

Now entering its 10th year of publication, this preliminary report on the economy of the Veneto region is recognised as an important appointment in the regional economic information agenda.

Data, charts and tables allow us to determine the state of health of our regional economy and reveal that the Veneto is still firmly leading national and European rankings in terms of GDP, exports and employment.

Nevertheless, 2008 was not a positive year for the regional economic system, which was not spared from the severe financial crisis that is shaking the world economy: the regional GDP declined by 0.5% compared to 2007, in line with the rest of Italy.

While the agricultural sector remained stable, a drop was recorded in industrial production and retail sales. Difficulties were reported also by the service sector, predominantly because of a less favourable trend in the tourist industry.

Forecasts for the current year are not encouraging: in 2009 the Veneto economy should experience a 2.2% drop, while a growth rate of 0.8% is expected in 2010.

The economy is therefore weak at this point in time and it is necessary to boost 'confidence' as a key to spurring consumption and hence reviving the economic cycle.

Veneto's companies are attentively guarding their share of world markets, in countries with more advanced economies as well as in emerging economies. In 2008 exports reached 51.1 billion euros, recording a growth of 1.1%. Germany is still our strongest sales market, followed by France and the United States, but also the Russian Federation is climbing up the charts.

This proves that the future of our region depends on its ability to be present in international markets with increasingly innovative products and services.

Venice, March 2009

FEDERICO TESSARI
President, Unioncamere del Veneto

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Introduction

In 2008 the Veneto did not succeed in keeping up the growth trend seen in the previous year: all leading economic indicators reveal that the regional economy suffered a slowdown.

This was not unexpected. Since last summer, the most important national and international research institutes have been chasing each other around in an absurd contest to make the ultimate forecast. But perhaps we should start from the reliable and final data we have put together in this report.

The contraction in the world GDP at the end of 2008 was extremely sharp and has paved the way towards recession, which will become evident as the results of all advanced economies (but also of emerging economies) will be disclosed during the course of 2009.

According to the International Monetary Fund, the global economy is going through the deepest crisis since the end of the Second World War, perhaps with less intense effects in Europe than in the United States. The Italian economy is slowing down: after the 1% drop recorded in 2008, estimates for growth in 2009 are in the neighbourhood of -2% and the negative effects will soon be felt.

While there is no doubt that the international crisis we are facing was triggered by exogenous causes, it struck Italy when its economy was already weaker than that of other countries. Consequently, the critical phase in Italy is likely to outlive the acute economic crunch we are now going through, without sparing Italy's economically stronger regions, such as the Veneto.

This is the picture that emerges from the initial data on the regional economy, which are presented in this report.

While the outlook does not leave much space for optimism, there is no reason to despair either. That would be an error and a demonstration of irresponsibility, especially towards the production system and the families behind it, that is the people who work and actively support the entrepreneurial structure.

So we must take action all together, with confidence; and that means both the world of enterprise and the Public Administration. The latter absorbs over 50% of the public expenditure in Italy, representing the largest 'enterprise' in the country. In a global world, our Public Administration must also be competitive, through processes that lead to effectiveness and efficiency.

In the Veneto the cost of Public Administration is lower than in the rest of Italy. The reason for this is that our region has 69 public employees for every 100,000 inhabitants, compared to the national average of 96. So we must demand region-specific policies, rather than undifferentiated policies, such as the much-slandered 'stability pact' or the 'sector studies', which do not take into account the enormous differences between regions in Italy.

Having said that, we must also demand the highest possible level of performance from our local and regional public administrations. Also the Chambers of Commerce are willing to do their part and are trying to help companies overcome contingent difficulties.

We must demand that the ‘fiscal capacity’ of our region be improved. Today, only three regions in Italy, including the Veneto, make extremely high equalisation and national solidarity payments to the central government (over 3,200 euros per capita per year). Such amount must be reduced in order to offer better services and infrastructures to local enterprises. If that fails to happen, our competitiveness risks being further eroded, which would prevent us from dealing with the impending crisis in an effective way.

Sixty years after the Italian Constitution entered into force and eight years after the reform of its Title V, Italy is experiencing considerable delay in developing into a modern state. The increasingly precarious situation of the government budget, the high cost of Public Administration, the delays in the judicial system and the growing costs of state bureaucracy are all factors that produce an extremely high fiscal burden for enterprises, with detrimental consequences for the economic development of Italy and its most virtuous regions.

Unioncamere del Veneto’s primary goals are to simplify administrative procedures and create a more business-friendly environment in order to support the growth of the regional economic system. However, to achieve these objectives, we need a system that promotes subsidiarity, regional and local autonomy and decentralisation, and - above all - an efficient public administration.

There are reasons for concern today, but there are also reasons for confidence. In the past the Veneto has proved more successful than other areas in using research and technological innovation to find solutions and foster growth. Such ability is still there and can be used with commitment and confidence, without underestimating the seriousness of the situation, but also without being daunted by it. In a word, pessimism is ‘uncalled-for and inappropriate’.

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 dynamics of Veneto’s economy in 2008, in an attempt to identify the strengths and weaknesses of the region, which must look toward the development of enterprises and the well being of its citizens.

Venice, March 2009

GIAN ANGELO BELLATI
Director, Unioncamere del Veneto

1. The international economic context

The exacerbation of the financial crisis and the strong pressure on the banking system and credit conditions have seriously endangered prospects for the world economy, whose pace, after slowing down remarkably in 2007, worsened even more during 2008 - especially over the last three months of the year, with negative effects on the real economy. According to the most recent data available, growth in the **world GDP** went from 5.2% in 2007 to 3.4% in 2008, while **international trade** recorded an increase of 4.1%, against 7.2% in the previous year (Chart 1).

Almost all of the leading advanced economies recorded contractions in the GDP during the last months of the year, as they suffered the slowdown of financial markets, the reduction in the availability of credit, the worsening climate of confidence among families and enterprises and the persistent depression of the real estate market in several countries. Inflation, after reaching a peak in summer declined during the last months of 2008 because of significantly lower energy prices and the reduction in world demand. In particular, at the end of 2008 fuel prices went down considerably as a result of the contraction in crude oil prices. Despite the recovery of purchasing power, the dynamics of consumption remained weak.

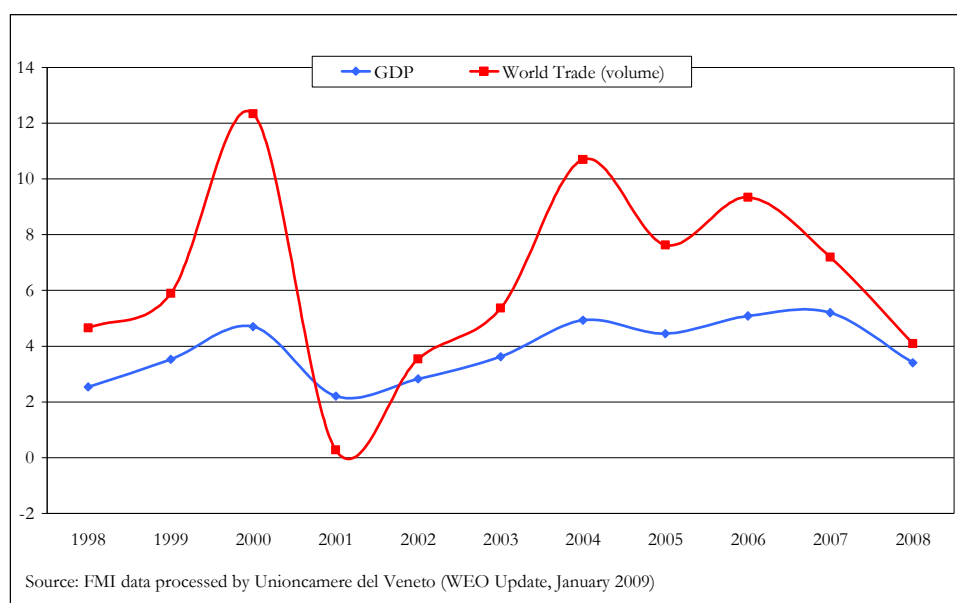


Chart 1 – World GDP trends and world trade volume (% var. over previous year). Years 1998-2008

The deterioration of the world economy was caused primarily by estimates of limited growth in the United States and other industrialised countries and the slowdown in emerging countries, following the weakening of foreign demand and the negative setback in financial markets. Due to the drop in the fourth quarter (-6.2%), in 2008 the **GDP of the United States** grew by a mere 1.1%, which was half the growth rate of 2007 (+2%) (Table 1). This downturn stems predominantly from the negative performance of personal consumption expenditures brought about by corrections underway on the real estate market and weak investments. The recession deepened in the last quarter of 2008 and is set to drag on in 2009. It helped curb inflation, which in December recorded substantial stability (+0.1% on an annual base, which is the lowest variation since 1954).

The downturn in prices resulted also from the record drop in the price of crude oil during the last quarter of 2008.

The economic slowdown continued also in **Japan**, following weak domestic demand and downsizing of exports. After a positive 2007 (+2.4%) the Japanese GDP decreased by 0.3% in 2008.

Also the main emerging countries showed signs of slowdown. Since mid-September 2008, conditions on all emerging financial markets weakened, following the reduction of the financial leverage and growing risk aversion worldwide.

In particular, after the strong expansion of 2007 (+13%, the highest value in the last decade), in 2008 **China** grew by 9% on an annual basis, dropping to the lowest level in six years. The growth rate of the Chinese GDP, though enviable for western economies experiencing recession, has nevertheless slowed down considerably, especially during the last months of 2008. Between October and December, in fact, growth was only 6.8%, compared to the same period in 2007, following the 9% recorded in the third quarter: the worst result in the last five years.

Albeit with less intensity, **India** (+7.3%) and **Russia** (+6.2%) have also maintained a good growth rate. **Brazil** achieved a fair result, growing by 5.8%.

The slowdown in the world economy has not spared the **Euro zone** whose GDP in 2008 grew only by 1%, dampened by less favourable credit conditions and the reduction in consumption and investments - which can be attributed to the gloomy outlook. The economy is weak throughout the area, although with varying degrees of intensity. Growth was recorded in the main European countries, but with a sharp slowdown compared to the previous two-year period. In particular, Germany's GDP grew by 1.3% and Spain's by 1.2%, while France marked up a growth rate of 0.8%. The increase was 0.7% in the United Kingdom. The strongest contraction in the GDP was observed in Italy (-0.6%).

Table 1 – Trends in real GDP in a number of countries (% var. over previous year). Years 2006-2008

	2006	2007	2008			% GDP
			IMF	OECD	European Commission	
World	5,0	5,2	3,4	-	-	100,0
			Developed Countries			
USA	2,9	2,0	1,1	1,4	1,2	21,3
Euro Area	2,8	2,6	1,0	1,0	0,9	16,1
Germany	2,9	2,5	1,3	1,4	1,3	4,3
France	2,0	2,2	0,8	0,9	0,7	3,2
Italy	1,9	1,5	-0,6	-0,4	-0,6	2,8
Spain	3,9	3,7	1,2	1,3	1,2	2,1
Japan	2,2	2,4	-0,3	0,5	-0,1	6,6
UK	2,8	3,0	0,7	0,8	0,7	3,3
			Emerging Countries			
Cina	11,1	13,0	9,0	9,5	-	10,8
India	9,7	9,3	7,3	7,0	-	4,6
Russia	6,7	8,1	6,2	6,5	-	3,2
Brasile	3,7	5,7	5,8	5,3	-	2,8

Source: data for 2006-2007: FMI; estimates for 2008: FMI (WEO Update - January 2009), OCSE (Economic Outlook - November 2008), European Commission (Interim Forecast - January 2009)

2. The national economic context

Following a weak 2007, the Italian economy continued its sharp slowdown in 2008. The GDP collapsed, dropping to a thirty-year low and surpassing the worst forecasts made during the year. After forecasting a growth rate of 0.5% for 2008, in December the OECD¹ revised its estimate announcing a contraction of 0.4% for Italy. IMF² forecasts for Italy were more pessimistic, having estimated a reduction of 0.1% in autumn 2008. This forecast was then revised to - 0.6% in February 2009. A similar contraction was estimated by the European Commission³ taking into account Italy's weaker domestic demand and competitive position compared to other countries in the Euro zone. Government forecasts were also in line with such figures⁴: a growth rate of +0.1% was estimated in November 2008, then when updating the stability programme, the GDP growth was further cut to -0.6%.

According to the final data disseminated by Istat in March 2009, the **Italian GDP dropped by 1%** in 2008, marking a strong deceleration compared to the +1.6% growth reported in 2007⁵ (Table 2). This is the worst drop since 1975, when a decline of 2.1% was recorded, and places Italy at the bottom of the list of the leading EU countries (Germany, United Kingdom and France).

From the point of view of the GDP components, the contraction of Italy's GDP in 2008 was determined primarily by the drop in industrial production (-3.2%) and construction (-1.2%). Only the agricultural sector grew by +2.4%.

Public finances also worsened in 2008: the deficit/GDP ratio settled in at 2.7%, which was above the figure recorded in 2007 (1.5%), while the primary surplus dropped from 3.5% to 2.5% of the GDP. Fiscal pressure stood at 42.8%, three tenths of a point lower than in 2007 (43.1%), due to the combined effect of an increase in direct taxes and social security contributions effectively paid and a drop in indirect taxes.

The reduction in the liquidity of the financial system damaged the real economy, leading to a credit crunch, which in turn damaged families and businesses. In fact, **domestic demand** went down by 1%, while private consumption declined by 0.9%. **Gross fixed investment** recorded a poor performance, with a contraction of 3%, due to a drop in investments in machinery and equipment (-5.3%), in construction (-1.8%), in transport vehicles (-2.1%) and stable investments in intangible assets.

Foreign demand was also sluggish: **exports** of goods, according to our estimates, marked a 1.9% annual growth rate (growth for 2007 over 2006 was +9.9%).

Imports of goods recorded an increase of 2.4% (formerly +5.9%).

¹ OECD, Economic Outlook (November 2008).

² FMI, World Economic Outlook (April 2008, October 2008 and January 2009).

³ European Commission, Economic Forecast (November 2008 and January 2009).

⁴ Programme Forecast Report (September 2008) and Italian Stability Programme (February 2009).

⁵ In addition to the estimates for 2008, the Istat disseminated their revised estimates of GDP growth for the 2005-2007 period, made in compliance with EU regulations (compare www.istat.it). In particular, the GDP growth in 2007 was increased by one decimal point (it had been estimated at +1.5%).

Concerning **employment**, labour units⁶ remained stable in 2008 (-0.1%). This stability is the result of the contrasting dynamics of three different factors: greater recourse to temporary lay-offs under the Wages Guarantee Fund by companies (so-called '*cassa integrazione*'), an increase in the number of part-time jobs and a contraction in self-employment. However, overall the number of internal employees at companies⁷ still showed growth (+0,3%). In terms of sectors, the total number of workers decreased in the construction industry (-0.6%), as well as in industry in general (-1.7%) and in the agricultural sector (-2.1%), while the number of employees in the field of services increased (+0.6%).

The repercussions of the crisis don't seem to be evident from a research conducted by Istat on the labour force, which in 2008 showed an increase of 0.8%, with positive dynamics in all sectors, except in Southern Italy. The unemployment rate rose from 6.1% in 2007 to 6.7% in 2008.

Table 2 – Leading economic indicators in a number of Italian regions. Year 2008

	GDP*	Domestic Demand*	Household Consum.*	Gross Fixed Investment*	Exports**	Employment.**
Piedmont	-0,6	-0,6	-0,7	-1,8	2,2	1,2
Lombardy	-0,6	-0,4	-0,5	-1,5	2,1	1,1
Veneto	-0,5	-0,2	-0,1	-1,4	1,1	1,9
Emilia-Romagna	-0,4	0,0	0,1	-1,3	3,1	1,3
Tuscany	-0,8	-0,3	-0,6	-0,8	-4,2	1,8
North West	-0,6	-0,5	-0,6	-1,5	2,3	1,0
North East	-0,4	-0,1	0,0	-1,4	2,5	1,5
Centre	-0,5	-0,2	-0,3	-1,3	-3,2	1,5
South and Islands	-0,8	-0,9	-0,9	-3,3	1,4	-0,5
Italy	-1,0	-1,0	-0,9	-3,0	1,9	0,8

Source: Istat, Prometeia - Scenari per le economie locali (February 2009)

* data for regions and geographical areas are Prometeia forecasts.

** Istat data processed by Unioncamere del Veneto

⁶ A labour unit represents the quantity of work provided in one year by a full time employee, or the quantity of equivalent work performed by part time workers, or by workers who perform double work. This concept is no longer related to the individual natural person, but refers to a number of annual hours corresponding to full time employment performed, a number which can be different depending on the work activities. The units of labour are therefore used as a unit of measurement of the volume of work performed in the production of goods and services, falling within the GDP estimates in a specific reference period. Labour units are calculated net of recourse to the Wages Guarantee Fund.

