1,9	-1,4	0,1
Car/motorbike rep.	-1,1	0,5	1,7	-1,7	0,2
People and misc. Serv.	-1,1	-3,1	0,3	-1,5	-1,2
Transport	1,5	0,7	3,6	3,2	2,5
Services total	-0,5	-1,2	1,6	-0,3	0,2
Total	-3,0	-1,8	-2,3	-0,5	0,4

Source: Confartigianato Veneto - BS consulting

Services

Private consumption grew in 2007, despite the low growth in households' available income.

2007 wound up with positive bottom-line results for the services sector. This is confirmed by the data provided by the VenetoCongiuntura survey conducted by Unioncamere del Veneto, which starting from the first quarter of 2007⁸ has also monitored the regional trade and service sectors. According to the survey results, the macro sector of services showed an overall positive trend of the leading economic indicators, in all areas. As for specific sectors, knowledge-intensive business services recorded a good average annual increase (turnover +8.6%, employment +5%), followed by transportation (turnover +7.5%, employment +4.1%) and information technology and telecommunications (turnover +3.5%, employment +4.2%). Overall it was a positive year for the trade sector, with a better performance of the wholesale trade sector in the initial nine months of a year and a reduction in the fourth quarter. Results were more modest for the retail trade in the central part of the year, with an upturn during the last quarter.

The precious contribution of the tertiary sector to the growth of the regional economic system was therefore confirmed again in 2007, both in connection with the number of businesses and workers and in terms of value added.

According to the most recent estimates, in fact, the value added at constant prices in 2007 grew by 2% over 2006. The entrepreneurial base kept growing: with almost 2,500 new enterprises, services was the best performing sector of the regional economy.

Table 12 - Veneto. Trend of turnover in trade and services. Year 2007

	Turnover (% change)			
	I quart. '07	II quart. '07	III quart. '07	IV quart. '07
Retail	3,9	0,4	1,6	1,5
Trade and repair vehicles	3,5	4,9	1,5	0,2
Wholesale	5,7	4,7	3,8	-0,2
Hotels, restaurants and tourism services	1,7	4,1	2,8	0,7
Trasporti e attività postali	7,6	6,4	6,7	9,2
IT and telecommunications	3,2	5,5	2,5	2,8
Advanced Services	2,5	7,8	12,8	11,3
Social and personal Services	2,1	0,5	-2,1	1,1
Other services	0,7	2,4	1,4	1,2

Source: Unioncamere of Veneto - Venecoongiuntura survey

⁸ Starting from the first quarter of 2007, the VenetoCongiuntura research was extended to businesses in the trade and service sectors, which represent 50% of the regional production system.

Retail sales

Trade enjoyed good results in 2007 in the Veneto, with growth in both the retail and wholesale sectors. Private consumption rose in spite of growing prices and the low growth in households' available income. Compared to 2006, retail sales⁹ recorded an increase of 1.8 percent in the Veneto, sustained both by non-food products (+2%) and foodstuffs (+1.4%).

Concerning sale volumes, large-scale retail trade performed better (+2.6%) than small and medium – scale distribution (+0.4%).

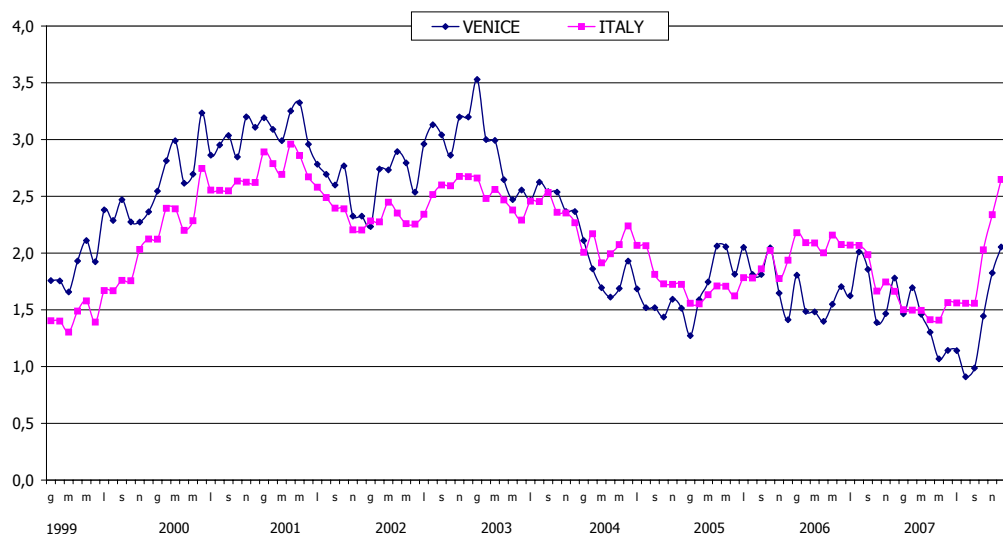
With reference to other indicators, orders showed good performance, with an average increase of +0.7 percent. Concerns came from the ongoing negative employment data (-1.0%) and from the increase in prices (0.8%).

In 2007, inflation measured by the NIC consumer price index for the entire population initially showed a trend for prices to grow at a moderate rate or to slow down slightly, followed by a phase of rapid acceleration, which pushed up prices in the last quarter of the year (Chart 6). Overall, at national level, the average annual variation in consumer prices was 1.8 percent, a slowdown of three tenths of a point compared to the previous year (+2.1% on the average, in 2006). The level of prices in the Veneto also grew in 2007, although to a lesser extent than the national index: regionally the average annual variation was 1.4 percent.

With reference to specific expenditure items, the factors that influenced the progress in 2007 were the increase in tobacco (+4.2%) and foodstuffs (+2.8%). Transportation also experienced a trend of progressively increasing prices during the last part of the year (+4.1% in the last quarter), due to the rise in the price of energy products. But then communications (-8.4%) and health services (-0.3%) made a significant contribution to curb inflation.

The positive consumption trends in 2007 can also be seen from the national survey conducted by Unioncamere Italiana on the progress of sales in the large-scale retail trade (Table 13). Supermarket and hypermarket turnover in

Chart 6 - General consumer price index for the households of blue- and white-collar workers. Years 1999-2007.



Source: Istat data processed by Unioncamere of Veneto su dati Istat

the Veneto grew, in fact, marked an average overall growth of 1.8% for the year – less than the national average (2.1%) and the average for the Northeast (+3.1%). The increase in the turnover of large-scale distributors was led by the aggregate pre-packaged mass consumer goods ¹⁰ (+3%), against a new drop in the sale of non-food products¹¹ (-3.3%).

Veneto's automotive market grew in 2007. According to data on the registration of new vehicles provided by UNRAE (Italy's National Association of Representatives of Foreign Car Makers), almost 200 thousand new vehicles were registered in 2007, with an increase of 6.4% over the previous year, in line with the national figure (+6.5%), where there were a total of 2.5 million new registrations (Table 14). This good result for the sector is undoubtedly related to the eco incentives for the scrapping of vehicles laid down by the

Table 13 - Veneto. Sales in the large scale retail trade (% change over the previous year). Years 2005-2007

	2005	2006	2007
Veneto	1,5	2,4	1,8
Pre-packaged mass consumer goods*	1,1	3,2	3,0
Non food**	3,4	-1,3	-3,3
North-East	1,5	2,9	3,1
Pre-packaged mass consumer goods	2,0	3,2	4,0
Non food	-0,6	1,5	-0,8
Italy	2,6	2,8	2,1
Pre-packaged mass consumer goods	2,7	3,2	2,8
Non food	2,3	0,9	-0,7

* includes groceries, drinks, chilled and frozen goods, pet care, personal care and home care products

**includes textiles and clothing, miscellaneous goods and household appliances

Source: Unioncamere Studies Centre- REF (Italian economic and finance research organization) based on Unioncamere and market surveys

Veneto's automotive and wholesale trade sectors showed positive results in 2007

2007 National Budget Law. Among Veneto's Provinces, Belluno had the most marked increase (+11.6%), followed by Rovigo with + 9.4 %, Verona with +8.4% and Vicenza with +7.7 %. The increases recorded in the other three Provinces of the Region were positive but below average, with +5.8 % in Padua, +4% in Treviso and + 3 % in Venice.

The trend for wholesale trade was also positive, overall (+3.5%), even if it was stronger during the first nine months of the year.

In this field, employment increased by an average of +2%. The dynamics of prices were less favourable, on the other hand, as the indicator increased by +1.6 percent.

Concerning the entrepreneurial structure, the number of companies decreased slightly in 2007 (-0.2%), reaching around 106 thousand units.

¹⁰ The category of pre-packed mass consumer goods includes: convenience goods drinks, chilled and frozen food, pet care, personal care and home care products, while non-food products includes textiles and clothing, miscellaneous articles and household appliances.

¹¹ The category of non-food products includes textiles and clothing, miscellaneous articles and household appliances

The number of enterprises decreased slightly, reaching 106 thousand units

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Concerning the entrepreneurial structure, the number of companies decreased slightly in 2007 (-0.2%), reaching around 106 thousand units.

Table 14 - Veneto. New vehicle registrations, by Province. Years 2006-2007

	2006	2007	% change 07/06
Verona	39.487	42.815	8,4
Padua	35.548	37.598	5,8
Treviso	33.469	34.914	4,3
Vicenza	30.972	33.356	7,7
Venice	30.274	31.181	3,0
Rovigo	9.092	9.944	9,4
Belluno	8.280	9.242	11,6
Veneto	187.122	199.050	6,4
Italy	2.356.965	2.510.862	6,5

Source: Ministry of Transport data (31.12.2007, Aut. Min. D09420/H4) processed by UNRAE

Tourism

Arrivals increased by over 700 thousand units (+5.3%), exceeding 14.1 million tourists, even if stays grew at lower rates (+3.7%)

Provisional data on tourist flows in the Veneto, collected by Provincial Tourist Boards (APT) and processed by the Statistics Directorate of the Veneto Region reveal that 2007 was more successful than 2006, which, in turn had wound up with an extremely positive result (+7.8% in arrivals and +4.6% in stays over 2005).

