

Veneto 2010

Economic report



Unioncamere
Veneto



Economic and social research centre

Now entering its 11th year of publication, this preliminary report on the economy of the Veneto region is once again acknowledged as an important event in the regional economic information agenda.

The supplied data, charts and tables provide updated information on the standing of the Veneto's economy: they reveal that, despite the effects of the 2009 global economic crisis, the region is determined to bravely face up to the challenges that will arise from restructuring its businesses to revive competitiveness.

Although the early signs of recession arose in the region in mid 2008, its full blow was felt in 2009: the crisis affected mostly medium and small manufacturing and exporting companies, and to a lesser degree innovative businesses. The final balance for the Veneto's economy in 2009 reveals a 4.8 percent decrease of the regional GDP, in line with the rest of Italy. Although agriculture and part of the services experienced difficulties, tourism once again confirmed its position as one of the region's leading industries.

The negative economic cycle had severe repercussions on the labour market where employment figures decreased by 2.2 percent, a trend that the Veneto had not recorded for many years and that causes concern for the social impact it will have on both entrepreneurs and employed staff. Nevertheless, unemployment rates remain some of the best not only in Italy but throughout the eurozone.

On a more positive tone, forecasts for this year are more encouraging: in 2010 the economy of the Veneto is expected to rise by 1.3 percent and this trend is expected to continue in 2011 when a 1.6 percent growth is forecast.

The time has apparently come to turn our backs on this difficult moment in time and confidently face the future by resorting to our points of excellence. The Veneto's companies are reviewing their business model and remain committed to achieving lead positions in foreign markets, not only in economically more advanced countries but also in emerging countries that were less impacted by global recession. In 2009 the region's exports totalled 38.2 billion euros, almost 25 percent less than the previous year. Germany remains the largest market for our exports, followed by France and the USA: interestingly, China has started to become an important trading partner.

Today, competitiveness is no longer measured on the level of each individual business, but at regional level. Also the Public Administration is now called upon to pull its weight and actively contribute to relaunching the economy by cutting non-essential expenditure and red tape, so as to bring together new resources to allocate to tangible and intangible investments.

The region's future development will increasingly depend on its ability to open up to the global market, on its economic system's capability to create new products and innovative quality services and the widespread use of new technology.

However, the most crucial aspect will continue to be the quality of the human resources that represent the real competitive edge of the Veneto's economy.

Venice, April 2010

FEDERICO TESSARI
President, Unioncamere del Veneto

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Introduction

As for the rest of the world, the final balance for the Veneto in 2009 was rather gloomy. The recession that started in mid 2008 and ended in mid 2009 caused remarkable cumulative and across-the-board loss.

Since the beginning of 2009, various national and international research centres have tried to make the necessary calculations and quantify losses. It might, however, be more appropriate to start any considerations by referring to sound and final figures, such as those provided in this report.

The contraction of world GDP in 2009 was obvious to all and the ensuing crisis that affected the global economy has been the deepest since the Second World War. Italy's economy slowed down rather brusquely, dropping 5 percent, and was matched by the Veneto's 4.8 percent decrease.

Nevertheless, for some months now all main indicators point to a gradual improvement that might encourage one to think that the recession can now be recalled as a thing of the past. However, recovery seems to be slow in coming and it has been estimated that the national GDP will grow just 1 percent (1.3% growth for the Veneto) this year.

Italy unfortunately remains one of the countries with lower growth forecasts, having suffered some of the highest decreases in production. As a matter of fact, this situation has not arisen because the crisis hit us harder than other countries, but because it has added to - and possibly exacerbated - previously existing internal problems.

In 2010, Italy's public deficit will exceed 5 percent of the GDP. Although the situation is not as dire as that of other countries, the debt-to-GDP ratio will be higher because it was already high before the crisis broke out.

This overview does not leave much room for optimism, especially if we consider that it has been contemplated to introduce an even more restrictive tax policy that will translate, as always, into a greater burden for businesses and families.

Now more than ever, it appears necessary to contain spending, which is the main problem of Italian public finances, that will potentially negatively impact the real economy and the production system. Today, more than 50 percent of public spending in Italy is absorbed by the Public Administration, the country's largest enterprise; in a globalised world, the Public Administration must also become more competitive, by introducing processes that will ensure effectiveness and efficiency.