⁷ The concept of 'internal employees' coincides with the average number of natural persons employed in the period examined, who perform a production activity, as defined in SEC 95, in production units located in the portion of the territory subject to the study. The definition of 'employee' includes persons temporarily laid off, who retain a formal relationship with their job in the form of a guarantee to resume work, for example, or in the form of an agreement as to the date on which work will be resumed. Temporarily laid off workers receiving unemployment pay fall within this category.

3. The Veneto economy in 2008

The worsening of the international financial crisis led to revise the growth estimates for Veneto's economy. In line with the rest of the country, in 2008 the Veneto recorded a marked reduction compared to the previous year. According to estimates published by the Italian Association of Chambers of Commerce (Unioncamere Italiana), the regional GDP, at constant prices, dropped by 0.1% compared to 2007. Following a growth rate of 1.8% recorded in both 2006 and 2007, forecasts for 2008 issued in May and July indicated a growth rate of 0.6%, but in fact the figure settled at around zero growth by the end of the year.

The most recent forecasts formulated by **Prometeia** reflect the dynamics of the Veneto economy in 2008 more faithfully, showing a **0.5% GDP contraction for the Veneto** and a 0.4% contraction for Northeast Italy as a whole (Chart 2).

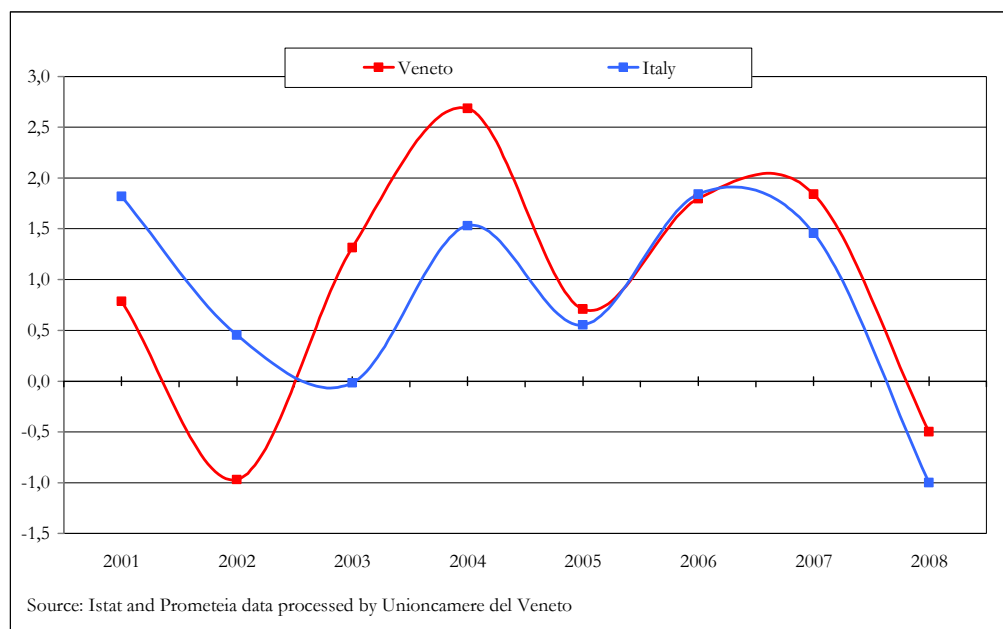


Chart 2 – GDP trends for the Veneto and Italy (% var. over the previous year). Years 2001-2008.

In comparison with other regions (Table 2), the Veneto performed slightly better than Lombardy, Piedmont and South Tyrol, all of which recorded a GDP contraction of 0.6%. The downturn in Umbria and Tuscany was sharper (-0.7% and -0.8% respectively). On the other hand, the Veneto was outperformed by Friuli Venezia Giulia and Emilia Romagna (both of which experienced a reduction of -0.4%) and Valle d'Aosta, for which a situation of stability was forecast.

There was a slight contraction in the regions of Northeast Italy (-0.4%), North West Italy (-0.6%) and Central Italy (-0.5%). Southern Italy was worse off, with a drop of 0.8%.

Looking at the components of the aggregate demand, the regional GDP contraction in 2008 was primarily determined by a slowdown in domestic demand, which decreased by 0.2%, especially as a result of the weak private consumption, which fell by 0.1% (it was +1.9% in 2007). Investments also declined, recording a drop of 1.4% on an annual basis in 2008 (+1.2% in 2007.)

Concerning the formation of value added, the decrease in the regional economy in 2008 was determined by the negative performance of the construction sector, which was down by -2.6%, and the manufacturing sector, which dropped by

2.1%. Only the agricultural sector recorded positive results for the regional economy, marking up an increase of 3.1%. The contribution of the service sector, on the other hand, was more limited, as it rose only by 0.3%.

Table 3 – A comparison of the Veneto and Italy: GDP, employment and productivity. Years 2000, 2006-2008

	2000	2006	2007	2008
<i>absolute values</i>				
Veneto*				
GDP (million euros)*	111.713	118.924	121.113	120.543
Labour units (thousands)	2.174	2.298	2.323	2.215
GDP per labour unit (thousands of eu)	51,4	51,7	52,1	54,4
Italy*				
GDP (million euros)*	1.191.057	1.266.420	1.284.868	1.276.240
Labour units (thousands)	23.412	24.826	25.071	24.926
GDP per labour unit (thousands of eu)	50,9	51,0	51,2	51,2
<i>Index (2000=100)</i>				
Veneto*				
GDP*	100,0	106,5	108,4	107,9
Labour units	100,0	105,7	106,9	101,9
GDP per labour unit	100,0	100,7	101,5	105,9
Italy*				
GDP*	100,0	106,3	107,9	107,2
Labour units	100,0	106,0	107,1	106,5
GDP per labour unit	100,0	100,3	100,7	100,6

Source: Istat, Prometeia

* 2000-2007: Istat data (Conti regionali); 2008: Prometeia forecasts (February 2009 estimates)

Also the weaker export dynamics contributed to reduce the GDP. Following the good performance in the previous two-year period (+13.9% in 2006 and +9.2% in 2007), foreign trade abruptly put on the brakes in 2008. According to our estimates⁸, Veneto exports increased by 1.1%, while imports dropped by 3.3%. Signs of deceleration were also seen on the side of the production structure and labour market. The number of companies registered decreased slightly in 2008 (-0,6%)⁹, recourse to the Wages Guarantee Fund (CIG) and lay-offs increased, while the number of workers hired declined during the year. However, the level of productivity of the regional economic system remains high. In 2008, in fact, the GDP per labour unit grew to exceed 54,000 euros, thus widening the gap with the national average, which remained stable at the 2007 figure (51,200 euros) (Table 3).

According to the picture drawn up on the basis of the data available, 2008 can be seen as a year of slowdown for the Veneto economy, following the weakening of foreign demand and private consumption, as well as the decline in the construction and industrial sectors.

⁸ For further information refer to the paragraph on 'Foreign Trade'.

⁹ For further information refer to the paragraph on the 'Production Structure'.

Foreign trade

Veneto's export performance was adversely affected by the international turbulences and the economic downturn. While in 2007 Veneto exports hit the 50.6 billion euros mark, performing better than expected a year ago on the basis of provisional data¹⁰ (47.5 billion), in 2008 sales abroad felt the effects of the critical economic situation and recorded only a feeble increase over the previous year.

This is revealed by the estimates based on provisional data disseminated by Istat, which however are known to be underestimated¹¹ and not to permit correct analysis of the actual international trade flows at regional and provincial level, especially for production systems characterised by high export propensity, like the Veneto's.

Pending the final year-end data, which have not been released by Istat as this report is being prepared, we decided to use 2007 final data to estimate¹² the value of exports for 2008. Our aim is to provide an evaluation on an annual basis that is less misleading than the data proposed by ISTAT, which calculates the variation between 2007 and 2008 by comparing the provisional (underestimated) data with final (correct data).

According to such revised estimates, in 2008 Veneto's **exports** increased by 1.1% over the previous year, reaching **51.1 billion euros**. This figure reflects a remarkable deceleration in the export growth rate compared to previous years (+13.9% in 2006 and +9.2% in 2007). Nevertheless, the estimated export results for 2008 are definitely better than the figures published by Istat (-4.6%) and are consistent with the data recorded during the first nine months of the year.

Only in the last quarter of the year, in fact, did the slowdown in exports emerge as a result of the worsening economic situation, as confirmed both by the Istat data and the quarterly *VenetoCongiuntura* survey performed by Unioncamere del Veneto on a sampling of almost 1,200 manufacturing companies with at least ten employees. After growing during first 9 months of the year, in the period from October to December 2008, Veneto's companies suffered a 6.3% drop in foreign sales compared to the same period in 2007.

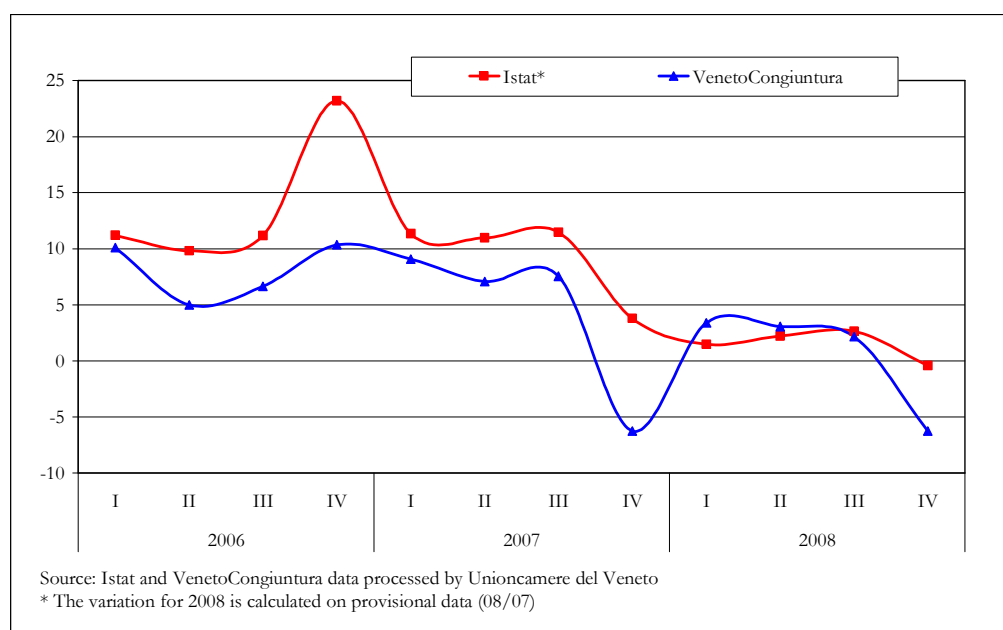
¹⁰ According to the final data – published by Istat in February 2009 – the value of Veneto's exports in 2007 was 7 billion euros higher than the provisional data, which had been disseminated a year earlier (March 2008).

¹¹ Provisional data were released by Istat on 12th March 2009, while final data will be disseminated in February 2010. The discrepancy between provisional and final data must be attributed entirely to 'after year-end' events, or statements that Customs Offices of the Ministry of Finance record late. These delays may be due to the late submission of statements by companies, or to delays in entering the data by the personnel working in said offices. For example, in the Provinces of Treviso and Vicenza, the many discrepancies result almost entirely from delays caused by the relevant offices when entering the statements that companies submit (the majority of documents being still produced on paper supports and on floppy discs, rather than electronically). The worth of the 'after year-end' events is not fixed, but varies according to the work performed by the customs offices.

¹² Assuming for 2008 an 'accounting error' similar to the one recorded in the previous two-year period, the estimated values were obtained by applying a coefficient of correction to the provisional data for 2008, based on the difference between the provisional and final data published by Istat for the two year period 2006-2007. These estimates, which differ from the official data disseminated by Istat in their press release of 12 March 2009, do not vary significantly from the data obtained by comparing the provisional data for 2008 with the provisional data for 2007 (+ 1.4% for the Veneto). An assessment of economic trends based upon such logic is less misleading than the one produced by Istat.

The same trend can be observed by calculating the quarterly variations on the basis of provisional 2007 and 2008 data disseminated by Istat. In the last quarter of 2008 exports declined by 0.4%¹³, inverting the positive trend of the first nine months of the year (+2.1%) (Chart 3).

Chart 3 – Veneto's export performance
(% quarterly variation over the previous year).
Years 2006-2008



In 2008 Veneto's foreign trade accounted for **13.2% of national exports**, seven tenths of a point less than in 2007. The Veneto therefore was still the second largest exporting region in Italy, behind the consolidated first place of Lombardy (28.4%) and followed by Emilia Romagna (13%), Piedmont (10.3%) and Tuscany (6.9%).

According to our estimates, the Veneto recorded an export growth lower than that of Friuli Venezia Giulia and Emilia-Romagna, which supported the good performance of the Northeast (+2.5%). Export results were better for other Italian export-oriented regions, such as Piedmont (+2.2%) and Lombardy (+2.1%). Tuscany instead suffered an export drop of 4.2% (Table 4).

Considering the percentage variation in the outbound flows of specific **product categories** on an annual basis, 2008 saw a good performance of the food and beverage sector (+15% for an amount of 2,919 million euros), precision electrical appliances (+8% for an amount of 3,804 million euros) and clothing (+5.7% for an amount of 3,102 million euros). Additionally a positive trend was recorded also by furniture exports (+2.8%, 2,451 million euros) and footwear (+2.7%, 2,429 million euros).

Exports of motor vehicles and other means of transport, on the other hand, experienced contraction (-13.1% for an amount of 2,846 million euros), as well as the gold and silver sector (-8.3%, 1,602 million euros), wood and wood products (-5.6%, 270 million euros), the production of marble, glass, ceramics and other non metalliferous minerals (-5.5%, 1,510 million euros), eyewear (-5.1%, 2,046 million euros) and textile products (-4.7%, 2,013 million euros).

¹³ By calculating Pearson's correlation coefficient between the 2006-2008 series of quarterly variations in foreign trade sales recorded in the *Veneto Congiuntura* research and those obtained on the basis of the export data released by Istat, a value of 0.8 is obtained. Therefore the data contained in the Unioncamere del Veneto research can be reasonably assumed to be representative of the dynamics of export flows at regional level.

The fastest growing exports in 2008 were machinery and mechanical equipment, which chalked up a growth of +3.9%, for an amount of 10,086 million euros. Agricultural and fishing exports did well too, going up 7%, for an amount of 794 million euros (Table 5).

	Import				Export			
	2007 (a)	2008 (b)	var.%	var.% forecast (c)	2007 (a)	2008 (b)	var.%	var.% forecast (c)
Piedmont	29.259	28.654	-2,1	-0,9	37.275	37.817	1,5	2,2
Lombardy	124.178	121.302	-2,3	-8,7	102.083	103.727	1,6	2,1
Veneto	39.844	37.330	-6,3	-3,3	50.557	48.207	-4,6	1,1
Emilia-Romagna	28.927	28.752	-0,6	0,2	46.344	47.464	2,4	3,1
Tuscany	19.847	19.862	0,1	0,9	26.528	25.222	-4,9	-4,2
Northwest	163.699	161.319	-1,5	-6,2	144.958	147.432	1,7	2,3
Northeast	81.308	79.609	-2,1	-0,2	115.498	114.968	-0,5	2,5
Center	57.927	56.266	-2,9	-4,6	56.092	53.787	-4,1	-3,2
South	25.076	25.448	1,5	3,0	27.119	27.294	0,6	1,4
Islands	24.710	27.801	12,5	-1,3	14.386	15.637	8,7	11,7
Various or n.s.	20.620	26.842	30,2	347,9	6.690	6.688	0,0	9,3
Italy	373.340	377.284	1,1	2,4	364.744	365.806	0,3	1,9

Source: Istat data processed by Unioncamere del Veneto

(a) definitive data; (b) temporary data; (c) % variation between 2008 temporary data and 2007 definitive data.