In the period between January and December 2007, there were over 700 thousand arrivals – an increase of +5.3 percent, exceeding 14.1 million tourists (Table 15). Stays also grew, although by a smaller percentages (+3.7%).

All regional tourist districts showed signs of growth over 2006, with the partial exception of mountain and hot springs resorts. Going into the details, “cultural” tourism related to heritage cities yielded excellent results, with remarkable percentage increases (+7.3% arrivals, +8.4% stays), seaside resorts chalked up an increase of +4% in arrivals and +2.9% in stays, while lakeside tourism grew by +5.5% and +2.9% respectively. Hot springs (spa) resorts had +1.4 % more arrivals but 0.5% less stays. Finally, mountain resorts showed a negative result, primarily due to unfavourable weather conditions (-1.6% arrivals and -3.4% stays).

Concerning the type of accommodation facilities, 2007 was a positive year for both non-hotel and, especially, hotel accommodation. In the former case, arrivals grew by +5.7%, while presences went up +2.1%; in the latter, there were 5.2% more arrivals and +5.4% more stays.

All of Veneto’s Provinces, with the exception of Vicenza, recorded positive results in arrivals and stays (charts 7-8).

The two leading provinces in the field of tourism – namely Venice and Verona–

Table 15 - Veneto. Tourist flows by type of accommodation and area. Years 2006-07

	2006		2007		% change	
	arrivals	tourist nights	arrivals	tourist nights	arrivals	tourist nights
Accommodation facilities						
hotel	9.479.103	28.267.135	9.969.212	29.788.086	5,2	5,4
non-hotel	3.959.732	31.093.454	4.184.018	31.740.689	5,7	2,1
Areas						
art cities	6.594.242	15.525.987	7.076.726	16.830.150	7,3	8,4
lakes	1.757.038	9.242.282	1.854.396	9.607.141	5,5	3,9
sea	3.543.880	25.058.815	3.685.642	25.789.589	4,0	2,9
mountains	955.290	6.325.202	940.021	6.109.107	-1,6	-3,4
spas	588.385	3.208.303	596.445	3.192.788	1,4	-0,5
Total	13.438.835	59.360.589	14.153.230	61.528.775	5,3	3,7

Source: SIRT (Veneto regional tourist information system) data processed by Unioncamere of Veneto

showed very positive results. Venice saw arrivals increase by 5% and stays by 4.8% (for a total of over 33.5 million visitors). The Province of Verona, on the other hand, experienced a 7.2% increase in arrivals and a more modest, but significant increase in the number of stays (+3.6%). Increases were recorded also in the Provinces of Padua (+7.4%), Treviso (+6.8%), Belluno (+4%) and Rovigo (+4.3%), while only Vicenza booked a decrease (-3%).

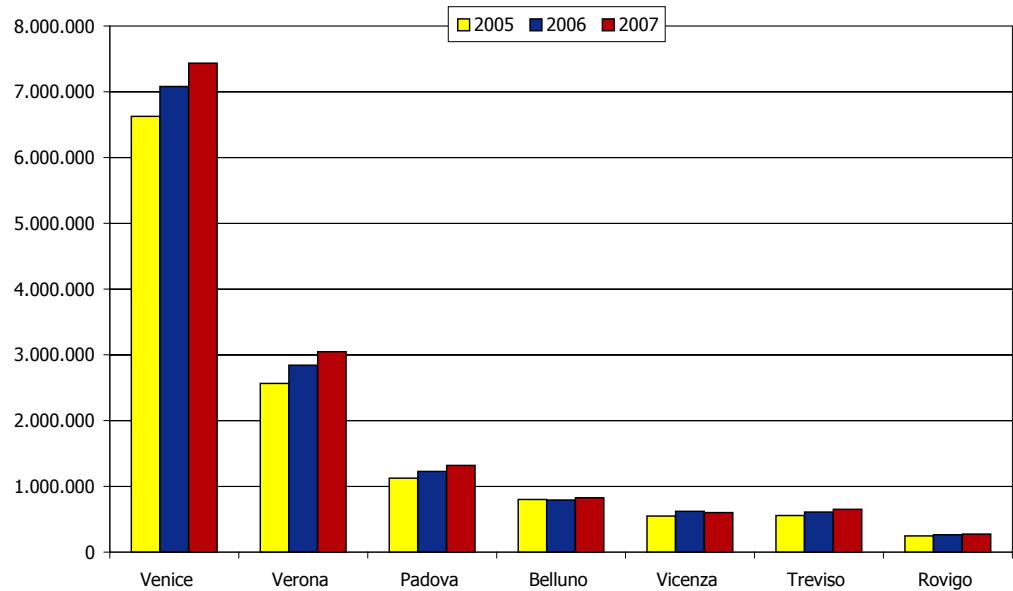
Considering the stays, in addition to the fine performance of Venice and Verona, positive results came also from Treviso, Padua and, partially, from Belluno. The two remaining Provinces, that is Vicenza and Rovigo, had negative results.

In 2007 Italian tourists accounted for 41.3 % of stays. Of these, no less than 41.1% of the total were people from Veneto itself, followed by residents of Lombardy and Lazio (17.4% and 5.6% respectively).

Out of the grand total (arrivals and stays), visitors from the Veneto account for an encouraging 17%, an increase with respect to previous years, which is a sign that even in a period of precarious economic stability, the local population do not forego their vacation and choose more accessible destinations – both less expensive and closer to home - which are in any case capable of guaranteeing quality and high level services.

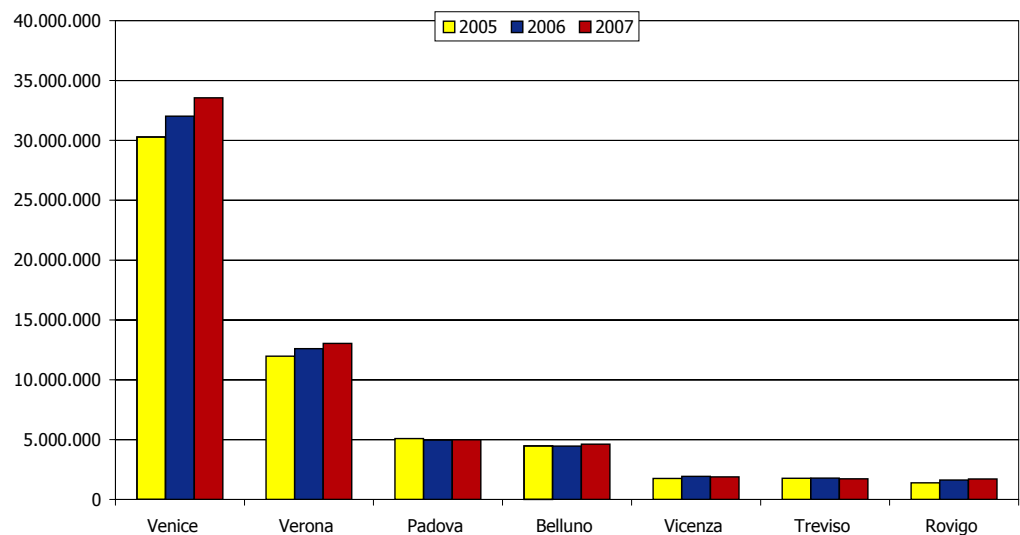
Foreign visitors accounted for 58.7 percent of all tourist stays in the Veneto. Arrivals by country of origin saw Germany taking the first place, once again with a slight increase in the number of presences in 2007 (+0.3% over 2006), following an extremely positive 2006. In 2007 German tourists represented 19.1 percent of the grand total.

Chart 7 - Tourist arrivals by province. Years 2005-2007



Source: Veneto Region - SIRT data processed by Unioncamere of Veneto

Chart 8 - Tourist stays by province. Years 2005-2007



Source: Veneto Region - SIRT data processed by Unioncamere of Veneto

Transport

The positive phase for the sector continued in 2007, although at a somewhat slower pace, confirming the reversal in the negative trend that had marked 2005, a year that had been spent making up lost ground. This is revealed both by statistics on cargo and passenger flows, and by progress in the sought-after upgrading of local infrastructure to meet the needs of the regional economy.

Regional road infrastructures continue to be a bottleneck for business, although acceleration has been recorded recently on the front of "getting things done" and the first important results will be seen as early as 2008 (first and foremost the Mestre by-pass).

Poor transport infrastructures have serious repercussions on the final cost of goods. In Italy transport costs accounts for 12% of the selling price of goods, against 8% on average in the main European countries.

In the Veneto, where the infrastructure situation is more critical than in other Italian regions, the regional economy is likely to pay an even higher tribute.

Despite the undeniable efforts, there remain environmental, structural and political limits that pose impediments to the movement of persons and goods – mobility being an indispensable flywheel for a mature development of the economy. Additionally, the railway network, Veneto's only real alternative to road transport, is not capable of increasing its traffic volumes.

Hopes are placed in the privatisation of the railway sector, which has been planned for some time now. Managed by private entrepreneurs, it might be possible for the sector to change radically in a short time, becoming a concrete alternative to other modes of transportation.

The positive phase continued in 2007, albeit at a somewhat slower pace than in 2006.