In the Veneto, the costs borne by the State Administration are lower than the overall levels recorded in the country: Indeed, the region employs 48.7 civil servants every 1,000 inhabitants against the national average of 57.7. Furthermore, the Veneto performs very well both in terms of expenditure for intermediate goods per inhabitant (1,662 euros per capita against a national average of 1,857 euros) and in terms of average cost of each individual civil servant (31,454 euros against a national average of 32,506 euros).

If all Italian regions were to adopt the Veneto's public spending standards, the ensuing savings would amount to some 28 billion euros a year, just under 2 percent of the GDP, which could be allocated more usefully to investments and services for families and businesses. In detail, 60 percent of these theoretical savings (almost 17 billion euros) would arise from better staff management that would lead to a net decrease of 523 thousand employees, limiting the number of civil servants to just over 3 million (against the current 3.6).

This is of course mere theory and hard to apply in fact: however it does confirm that it is necessary to better manage public spending and to better redistribute resources throughout the territory.

Sixty years after the signing of the Constitution and nine years from the reform of its Title V, Italy is still lagging behind in achieving the maturity typical of a modern State. The increasingly shaky situation of the state accounts, the high spending accrued by the Public Administration, the delays in the judiciary system, the increasing costs of bureaucracy are all factors that lead to a high fiscal burden on businesses with obvious consequences for the economic development of the country and of the more virtuous regions.

Simplifying administrative procedures and favouring an environment that encourages the development of businesses is the primary institutional objective of Unioncamere del Veneto in its endeavour to promote regional economic growth. To achieve this aim we need the country to work as an 'organized network' to enhance the value of subsidiarity, regional/local autonomy and decentralisation, and, first and foremost, we need an efficient national Public Administration.

If we miss this target, the consequences on productivity will be devastating. Without any significant economic recovery, it will take several years, possibly not before 2015, to recover the drop in GDP experienced in 2008-2009; in terms of per capita production we will have to wait until 2018.

Today, although there is still reason for concern, there are nevertheless many reasons to trust in a brighter future. As in the past, the Veneto's economic scenario continues to be fertile land for new development prospects that resort to and enhance research and technological innovation.

Through this report, Unioncamere del Veneto this year once again aims at supplying food for thought on the future of the regional economic system: the region's figures will be analysed to provide some considerations on the territory's economic trends.

The following pages will depict a summary of structural and economic trends that characterised the Veneto's economy in 2009, trying to grasp the strengths and weaknesses of a region that needs to ensure the development of its businesses and the well-being of its citizens.

Venice, April 2010

GIAN ANGELO BELLATI
Director, Unioncamere del Veneto

1. The international economic context

2009 ended with figures that mark it out as the worst year since the end of the Second World War. This was the year in which the international economy felt the full blow of the financial crisis that started in mid 2008. According to the International Monetary Fund, **global GDP** dropped 0.8 percent, the highest downturn since 1945. The crisis has affected global demand: **world trade** experienced a 12.3 percent decrease, reaching the lowest levels ever in the past 80 years (Chart 1).