Table 4 – Trade flows in a number of Italian regions (millions of euros). Years 2007-2008

Products	2007 (a)	2008 (b)	var.%	var.% forecast (c)	export share
Industrial machinery	9.703	9.539	-1,7	3,9	19,8
Metal and metal-related products	6.055	5.741	-5,2	2,4	11,9
Electrical and precision equipment	3.522	3.502	-0,6	8,0	7,3
Clothing	2.934	2.944	0,3	5,7	6,1
Food and related products	2.539	2.780	9,5	15,0	5,8
Vehicles	3.276	2.754	-15,9	-13,1	5,7
Furniture	2.385	2.251	-5,6	2,8	4,7
Footwear	2.365	2.302	-2,7	2,7	4,8
Chemical products	2.213	2.060	-6,9	-1,4	4,3
Leather and leather products	2.192	1.864	-15,0	-3,3	3,9
Eyewear	2.156	2.029	-5,9	-5,1	4,2
Textile products	2.112	1.920	-9,1	-4,7	4,0
Jewellery	1.747	1.532	-12,3	-8,3	3,2
Rubber and plastic products	1.568	1.477	-5,8	2,2	3,1
Marble, glass, ceramics and other non metal-bearing minerals	1.598	1.454	-9,0	-5,5	3,0
Household appliances	1.435	1.350	-5,9	-1,1	2,8
Paper, printing and publishing products	1.181	1.174	-0,6	2,2	2,4
Other metal-bearing products	413	399	-3,5	2,2	0,8
Timber and wooden products	286	253	-11,6	-5,6	0,5
Farming and fishing products	742	754	1,6	7,0	1,6
Mining products	76	54	-28,7	-24,2	0,1
Other products	58	77	32,7	36,2	0,2
Total	50.557	48.207	-4,6	1,1	100,0

Source: Istat data processed by Unioncamere del Veneto

(a) definitive data; (b) temporary data; (c) % variation between 2008 temporary data and 2007 definitive data.

Table 5 – Veneto. Exports by type of product (millions of euros). Years 2007-2008

The ranking of Veneto's **top trading partners** is still headed by Germany (12.7%, 6,742 million euros), France (9.8%, 5,231 million euros) and the United States (6.7%, 3,205 million euros). However, in 2008 exports to the U.S. decreased, recording a significant drop over the previous year (-13.8%). A decline was recorded also in exports to Spain (-7.1%), to the United Kingdom (-7.6%) and to Romania (-0.6%), in line with the drop experienced in 2007. Exports towards Germany, instead, were stable (+0.2%). The strong growth in foreign trade with the Russian Federation was confirmed (+9%), with the country now ranking sixth among Veneto's top trading partners for exports (1,746 million euros). This proves and reinforces Veneto's growing interest in new, non-EU markets (Table 6).

Table 6 – Veneto. Top 10 countries by origin of imports and destination of regional exports (millions of euros). Years 2007-2008

Country	2007 (a)	2008 (b)	var.%	var.% forecast (c)	Export share
<i>Imports</i>					
Germany	9.273	8.928	-3,7	1,1	23,9
France	3.326	3.439	3,4	3,0	9,2
Francia	2.385	2.153	-9,7	-0,6	5,8
Austria	1.534	1.397	-8,9	-1,0	3,7
Spain	1.525	1.391	-8,8	-3,9	3,7
Paesi Bassi	1.568	1.362	-13,1	-6,0	3,6
Romania	1.273	1.252	-1,6	4,2	3,4
Belgium	1.372	1.248	-9,1	-1,7	3,3
USA	1.147	1.018	-11,2	-11,4	2,7
Switzerland	940	767	-18,5	-19,2	2,1
Total	39.844	37.330	-6,3	-3,3	100,0
<i>Exports</i>					
Germany	6.729	6.102	-9,3	0,2	12,7
France	4.923	4.746	-3,6	6,3	9,8
USA	3.719	3.212	-13,6	-13,8	6,7
Spain	3.287	2.741	-16,6	-7,1	5,7
UK	2.939	2.487	-15,4	-7,6	5,2
Russian Federation	1.602	1.749	9,2	9,0	3,6
Austria	1.748	1.671	-4,4	5,5	3,5
Switzerland	1.447	1.526	5,5	5,2	3,2
Romania	1.457	1.372	-5,8	-0,6	2,8
Belgium	1.212	1.164	-4,0	7,4	2,4
Total	50.557	48.207	-4,6	1,1	100,0

Source: Istat data processed by Unioncamere del Veneto

(a) definitive data; (b) temporary data; (c) % variation between 2008 temporary data and 2007 definitive data.

Looking at inbound trade flows, in 2008 the estimated value of Veneto's **imports** totalled **38.5 billion euros**, falling by 3.3% compared to 2007, that is more than in North East Italy as a whole, where the flow remained stable. A comparison between reference regions reveals that imports also decreased in Lombardy (-8.7%) and Piedmont (-0.9%).

In 2008 China was again among Veneto's **top import countries**, consolidating its second place (3,428 million euros) with an increase in incoming commercial trade of +3%. The list is solidly headed by Germany (9,378 million euros), which in 2008 recorded a slight increase of +1.1% in imports.

The slowdown in imports gave the Veneto a **positive balance of trade**, with a surplus of **12.6 billion euros**.

The regional export trend was slightly weaker than the national average (Table 7). In fact, despite the harsh slowdown compared to 2007, in 2008 Italy's foreign trade grew by 1.9%. The higher growth in imports (+2.4%) was influenced by the soaring prices of crude oil and other raw materials during the summer months, as well as by the excessive appreciation of the euro, in a context of worldwide slowdown in trade. All these factors had a detrimental impact on Italy's balance of trade, which recorded a deficit of 10.5 billion euros in 2008, worsening compared to 2007 (-8.6 billion euros). Additionally, the fierce competition from China and the emerging countries in the Middle East and Latin America is now affecting many 'Made in Italy' products that have low value added.

Province	2007 (a)	2008 (b)	var.%	var.% forecast (c)
<i>Imports</i>				
Verona	12.118	11.947	-1,4	-0,2
Vicenza	8.475	7.407	-12,6	-3,7
Belluno	883	785	-11,1	-10,5
Treviso	6.020	5.696	-5,4	-0,5
Venice	5.754	5.350	-7,0	-9,8
Padua	5.751	5.120	-11,0	-8,2
Rovigo	842	1.024	21,6	24,4
VENETO	39.844	37.330	-6,3	-3,3
ITALY	373.340	377.284	1,1	2,4
share % Veneto/Italy	10,7	9,9		
<i>Exports</i>				
Verona	8.344	8.289	-0,7	1,9
Vicenza	14.961	13.871	-7,3	4,8
Belluno	2.681	2.481	-7,5	-6,7
Treviso	10.630	10.524	-1,0	4,9
Venice	5.305	4.469	-15,7	-13,8
Padua	7.615	7.273	-4,5	-2,4
Rovigo	1.020	1.300	27,4	29,0
VENETO	50.557	48.207	-4,6	1,1
ITALY	364.744	365.806	0,3	1,9
share % Veneto/Italy	13,9	13,2		

Table 7 – Veneto. Imports and exports by province (millions of euros).
Years 2007-2008

Source: Istat data processed by Unioncamere del Veneto

(a) definitive data; (b) temporary data; (c) % variation between 2008 temporary data and 2007 definitive

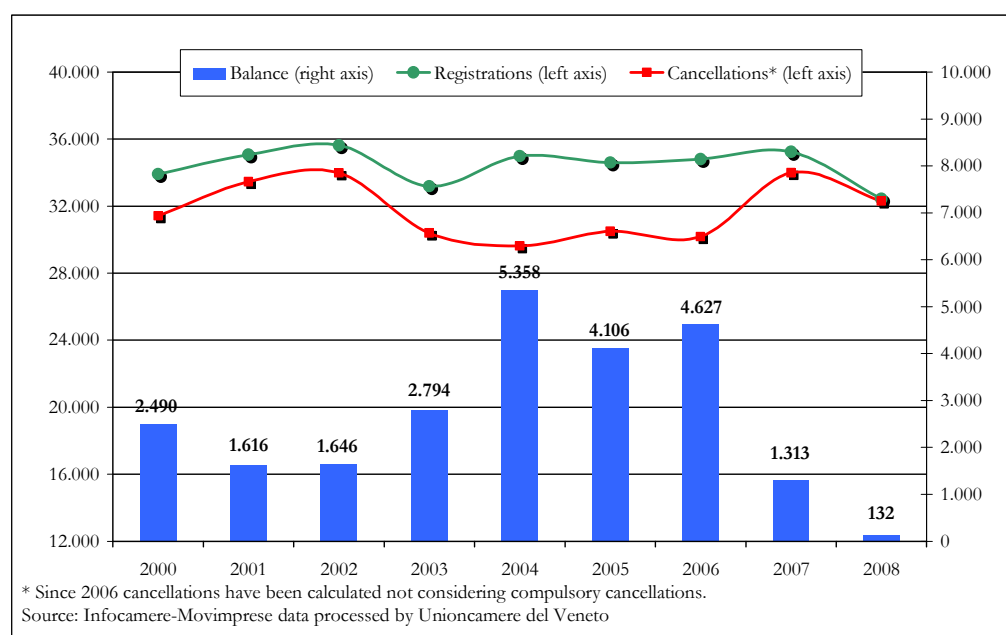
Production structure

In 2008 Veneto's production structure suffered the international economic downturn. Compared to 2007, the number of **companies registered** declined by over 3 thousand units, settling in at **509,377**, corresponding to an **annual decrease of 0.6%**.

Active companies, on the other hand, increased by 0.6%, from 460,018 to **462,567** units. However this is not to be considered as an effective growth, since this rise reflects changes made in the recording practices of the Registrar of Companies and introduced by the bankruptcy law reform. The adjustments made to comply with the new law entailed the return to 'active' status of some 5,166 companies, which until 31 December 2007 had been classified as 'bankrupt' companies (5,131) or companies 'under liquidation' (35)¹⁴. Therefore 2008 data cannot be directly compared to data for 2007¹⁵ and previous years. It follows that caution is needed when interpreting changes brought about by the new administrative practices of the Chambers of Commerce.

To overcome this limitation, the comparison of companies over time should take into account the number of registered companies, which, unlike that of 'active' companies, is not influenced by the modifications introduced by the new law.

Chart 4 – Veneto.
Company registrations,
cancellations and balance of
companies.
Years 2000-2008



¹⁴ According to information processed by Unioncamere Italiana (Infocamere).

¹⁵ According to an estimate performed by the Venice Chamber of Commerce, which discounts the effect of the bankruptcy law reform, in 2008 the number of active enterprises decreased by 0.5 percent, compared to 2007.

In addition to the stock of active and registered companies, the Register of Companies kept by the Chambers of Commerce provides information on the changes in the production structure occurred during the year as a result of new registrations and cancellations¹⁶ of companies. Again in this case, before analysing the trends, it is worth noting that the first quarter of the year traditionally has a negative balance, due to closures booked in January, but which actually refer to the last days of the preceding year: the Chambers of Commerce record these closures in the report for the first three months of the year, thereby overestimating the figure.

	Registered		Active		Registered var.% 08/07	Active var.% 08/07
	2007	2008	2007	2008*		
Economic sector						
Agriculture, hunting and forestry	85.444	82.573	84.868	82.086	-3,4	-3,3
Fishing, fish farming and connected businesses	2.923	3.011	2.852	2.948	3,0	3,4
Mineral extraction	355	338	293	282	-4,8	-3,8
Manufacturing industry	74.938	74.101	65.833	66.898	-1,1	1,6
Production and distribution of electricity, water and gas	254	275	229	250	8,3	9,2
Construction	75.520	75.912	72.151	72.863	0,5	1,0
Commercial businesses	115.088	114.024	106.003	106.579	-0,9	0,5
Hotels and restaurants	26.621	26.825	22.929	23.405	0,8	2,1
Transport	18.189	17.848	16.922	16.732	-1,9	-1,1
Money and financial brokerage	9.065	8.939	8.595	8.540	-1,4	-0,6
Real estate, rental, ITC and research services	63.832	65.223	57.812	59.678	2,2	3,2
Education	1.506	1.529	1.398	1.442	1,5	3,1
Healthcare and other social services	1.536	1.572	1.376	1.429	2,3	3,9
Other public, social and personal services	18.785	19.039	17.911	18.226	1,4	1,8
Domestic services	3	0	1	0	n.c.	n.c.
Unclassified businesses	18.620	18.168	845	1.209	-2,4	43,1
Legal form						
Companies with share capital	99.182	102.385	72.647	78.097	3,2	7,5
Partnerships	118.050	116.792	96.852	98.364	-1,1	1,6
Sole proprietorships	286.225	280.801	284.173	279.502	-1,9	-1,6
Other forms	9.222	9.399	6.346	6.604	1,9	4,1
TOTAL	512.679	509.377	460.018	462.567	-0,6	0,6

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto.

* Data are influenced by modifications on the Registrar of Companies subsequent to the recent reform of bankruptcy laws.

Looking at the 'vital statistics' of companies (Chart 4), it can be observed that the number of registrations and cancellations did not change much from 2000 to 2003, generating an almost constant balance. From 2004 to 2006, registrations continued to show a substantially stable trend, while cancellations decreased. The higher balances recorded in this three-year period can be ascribed primarily to the smaller number of companies that closed down. Then, starting from 2007, a year

Table 8 – Veneto.
Registered and active companies by sector and legal form of business (% variation and annual variation over previous year). Years 2007-2008

¹⁶ Pursuant to the new procedures for compulsory cancellations (Italian Presidential Decree D.p.r. n. 247 of 23.07.2004 supplemented by Circular, n° 3585/C by the Ministry of Production Activities), since 2006 Movimprese follows different rules for compulsory cancellations and cancellations for other reasons from the Register of Companies. The above-mentioned decree defined criteria and procedures to cancel ex officio those businesses that appear in the Register of Companies in spite of being no longer operational, thereby providing Chambers of Commerce with a more efficient instrument to simplify procedures and improve the quality of public records regarding companies. As Chambers of Commerce were given more powers to perform ex officio cancellation, the stock of companies began to decline for each period. Such reduction however is not due to the economic and demographic situation, but rather to administrative decisions to act ex officio to regularise the position of companies that are no longer operating. Consequently, as of 2006, to allow comparisons of the company stock over time, cancellations were considered net of compulsory cancellations made during the period.

in which the Veneto economy began to show signs of slowdown, the balance decreased. The narrowing of the gap between registrations and cancellations was caused by the marked increase in the number of closures in 2007 (almost 4 thousand more), while there was a contraction in new registrations in 2008 (almost 3 thousand less).

As we examine the stock of registered companies **by sector** (Table 8), we can see sharper drops in the sector of mineral extraction (-4.8%) and agriculture, hunting and forestry (-3.4%). Decreases affected also the number of companies registered in the transport sector (-1.9%), in the credit sector (-1.4%), the manufacturing industry (-1.1%) and commercial businesses (-0.9%). The production structure of other sectors, on the other hand, show positive dynamics. Compared to 2007, the strongest growth was recorded in companies involved in the production and distribution of electricity, water and gas (+8.3%) and in fishing, fish farming and connected services (+3%). Most service sectors also showed an expansion in the entrepreneurial base. In particular, health care and other social services grew by more than 2%, while educational enterprises and other public, social and personal services increased by approximately +1.5%. The positive trend also continued for the hotel and restaurant sector (+0.8%) and construction (+0.5%), although growth in the latter sector slowed down compared to 2007 (+2.4%).

Concerning the **legal form** of business, only companies with share capital maintained a positive trend, exceeding the mark of 100,000 companies, while the number of sole proprietorships (-1.9%) and partnerships (-1.1%) decreased.

Labour market

According to the Istat research on the labour force, **there were 2,159,000 workers in Veneto in 2008**, representing an annual increase of 1.9% over 2007 (+40 thousand units). This increase is the result of the upward trend recorded throughout the year, though with smaller variations as quarters progressed, from the +2.5% increase in the first quarter to the +1.5% rise in the last quarter. Employment grew at a slower rate both in the North East and in Italy as a whole (+1.5 and +0.8% respectively). Concerning professional positions, the growth in the number of employees increased by 4.9% over 2007, while there was a decline in self-employment (-7.1%). In terms of **sectors**, in 2008 Veneto's employment growth involved in particular the manufacturing and construction industries (+4.1 and +2.2% respectively). The level of employment in the tertiary sector remains high: there was a slight increase of 0.9% in commerce, and a +2.1% increase in services. Agriculture continues to suffer, showing a strong decrease of 17%. According to the partial data provided by Confartigianato Veneto-Bs Consulting, employment by artisan companies dropped (-3.7%). The **employment rate** of the Veneto population between 15 and 64 years of age increased by six tenths of a point over 2007, closing at 66.5%. A total of 79 thousand persons sought employment, up by 8.4% on an annual basis. The **unemployment rate** increased by two tenths of a point over the previous year, hitting the 3.5% mark. In particular, the unemployment rate of men (2.4%) was lower than of women (5.2%). The **activity rate** for the population between 15 and 64 years of age was 68.9% (+0.8% over 2007).