Table 16 - Veneto. Passenger and cargo traffic at airports. Year 2007

Airports	Passengers		Cargo (tonnes)	
	abs.value	% change 06/05	abs.value	% change 06/05
Venice - Marco Polo	7.076.114	11,6	23.962	-10,2
Verona - Valerio Catullo	3.510.259	16,7	9.158	-24,6
Treviso - Sant'Angelo	1.548.219	15,5	17.593	-10,2
TOTAL	12.134.592	13,5	50.713	-13,2

Source: Assaeroporti (Italian airport providers association) data processed by Unioncamere of Veneto

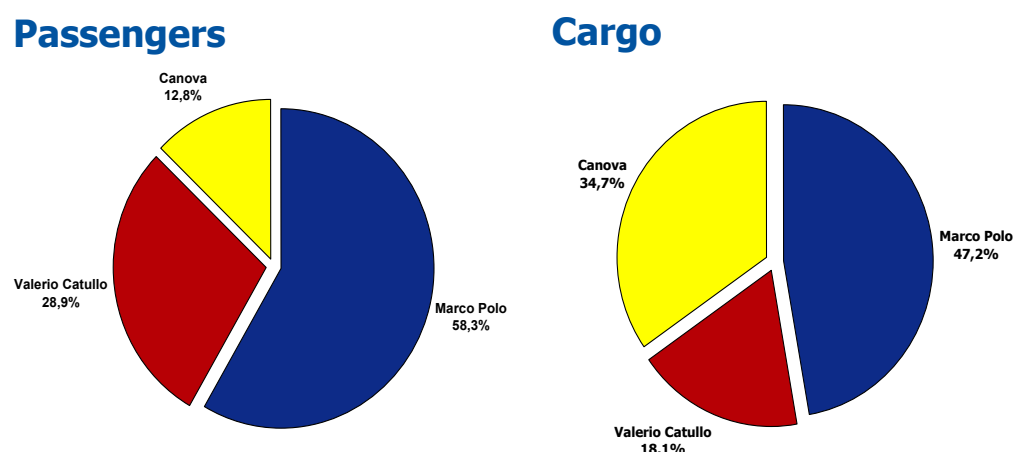
Provisional partial data (up to October 2007) concerning the motorway network in the Veneto show that traffic increased again in 2007. Compared to 2006, the traffic index - expressed as vehicle/km ratio - increased by 3.2% (2.8% for the entire national territory), with significant differences for the two main components (light vehicles + 2.6% and heavy vehicles +4.7%).

Concerning airports, the regional data for 2007 show contrasting development: the three main airports of the Veneto obtained optimum performance for passengers but suffered a remarkable drop in cargo traffic (Table 16).

12.1 million passengers and 50.7 thousand tonnes of goods transited through Veneto's airports, an increase of +1.5 % and a loss of - 1.2 percent, respectively over 2006.

The Venice airport, the most important airport in the region and the fourth largest national airport (following Fiumicino, Malpensa and Linate), closed 2007 with a traffic of 7,076,114 passengers and an +11.6% annual increase. There were 88,778 flights, for an increase of 8 percent (+4.3% in 2006). This is an extremely positive result following the downturn in 2005 due to the increase in the cost of fuel and the crisis in the low-cost sector (Chart 9).

Chart 9 - Veneto. Passenger and cargo traffic at airports (% calculation). Year 2007



Source: Assaeroporti data processed by Unioncamere of Veneto

12.1 million passengers
and 50.7 thousand tonnes
of goods transited through
Veneto's airports

The cargo sector did not confirm the positive trend recorded in recent years, which had allowed it to overcome the crisis suffered during the initial years of the new millennium caused by the unstable political and economic situation world-wide. Some 2,962 tonnes of goods transited, a decrease of –10.2 percent.

The same situation holds true for the “Valerio Catullo” airport of Verona, the twelfth – largest airport in Italy for passenger traffic (used to be the thirteenth - largest in 2006). While passenger traffic rose remarkably (+16.7%), heavy losses were recorded in the cargo sector (-24.6%). The number of flights increased from 39,949 in 2006 to 43,026 in 2007 (+7.7%). The Verona airport is therefore a true alternative to the Milan airport of Malpensa for the entire ‘catchment basin’ of passengers that goes from Brescia to Trento and from Mantua to Vicenza.

Finally, the Treviso “Antonio Canova” airport also obtained results similar to the other two airports. The Treviso airport served 1,548,219 passengers (+15.5%, in 2006, up +2.1% in 2006) a value that has quadrupled in just a few years. The number of flights has also increased considerably, going from 17,150 in 2006 to 19,320 flights in 2007 (+12.7%). In the cargo sector, Treviso moved some 17,593 tonnes of goods, recording a decrease of –10.2 percent against 2006 (+9.4% in 2005).

As regards port activity¹² data reveal that 2007 was a year “of transition” for the port of Venice (Table 17).

Total traffic remained above 30 million tonnes, a noteworthy figure if one considers that only about 24 million tonnes of cargo were handled in 1996, when the Port Authority was constituted. However the 2007 figure decreased against that of 2006.

There were decreases in the traditional macro-sectors of traffic, with the exception of cargo traffic, while in the innovative sectors with higher value added – the movement of containers and passengers – there

12 At the time of printing, there are still no data available on cargo traffic in the port of Chioggia for 2006, which are disseminated annually by the relevant Port Authority.

Table 17 - Handling of cargo, containers and passengers in the port of Venice. Years 2005-07

	2005	2006	2007	% change 07/06	% change 07/05
CARGO TRAFFIC (tonnes)					
trade total	12.722.043	14.541.961	14.621.282	0,5	14,9
industrial total	5.834.761	5.033.494	4.423.665	-12,1	-24,2
petroleum total	10.542.237	11.361.476	11.149.898	-1,9	5,8
GRAND TOTAL	29.099.041	30.936.931	30.194.845	-2,4	3,8
CONTAINER TRAFFIC	289.860	316.641	329.510	4,1	13,7
PASSENGER TRAFFIC	1.365.375	1.453.513	1.485.695	2,2	8,8
SHIP DOCKING IN COMMERCIAL TRADE PORT	3.603	3.655	3.498	-4,3	-2,9
passenger ship out this total	1.414	1.377	1.321	-4,1	-6,6

Source: Port of Venice data processed by Unioncamere of Veneto

were some significant increases.

The cargo sector had a slight increase of 0.5 percent over the previous year, with 14,621,282 tonnes; such is the result of a situation of stability in traditional goods (+0.1% overall, for the sector: cereals +11.8%, flours +3.9%, coal -10.5%, bulk iron and steel materials -5.3%, iron and steel products +7.5%, other goods -6.6%) and a more consistent increase in specialised transportation (+1,3%).

Industrial traffic and petroleum port traffic declined further (- 12.1% and -1.9% respectively). For industrial traffic, the trend of recent years was confirmed, while for petroleum port traffic a reversal of the trend was observed after a positive 2006 (+7.8%), which had inspired hopes for a fast recovery of positions lost in previous years.

Container movement grew by 4.1 percent (329,510 TEU's) compared to the same period of 2006. This positive result was obtained thanks to the ongoing excavation of navigation channels and reorganisation of combined transport services (agreement with Trenitalia and the Italian State Railways, and realisation of a new railway park for the port).

The performance of 2005 and 2006 remaining unrivalled (overall +43.2% against 2004), passenger traffic did quite well in 2007 with a +2.2 percent increase over 2006. Some 1,485,695 passengers chose the lagoon port of call for their sea cruises. This result far exceeded the historical record of 2006.

2007 was also a record year for sea liner cruises (987,124; + 11.5% over 2006). This is a sign that confirms the lagoon port as a privileged stopover for cruises to Greece and the Eastern Mediterranean.

The 2007 season closed recording 113,351 passengers (+1.9%) transported on fast ships and boats.

The number of passengers transiting through the Port of Venice increased by 2.2% with respect to 2006

The Labour Market

The number of workers in the Veneto grew by 0.8%, in line with the national figure

Despite a slowdown in the regional economic growth, Veneto's labour market recorded positive results in 2007. However, the main employment indicators grew less than in the rest of Italy and in the Northeast as a whole.

According to the data published by ISTAT (Italy's National Statistical Office), the Veneto is the region with the third-largest workforce in Italy, after Lombardy and Lazio. In 2007 there were a total of 2,119 thousand employed people (Table 18), an average growth of +0.8% on a yearly basis (+ 18 thousand employed individuals). In terms of employment, the Veneto performed worse than the rest of Italy (+1%) and Northeast Italy, where employment grew by 1.2 percent. However, when the usual regions used for comparison are considered, the Veneto obtained a better result than Lombardy (+0.7%), Piedmont (+0.6%) and Tuscany (+0.3%), but worse than Emilia Romagna (+1.8%). Veneto's employment expansion can be attributed to a slight recovery in jobs offered, coupled with a sharp decrease in the number of jobseekers. Additionally, the data shows a significant increase in the number of female workers, which contributed to a further decline in the unemployment rate.

Updated national data, which are not available yet, will enable a more accurate reading of the regional labour market results in 2007. National data, last updated in 2006, provide important information on employment (in 2006, some 2,267 workers were recorded, 1,677 of whom were employees and 591 self - employed), on annual labour units (2,292 ALU), but above all on the underground economy (undeclared employment). The latest results available for the Italian regions refer to 2005; the Veneto at the time had 197 thousand irregular labour units (6.7% of the national total). That phenomenon has been growing since 2000.

The trend of growth in the number of employed persons has positive effects on the employment rate. In 2007, the employment-to-population ratio in the 15-64 age bracket 65.8 percent, oscillating during the four quarters of the year from 76.4 to 77.8 percent for the male component and from 53.2 to 55.1 percent for the female component.

In 2007 the Veneto saw a slight increase in the jobs offered (+0.1 %). By contrast, jobseekers diminished by 17 percent, closing the year at 7 thousand units, thus contributing to bring the unemployment rate for 2007 down to 3.3 percent (chart 10). This is a value just above the figure recorded for the Northeast (3.1%), considering the aggregate rates of Emilia Romagna (2.9%), Friuli-Venezia-Giulia (3.4%) and in South Tyrol (2.7%).

Growth in employment in 2007 concerned employees in particular, whose numbers grew by 2.9 percent (+ 45 thousand units), while the self-employed workers diminished by 5 percent, losing 28 thousand units. Female employment increased by 1.2 percent (+10 thousand units), while there was a less marked increase in male employment of 0.6 percent (+7 thousand units).

In terms of sectors, the main contribution to the growth of employment came from the service sector (+1.1%) and the manufacturing industry (+2.1%). On the contrary, employment in the construction industry declined (-2.4%), confirming the slowdown in the sector in 2007. Employment in agriculture also decreased (-5.7%), especially for the employee component.