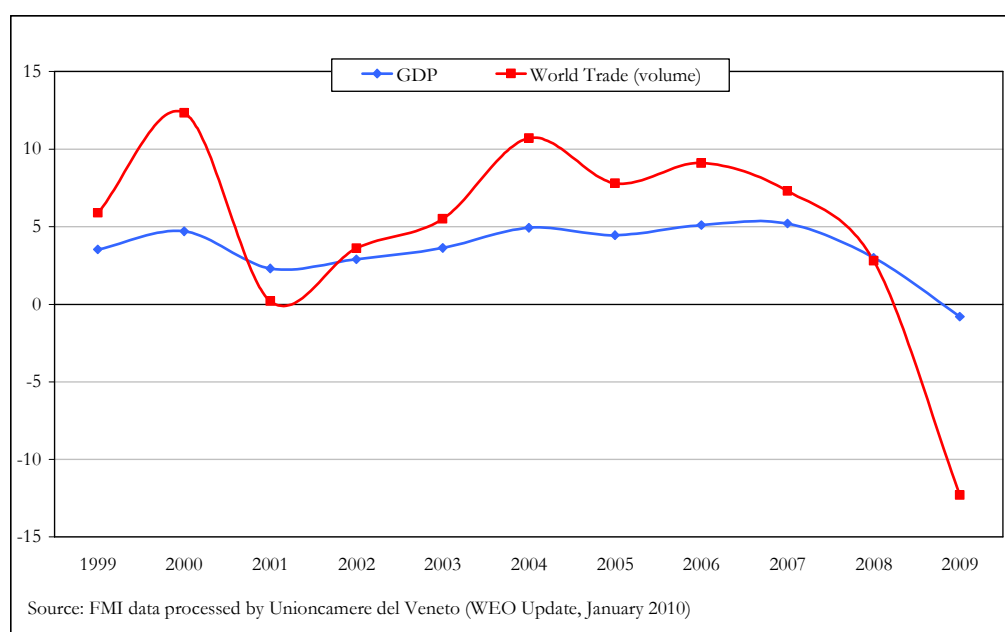


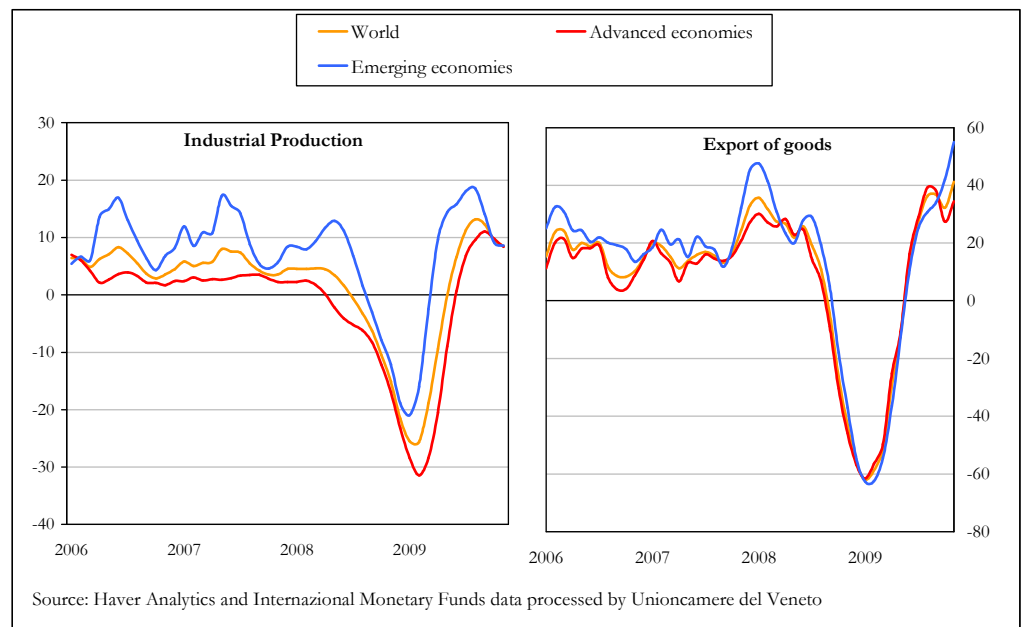
Chart 1 – World GDP trends and world trade volume (% change vs. previous year). Years 1999-2009

All major industrialised nations experienced economic downfall: the GDP of advanced countries decreased by 3.2 percent, compared to the 0.5 percent increase in 2008. Timely economic policies and decreasing dependence on exports have mitigated the recession especially in the United States. In 2009 the US economy experienced a 2.5 percent GDP contraction (Table 1), mainly as a result of a marked decrease in household consumption. After three negative quarters, the drop was mitigated by the remarkable 5.9 percent increase recorded in the last quarter of 2009, encouraging confidence in a more robust recovery of the US economy. **Japan**, already affected by the recession in 2008 (-1.2%), remains one of the most seriously affected countries amongst the industrialised nations. In 2009 Japan's GDP dropped 5.3 percent, as a result of the decrease in domestic consumption and investments. The downfall of the Japanese GDP can be ascribed to the clear contraction recorded in the first quarter as a result of the global financial crisis; weak signs of recovery became visible in the following quarters, nevertheless they have not been strong enough to offset the strong drop recorded on an annual basis.

The emerging countries also struggled immensely, with a slowdown of GDP growth, which dropped from 6.1 percent in 2008 to 2.1 percent in 2009. **Brazil** stands out for its slight 0.4 percent decrease. The situation in **Russia** is clearly more severe: its GDP dropped 9 percent as a result of the falling energy prices on international markets and the serious crisis affecting industry. The trends in China

and India continue to show growth, albeit at a slower rate compared to the previous years. Especially **China** consolidates its leading role, thus reinforcing its crucial position in the current economic and political scenario, and threatening to overtake Japan as the second-biggest world economy. In 2009, China maintained good growth rates (+8.7%), confirming that the government's expansive measures have managed to curb the effects of the international financial crisis. A resolute budget policy providing strong support to domestic demand has enabled it to emerge untouched from the risks of the recession. In 2009, China also became the world's largest exporter, overtaking Germany that had held this position since 2003: the Asian giant's exports reached 1,202 billion dollars, against the 1,121 billion of its German competitor. The success achieved by China in exports testifies to the economic power of a country that despite the crisis has successfully emerged from one of the most trying periods since the beginning of the century: it has been the first nation to achieve economic recovery and is becoming the new engine that will drive the world economy.