	VENETO			NORTH EAST			ITALY		
	2007	2008	%	2007	2008	%	2007	2008	%
Workforce	2.192	2.238	2,1	5.209	5.304	1,8	24.728	25.097	1,5
Employed	2.119	2.159	1,9	5.047	5.123	1,5	23.222	23.405	0,8
Agriculture	74	61	-17,0	189	180	-4,7	924	895	-3,1
Manufacturing	648	675	4,1	1.408	1.416	0,6	5.048	4.985	-1,2
Construction	176	180	2,2	404	411	1,6	1.955	1.970	0,7
Trade	286	289	0,9	737	743	0,9	3.541	3.540	0,0
Services	935	954	2,1	2.310	2.373	2,7	11.754	12.014	2,2
Unemployed	73	79	8,4	162	181	11,7	1.506	1.692	12,3

Source: Istat data processed by Unioncamere del Veneto

Table 9 – Veneto.
Employees by sector of
activity (thousands)
Years 2007-2008

However data disseminated by Istat fail to be confirmed by the results yielded by sample surveys and administrative archives, which recorded a **contraction in employment**, especially in the last quarter of the year.

According to the *VenetoCongiuntura* quarterly research, in 2008 there was a drop in employment in all of the sectors analysed. In manufacturing companies, the average annual drop amounted to -1.5%, and was influenced by the strong contraction in the last quarter (-2.9%). The worst downturns concern micro-companies (less than 10 employees), which experienced a drop of -2.4%; small and medium - sized companies showed a contraction of -1.4%.

When sectors are considered, remarkable declines were recorded in the fashion system (-2.5%), marble, glass and ceramics (-2.1%) and the remaining sectors (where the gold sector prevails) (-4.6%). The drop in employment was more limited in the sectors of wood and furniture, paper, printing and publishing and metal and metal products (-1.8%). The dynamics of employment in the other sectors were quite stable. The performance of foreign labour, on the other hand, was positive, increasing by 1% over 2007, especially in the sectors of machine tools (+8.2%) and foodstuffs (+6%). Concerning the tertiary sector, employment in 2008 remained stationary, recording an average annual increase of 0.3% in services and a decrease of 0.6% in retail sales.

The administrative data from mandatory communications made by companies, concerning **hiring and firing of personnel**, show that there is a consistent drop in employment. A year over year comparison between 2007 and 2008 shows a contraction in hiring at 31 December 2008, which determined a negative balance (-24.4 thousand employees). This drop mostly involved manufacturing (-20 thousand workers) and construction (-5 thousand), while services showed positive balances.

Difficulties on the labour market are confirmed by reports of companies experiencing crises¹⁷. In 2008, 335 Veneto companies announced the opening of a crisis procedure, meaning that 6,700 workers were potentially affected by provisions of special unemployment benefits and/or firing and lay-offs. As the 'crisis status' became official, procedures led to severe labour cuts.

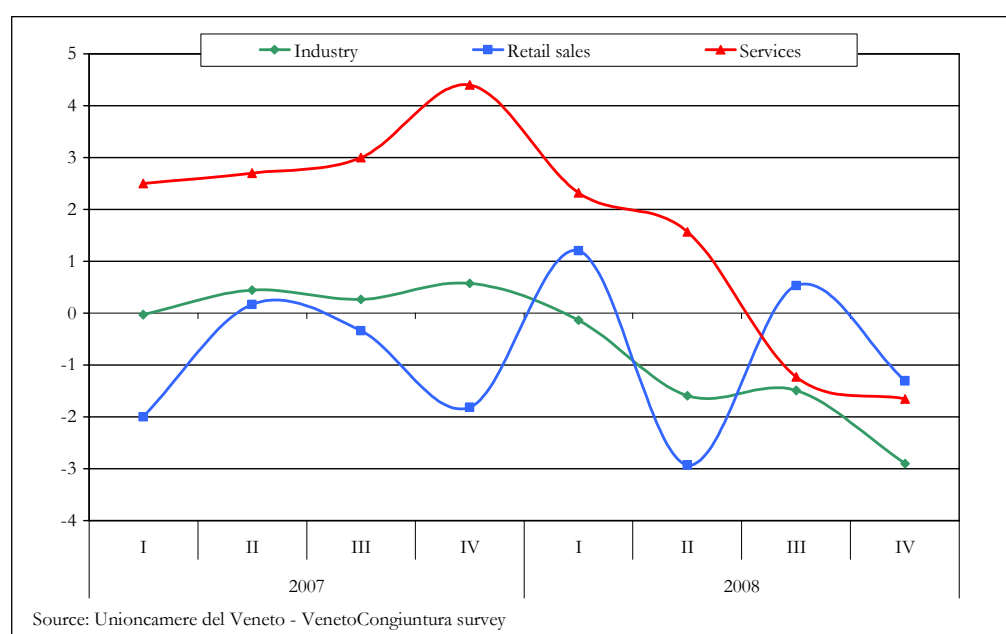
According to Inps data concerning the Wages Guarantee Fund (Cassa Integrazione Guadagni -**CIG**) **payments were granted** for 15.5 million hours, or over 9 thousand jobs. That represented a +44.8% increase over the previous year,

¹⁷ Opening a procedure through a preliminary announcement addressed to labour union representatives, the Social Security Administration (Inps) and the relevant Provincial Labour Board, is the first step taken by companies that decide to formalise their 'crisis situation'. The announcement contains the reasons that have determined the current difficulties, as well as the number, placement in the company and job descriptions of the personnel presumably at risk of losing their jobs due to the crisis.

involving not only payments made under ordinary intervention (+72.2%), but also those made under extraordinary intervention (+28.6%)¹⁸. Almost 9 million hours of extraordinary CIG were authorised, against 7 million hours of ordinary CIG. The highest increase in the total number of CIG hours compared to 2007 was recorded in industry (+60.6%) and construction (+43.3%). In the manufacturing industry, increases were reported both in the ordinary CIG (the number of hours went from 2.4 million to 4.6 million) and in the extraordinary CIG (from 5.5 to 8.4 million hours).

In particular, the mechanical industry accounted for over half of the total number of hours in 2008, with a strong increase over the previous year, going from 3.6 million to 6.7 million hours.

Chart 5 – Veneto.
Employment in industry,
retail sales and services.
Years 2007-2008



In 2008 a total of 6,870 workers registered on the so -called **availability list** after being dismissed for reasons of workforce reduction (collective dismissal or redundancy under Italian Law n. 223 of 1991), up 11% from the previous year. Individual firing on the part of small companies (pursuant to Italian Law n.236/1993, which gives companies the right to fiscal benefits when they hire, but no entitlement to availability allowance) went up by 45%, reaching almost 12,700 units.

¹⁸ The Wages Guarantee Fund (Cassa Integrazione Guadagni -CIG) is a special public fund that makes up for the pay of employees affected by lay-offs or short-time working because of their employer's temporary economic difficulties. It is an instrument that allows companies to save the costs of unutilised labour and avoid firing workers, while awaiting resumption of normal production activities. The CIG is ordinary when the company crisis depends on temporary events (a drop in orders, adverse weather conditions, etc.) and resumption of the production activity is certain. It is extraordinary when the company must deal with processes of restructuring (changes in technology), reorganisation (changes in company organisation), conversion (changes in activity) or in the event of company crisis. Additionally, extraordinary intervention may also be requested following bankruptcy, preventive settlement proceedings, mandatory administrative liquidation and receivership. It is granted for a longer period than ordinary intervention, on account of the more severe underlying events.

Agriculture

Based on the provisional figures disseminated by the INEA, the results of the agricultural sector indicate a favourable year, although less shining than 2007.

The initial data for 2008 showed a slight contraction in regional agricultural production, which was not surprising given the marked increase in production and sales recorded in the previous year.

In 2008, **gross agricultural production** in the Veneto **decreased by approximately 1%** compared to 2007, recording a turnover of **4.7 billion euros**. The drop is due primarily to the decrease in production, in real terms, which can be estimated at around -2% especially in the production of corn, and partially to unfavourable climatic conditions for several ligneous crops (Table 10).

The first half of 2008 had aroused hopes that the same performance of 2007 could be replicated, but during the summer, it became clear that international markets were destined for a general downturn. The setback concerned the entire sector of cereal and industrial crops and the winegrowing industry, while the fruit and vegetable and zootechnical sectors succeeded in maintaining the positions gained in 2007.

The Veneto goes against the national trend. In the rest of Italy, following the substantial stability recorded in 2007, agricultural production in 2008 increased in real terms (+2.3%), and so did prices and production in current values (+7.9%).

Herbaceous crops showed a significant drop in current prices (between -6% and -8%), which in real terms amounts to -5%, thereby inverting the slight trend of growth recorded in 2007. The climate did not favour the corn, wheat and barley crops, while it was favourable for rice. Corn is confirmed as the Veneto's most important crop, with over 270 thousand hectares given over to cultivation, notwithstanding the fact that the total cultivated area reduced considerably in 2008 (-10%) and the overall production and yield dropped compared to 2007.

	in current prices	in constant prices
Herbaceous crops	-6 ÷ -8%	-4 ÷ -6%
Woody crops	0 ÷ +2%	-2 ÷ -4%
Livestock products	0 ÷ +2%	+1 ÷ +3%
Gross output	-1 ÷ +1%	-2 ÷ 0%

Source: INEA forecasts.

Table 10 – Veneto.
Gross agricultural
production (% variation
over previous year).
Year 2008

Instead, the area under common and durum wheat increased. With a total area of 81,400 hectares (+5%), common wheat maintained the same levels of production as in 2007, despite the drop in yield (-4%).

Industrial crops were dominated by the trend for sugar beets, whose total cultivated area was considerably downsized (-22%). Despite the good yields, the smaller area under cultivation translated into a drop in the product harvested,

down to 975 thousand tonnes (-19%). With a slight increase in the cultivated area, tobacco production also showed greater yields of about 8% over 2007.

The **vegetable sector** recorded growth in production of about 2% in real terms, amplified by the good market trend.

Overall **fruit production** remained almost the same as in 2007, with varying trends, depending on the crop. The apple-growing sector recorded a modest growth in overall production and yield, thanks to a slight increase in the cultivated area. Production and yield were good for pears, despite a slight contraction in the cultivated area. It was a bad year for peaches and nectarines, whose production decreased by 10% compared to 2007, especially due to the unfavourable climatic conditions, which negatively influenced the yield. The favourable market trend counterbalanced these adverse conditions, leading to an increase in turnover of + 8%.

The climatic and phyto-pathological trends did not favour **vineyards**, which were faced with an adjustment of the cultivated area and experienced a drop in yield of 5%, thus performing against the trend of national production. Given the drop in the price of grapes and the substantial stability in the prices of the most important DOC wines of the region, there was a contraction in turnover of 6%, which settled in at 372 million euros.

The economic results of the **zootechnical sector** were consistent, with the exception of poultry farming. The production of beef and pork tended to be stable or to decrease slightly. The stability in the consumption of beef favoured imports, which increased by 4%, while production declined, dropping by an estimated 28% for white meat veal.

Pig farming remained stable in terms of consumption and production, while prices increased on average (+15%), determining a rise in turnover. The poultry sector continued to recover after the disastrous years of 2005/06, further increasing the number of animals butchered compared to 2007, with good overall increases. At current prices, the growth in the poultry market was 1% for poultry meat and 4% for eggs, while in real terms poultry meat alone increased by 10%.

From the point of view of the **production structure**, the agricultural sector has recorded a new reduction in the number of businesses. At the end of 2008 there were 82,573 businesses (85,444 in 2007), representing a decline of 3.4% over 2007. There are also negative signs on the front of employment: in 2008 the number of employees dropped by about 7%, inverting the trend recorded in 2007. The number of agricultural **employees** in the Veneto declined by 17%, bringing the regional agricultural workforce down to 61 thousand units. The economic survey conducted by Unioncamere del Veneto confirms that employment in the food industry was substantially stable in 2008 (-0.2%), while jobs were lost in the manufacturing sector (-1.5%).

Manufacturing Industry

For the manufacturing industry 2008 was a year of slowdown in the Veneto. As early as the first quarter, production growth appeared weak and it further worsened during the course of the year, especially during the last three months, as the economic crisis kept deepening. According to the *Veneto Congiuntura* survey conducted by Unioncamere del Veneto on a sampling of almost 2000 companies with at least 2 employees¹⁹, **industrial production** declined in every quarter of the year, recording an annual average of -3%. In the first and second quarters, the indicator recorded a drop of -0.4% and -0.8%, respectively, caused primarily by the slowdown in foreign demand due to the adverse euro-dollar exchange rate, and by the abrupt increase in the cost of raw materials, which inexorably pushed company price lists upwards. The dynamics of production began worsening during the summer, with a decrease of -3.6%, and then weakened sharply during the last three months of 2008. In the last quarter of the year indicators showed significant weakening, with a collapse of -8.2% in levels of production determined by the strong slowdown of the world markets and the drop in domestic consumption, but also by a situation of great uncertainty, which led companies to scale down their plans for investments.

	1st quarter '08	2nd quarter '08	3rd quarter '08	4th quarter '08
Sector				
Food, beverage and tobacco	0,1	-0,1	1,1	-1,6
Textile, clothing and footwear	-2,2	-1,6	-8,0	-8,5
Wood and furniture	-0,4	-3,4	-2,1	-9,6
Paper, printing and publishing	1,4	-0,9	-4,2	-7,0
Rubber and plastics	-0,5	-0,3	-3,4	-11,6
Marmo, vetro, ceramica e altro non met.	-1,0	-1,7	-0,5	-5,2
Metal and metal products	-0,9	1,6	-2,1	-8,3
Machine tools	1,5	1,1	-1,9	-8,9
Electric and electronic machinery	1,1	-2,2	-7,2	-13,3
Other manufacturing enterprises	-2,0	-4,7	-7,8	-9,2
Company size				
2 - 9 employees	-4,5	-4,1	-8,0	-13,2
10-49 employees	-0,3	0,2	-2,7	-7,1
50-249 employees	0,5	-0,5	-2,8	-7,3
250 employees and more	-0,5	-1,7	-4,8	-10,6
Total	-0,4	-0,8	-3,6	-8,2
of which with 10 employees or more	0,1	-0,4	-3,1	-7,7

Source: Unioncamere del Veneto - VenetoCongiuntura survey

Table 11 – Veneto.
Industrial production by
activity and company size
(% variation over the same
quarter of the previous year).
Year 2008

¹⁹ Starting from the first quarter of 2006, the *Veneto Congiuntura* 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 *Veneto Congiuntura* 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 rigorosity of the method it employs.

Although almost all **sectors** (Table 11) recorded a negative performance, there were some differences, related primarily to the economic destination of the production. The worst results were recorded by companies that supply products to industries deeply affected by the crisis, like the automotive, construction and mechanical sectors, whose final demand collapsed. In fact, the data show a deterioration during the fourth quarter of 2008 for the electric and electronics machinery sector (-13.3%), rubber and plastics (-11.6%), wood and furniture (-9.6%) and machine tools (-8.9%). The situation for the textile, clothing and footwear sector is also critical, as it dropped by 8.5% compared to the same period in 2007. The food, beverage and tobacco sector was the only one that recorded substantial stability, throughout all quarters of the year.

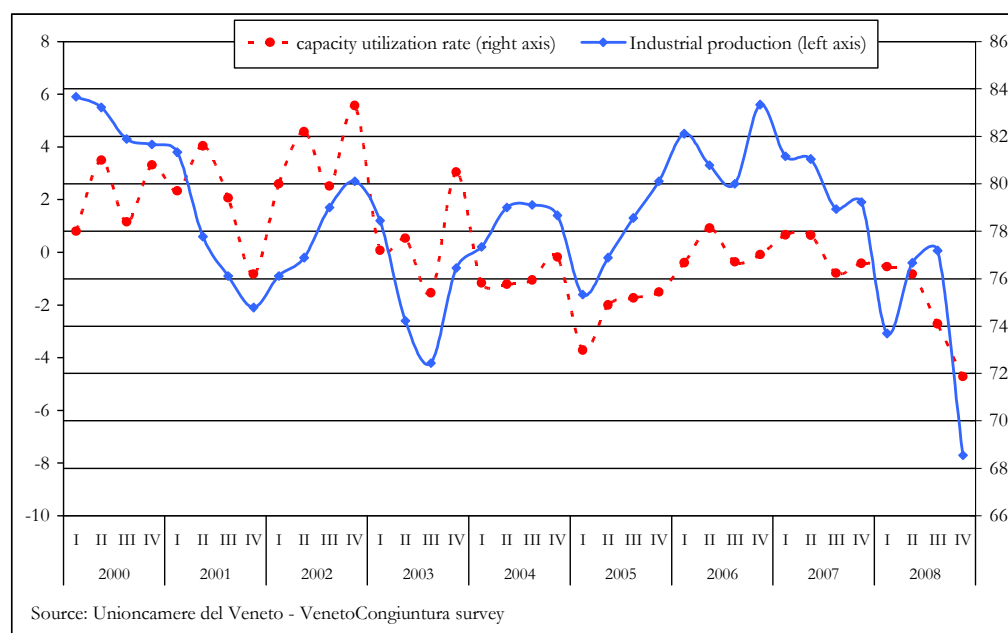
Despite an overall negative situation, in 2008 small and medium sized enterprises (with more than 10 employees) performed better than **micro enterprises** (from 2 to 9 employees). The latter, in fact, showed signs of suffering as early as the beginning of the year: the first quarter closed with a 4.5% drop in production, turning to -4.1% in the second quarter, -8% in the third quarter and hitting -13.2% in the fourth quarter.