For a full picture of the trends in the industrial sector, other indicators must be taken into account, there included the results of the quarterly survey of small and medium manufacturing enterprises conducted by Unioncamere

Table 18 - Veneto. Total employees and employees by sector of activity (thousands)
Years 2006-2007

	VENETO			NORTH-EAST			ITALY		
	2006	2007	%	2006	2007	%	2006	2007	%
Labour force	2.190	2.192	0,1	5.173	5.209	0,7	24.662	24.728	0,3
Total number of people in employment	2.101	2.119	0,8	4.986	5.047	1,2	22.988	23.222	1,0
- agriculture	78	74	-5,7	201	189	-6,2	982	924	-5,9
- industry	815	824	1,1	1.783	1.812	1,6	6.927	7.003	1,1
- services	1.208	1.221	1,1	3.002	3.047	1,5	15.080	15.295	1,4
Jobseekers	88	73	-17,1	187	162	-13,4	1.673	1.506	-10,0

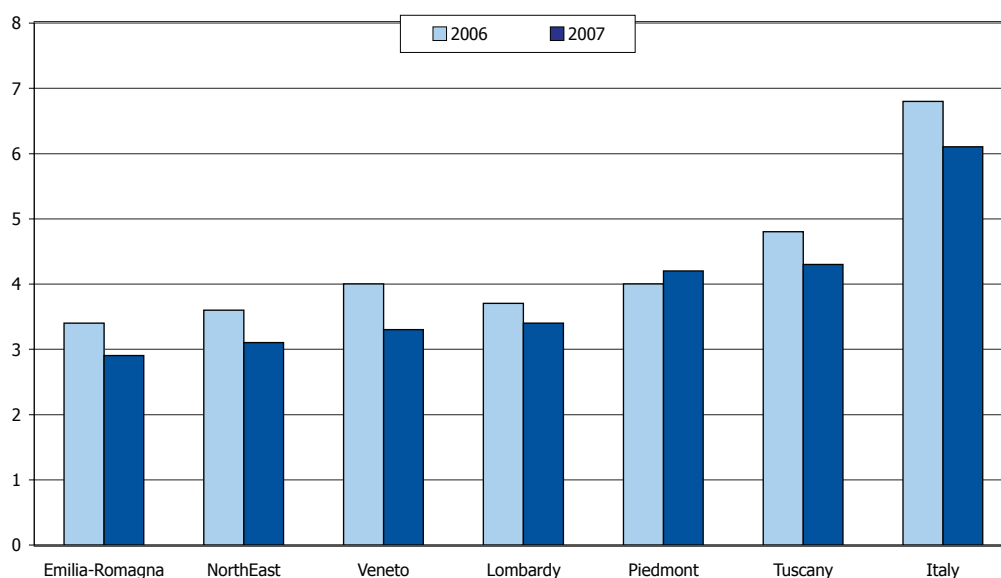
Source: ISTAT data processed by Unioncamere of Veneto

Jobseekers decreased by 17%; the unemployment rate was 3.3%

Veneto, and data from INPS (Italy's Social Security Institute) relating to the Redundancy and Unemployment Benefits Fund known as CIG. Based on the VenetoCongiuntura economic survey, employment increased by 0.3% in 2007. The improved performance concerns the sector of rubber and plastics (+2.7%), machine tools (+2.4%) and electrical and electronic machinery (+2). By contrast, the decrease in the number of employees in the textiles, clothing and footwear industries continues (-2.5%). On the other hand, the number of non-EU workers increased significantly (+2.6%), especially in the machine tools (+13.2%) and electric and electronic machinery (+18.4%) industries.

In 2007 CIG Redundancy and Unemployment Benefits were paid for the equivalent of 10.7 million hours (total economy), down 25% compared to 2006. In particular, the manufacturing industry showed a further decrease in the number of hours worked (-32.5%), in line with the trends of the construction industry (-33%).

Chart 10 - Unemployment rate in a number of Italian regions. Years 2006-2007



Source: Istat data processed by Unioncamere of Veneto

Foreign trade

While in 2006 goods were exported in the amount of Euro 46 billion, achieving better performance than anticipated a year ago on the basis of provisional data¹³ (43.8 billion), in 2007 sales abroad suffered the consequences of a less favourable economic situation and in spite of a moderate growth results were more modest than the previous year.

This is an estimate made on the basis of the provisional data disseminated by ISTAT, which are known to be underestimated¹⁴. Moreover they do not permit a correct analysis of the actual dynamics of foreign trade at regional and provincial level, especially for productive systems characterised by a high propensity for exports.

In 2007 exports increased
by 7% over 2006

Not knowing the final data for 2007, which are published by ISTAT at the end of the year, but relying on final data for 2006 instead, we have made an estimate¹⁵ of the value of exports for 2007. The aim of it is to provide an evaluation on an annual basis that is less misleading than the data proposed by ISTAT, which calculates the variation between 2006 and 2007 by comparing the provisional (underestimated) data with final (correct data).

According to the aforementioned way of proceeding, the Veneto exported goods for an estimated amount of Euro 49.5 billion in 2007. This means a growth rate of 7 percent, a slowdown compared to 2006 (+13.9%) but definitely better than the figure published by the ISTAT (+2.7%) and consistent with the trends recorded in the first nine months of the year.

Compared to the average for the Northeast (+9.3%), sustained by the fine performance of Friuli Venezia Giulia and Emilia Romagna, the Veneto showed export dynamics that were less lively than those of its neighbours, but almost in line with the results of other export-oriented regions, such as Piedmont (+6.6%), Lombardy (+9.3%) and Tuscany (+7.8%).

The contribution of regional exports to the total exports of the country amounted to 13.6 percent, some tenths of a point less than in 2006. The Veneto therefore remains Italy's second largest exporter behind Lombardy (28%), which consolidates its position, Emilia Romagna hot on its heels (12.7%), with Piedmont (10.2%) and Tuscany (7.3%) following at a distance.

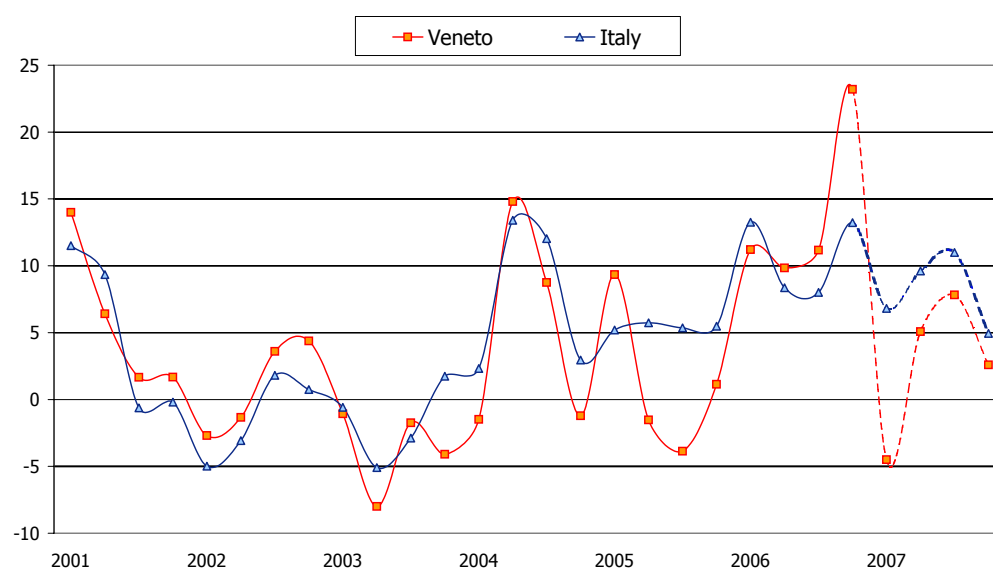
13 According to the final data – published by ISTAT in November 2007 – the value of Veneto's exports in 2006 amounted to Euro 2.5 billion more than the provisional data, which had been issued six months earlier (March 2007).

14 The provisional data were published by ISTAT on 13 March 2008, while the final data will be released at the end of the year. The discrepancy between the provisional and final data must be entirely attributed to the so-called "after year-end" practice, whereby export statements are recorded late by the Customs Offices of the Ministry of Finance. Such delays may be due to the late submission of statements by the companies, or else to delays in entering the data by the personnel working in said offices. For example, in the Provinces of Treviso and Vicenza, the high discrepancies result almost entirely from delays caused by the relevant offices when entering the statements that the companies submit (the majority of documents being still produced on paper supports and on floppy discs, rather than submitted electronically). The amount of the "after year-end" value is not a fixed rate, but varies according to the activity of the customs offices.

15 Assuming for 2007 an 'accounting error' similar to the one of the previous two-year period, the estimated values were obtained by applying a coefficient of correction to the provisional data for 2007, based on the difference between the provisional and final data published by the ISTAT for the two year period 2005-2006. These estimates, which differ from the official data disseminated by the ISTAT in their press release of 13 March 2008, do not vary significantly from the data obtained by comparing the provisional data for 2007 with the provisional data for 2006. An assessment of economic trends based upon such logic is less misleading than the one followed by ISTAT.

Regional export flows grew less than the national average. Italian exports increased by 9.6 percent, showing, in any case, a slowdown compared to 2006. This result had repercussions on the trade balance, which was negative in 2007 as a result of a further increase in imports (+5.7 percent on an annual basis), pushed upwards by soaring oil and raw materials prices, and by the excessively high Euro exchange rate, while the world trade growth is slowing down. We must add to this the growing and aggressive competition from China and the emerging countries in the Middle East and Latin America, which by now is affecting many of the typical 'made in Italy' products with a lower value added.

Chart 11 - Exports in Veneto and in Italy (% quarterly var. against the previous year). Years 2001-2007



*estimate data for 2007

Source: Istat data processed by Unioncamere of Veneto

Table 19 - Trade flows in a number of Italian regions (million Euro) Years 2006-07

	Import				Export			
	2006 (a)	2007 (b)	% change	% change estimates (c)	2006 (a)	2007 (b)	% change	% change estimates (c)
Piedmont	26.722	28.829	7,9	9,1	34.909	36.964	5,9	6,6
Lombardy	119.103	133.145	11,8	8,4	93.258	101.296	8,6	9,3
Veneto	37.012	38.361	3,6	5,9	46.284	47.525	2,7	7,0
Emilia Romagna	25.321	28.545	12,7	13,3	41.364	45.898	11,0	11,4
Tuscany	18.558	19.617	5,7	6,8	24.580	26.265	6,9	7,8
Northwest	155.483	172.232	10,8	8,4	132.966	143.815	8,2	8,9
Northeast	73.295	79.428	8,4	9,7	104.412	111.901	7,2	9,3
Centre	54.406	59.056	8,5	8,3	51.617	55.388	7,3	8,4
South	23.310	24.675	5,9	7,0	24.480	26.893	9,9	10,5
Islands	23.063	25.893	12,3	1,0	12.284	14.207	15,7	18,3
Various or n.s.	22.908	6.797	-70,3	-23,1	6.255	6.431	2,8	21,1
Italy	352.465	368.080	4,4	5,7	332.013	358.633	8,0	9,6

(a) final data; (b) provisional data; (c) percent. change between 2007 estimates and 2006 final data

Source: ISTAT data processed by Unioncamere of Veneto

The leading regional sector of exports is still machines and mechanical equipment, while the second ranking position of metal and metal products was consolidated

Considering the percentage variation in the outbound flows of specific product categories on an annual basis, 2007 saw a good performance of cars and other vehicles (+30.8% for a value of Euro 3,283 million), metals and metal products (+16 percent, for a value of Euro 5,906 million) and eyewear (+10.5%, for a value of Euro 2,159 million), wood and wooden products (+10 percent, for a value of Euro 282 million). Exports of textiles products and clothing were down (-1.8%, for a total of Euro 4,855 million). A decrease was experienced also in the export flows of leather and leather goods (-3.3%, for a total of Euro 4,346 million) chemical and related products (-8.6%, for a total of Euro 2,131 million), the gold and silver industry (-0.1%, for a total of Euro 1,739 million) and other manufacturing products (-1.4%, for a total of 405 million Euro). The fastest growing exports in 2007 were machinery and mechanical equipment, which marked up an increase of +9.8 percent, for a total value of Euro 11.013 million. Agricultural and fishing exports did well too, going up 6 % on a yearly basis.

Veneto's leading trading partners are headed by Germany (12.3%, 6,586 million Euro), France (9%, 4,787 million Euro) the United States (7.5%, for a total of 3,729 million Euro). While sales towards Romania dropped remarkably (-14.4%), exports to other European markets increased. The Veneto however is projected towards new EU markets. Veneto's top 10 export countries include the Russian Federation, which is confirmed as one of the fastest growing importers, now ranking sixth.

Looking at inbound trade flows, in 2007 imports rose by 5.9 % over 2006 and their estimated value amounted to 9.2 million Euro. Imports in the Veneto grew less than in Northeast Italy as a whole (+9.7 %) and in the main regions of comparison.

Again in 2007, China's rampage in the ranking of Veneto's top import countries continued without pause, ending up second (3,339 million Euro) with an increase in inbound trade flows of +22.5%. Germany steadfastly maintains its first position (9,178 million Euro), with imports for 2007 increasing by +10.5 percent.

Table 20 - Veneto. Exports by product type (millions of Euro). Years 2006-07

PRODUCTS	2006 (a)	2007 (b)	% change	var. % change estimates (c)
Processed and manufactured products	45.501	46.717	2,7	7,0
<i>Machinery and mechanical equipment</i>	10.030	10.565	5,3	9,8
<i>Textile and clothing products</i>	5.091	5.600	10,0	16,0
<i>Leather and leather products</i>	4.943	4.728	-4,4	-1,8
<i>Metal and metal products</i>	4.496	4.117	-8,4	-3,3
<i>Electrical and precision equipment</i>	3.190	3.243	1,7	7,8
<i>Motor vehicles and other means of transport</i>	2.510	3.197	27,4	30,8
<i>Chemical and allied industries</i>	2.328	2.403	3,2	7,3
<i>Food products</i>	2.166	2.188	1,0	7,8
<i>Furniture</i>	1.952	2.137	9,5	10,5
<i>Eyewear</i>	2.333	2.066	-11,4	-8,6
<i>Jewellery</i>	1.741	1.677	-3,7	-0,1
<i>Non metal min.proc.prod.</i>	1.530	1.535	0,3	3,1
<i>Rubber and plastic products</i>	1.441	1.460	1,3	8,5
<i>Paper, printing, publishing</i>	1.082	1.143	5,6	7,5
<i>Other manufactured products</i>	411	390	-5,2	-1,4
<i>Timber and wooden products</i>	257	269	4,7	10,0
Farming and fishing products	670	690	3,1	6,3
Mine and quarry products	58	62	7,4	10,3
Other products	56	56	-0,2	-1,8
Total	46.284	47.525	2,7	7,0

(a) final data; (b) provisional data; (c) percent. change between 2007 estimates and 2006 final data

Fonte: elab. Unioncamere del Veneto su dati Istat

Table 21 - Veneto. Imports and exports by Province (millions of Euro). Years 2006-07

Province	2006 (a)	2007 (b)	% change	% change estimate (c)
<i>Import</i>				
Verona	11.284	11.878	5,3	6,7
Vicenza	7.779	7.736	-0,6	6,6
Belluno	855	876	2,4	3,2
Treviso	5.584	5.753	3,0	6,9
Venice	5.462	5.801	6,2	2,7
Padua	5.215	5.504	5,5	7,8
Rovigo	833	814	-2,2	-1,5
VENETO	37.012	38.361	3,6	5,9
ITALY	352.465	368.080	4,4	5,7
Veneto/Italy % inc.	10,5	10,4		
<i>Export</i>				
Verona	7.770	8.067	3,8	5,4
Vicenza	13.824	13.327	-3,6	5,7
Belluno	2.404	2.651	10,3	11,3
Treviso	9.819	9.931	1,1	4,6
Venice	4.495	5.127	14,1	15,2
Padua	7.019	7.424	5,8	8,1
Rovigo	953	998	4,7	4,9
VENETO	46.284	47.525	2,7	7,0
ITALY	332.013	358.633	8,0	9,6
Veneto/Italy % inc.	13,9	13,3		

(a) final data; (b) provisional data; (c) percent. change between 2007 estimates and 2006 final data

Source: ISTAT data processed by Unioncamere of Veneto

Table 22 - Veneto. Veneto's top 10 trading partners by origin of imports and destination of regional exports (millions of Euro). Years 2006-07

Country	2006 (a)	2007 (b)	% change	% change estimate (c)
<i>Import</i>				
Germany	8.306	8.800	6,0	10,5
China	2.726	3.342	22,6	22,5
France	2.394	2.178	-9,0	-1,9
Netherlands	1.452	1.443	-0,6	2,1
Spain	1.565	1.437	-8,2	-4,9
Austria	1.429	1.414	-1,1	4,9
Belgium	1.312	1.262	-3,9	1,0
United States	1.081	1.148	6,2	6,1
Rumania	1.374	1.121	-18,4	-18,5
United Kingdom	887	966	8,9	14,7
<i>Export</i>				
Germany	6.129	6.105	-0,4	7,5
France	4.453	4.462	0,2	7,5
United States	3.827	3.727	-2,6	-2,7
Spain	3.003	2.933	-2,3	5,2
United Kingdom	2.776	2.682	-3,4	9,6
Russian Fed.	1.222	1.605	31,4	31,3
Austria	1.568	1.554	-0,9	5,3
Switzerland	1.356	1.450	6,9	6,8
Rumania	1.515	1.298	-14,3	-14,4
Belgium	1.120	1.089	-2,8	5,8

(a) final data; (b) provisional data; (c) percent. change between 2007 estimates and 2006 final data

Source: ISTAT data processed by Unioncamere of Veneto

4. The outlook for 2008

Given the final data for 2007 and the initial projections for 2008, the new year doesn't seem to have started well for the world economy. The mortgage crisis in the United States has slowed the thrust of the American locomotive, and is threatening to push the economy into recession, despite the effective, but late attempt of the Federal Reserve to contain the crisis on financial markets. The effects have partially spread to Europe, starting from the credit sector, where the crisis exploded, and followed by a downturn in Old World exports on which the lower growth of America's demand is putting the brakes. As important as it may be, the international recovery seems to be supported by the emerging Asian and Latin American economies (China, India and Brazil, first of all) and by the most important producers of raw materials (OPEC and Russia).

At the beginning of 2008 the world macro economic scenario therefore appears uncertain and heavily influenced by three main factors. Firstly, tensions on financial markets, which are still causing instability after the summer deflagration of the mortgage crisis. Secondly, the rise in oil and commodity prices, which absorbs income available to households and businesses and adversely affects demand dynamics in the leading advanced economies. Finally the weakness of the dollar, which reduces the ability of the Eurozone (and beyond) to export towards the most important driving engine of the world economy.

IMF revised downwards growth estimates for 2008, forecasting gross world product (GWP) at 4.1%. OECD expects world trade to grow by 8.1%

The main economic indicators are therefore painting a shadowy picture for the year that has just begun. The International Monetary Fund has cut estimates for world economic growth in 2008 from 4.4 to 4.1 percent, while the OECD forecast that world trade will grow by 8.1 percent.

The downward revision of the US GDP is particularly marked. 2008 is expected to close at +1.5 percent, almost half a point below the autumn forecast. Signs of slowdown are also recorded in Japan, which will end 2008 with a growth rate of +1.5 percent. So far emerging economies seem to have been only marginally hit by the crisis. The IMF expects China's GDP to grow by +10 percent in 2008 compared to +11.4 percent in 2007. All developing economies together are estimated to rise by +6.9 percent, which is less, however, than estimates made in October. Africa could develop at a rate of +7% (-0.2 percent), Central and Eastern Europe could achieve a growth rate of +4.6% (-0.6 percent) while the area of the former Soviet Union may keep its growth rate unchanged at +7%.

Growth estimates were revised downwards also for the Euro area, where growth will continue in 2008, but to a lesser extent than in the previous year. Indeed, the IMF expects the Eurozone's GDP to grow by only 1.6 percent, thus shattering the rosier expectations of a +2.1% growth voiced in autumn 2007.

Also the European Commission has downsized its estimates for the year stating that in the Euro area the GDP is expected to grow only by 1.8 percent in 2008, against an autumn forecast of (+2.2%). The entire European Union instead will have a growth rate of 2 percent (it was previously +2.4%).

Germany will fare well, growing by 1.6% in 2008, and so will France, which should settle at 1.7 percent. Spain is expected to have a growth rate of 2.7 percent, while, outside the Euro area, the UK's GDP should increase by 1.7 percent.