The performance of **small and medium sized enterprises** was less negative. In terms of trends, the indicator remained stable in the first quarter and worsened in the following quarters (in the period from April to June it dropped by -0.4% and by -3.1% in the summer months, while during the last three months of the year it dropped by -7.7%).

These results are confirmed by the Istat data on Italy's industrial production (-4.3% as an annual average), as well as by the data disseminated by Unioncamere Italiana on the economic trend for small and medium sized industrial companies in North East Italy, which kept going downward during the year.

The negative performance of Veneto industry is confirmed by the **capacity utilization rate** (Chart 6), which showed an average rate of 74.7% of full operational capacity during 2008, lower than the average rate recorded in 2006 and 2007 (77.1%).

Chart 6 – Veneto.
Trend of industrial production and capacity utilization rate for companies with less than 10 workers. Years 2000-2008



The **turnover** showed better dynamics than production, especially during the first nine months of the year (Chart 7). Indeed, during the first two quarters the indicator grew by approximately 1%, while it was substantially stable in the third quarter. This trend was influenced by price tension, as confirmed by the results in the last quarter. In the last three months of 2008, in fact, the total turnover decreased by -7.4%, in line with the drop recorded in production, against an almost unvaried level of prices (+0.6%).

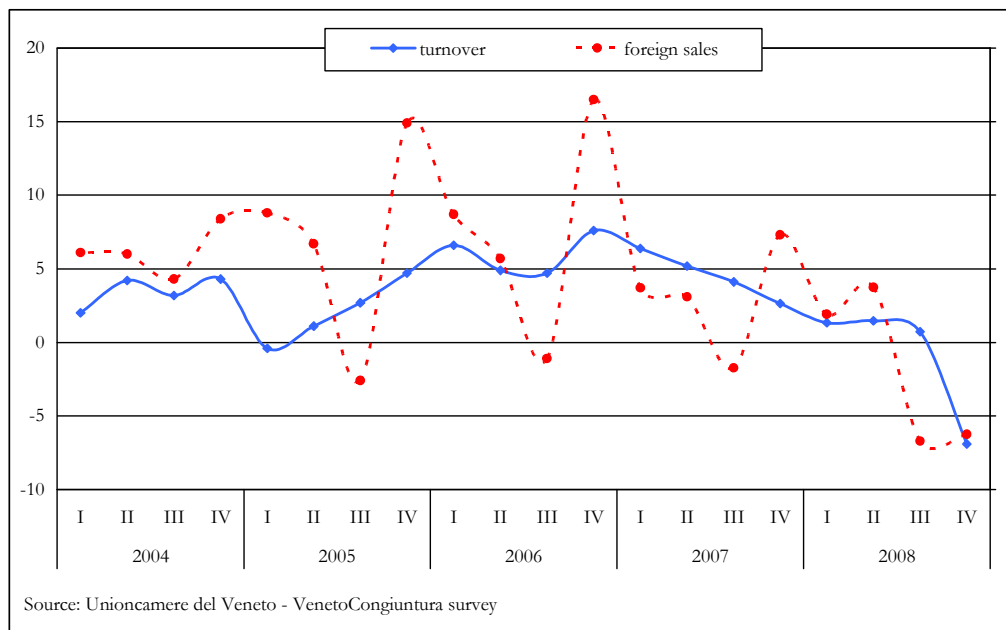


Chart 7 – Veneto.
The trend in turnover and foreign sales of companies with at least 10 employees. Years 2004-2008

Also the **foreign turnover** showed a positive trend during the first two quarters of the year, growing by +1.9% and +3.8% respectively and thus supporting the regional economy. In summer, however, the indicator changed sign, recording decreases in excess of -6% in the later quarters.

No reassurance came from **orders**, which dropped especially in the domestic component. In fact, domestic demand contracted by -1.8% during the first quarter of the year and kept worsening in the following months to reach -10.3% in the last quarter. Foreign demand, on the other hand, increased during the first quarter (+0.6%), while it was negative during the other three quarters (-0.7% in the second quarter, -3.2% in the third and -9.3% in the fourth).

Employment indicators were equally worrisome as they showed increasingly negative variations of around -1.5% during the course of the year. Foreign labour, instead increased in the first three quarters, to then lose -1.6% in the last quarter.

Construction

The final data on the trend in the **construction market**, according to estimates drawn up by the Cresme for the CEAV-Unioncamere del Veneto observatory on the construction market, showed 2008 as the first year of reduction in real terms, with a -0.7% drop in the value of production and a significant -1.5% drop in investments. At constant prices (net of inflation) this translates into a remarkable reduction of -5.5% in investments and -4.7% in the value of production. In 2008 the Veneto construction sector entered a phase of crisis, anticipating the national trend - as it often occurs. Indeed Italy's construction sector slowed down, but less than the regional construction industry. This negative trend came about after many years of growth, during which the construction industry grew and consolidated its position as a veritable driving force of Veneto's economy and as an anti-cyclic sector. Nevertheless, the considerable **investments** made in recent years, together with a veritable over-production of non-residential buildings first and residential buildings later, have led the sector to an inevitable abrupt slowdown - that had been long announced. In 2008 the Veneto construction sector made investments for slightly over 16 billion euros, which must be added to approximately 3 billion euros for ordinary maintenance: the sector therefore is worth approximately 19 billion euros. New buildings represented, as always, the primary reference market, accounting for 47.5% of the turnover, while renovation works accounted for 36.7% of the market. New residential buildings are still the best performing sector (26.5% of the turnover) in spite of a marked decline (-5.5% at current value). Public works go against the trend (+6% over 2007) but account for only 10.8% of the industry's turnover, a share that is too low to counterbalance the negative trend of the market.

Table 12 – Veneto.
Investments and value
of production
(millions of euros in
current value).
Years 2006-2008

	2006	2007	var. % 2007/2006	2008	var. % 2008/2007	distr. % 2008
NEW BUILDINGS	9.366	9.371	0,1	9.013	-3,8	47,5
of which						
New residential buildings	5.414	5.313	-1,9	5.021	-5,5	26,5
New non-residential private buildings	2.227	2.513	12,8	2.343	-6,8	12,4
New non-residential public buildings	427	408	-4,4	444	8,8	2,3
New public works	1.298	1.137	-12,4	1.205	6,0	6,4
RENOVATION	6.729	6.846	1,7	6.968	1,8	36,7
of which						
residential buildings renovation	3.327	3.486	4,8	3.555	2,0	18,7
private non-residential buildings renovation	2.108	2.223	5,5	2.205	-0,8	11,6
public non-residential building renovation	398	349	-12,3	370	6,0	2,0
public works renovation	896	788	-12,1	838	6,3	4,4
Total investments	16.097	16.217	0,7	15.980	-1,5	84,2
Ordinary maintenance	2.849	2.880	1,1	2.989	3,8	15,8
Production value	18.946	19.097	0,8	18.969	-0,7	100,0

Source: data processing and forecasting by CRESME in behalf of the CEAV - Unioncamere del Veneto observatory

It is worth noting that in this negative situation, the number of active businesses has continued to increase, especially in the industrial sector. The crisis seems to be having repercussions on the structure of the supply side as it encourages better-structured businesses to be readier and more reactive to market changes. This fact should be taken into account when interpreting the data concerning **active companies**: in 2008 they grew overall by 1%, but non-artisan companies outperformed other types of companies (+5.5%). The performance of individual sectors is equally revealing: the crisis has rewarded well-structured companies, letting companies with share capital active in the artisan sector grow by +13.3% and those active in the non artisan sector grow by +7%. Such data, regardless of the changes in company registration practices introduced by the bankruptcy law reform, have brought out an extremely important trend: the crisis is predominantly affecting small, non-specialised companies. This is an important element to re-define intervention strategies for market recovery in the future.

	2000	2001	2002	2003	2004	2005	2006	2007	2008**
ARTISAN									
Legal form									
Companies with share capital	118	236	529	713	957	1.185	1.464	1.720	1.949
Partnerships	7.726	8.010	8.248	8.383	8.473	8.495	8.453	8.434	8.370
Sole proprietorships	36.623	38.301	40.529	42.515	44.800	46.752	48.391	49.519	49.389
Other forms*	48	55	57	49	52	55	55	50	45
Total	44.515	46.602	49.363	51.660	54.282	56.487	58.363	59.723	59.753
NON-ARTISAN									
Legal form									
Companies with share capital	4.466	4.777	5.126	5.341	5.561	5.792	6.213	6.658	7.126
Partnerships	2.536	2.526	2.499	2.442	2.429	2.366	2.398	2.413	2.503
Sole proprietorships	2.494	2.582	2.578	2.814	2.745	2.818	2.942	2.836	2.909
Other forms	510	505	498	496	498	476	492	521	572
Total	10.006	10.390	10.701	11.093	11.233	11.452	12.045	12.428	13.110
TOTAL	54.521	56.992	60.064	62.753	65.515	67.939	70.408	72.151	72.863

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

* "Other forms" include consortia and cooperatives.

** 2008 data are not comparable to those of the previous years because of the modifications occurred to the Business Registry due to the recent reforms in bankruptcy law. This has caused the classification as "active" of some enterprises that until 31.12.2007 were classified as "in liquidation" or "undergoing bankruptcy proceedings".

In the current situation of slowdown, but also of business reorganization, the defining figure which deserves attention is the **employment rate**. Following the growth of 15.1% in 2003, 3.2% in 2004 and 6.3% in 2005, employment peaked in 2006, with over 180 thousand workers. Starting from 2007, employment began winding down, with an overall decrease of -2.4% due almost entirely to the self-employed component. In 2008 (according to the average calculated for the first nine months) an additional -3.3% decrease was recorded. However it is worth noting that the negative figure in 2008 almost totally refers to self-employment. Interpreted in the light of previous data this trend reveals that even though 2008 was the first year of real crisis, the sector had already stricken out on the road of structural slowdown as early as 2007. It should also be noted that even in the current unfavourable situation the sector was able to limit workforce reductions, which is a positive fact considering all other market indicators.

Table 13 – Veneto.
Active artisan and non-artisan construction companies by legal form of business.
Years 2000-2008

Crafts and small enterprises

In 2008 the number of **artisan firms** in the Veneto decreased slightly by 800 units, from over 147 thousand to little more than 146.5 thousand units (Table 14), showing a decrease of 0.5% against 2007. Instead, in 2007 the number of artisan firms and small enterprises grew by 0.3%.

Artisan firms and small enterprises play an important role in Veneto's production system, representing approximately 32% of the productive units active in the regional territory (actually 37.9% if we exclude the agricultural sector).

Table 14 – Veneto.
Registered and active
artisan firms by sector and
legal form of business.
Years 2007-08

	Registered		Active		Registered var.%	Active var.%
	2007	2008	2007	2008		
Economic sector						
Agriculture, hunting and forestry	2.258	2.333	2.252	2.328	3,3	3,4
Fishing, fish farming and connected businesses	0	0	0	0
Mineral extraction	88	84	88	84	-4,5	-4,5
Manufacturing industry	45.936	45.322	45.655	45.091	-1,3	-1,2
Production and distribution of electricity, water and gas	6	6	6	6	0,0	0,0
Construction	59.899	59.935	59.723	59.753	0,1	0,1
Commercial businesses	9.195	8.992	9.168	8.971	-2,2	-2,1
Hotels and restaurants	235	211	233	210	-10,2	-9,9
Transport	11.613	11.170	11.583	11.139	-3,8	-3,8
Money and financial brokerage	22	18	22	18	-18,2	-18,2
Real estate, rental, ITC and research services	4.935	5.061	4.913	5.033	2,6	2,4
Education	155	164	154	163	5,8	5,8
Healthcare and other social services	69	72	69	72	4,3	4,3
Other public, social and personal services	13.314	13.451	13.298	13.434	1,0	1,0
Domestic services	0	0	0	0
Unclassified businesses	181	244	158	223	34,8	41,1
Legal form						
Companies with share capital	5.908	6.527	5.801	6.413	10,5	10,5
Partnerships	32.481	31.930	32.154	31.668	-1,7	-1,5
Sole proprietorships	109.228	108.327	109.093	108.179	-0,8	-0,8
Other forms	289	279	274	265	-3,5	-3,3
TOTAL	147.906	147.063	147.322	146.525	-0,6	-0,5

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto.

In 2008, as in the previous years, the increase was sustained entirely by the growth of joint-stock companies.

Following the boom recorded in the three-year period 2001-03 - which was triggered by the amendments and additions made to the framework law on artisan firms and its successive consolidation between 2004 and 2007, the number of active artisan firms in 2008 increased by 10.5%, bringing the stock to 6.413 units.

By contrast, the number of partnerships dropped (-1.5%) continuing 2007's negative trend, and so did sole proprietorships (914 units less than 2007), which is an absolute novelty.

From the point of view of **business sectors**, the artisan manufacturing businesses (71.6% of the total) suffered a 0.5% contraction over 2007, which resulted from a further downturn - like in 2006 and 2007 - in the manufacturing sector (-1.2%) and from a flat trend in the construction industry (+0.1%). In the services sector the stock of companies showed a slight contraction (-0.6%), which is primarily due to the sectors of 'money and financial brokerage' (-18.2%) and hotels and restaurants (-9.9%).

The trend of the main economic indicators provides insights into the healthiness of artisan firms and small-sized enterprises (Table 15). The picture emerging from the

six-monthly survey conducted by the sector-specific trade association Confartigianato Veneto is in line with the regional economic trend in the same period.

2008 wound up with a considerable decrease in **turnover** (-1.4%), especially in the manufacturing and construction sectors (-1.2% and -2.2% respectively). The turnover trend tallies with the **orders** trend (-1.3% compared to 2007) in terms of dynamics and proportions. **Prices** grew considerably in all sectors considered.

	Production*	Turnover	Orders**	Prices	Employment	Investment propensity
Manufacturing	-1,1	-1,2	-1,3	3,1	-0,7	-6,9
Constructions	-1,9	-2,2	-	3,2	-1,1	-2,6
Business services	-0,7	-0,6	-	4,4	-0,2	-3,6
People services	-1,4	-0,9	-	4,7	-0,3	1,0
Total (all sectors)	-1,3	-1,4	-	3,6	-0,7	-3,6

Source: Confartigianato Veneto - Centro Studi Sintesi

* For manufacturing and constructions we analysed the output, for services we analyzed the demand.

** Orders have been surveyed only for the manufacturing sector.

According to partial data provided by Confartigianato Veneto - Bs Consulting (referring to the entire region with the exception of the province of Padua, for which data came in late), **employment** in artisan firms shows a strong downward trend (Table 16), with a contraction of -3.7% (+0.3% in 2007) and particularly negative results in the fields of construction (-8.6%), ceramic, chemical and glass manufacturing (-5.4%), wood processing (-4.7%) and fashion (-4.5%). Only the transport sector performed well (+1.8%).

Sectors	2004	2005	2006	2007	2008
Food	0,6	2,6	-0,7	6,1	-2,1
Fashion	-8,4	-8,6	-2,2	-6,7	-4,5
Wood processing	-1,7	-4,9	1,3	1,4	-4,7
Graphic design	-2,0	-3,7	2,1	3,5	-3,5
Ceramics, chemicals, glass	-1,2	-3,8	0,3	-1,2	-5,4
Mechanics	0,2	-1,9	1,7	2,9	-2,8
Other manufacturing activities	-3,9	-5,2	-2,4	-0,6	-4,8
Industrial (total)	-2,4	-3,9	0,2	0,5	-3,7
Building trade	-1,1	-1,3	-2,0	0,6	-8,6
Plant design	-0,3	-3,5	-2,5	-1,3	-1,2
Costructions (total)	-0,8	-2,2	-2,2	-0,2	-5,6
Car/motorbike repair	-0,2	1,6	-1,9	0,2	-3,2
People and misc.services	-2,4	0,2	-1,5	-1,6	-1,3
Transport	0,4	3,4	3,6	3,1	1,8
Services (total)	-1,2	1,5	-0,3	0,2	-0,9
Total	-1,8	-2,6	-0,4	0,3	-3,7

Source: Confartigianato Veneto - Bs Consulting

* Due to lack of data for the province of Padua, information contained in this chart takes into account only the remaining 6 provinces (Belluno, Rovigo, Treviso, Venice, Verona and Vicenza).