Despite the winds of crisis blowing over Europe, the forecasts are not

Table 23 - GDP real growth rates: comparison of forecasts. Years 2006-2009

	2006	2007	2008	2009
		<i>Italy</i>		
ISTAT February 2008*	1,8	1,5	-	-
Government March 2008**	-	1,5	0,6	1,2
UE Commission UE February 2008	-	1,9	0,7	1,6
Ref.Irs January 2008	-	1,7	0,9	1,4
Prometeia December 2007	-	1,7	1,1	1,6
Confindustria December 2007	-	1,8	1,0	1,4
OECD December 2007	-	1,8	1,3	1,3
Unioncamere December 2007	-	1,8	1,4	-
CER November 2007	-	1,8	1,3	-
ISAE October 2007	-	1,8	1,4	-
IMF September 2007	-	1,7	1,3	-
		<i>Veneto</i>		
ISTAT January 2008	2,5	-	-	-
Prometeia December 2007	-	1,8	1,2	1,7
Unioncamere December 2007	-	2,1	1,6	-

* Preliminary GDP estimate and PA indebtedness

** Report unified on the economy and public finance

Source: data from sources mentioned processed by Unioncamere of Veneto

According to the IMF, the Euro area will continue to grow in 2008, but at a slower pace than in the previous year.

pessimistic: the slowdown in the economy does not modify the trend of growth over the long term, while the rise in inflation, estimated at 2.6 percent in 2008, is considered temporary.

In line with the slowdown foreseen for the world economy, the Italian economic growth is expected to be weak and smaller than in the rest of Europe. After a 1.5 percent rise in 2007, estimates produced by the IMF, OECD and EU Commission at the end of 2007 suggested that Italy's GDP would grow by 1% in 2008. But according to new forecasts published in mid February by the EU Commission, Italy will grow by only 0.7 percent. This is a drastic reduction (half a percentage point) in the estimates of growth published in autumn, and is much more negative than the estimates for the Euro area. However such forecast was fully shared by the Italian Government which in mid March¹⁶ revised its own estimate to a more prudent 0.6 percent for 2008 (Table 23). The prognoses for the Italian economy in 2008 appears worrisome: this is confirmed by the leading national forecasting institutes, which cut in half estimates for growth in 2008. All of the most recent forecasts do not go beyond 0.5-0.7 percent, a figure that further widens the gap between Italy and the other European countries and, worse still, makes the future progress of public accounts much riskier. The Confindustria Study Center launched the alarm on the risk of zero growth for the year underway, while Prometeia and ISAE are revising the forecasts made at the end of 2007¹⁷.

Also the data for the initial months of 2008 are not encouraging.

¹⁶ Unified report on the economy and public finance (12 March 2008).

¹⁷ At the time of printing, there are no updates available on the forecasts published between October and December 2007

Table 24 - Forecast scenario for 2008, comparison of Veneto, Northeast and Italy.

	Veneto	North East	Italy
Gross domestic product	1,6	1,5	1,4
Domestic demand	1,6	1,6	1,5
Household spending	2,1	2,0	1,5
Gross fixed capital formation	0,8	1,4	2,0
Import of good from abroad	4,2	4,0	3,0
Export og good to foreign countries	2,5	2,2	2,8
Added value at basic prices			
agriculture	1,0	1,0	0,3
industry	1,5	1,4	1,3
contruction	-0,9	-0,3	1,4
services	2,0	1,9	1,6
total	1,7	1,6	1,5
Labour units			
agriculture	0,9	0,9	0,4
industry	0,2	-0,1	0,6
contruction	0,0	1,2	0,5
services	1,9	1,5	0,8
total	1,2	1,0	0,7

Source: Unioncamere - Prometeia (December 2007 forecasts)

Forecasts for the Veneto indicate a positive result: the regional GDP will grow by 1.6% in according to Unioncamere and by +1.2% according to Prometeia

In January the industrial production index grew by 0.5 percent compared to the period in 2007 and total exports increased by 15 percent over the same period in 2008, thanks to the good progress of trade with the EU (+19.4%). Negative signs have also come from the business and consumer confidence indexes, which worsened during the initial months of the year, showing the lowest figures since October 2005.

So according to the initial figures for 2008, the Italian economy seems to be heading for low economic growth. During the course of the year, household expenditure is expected to slow down compared to 2007 (+0.9%), as a result of inflation (estimated at 2.7%) and a fall in consumer confidence. Investments in machinery should remain unchanged compared to 2007, while those in construction are expected to increase by 1 percent. On the side of foreign demand, exports should be on a positive trend again in 2008, albeit at a decelerated rate compared to 2007 (+2.9%) because of a decreasing domestic demand in the countries of the main trading partners, coupled with a less dynamic world trade. Concerning the labour market, in 2008 employment is expected to grow at a more modest rate than in 2007 (+0.5% in terms of units of labour), while the unemployment rate should continue to decline, reaching 5.7%.

As regards the Veneto, forecasts for 2008 seem to indicate moderate growth. The outlook formulated by the Unioncamere Research Centre last December expects the regional GDP to rise by approximately 1.6 percent in 2008, a more favourable estimate than the one issued by Prometeia, which foresees a growth rate of 1.2 percent for the regional economy.

These are reassuring forecasts, especially on account of the fact that the Northeast is expected to be Italy's most dynamic area (+2%), together with

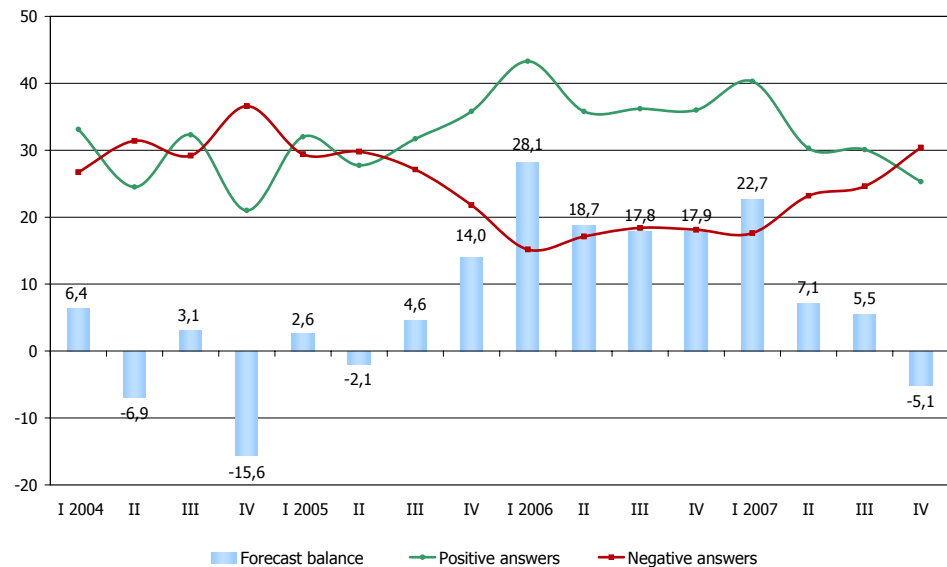
the Northwest (+2.1%). In fact, Unioncamere’s forecast scenario for 2008 (Table 24) sees Friuli Venezia Giulia at the top of the list of Italy’s fastest growing regions, with a growth rate of +1.8 percent, followed by the Veneto and Lombardy, both standing at + 1.6 percent , Emilia Romagna (+1.5%), Piedmont and Tuscany (both +1.3%).

With reference to the components of demand, during the course of 2008 household expenditure for consumer goods in the Veneto will grow by 2.1 percent, while gross fixed investment will increase by 0.8 percent. Exports will grow, but at more modest rate than in 2007. An increase of 2.5 percent has been forecast, given the instability of the Euro-dollar exchange rate, and the difficulties experienced by “made in Veneto” products in penetrating emerging markets. Imports, on the other hand, should increase by 4.2 percent.

Employment is expected to grow at a rate of 0.9 percent in 2008, while the unemployment rate should drop to around 3.4 percent.

Forecasts for enterprises remain uncertain during the first six months of the year are (chart 12). According to the VenetoCongiuntura research conducted by the regional Unioncamere, expected increases are offset by forecast decreases in almost all of the main indicators. Concerning production, the index stands at zero (it was +3.3% in the previous quarter) while the turnover index is halved to +3.3 percent (it was +6.6%). Also for this quarter it is foreign orders that inspire more optimistic expectations, with a positive balance of +6.6 percent, while there are growing concerns about a possible increase in sales prices (balance rated between +16.7% and 24.5%). Employment forecasts seem to be encouraging , with the balance between expected increase and forecast decrease standing at +4.3 percent.

Chart 12 - Veneto. 6-month forecasts on the trend of industrial production. Years 2004-2007



Source: Unioncamere del Veneto – VenetoCongiuntura survey

5. The Veneto and the 27 EU Countries: a benchmarking analysis

Joining the process of globalization has allowed the Veneto to play a better role internationally. The socioeconomic development of the region, in fact, is increasingly tied to supra-local transformations, to the dynamics of international markets, the phenomena of economic internationalisation and the ability to attract foreign investments.

Veneto's arrival on the global stage determines the need to analyse the major socio-economic trends in the region and compare them against those of the European Union and its member states. To this end, several indicators were identified - shared at the European level (Eurostat source) - to illustrate trends in demography, economy, labour market and society.

Population and Territory

With a population density of 256.7 inhabitants per km² in 2006 the Veneto is the 4th most populated region in Europe, against a EU-27 average of 116.2 inhabitants per km². The population increased by 7.5 percent during the 1996 - 2006 period, which let the Veneto rank 6th in the relevant category headed by Cyprus (+16.8% population growth, despite a low population density of 82.9 inhabitants per km²). This result was greater than the EU-27 average, which in the same decade recorded a growth of + 3.3% percent, a value close to Italy's performance (+3.4%).

Demography

The demographic structure of the region is marked by a high percentage of senior population, but this is not news (Table 25). In 2005 Italy had Europe's largest population aged 65 and over. The Veneto ranked second, with the population aged over 65 accounting for 18.9 percent of the total. On the contrary the Veneto had the smallest percentage of population under 14 years of age (13.8%) in Europe, Ireland being the country with the youngest population (20.7 % are aged under 14).

A low birth rate¹⁸ (9.7‰), which dropped by 4.5% since 1975, allowed no "renewal" of the population in 2005 (chart 13). This figure however is not far apart from the European average (10.5‰). The mortality rate¹⁹, instead, decreased only slightly over a period of thirty years (from 9.8 to 9.1‰), reaching a value close to the EU-27 average in 2005 (9.7‰). Ireland holds the top position also in the rankings connected to these indicators, with a birth rate of 14.7 per thousand and a mortality rate of 6.7 per thousand.

The Veneto is in last position when it comes to the percentage of the population below 14 years of age, and in second place for the percentage of the population over 65

18 The birth rate is the ratio of total live births to total population in a specified community or area over a specified period of time. The birth rate measures the frequency of births in a population over a period of time (normally one year) and is expressed as the number of live births per 1,000 of the population per year.

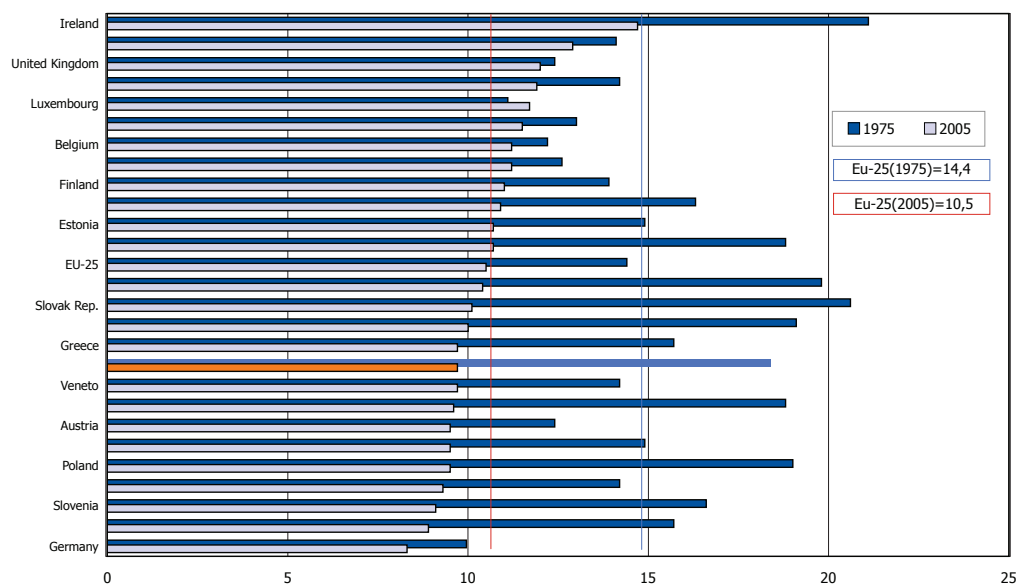
19 The mortality rate measures the frequency of deaths in a population in a period of time and normally refers to a calendar year. This information is normally used to calculate the decrease in population numbers. The death rate is the ratio of deaths in an area to the population of that area; expressed per thousand per year, in other words the average number of deaths in a population of one thousand inhabitants in a particular year.

Table 25 - Resident population by age (% of total).
Years 1995 and 2005

Country	Age <=14		Age >=65	
	1995	2005	1995	2005
EU-25	18,3	16,2	14,8	16,7
Austria	17,8	16,1	15,1	16,0
Belgium	18,0	17,3	15,7	17,1
Cyprus	25,0	19,2	11,1	11,9
Denmark	17,3	18,8	15,3	15,0
Estonia	20,9	16,0	13,3	16,2
Finland	19,1	17,5	14,1	15,9
France	19,6	18,5	15,1	16,4
Germany	16,3	14,5	14,5	18,3
Greece	17,6	14,5	15,0	17,9
Ireland	24,5	20,7	11,5	11,2
Italy	14,8	14,1	16,5	19,2
Latvia	20,9	14,8	13,5	16,5
Lithuania	21,9	17,1	12,1	15,1
Luxembourg	18,3	18,7	14,0	14,3
Malta	22,0	17,6	11,0	13,3
Netherlands	18,4	18,5	13,2	14,0
Poland	23,1	16,7	11,0	13,1
Portugal	17,9	15,6	14,7	17,0
United Kingdom	19,5	18,1	15,9	15,9
Czech Rep.	18,9	14,9	13,2	14,0
Slovak Rep.	22,9	17,1	10,8	11,7
Slovenia	18,5	14,1	12,1	15,3
Spain	16,9	14,5	15,2	16,8
Sweden	18,9	17,6	17,4	17,3
Hungary	18,3	15,6	14,1	15,6
Veneto	13,2	13,8	16,4	18,9

Source: Eurostat data processed by Unioncamere of Veneto

Chart 13 - Birth rate (births per thousand inhabitants).
Years 1975 and 2005



*the rates are expressed per thousand
Source: Eurostat data processed by Unioncamere of Veneto

The information relative to the life expectancy of women at birth in 2005 in the Veneto is the highest figure of all European countries (84.3), followed by Spain, France and Italy (Table 26). Concerning life expectancy of men, our region is in second place, after Sweden, with a value of 78.1.

Table 26 - Life expectancy at birth. Years 2002 and 2005

Country	Male		Female	
	2002	2005	2002	2005
EU-25	n.d	75,8	n.d	81,9
Austria	75,8	76,7	81,7	82,2
Belgium	75,6	76,7	81,7	82,4
Cyprus	77,0	77,0	81,4	81,7
Denmark	74,7	75,6	79,2	80,2
Estonia	65,1	67,3	77,0	78,1
Finland	74,8	75,5	81,5	82,3
France	75,7	76,7	83,0	83,8
Germany	75,4	76,2	81,2	81,8
Greece	76,2	76,6	81,1	81,5
Ireland	75,1	77,1	80,2	81,8
Italy	77,1	77,8	83,0	83,4
Latvia	65,4	65,6	76,8	77,4
Lithuania	66,2	65,4	77,6	77,4
Luxembourg	n.d	76,2	n.d	82,3
Malta	75,8	77,7	80,5	81,4
Netherlands	76,0	77,2	80,7	81,6
Poland	70,4	70,8	78,8	79,4
Portugal	73,7	74,9	80,6	81,4
United Kingdom	75,9	76,9	80,5	81,1
Czech Rep.	72,1	72,9	78,5	79,1
Slovak Rep.	69,8	70,1	77,6	77,9
Slovenia	72,3	74,1	79,9	81,3
Spain	76,3	77,4	83,0	83,9
Sweden	77,7	78,4	82,1	82,8
Hungary	68,3	68,6	76,6	76,9
Veneto	77,0	78,1	83,6	84,3

Source: Eurostat data processed by Unioncamere of Veneto

Income and per capita GDP

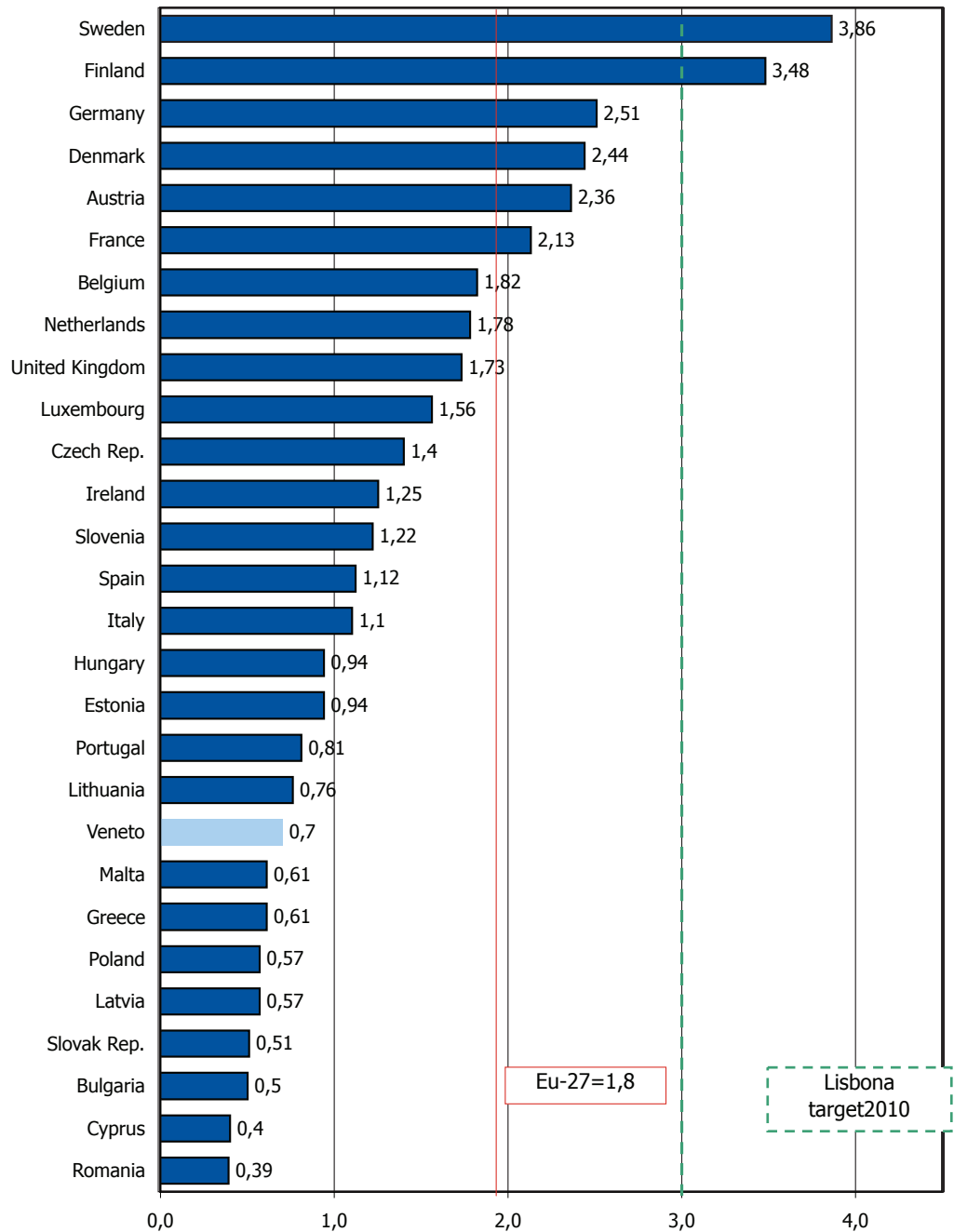
The Veneto is a wealthy region. In 2004 is ranked among the European countries with the highest GDP per capita (27,385.80 Euro – at purchasing power parity), following Luxembourg, Ireland, The Netherlands and Austria. The Veneto ranks 6th in terms of disposable income per capita, (14,518.90 Euro - at purchasing power parity), following Austria, Germany, the United Kingdom, France and Belgium.