Table 15 – Veneto.
Main economic indicators for artisan businesses and small enterprises (% variation on prev. year). Year 2008

Table 16 – Veneto.
Artisan business employees (% variation on prev. year). Years 2004-08*

Services

Also the service sector was adversely affected by the further worsening of the economic situation in 2008. This is confirmed by the *VenetoCongiuntura* survey conducted by Unioncamere del Veneto, which starting from the first quarter of 2007 has monitored also the regional trade and service sectors.

Whereas the service industry as a whole showed a negative trend especially during the last few months of the year, dynamics differed across the sectors. Retail trade suffered more than wholesale trade, showing a slowdown from the second quarter of 2008. By contrast, wholesale trade recorded a strong decrease only in the last quarter, after a substantial stable trend during the first nine months of the year.

Veneto's automotive market experienced even more difficulties, recording a strong contraction throughout 2008. With reference to other services and considering their average annual growth, a negative trend was reported for tourism (-4.1% in turnover, -1.7% in employment) and transportation (-0.8% in turnover, -2.8% in employment). The other services showed a positive trend. In particular, training, health care and social services performed positively throughout all quarters, and 2008 wound up with an average increase in turnover and employment of +4% and +3.3% respectively. Information technology, telecommunications, R&D services, advertising, professional and entrepreneurial services recorded a positive year-end balance both in terms of turnover (both +2%) and employment (+1.2% and +3.4% respectively).

Table 17– Veneto.
Turnover trend in the
trade sector and
other services.
Year 2008

	Turnover (var.%)			
	1st quarter '08	2nd quarter '08	3rd quarter '08	4th quarter '08
Retail trade	1,5	-1,7	-1,0	-4,2
Car/motorbikes trade, rep. and maint.	-6,4	-9,0	-9,7	-17,4
Wholesale trade	1,5	1,5	-0,1	-6,7
Hotels, restaurants, bars and turistic services	-7,2	-0,7	-2,7	-5,9
Transportation, storing, postal and currier services	2,0	1,7	-1,6	-5,4
ICT services	5,4	-3,1	7,9	-2,3
R&D, advertisement, consulting and other professional services	1,5	4,2	2,4	0,4
Formation, heathcare, waste disposal and other private social services	3,4	4,9	2,2	5,7
Other services	2,6	7,5	-2,0	-6,3

Source: Unioncamere del Veneto - VenetoCongiuntura survey

Trade

In 2008 **retail trade** recorded a negative trend. Soaring retail prices and the slow growth of available income affected domestic consumption during the central months of the year. Instead, in the fourth quarter spending decisions were influenced by the worsening economic crisis and by the families' uncertainty concerning the evolution of the labour market, only partly off-set by less volatile inflation rates. According to the *VenetoCongiuntura* data, in 2008 retail trade in the Veneto suffered an average annual drop in sales of approximately -1.3%. This reduction was mainly driven by the negative trend of the 'no food' products, which went down by more than 2%, while the food products showed a stable trend.

When looking at the **size** of retail establishments, the ones which suffered more were the small retail facilities (up to 400 square metres) that contracted by 3.6%. However also larger facilities (more than 400 square metres) ended the year with a negative average annual growth rate (-0.4%).

Also other indicators recorded a negative performance, especially orders, which dropped sharply during the fourth quarter (-3.9%), with no good hopes for 2009.

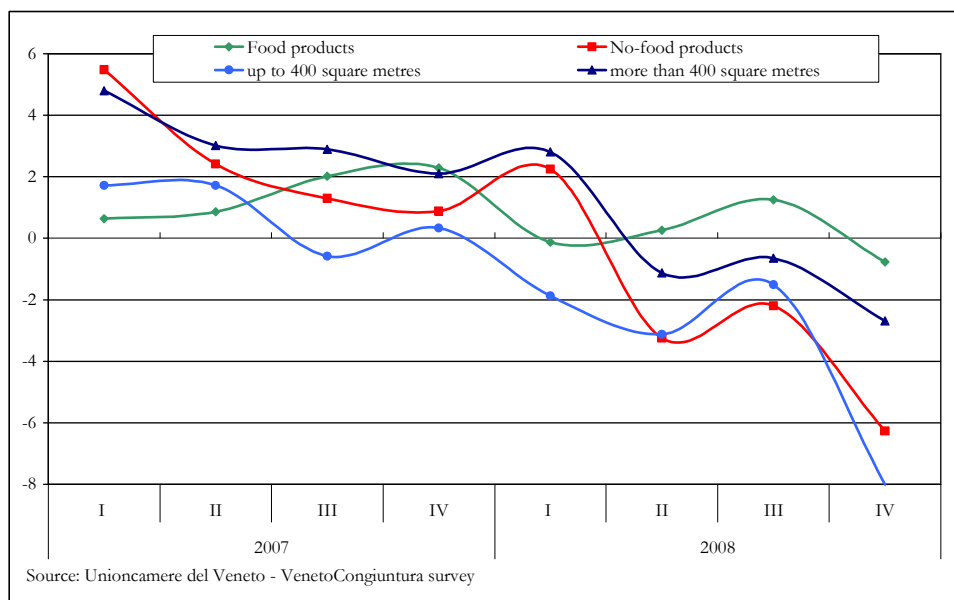


Chart 8 – Veneto. Trends in retail sales by products and establishment size (% variation over the same quarter in the previous year). Years 2007-2008

Inflation, measured by the consumer price index for the whole nation (NIC Index), showed a sharp acceleration throughout 2008, with a peak in July and August (+4.1%). Only in the last two months of the year did the price growth slow down, returning to the 2007 values (Chart 9).

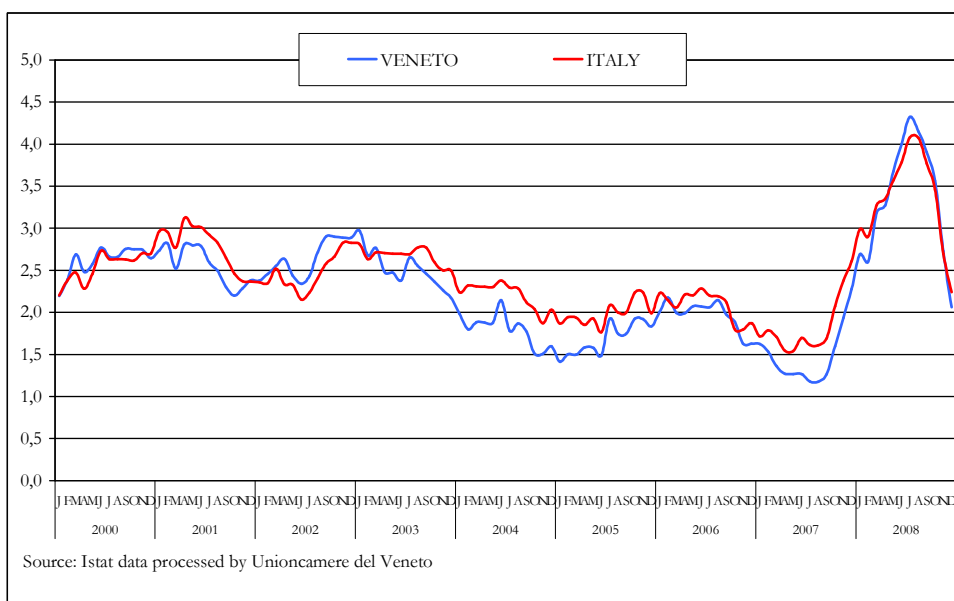


Chart 9 – Italy and the Veneto. Monthly consumer price index for the whole nation (% variation of trend). Years 2000-2008

Overall the average annual variation in consumer prices was +3.3% both in Veneto and at national level, rising by 2% and 1.5% respectively compared to 2007.

With reference to specific expenditure items, the rise in the inflation rate was primarily caused by the cost of housing, water, power and fuels (+7.4%), transportation (+5.9%), foodstuffs and non-alcoholic drinks (+5%). Communications was the only expenditure item that made a significant contribution to curb the inflation rate (-4.6%), although to a lesser degree than in the previous year (-8.4%).

In 2008 the **automotive market** suffered a sharp slowdown. According to data on the registration of new vehicles provided by UNRAE (Italy's National Association of Representatives of Foreign Car Makers), 2007's positive trend of new car registrations was inverted already during the first quarter of 2008. Year over year the Veneto recorded a 14.1% reduction. The crisis in this sector began to become more evident during the second and third quarters (-18.1% and -16.1% respectively) as a consequence of soaring crude oil prices, which in turn fired fuel prices. Although the gasoline price trend changed and Government incentives were renewed towards the end of 2008, the worsening of the economic situation all over the world caused a plunge in vehicle sales, with a 19% reduction during the last quarter of the year. Overall, in 2008 **registrations of new vehicles dropped by -16.7%** over 2007, slightly more than the national average (-13.3%) (Table 18). This drop was recorded in all provincial districts of the Veneto, with Belluno and Venice leading in terms of poor performance (-20%), and the remaining provinces reporting an average decrease of 16%. Such negative trend was confirmed also by the *VenetoCongiuntura* survey, which showed an average annual decrease in sales of almost 10%.

Table 18 – Veneto.
Car registrations per province.
Years 2007-2008

	2007	2008	var.% 08/07
Verona	43.000	36.355	-15,5
Padua	37.666	31.625	-16,0
Treviso	34.952	29.416	-15,8
Vicenza	33.429	28.151	-15,8
Venice	31.265	24.991	-20,1
Rovigo	9.958	8.205	-17,6
Belluno	9.258	7.402	-20,0
Veneto	199.528	166.145	-16,7
Italy	2.493.105	2.161.302	-13,3

Source: data provided by the Italian Ministry for Infrastructure and Transport and processed by UNRAE

According to the *VenetoCongiuntura* data, **wholesale trade** suffered a huge loss during the last quarter of 2008, when turnover contracted by 6.7%, after withstanding the impact of the economic crisis during the first nine months of the year, with an average annual growth rate of +1.5% during the first two quarters and a stable growth rate during the third. Employment in the wholesale trade, which traditionally is not immediately affected by negative economic trends, showed a positive development with an average annual growth of approximately 1.8%. The price trend was less favourable, as the price index rose by almost 2%.

Tourism

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 2008 was slightly less successful than 2007, which had wound up with very positive results (+5.3% in arrivals and +3.7% in stays).

In the period between January and December 2008 **arrivals** decreased by over 23 thousand units, or 0.2%, for a total of 14.1 million tourists visiting the Veneto in 2008. **Stays** recorded a sharper reduction of -1.5% in 2008, with 60.6 million tourists spending some time in the Veneto, compared to 61.5 million in 2007 (Table 19).

	2007		2008		var.%	
	arrivals	stays	arrivals	stays	arrivals	stays
Accommodation facilities						
hotels	9.969.514	29.789.359	9.783.169	28.594.052	-1,9	-4,0
non-hotel facilities	4.185.107	31.391.426	4.346.896	32.013.403	3,9	2,0
Areas						
Heritage cities	7.076.726	16.830.150	6.944.692	16.377.474	-1,9	-2,7
Lakes	1.854.698	9.608.414	1.895.291	9.463.822	2,2	-1,5
Sea	3.685.642	25.789.589	3.746.815	26.136.962	1,7	1,3
Mountains	941.110	5.759.844	945.720	5.545.810	0,5	-3,7
Spa resorts	596.445	3.192.788	597.547	3.083.387	0,2	-3,4
Totale	14.154.621	61.180.785	14.130.065	60.607.455	-0,2	-0,9

Source: Regione Veneto (SIRI) data processed by Unioncamere del Veneto

With reference to the **types of accommodation facilities**, 2008 was a positive year for non-hotel facilities (camping sites, tourist resorts, holiday farms, private accommodation) and a rather negative one for hotels, especially cheaper accommodation facilities (1-2 stars). Arrivals of non-resident tourists in non-hotel facilities increased by 3.9% and stays increased by 2%, while with reference to hotel establishments arrivals decreased by 1.9% and stays by 4%.

The **regional tourist districts**, with the exception of the heritage cities, saw a moderate increase in arrivals, while stays experienced some difficulties especially in the mountain and spa resorts (Chart 10-11).

After years of growth, 'cultural' tourism related to heritage cities showed worrying results, with a reduction in both arrivals and stays (-1.9% and -2.7% respectively). Seaside resorts recorded a +1.7% in arrivals and +1.3% in stays, while lakeside tourism grew by +2.2% in arrivals but had 1.5% less stays. Spa resorts had +0.2% arrivals but -3.4% less stays.

As in 2007, mountain resorts showed a particularly negative result, primarily due to shorter stays despite favourable weather conditions (+0.5% arrivals, -3.2% stays).

All of Veneto's **provinces** - with the exception of Vicenza and Rovigo, which are less dependent on tourism - experienced a decrease in stays. Arrivals recorded a very inconsistent performance in the two leading tourist provinces of the Region, namely Venice and Verona.

The province of Venice, which benefits from both cultural and beach tourism, had over 33.5 million stays, in line with the 2007 results, but over 2% less arrivals. The province of Verona, which attracts mountain, lakeside and cultural tourism,

Table 19 – Veneto.
Tourist flows by type of accommodation and area.
Years 2007-2008

showed 2.4% more arrivals and 2.8% less stays. With regard to the other provinces, Vicenza and Rovigo recorded increasing arrivals (+10% and +4.7% respectively) and stays (+7.7% and +5.2% respectively), while Treviso and Padua showed a slight decrease in arrivals (both -0.7%) and a sharp decrease in stays (-9.8% and -3.2% respectively.)

Chart 10 – Tourist arrivals per area (millions).
Years 2006-2008

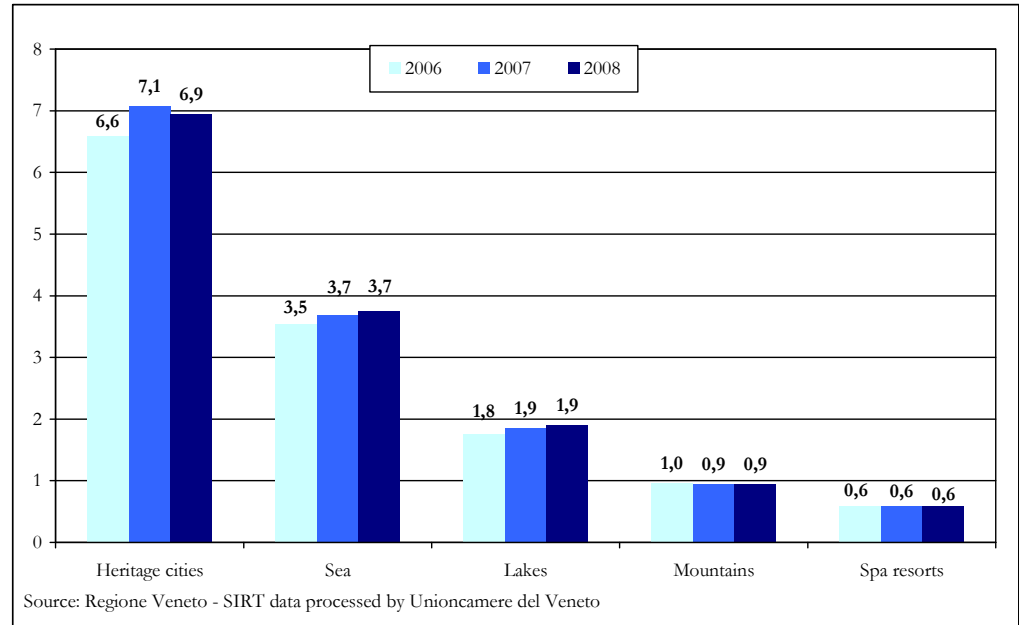
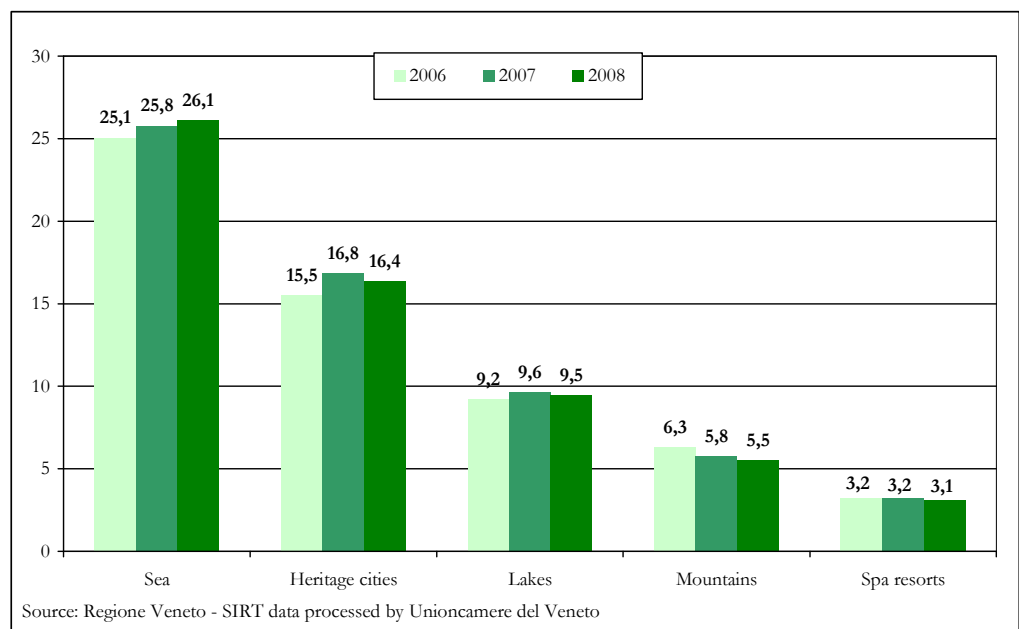


Chart 11 – Tourist stays per area (millions).
Years 2006-2008



As to the **country of origin of tourists**, in 2008 Italian visitors accounted for 41.1% of stays. Half of them were visitors from the Veneto (16.7%) and approximately one fourth were visitors from Lombardy and Latium (10%). The increase of visitors from the Veneto is a sign that even in a period of economic recession the local population do not forego their holiday and choose more accessible destinations - both less expensive and closer to home - which are nonetheless capable of guaranteeing quality and high-level services.

Foreign visitors accounted for the remaining 58.9% of all tourists coming to the Veneto. Yet again, arrivals by country of origin saw Germany taking the first place (18.9%). After a stable 2007 and a very positive 2006, in 2008 German tourists arriving in the Veneto decreased slightly, showing a -0.3% compared to 2007.

Transport

Looking at the trend of the main indicators, the transport sector has not been immune from the economic crisis that has hit the regional economy. However the regional transport system, and the maritime and air transport sectors in particular, have proven able to react to downturn, occasionally reporting some positive results.

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 road building. The first important results were recorded at the beginning of 2009 with the opening of the Mestre by-pass, known as '*Passante*'.

Despite the undeniable efforts, there remain environmental, structural and political constraints that hinder the free movement of persons and goods - mobility being an indispensable flywheel for the development of a mature, economy, particularly at a time of economic hardship, like the one we are witnessing.

Additionally, the **railway network**, the only real alternative to road transport, is not capable of increasing its traffic volumes in spite of the greater and improved rolling stock made available for local transport .

Hopes are placed in the privatisation of the railway sector, which has been planned for some time now. Private entrepreneurs might succeed in waking up a sector that has been 'sleeping' for too long, letting it quickly become a genuine alternative to other modes of transport.

Provisional partial data (January-November) concerning the **motorway network** in the Veneto, show that traffic decreased in 2008. Compared to 2007, the traffic index - expressed as vehicle/km ratio - decreased by 1.2% (-0.7% for the entire national territory), without significant differences for the two main components (light vehicles -1.2% and heavy vehicles -1.1%).

Concerning **airports**, the regional data for 2008 show an overall negative trend. The three main airports of the Veneto suffered a drop in passenger traffic and a contrasting performance in cargo traffic (Table 20).

Table 20 – Veneto’s airports.
Passenger and cargo traffic.
Year 2008

Airports	Passengers		Cargo (tonnes)	
	abs. val.	var.% 08/07	abs. val.	var.% 08/07
Venice - Marco Polo	6.893.644	-2,6	30.682	28,0
Verona - Valerio Catullo	3.402.601	-3,1	7.514	-18,0
Treviso - Antonio Canova	1.709.008	10,4	8.646	-50,9
TOTAL	12.005.253	-1,1	46.842	-7,6

Source: Assaeroporti data processed by Unioncamere del Veneto

12 million passengers and 46.8 thousand tonnes of goods transited through Veneto’s airports in 2008, a decrease of -1.1% and -7.6% respectively over 2007.

The **Venice airport**, Italy’s fourth largest national airport after Fiumicino, Malpensa and Linate, closed 2008 with a traffic of 6.9 million passengers, equivalent to a 2.6 annual decrease. Total flights came to approximately 80 thousand, dropping 10% drop against 2007.

Thanks to the arrival of a new air cargo operator, the quantity of transited goods rose by 28% over 2008, reaching the mark of 30.682 tonnes of goods handled. The cargo sector therefore confirmed the good performance of 2005 and 2006, which had allowed it to overcome the crisis of the early 2000s caused by the unstable political and economic situation worldwide. Hence 2008 can be considered as a ‘transition year’ after two years of very positive results. The economic crisis is perceptible, but is not a defining element: Venice is still a popular tourist destination and the air transport sector, particularly the segment of low cost and charter flights, is still fit.

The situation is not equally good for the **‘Valerio Catullo’ airport** of Verona, which dropped from twelfth to thirteenth position in the ranking of Italy’s largest airports in 2008. Remarkable decreases were recorded both in passenger traffic (-3.1%), and for the second year in a row, in the cargo sector (-18%). The number of flights fell as well, from 43 thousand in 2007 to 40 thousand in 2008 (-5,2%).

The Treviso **‘Antonio Canova’ airport** performed against the market trend, with results which diverge from those of the two other regional airports. In spite of a slight decrease in the number of flights (-1%), in 2008 the Treviso airport served over 1.7 million passengers, that is 10.4% more than in 2007. However, the performance of the cargo sector was not equally favourable: Treviso moved some 8,646 tonnes of goods, recording a decrease of -50.9% against 2007. Such drop results almost entirely from the transfer of carrier UPS’ logistics base from Treviso’s ‘Canova’ to Venice’s ‘Marco Polo’ airport in June 2008.

Passengers

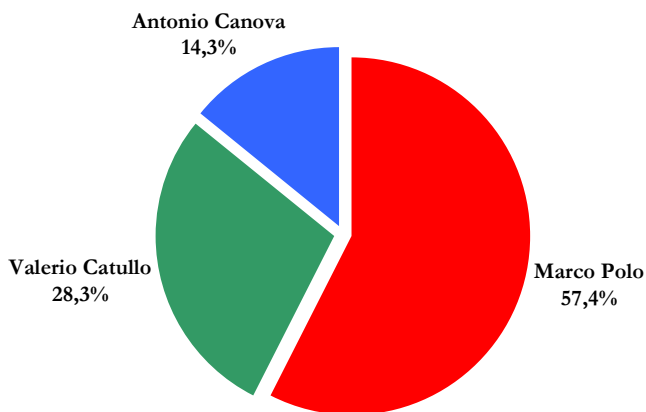


Chart 12 – Veneto airports. Passenger traffic (% calculation). Year 2008

Source: Assaeroporti data processed by Unioncamere del Veneto

Goods

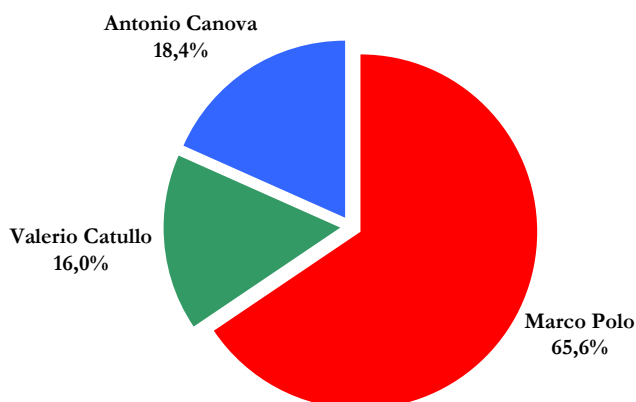


Chart 13 – Veneto airports. Cargo traffic (% calculation). Year 2008

Source: Assaeroporti data processed by Unioncamere del Veneto

Finally, as regards **port activity**, in 2008 Venice recorded contrasting results. Traffic rose during the first three quarters of the year before the onset of the global economic crisis in October. Overall cargo traffic figures for 2008 remained unchanged compared to 2007 (Table 21).

The container traffic rose in volume terms, while traditional sectors slowed down, with the exception of commercial traffic.

Container traffic grew constantly throughout the year, with over 379,000 TEU of goods handled in 2008. This means a 15% growth, or 50,000 TEU more compared to 2007, a record result for the Port of Venice.

By contrast, ‘traditional’ cargo traffic suffered a remarkable slowdown, falling 6.3% over the previous year predominantly because of a drop in iron and steel products and other bulk goods. ‘Specialised’ forms of traffic, such as ro-ro and container traffic reported an opposite trend. Container traffic increased by 11.1% in terms of weight and by 15% in terms of TEUs. The ro-ro traffic grew by 31.5% and outperformed all other traffic modes in 2008.

In 2008, as a percentage of the total port traffic, **industrial goods** declined by 2.4%, with differences across sectors. Bulk food grade products, namely grains and oilseeds, decreased by 50% and 17% respectively. Chemical products lost 8.2% as a result of the shrinking chemical production activities at the local plants. By contrast, inbound coal for the production of electric power rose by over 10%, for a total amount of nearly 235,000 tonnes.

Petroleum traffic dropped by 2.5% compared to 2007, with contrasting trends for the two main components: crude oil, which dominated inbound flows, decreased by over 10%, whilst refined petroleum products rose by 8.2%.

Passenger traffic was able to retain its growth trend. Over 1.7 million passengers chose Venice as port of call for their leisure trips: that represents a 14.4% increase over 2007. Sea cruises take the lion's share in passenger traffic, representing 71% of the total in 2008; the rest is split between ro-pax (22.5%) and fast ferry (6.5%) traffic. Unlike the two latter traffic components, sea cruises have been growing constantly, with an ever increasing number of cruise ships which have Venice as their home port (55 ships out of 96 in 2008).

Table 21 – Handling of cargo, container and passenger traffic in the port of Venice.
Years 2006-08

	2006	2007	2008	Var.% 08/07	Var.% 08/06
CARGO TRAFFIC (tonnes)					
trade total	14.541.961	14.620.411	15.040.004	2,9	3,4
industrial total	5.033.494	4.452.220	4.347.418	-2,4	-13,6
petroleum total	11.361.476	11.142.068	10.860.165	-2,5	-4,4
TOTAL	30.936.931	30.214.699	30.247.587	0,1	-2,2
CONTAINER TRAFFIC	316.641	329.512	379.072	15,0	19,7
PASSENGER TRAFFIC	1.453.513	1.503.371	1.720.496	14,4	18,4
SHIPS DOCKING AT THE COMMERCIAL PORT	3.655	3.507	3.641	3,8	-0,4
of which passenger ships	1.377	1.351	1.415	4,7	2,8

Source: Port of Venice data processed by Unioncamere del Veneto

4. The outlook for 2009

Final results for 2008 and the economic statistics for the first months of **2009** suggest that **the acute phase of the economic crisis** is expected to take place during the current year.

The global financial crisis, which originated in the United States, has triggered a chain reaction whereby enterprises have reduced their production levels fearing the economic slowdown and the drop in the final demand and families have begun saving more, thus depressing consumption.

The effects have rapidly spread in Europe, starting from the credit sector. As the US demand went on shrinking, exports from Europe to North America diminished accordingly. Over recent months the crisis has infected also the emerging economies, which are now suffering the consequences of a waning consumer demand in the Western countries.

At the beginning of 2009 the world macroeconomic scenario is therefore highly uncertain and elusive, and any forecast regarding the duration and the reach of the current crisis would be far-fetched and haphazard, to say the least. The world GDP dropped remarkably at the end of 2008 paving the way for a recession which will unfold over the coming months as the steps of the crisis will progress: the credit crunch, which menaces to freeze the production system; the collapse of real estate markets which will depress home values; a negative wealth effect that will lower household consumption. The latter could be further depressed by the fear of an upcoming fiscal squeeze following the current increase in public spending.

The latest economic indicators confirm that the crisis is worsening and that 2009 will be marked by the **recession of the global economy**. The International Monetary Fund (IMF) has slashed its 2009 world growth forecasts to 0.5 percent from 2.2 percent, while the cut for world trade has been even sharper, namely from 2% to -2.8%, with the negative sign reappearing for the first time since 1982²⁰. This is the result of two opposite trends: while advanced economies are all hit by a severe crisis and report a negative GDP growth (-2%), emerging countries have slowed down but are still expanding (+3.3%).

In 2009 the **U.S.** GDP is expected to remain negative at -1.6%, dropping almost by one percentage point compared to the autumn outlook. Also **Japan** hit the brakes all of a sudden and is expected to end 2009 with a negative GDP growth of -2.6% (compared to previous -0.2%). As for emerging economies, the IMF forecast a GDP growth for **China** of + 6.7% in 2009, while **India** should grow by 5.1%. Both countries will grow less than originally forecast in October 2009 (8.5% and 6.3% respectively).

Also the **Euro area** is hit by the global crisis and the situation is doomed to further worsen in 2009, especially because of the many uncertainties which surround European banks. The IFM forecasts expect the GDP of the Euro area to shrink by 2% compared to a more optimistic -0.5% growth announced in autumn 2008.

²⁰ As this report is ready for publication, the IMF has cut its world economic growth forecasts, expecting for 2009 a decline of between -0.5% and -1 %. From the end of the Second World War to the present date this is the first time that the world GDP is declining.

Table 22 – Percentage variation of real GDP: comparison between forecasts. Years 2007-2009

	2007	2008	2009	2010
	Italy			
ISTAT March 2009 (a)	1,6	-1,0	-	-
Government February 2009 (b)	-	-0,6	-2,0	0,3
EU Commission January 2009 (c)	-	-0,6	-2,0	0,3
Ref. February 2009	-	-0,8	-2,5	-0,1
Prometeia January 2009	-	-0,6	-2,3	0,3
Confindustria December 2008	-	-0,5	-1,3	0,7
OECD November 2008	-	-0,4	-1,0	
Unioncamere November 2008	-	-0,2	-0,3	0,8
CER January 2009	-	-0,7	-1,9	0,6
ISAE February 2009	-	-0,9	-2,6	0,4
IMF January 2009	-	-0,6	-2,1	-0,1
	Veneto			
ISTAT October 2008 (d)	1,8	-	-	-
Prometeia January 2009	-	-0,5	-2,2	0,8
Unioncamere November 2008	-	-0,1	0,0	1,0

Source: the data, provided by the above-mentioned sources, have been processed by Unioncamere del Veneto

(a) National economic accounts. Years 2005-2008 (3 March 2009)

(b) Explanatory note attached to the Stability Program (6 febbraio 2009)

(c) Interim forecast, year 2010 with scenario unchanged policies (19 January 2009)

(d) Regional economic accounts. Year 2007 (6 October 2008)

The forecasts issued by the European Commission do not differ much. In 2009 the Eurozone is expected to report a negative GDP growth of -1.9%, against a -1.8% reduction in the entire European Union. However, EU member states show different trends. **Germany's** economy, being more exposed to the effects of the drop in investments worldwide should shrink by 2.3%; **Spain**, harshly hit by the collapse of the real estate market, is forecast to experience a GDP contraction of 2%. The slowdown in **France** in 2009 should be less severe at -1.8%, while outside the Euro area **Great Britain** is expected to suffer the sharpest contraction of all advanced economies (-2.8%).

Forecasts for Europe therefore leave no room for optimism. However there could be better chances of taming the economic crisis if, on top of endorsing the expansive monetary policy run by the European Central Bank (ECB), EU members states would develop and adopt consistent and coordinated fiscal measures.

In line with the world economic forecasts, Italy's economy in 2009 is expected to be struck by the international recession and grow less than European partners (Table 22). Forecasts produced by the IMF, OECD and EU Commission at the end of 2008 suggested a slightly negative GDP growth for Italy of 0.5%. However the revised mid-February estimates suggest a more unfavourable situation for **Italy, with the national GDP at around -2%**. Compared to the growth

estimates published in the autumn of 2008 this means a major drop of 1.5%, similar to the decline experienced by other economies of the Euro area. The Italian Government, after acknowledging the revised estimates, adjusted its own forecasts at the beginning of February 2009²¹, announcing a negative GDP growth of -2%.

All major national forecast institutes in Italy recognise that the economic situation is progressively deteriorating as the crisis is spreading and have halved their 2009 growth estimates for Italy accordingly. All of the latest forecasts predict a negative growth of between -2.5% and -2%, a figure which has a negative impact on public finances, causing the deficit to GDP ratio to exceed 4%.

Indicators*	Veneto	North East	Italy
GDP	-2,2	-2,2	-2,3
Household expenditure	-0,8	-0,7	-1,1
Gross fixed investment	-7,5	-7,3	-7,7
Imports	-5,3	-6,3	-6,5
Exports	-7,0	-7,7	-7,0
Labour units	-2,3	-2,1	-2,1
Unemployment rate (%)	5,1	5,0	8,3

Table 23 – Forecast scenario for 2009: comparison between the Veneto, North East Italy and Italy as a whole

Source: Prometeia (January 2009)

* % variation of values on chain-linked volumes (2000).