Considering the index obtained from the ratio of expenditure on R&D to the GDP, which is a shortcut measurement of the level of innovation, the Veneto performed worse than the other European countries of comparison, with 0.7% in 2005 (chart 14). The EU-27 average, on the other hand, stands at 1.8 percent, which is in any case far from the target of 3 percent set in Lisbon. Only the innovation capacity of Sweden (3.9%) and Finland (3.5%) has already exceeded this level.

The Veneto is a wealthy region: in 2004 it was among the European countries with the highest GDP per capita.

Considering the number of patent applications submitted to the European Patent Office (EPO) in relation to the total population, the Veneto recorded 79.6 applications per million inhabitants in 2003, ranking seventh. The most “innovative” countries, according to said index are, once again, the countries in Central and Northern Europe: Germany, Finland, Luxembourg, The Netherlands, Denmark and Austria.

Chart 14 - Expenditure on R&D (% of GDP). Year 2005



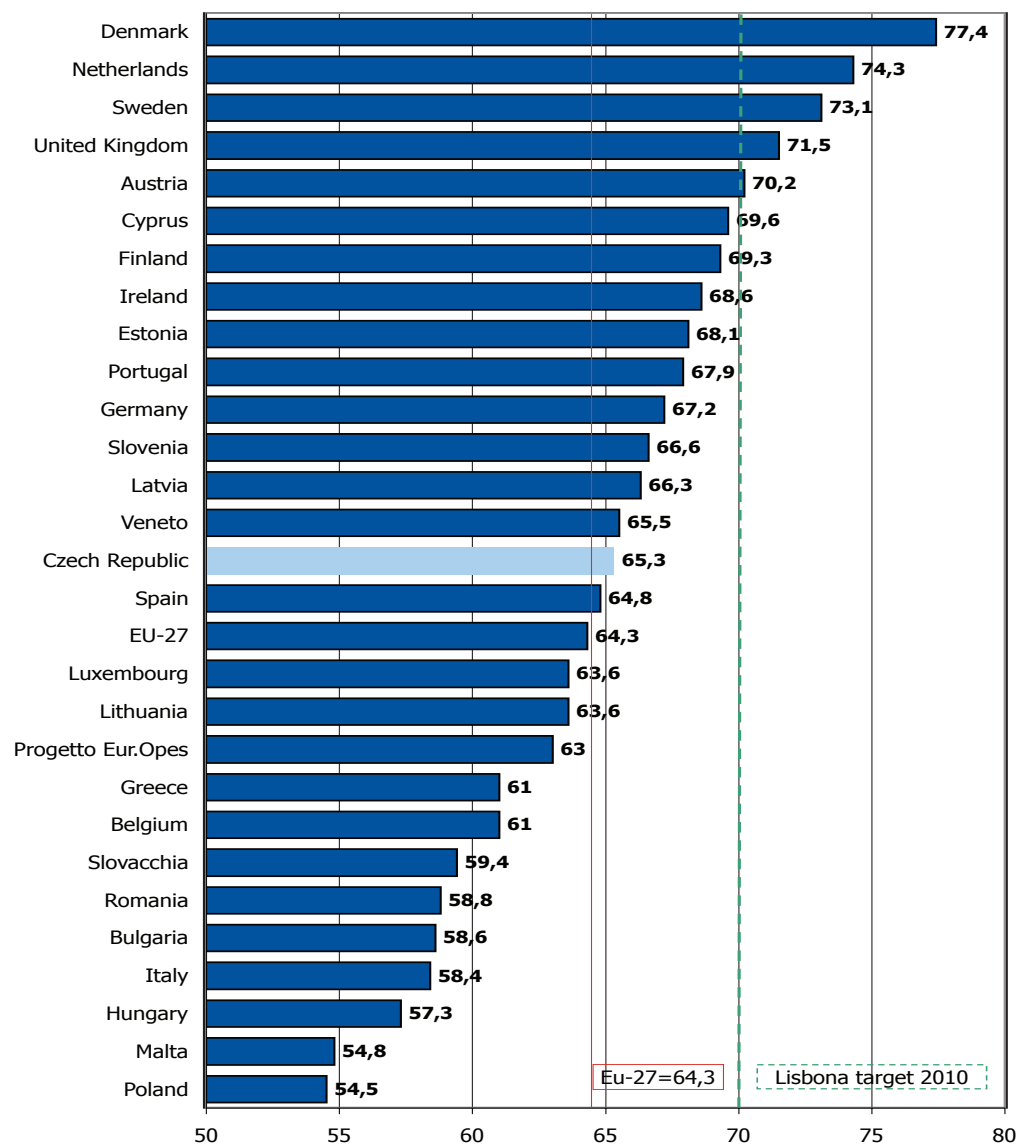
Source: Eurostat data processed by Unioncamere of Veneto

The labour market

The regional employment rate was 65.5% in 2006

The Veneto Region has achieved almost full employment. In fact, on the basis of the latest data available, the regional employment rate in 2006 was 65.5% and exceeded the EU-27 average (64.3%). The Lisbon strategy set a target employment rate of 70% by 2010. This target has already been reached by Denmark, Holland, Sweden, the United Kingdom and Austria. The weak link of regional employment concerns women. In fact, concerning female employment, the Veneto is among the worst performers in Europe, posting a rate of 53.6 percent, which is below the European average (57.1%) and far from the Lisbon objective of 60%. The position of the Veneto worsens with reference to employment in the 55 – 64 age bracket. The countries of Northern Europe head up the ranking (the first three positions are held by Sweden, Denmark and Estonia), while our the Veneto is in the next to last position, with a rate of 29.1 percent, a figure that is lower than the European average of 43.5% and far from the Lisbon objective of 50%. But then the rate of unemployment in the Veneto is among the lowest in Europe (4.1% compared to the EU 27 average of 7.9%), exceeded only by the Netherlands and Denmark. From 1995 to 2006, the unemployment rate in the Veneto went down by 2.6 percentage points.

Chart 15 - Employment rate. Population aged 15-64. Year 2006



Source: Eurostat data processed by Unioncamere of Veneto

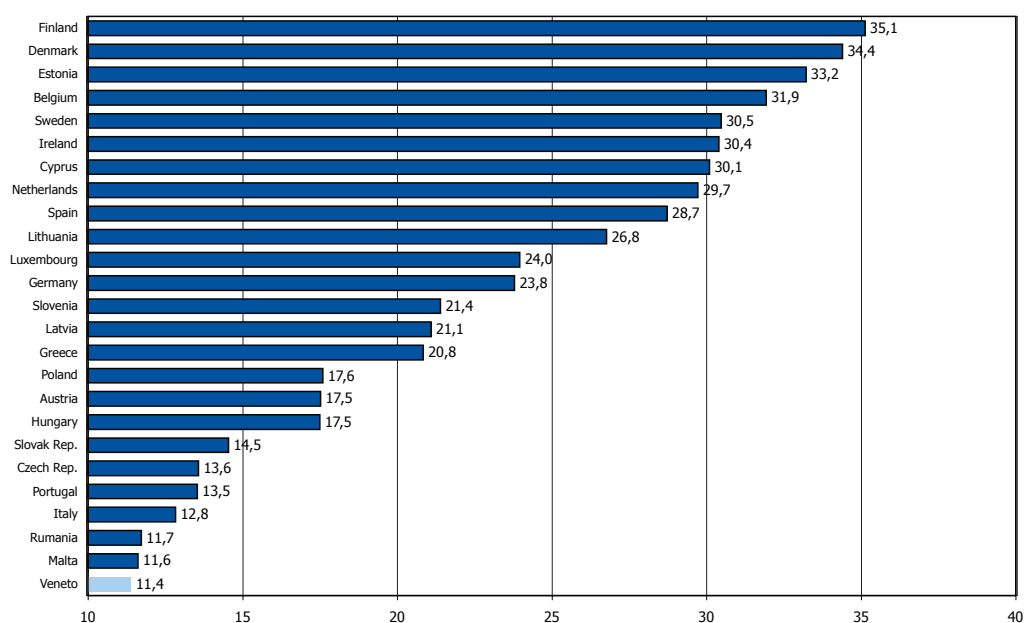
Human Resources

Concerning education, the Veneto has not recorded good results. In Italy, in 2006, the people holding a university degree accounted for 12.8 percent of the population, which was below the European average (Chart 16). The Veneto occupies the next-to-last position, with only 11.4 percent of the population holding a university degree, showing a limited spread of higher education in the regional territory. The ranking is led by Northern European, namely Finland, Denmark and Estonia.

On the other hand, the percentage of the population aged 25 - 64 years that was involved in life-long learning programmes in Italy and in the Veneto was 6.1 and 6.3% respectively, intermediate values compared to the other European countries.

The Veneto has made slight progress on the front of innovation, expressed as the share of workforce employed in the high and medium- high tech manufacturing sector. The region, with its 10 percent rate, boasts the second-best result in Europe, outperformed only by Germany (10.4%). This is the merit of Veneto's manufacturing industry, which is increasingly involved in innovative activities. However when it comes to employment in high-tech services top positions are held by Northern European countries, while the Veneto and Italy record lower values, with respectively 2.7 % (20th place) and 2.9 % of the total workforce employed in high-tech services. This is an unfavourable situation for the Veneto. In fact, high tech business services provide instruments to increase productivity and support the spread of innovation, especially with respect to the Information and Communication Technology.

Chart 16 - Population aged 25-64 holding a higher education diploma (%of total). Year 2006



Source: Eurostat data processed by Unioncamere of Veneto