Also the economic statistics for the initial months of 2009 confirm that the economic crisis is deepening. In January the **industrial production** index (working day adjusted) fell by 16.7% compared to the same period in 2008, the worst result since 1991, with the annual negative performance of the car sector (-54.6%) depressing the entire economy. In January Italy's **exports** dropped by 25.8% year-over-year, predominantly because of a decline in outbound trade with non EU countries (-29.9%), followed by EU countries (-22.9%). The **confidence climate** in the manufacturing sector is gloomy after a new negative record in February (63.2) in line with the results in the rest of the Euro zone. After a period of progressive decrease, the consumer confidence indexes recovered slightly in almost all regions of Italy, leading analysts to believe that the gravity of the crisis has not been fully perceived by consumers yet, maybe because of overlapping factors, such decreasing inflation rates, lower food prices and lower interest rates on variable rate mortgages.

Available economic statistics suggest that Italy's 2009 economic scenario will be marked by predominantly negative signs, with few exceptions (Table 23). During the year **household expenditure** is expected to slow down compared to 2008 (-1.1%), primarily as a result of the negative wealth effect. Also **gross fixed investment** should drop sharply (-7.7%) because of the credit crunch. On the side of **foreign demand**, exports of goods in 2009 are expected to follow a negative trend and decrease compared to 2008 (-7%) as a consequence of a

²¹ Information note 2009-2011 attached to the updated Stability Programme (9 February 2009).

weaker demand from the main trading partners, coupled with a less dynamic world trade. Concerning the **labour market**, in 2009 employment is expected to shrink remarkably (-2.1% in terms of units of labour) causing the unemployment rate to rise and reach 8.3%.

What about the effects of recession on Veneto's enterprises and economy? Forecasts for 2009 seem to indicate a scenario similar to that of the rest of Italy. According to the estimates published in February 2009, **the Veneto's GDP will fall by 2.2%**, in line with the average performance of North East Italy. Forecasts issued by Prometeia for 2009 foresee a similar growth rate for all of Italy's north-eastern regions, which will fare somewhat better than Lombardy and Tuscany (both expected to decrease by -2.3%) and Piedmont (-2.5%).

With reference to the components of demand, during the course of 2009 **household expenditure** for consumer goods in the Veneto will contract by 0.8%, while **gross fixed investment** will drop by 7.5%. A marked decrease is expected also in **exports** (-7%), while **imports** should not fall by more than 5.3%. The repercussions on the **production structure** and **employment** might be severe: already in the first two months of 2009 139 companies claimed they were in trouble and 3.129 workers were at risk of being made redundant²², this is almost double the figure of the same period in 2008. By the end of 2009 the number of workers might decline by 2.3%, while the unemployment rate could reach 5.1%.

The **entrepreneurs' confidence** index for the next six months is going down, since all main industrial sectors are expected to contract. According to the *VenetoCongiuntura* survey conducted by the regional Unioncamere, the confidence index of the manufacturing sector based on the difference between expected increases and forecast decreases in industrial production was -37.7%, compared to -24.9% in the previous three-month period. Also the confidence index of the retail sector, based on the difference between expected increases and forecast decreases in retail sales dropped to -56.8% from -24.8% in the previous quarter. The service sectors was no exception and its confidence index based on the difference between expected increases and forecast decreases in turnover was -35.1%.

²² These are statistics processed by Veneto Lavoro based on data supplied by Provincial Authorities. For further information: Veneto Lavoro (2009), *Crisi aziendali. L'impatto occupazionale*, report issued in February 2009.

5. Focus: Enterprises and access to credit

One of the first effects of the financial crisis that struck the world economy in the second half of 2008 was credit rationing, with banks limiting the supply of loans because of scarce liquidity. This credit crunch is having major detrimental repercussions on the production system in Italy and beyond. The *VenetoCongiuntura* survey has tried to assess the impact of such reduced lending on the Veneto's economic system. The survey was carried out in January 2009 in the form of a questionnaire which was administered to a sample of nearly 3,000 companies involved in the manufacturing, trade and service sectors. The intended purpose was that of assessing the indebtedness situation of Veneto based companies in the second half of 2008, while determining the shape of the credit market in terms of credit demand and supply.

	Substantially contracted	Moderately contracted	Substantially unchanged	Moderately expanded	Substantially expanded
Manufacturing	3,2%	5,6%	73,3%	14,2%	3,8%
2 - 9 employees	1,5%	3,7%	83,4%	9,9%	1,5%
10 employees or more	5,4%	8,0%	60,2%	19,8%	6,6%
of which:10-49 employees	5,3%	7,8%	60,4%	19,7%	6,9%
50-249 employees	6,5%	8,8%	57,9%	21,6%	5,2%
250 employees or more	4,9%	8,8%	75,5%	8,6%	2,2%
Trade	4,6%	6,4%	68,8%	18,3%	2,0%
Services	3,9%	6,0%	68,0%	15,2%	6,9%

Source: Unioncamere del Veneto-VenetoCongiuntura survey

Table 24 – Veneto.
Credit demand variation by economic sector.
July - December 2008

At regional level, from July to December 2008 the demand for credit facilities and bank loans remained almost unchanged. Three out of four manufacturing companies have reported no meaningful variation. The same applies both to the trade sector (68.8%) and the service sector (68%).

As for the companies who did report that their demand had changed, it is worth noting that twice as many enterprises stated that their demand had grown as those whose demand had shrunk (industrial sector: 18% against 8.8%; trade sector: 20.2% against 10.9%; service sector: 22.1% against 9.9%).

Looking at the manufacturing sector, a larger change in the credit demand was reported by the companies operating in the fields of machine tools (32.9%), marble, glass, ceramic and other non-metalliferous minerals (32.2%), rubber and plastic (28.1%) and the remaining industrial sectors (27.9%). While companies reporting an increase in their credit demand outnumbered those who stated their demand had decreased, such ratio is as high as 5 to 1 in the sectors of machine tools, marble, glass, ceramic and other non-metalliferous minerals.

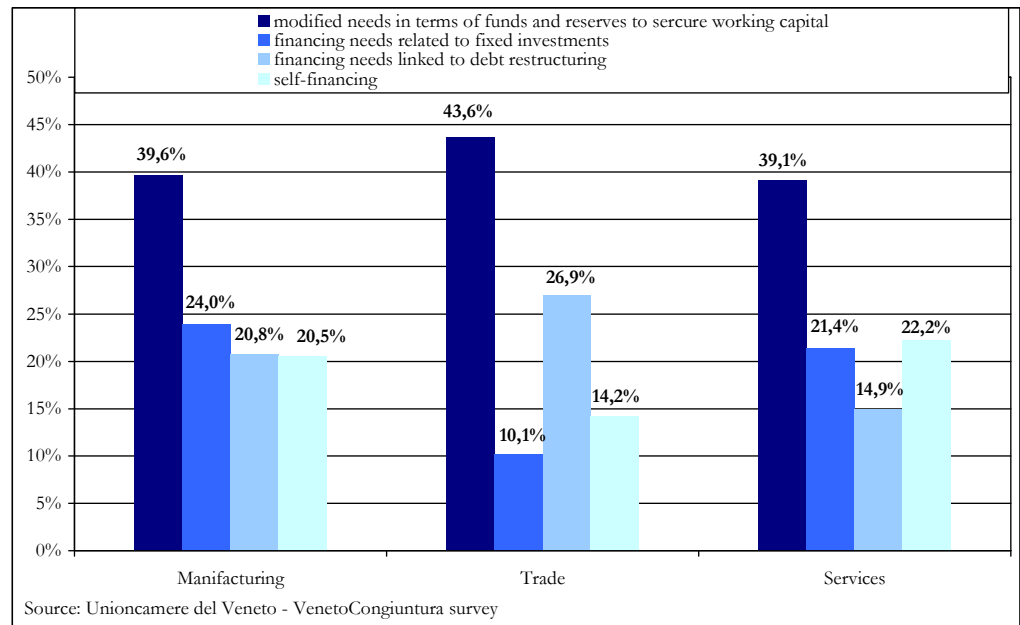
Looking at the size of companies, those who reported a stable credit demand were predominantly the ones with less than 10 employees (83.4%) and those with more than 250 employees (75.5%).

In the service sector, the credit demand remained stable primarily for IT and telecommunication companies (80.4%) as well as for R&D and professional firms (80.2%). The demand was significantly less stable in the tourism industry (65.7%) and the transport industry (63.8%). Percentage-wise also in the service industry those who reported an increased credit demand outnumbered those whose demand had reduced. A similar pattern was recorded also in the trade sector.

A comparison between Veneto's seven provincial districts reveals that the

percentage of manufacturing companies which reported a stable credit demand does not differ much across areas, ranging from 71.7% in the province of Treviso to 76.4% in the province of Verona. The range is wider in the tertiary sector, going from 58.7% in the province of Padua, to 74.2% in the province of Verona. As for the trade sector, the province of Rovigo reported the lowest percentage (44.8%), while the province of Verona reported the highest (82.1%).

Chart 14 – Veneto.
Reasons which have caused a variation in the credit demand
July – December 2008



When asked about the reasons which let their credit demand change, companies primarily reported modified needs in terms of funds and reserves to secure their working capital (39.6% industry; 43.6% trade; 39.1% services).

Secondary causes are less consistent and vary across sectors. So, while manufacturing companies mentioned changed financing needs related to fixed investment (24%), trade companies reported new needs linked to debt restructuring (26.9%), and the service sector referred to self-financing (22.2%).

Table 25 – Veneto.
Enterprises which reported worsened borrowing conditions.
July – December 2008

	Yes	No
Manufacturing	24,3%	75,7%
2 - 9 employees	17,4%	82,6%
10 employees or more	34,1%	65,9%
of which:10-49 employees	33,8%	66,2%
50-249 employees	37,3%	62,7%
250 employees or more	25,2%	74,8%
Trade	27,0%	73,0%
Services	27,6%	72,4%

Source: Unioncamere del Veneto-VenetoCongiuntura survey

On the credit supply side, one company out of four reported that in the reference period it had experienced a tightening in borrowing conditions (industrial sector 24.3%, trade 27%, services 27.6%).

A breakdown by sector does not reveal remarkable variations across segments. In the manufacturing sector the range is between 20% and 30%. Enterprises which suffered less from tightened bank lending conditions were those operating in the fields of electric and electronic machinery (22.6%) and marble, glass, ceramic and other non-metalliferous minerals (20.4%).

From the size perspective, borrowing conditions have worsened more for companies with up to ten employees (34.1%), while those with less than 10 employees were the least affected (17.4%). This result should not be interpreted as evidence of the fact that micro companies have suffered less, but rather as a sign that such companies were less prone to changing their credit demand.

The situation in the trade and service sectors is very similar: those who perceived tightened bank lending conditions exceed 25% of the sample, except for the tourist sector and the car and motorcycle retail, maintenance and reparation sector, whose percentages are 31.5% and 41.4% respectively.

The provincial districts where the manufacturing companies have reported a more remarkable change in their borrowing conditions are those of Venice (27.8%) Vicenza (26.8%), while those which experienced a smaller change were Belluno (16.8%) and Rovigo (17%). As for trade and services, a more severe tightening in the credit conditions was recorded in the provincial districts of Padua (trade 44.8%, services 34.3%), Verona (trade 29%, services 29.3%) and Treviso (trade 26.5%, services 37.4%).

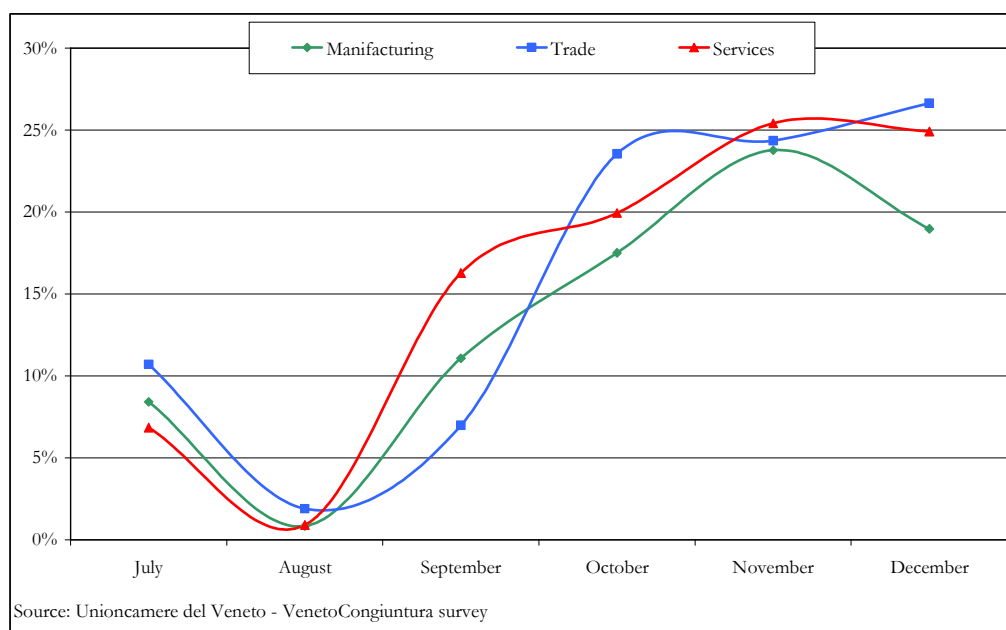


Chart 15 – Veneto.
Tightening in the bank lending conditions over time by economic sector. July –December 2008

The timing of the tighter lending conditions offers interesting information. Manufacturing companies which suffered worsened borrowing conditions (24.7% of the sample) reported that the toughest months were November and December. While over 68.3% of larger sized enterprises stated that the credit crunch was particularly severe in November, SMEs (10-249 employees) experienced a progressive deterioration of their access to credit from the month of September and a slight recovery towards the end of 2008.

The food sector, as well as the machine tools, marble and ceramic sectors started to perceive the credit squeeze in October 2008. In November the credit crunch

spread to involve the fashion, wood processing-furniture, paper making and publishing industries to then hit the electric and electronic machinery, rubber and plastic businesses during the month of December. Instead, bank lending conditions deteriorated in a gradual way for companies producing metals and metal products, closing at nearly 16% in the last three months of 2008.

The service sector reported November (25.4%) and December (24.9%) as the months when bank lending conditions worsened. The first companies to become aware of the credit squeeze were those involved in the training and health care sectors (October 2008), followed by those in the tourism sector, as well as the R&D and professional firms (November 2008), while the remaining sectors reported the onset of worsened borrowing conditions at a later stage (December 2008).

The trade sector experienced a similar progression. While lending conditions for retail traders began to worsen already in October 2008, wholesalers perceived the squeeze only in December, and car and motorcycle dealers became aware of it in November.

The causes of the tightened lending conditions differ across the sectors of the regional economy. For the manufacturing sector the tightening of lending conditions had to do with the request for additional collateral to back already granted loans (46.8%) and new loans (46%). Companies in the trade sector (57.3%) and in the service sector (46.4%) reported that banks would ask for larger spreads on already granted loans.

The trade sector also reported the request for larger spreads on new loans (41.1%) and the banks' refusal to grant new loans (26.3%). In the service sector the credit crunch became manifest through the banks' call on customers to repay-even in partial form-already granted loans (30.4%) or to provide supplementary collateral to back new loans (30%).

Table 26 – Veneto.
Six- month forecasts of
corporate indebtedness level,
broken down
by economic sector.
January 2009

	Substantial contraction	Moderate contraction	Substantial similarity	Moderate expansion	Substantial expansion
Manufacturing	1,3%	7,8%	69,7%	18,3%	2,8%
2 - 9 employees	1,2%	4,0%	84,4%	8,8%	1,7%
10 employees or more	1,6%	12,6%	51,5%	30,2%	4,2%
of which:10-49 employees	1,6%	13,1%	51,3%	30,1%	3,9%
50-249 employees	1,2%	9,6%	50,2%	32,6%	6,5%
250 employees or more	0,0%	7,0%	81,8%	11,2%	0,0%
Trade	2,1%	9,4%	61,0%	24,2%	3,2%
Services	2,1%	13,1%	61,9%	20,0%	3,0%

Source: Unioncamere del Veneto-VenetoCongiuntura survey

70% of the manufacturing companies do not expect their level of indebtedness to change during the first six months of 2009. Breaking down the result by size, small and medium-sized companies are found more likely to make prognoses for increased indebtedness than medium and large-sized companies. The expected level of indebtedness is slightly less stable for the trade sector (61%) and the service sector (61.9%), whose operators predominantly believe that their borrowing needs - and hence amounts due to banks - are more likely to increase than decrease, thus sharing the view of the majority of companies in the manufacturing sector.