Chart 2 – Industrial production and goods exported broken down by geo-economic area (% change on a yearly basis). Years 2006-2009



India's economy also fared well, with its GDP growing 5.6 percent, thanks to an expansive budget policy and due to the economy being less oriented to the international market. This has caused its markets to be less exposed to the consequences of dropping international demand compared to other Asian economies. As a result, in 2009 there was a clear change in the trends of the global economy: the reaction to the recession reinforced the manufacturing base of emerging countries and Asia played a driving role compared to other economies that are still facing a very difficult moment in time (Chart 2).

Compared to the average of the advanced countries, the drop recorded in Europe in 2009 is very sharp indeed. The final data published by Eurostat show that the decline in exports and the drop in investments and consumption in the **eurozone** have led the GDP to fall by 4.1 percent.

The most significant drops were recorded by **Italy** and **Germany** (both -5%). A less significant decrease in GDP was experienced in Spain (-3.6%) and France (-2.2%), whereas amongst the non-eurozone countries the **United Kingdom** saw a 4.9 percent decrease in GDP.

	2007	2008	2009			% GDP
			IMF	Oecd	Eurostat	
World	5.2	3.0	-0.8	-	-	100.0
			Advanced Economies			
United States	2.1	0.4	-2.5	-2.5	-2.4	20.0
Euro area	2.7	0.6	-3.9	-4.0	-4.1	15.2
Germany	2.5	1.2	-4.8	-4.9	-5.0	4.1
France	2.3	0.3	-2.3	-2.3	-2.2	3.0
Italy	1.6	-1.0	-4.8	-4.8	-5.0	2.6
Spain	3.6	0.9	-3.6	-3.6	-3.6	2.0
Japan	2.3	-1.2	-5.3	-5.3	-5.2	6.2
United Kingdom	2.6	0.5	-4.8	-4.7	-4.9	3.1
			Emerging Economies			
China	13.0	9.6	8.7	8.3	-	12.1
India	9.4	7.3	5.6	6.1	-	4.9
Russia	8.1	5.6	-9.0	-8.7	-	3.3
Brasil	1.2	5.1	-0.4	0.0	-	2.9

Source: 2007-2008 IMF data; 2009 estimates: IMF (WEO Update - January 2010), OECD (Economic Outlook - November 2009), Eurostat (April 2010)

Table 1 – Real GDP trends in a number of countries (% change vs. previous year).
Years 2007-2009

2. The national economic context

In line with the rest of the world, also for Italy 2009 has been the worst year since the Second World War. The recession affecting the Italian economy started in the second quarter of 2008 and took a turn for the worse in the first and second quarters of 2009 (-6% and -5.9% respectively on an annual basis). The severe financial crisis that has affected all levels of the economy, and its negative after-effects that have been felt since 2008 (-1.3%), led Italian GDP in 2009 to **decrease by 5 percent** (-5.1% with the calendar-effect adjustments).

This drop exceeds any forecasts formulated during the year by the main forecasting institutions. After an initial forecast of a 4.3 percent GDP drop in 2009, in December the OECD¹ proceeded to estimate a 4.8 percent contraction for Italy. Similar forecasts for Italy were disseminated by the IMF², which in Spring had foreseen a 3.3 percent drop and then proceeded to review its forecasts in early 2010 adjusting them first to 4.3 and then to 4.8 percent. The latest forecasts from the European Commission³ pointed at a slowdown in Italy of 4.7 percent in 2009, driven mainly by the sharp drop in exports and plummeting investments, rather than by the decrease in private consumption. Italy's national government had similar expectations⁴ and estimated a 4.8 percent decrease in GDP both in November 2009 and in January 2010.

The drop in GDP for 2009 certified by the Italian Statistical Office - Istat (-5%) emerges as the worst in the whole eurozone (-4.1%) and even in EU27 (-4.2%). Broken down by geographical regions, Italy's GDP contraction, which hit the entire country, looked as follows: the most affected areas were the South (-5.1%) and the north-western regions (-4.8%), with the North-East (-4.5%) and the central regions (-4.6%) (Table 2) faring slightly better.

Broken down by economic sectors, Italy's GDP drop in 2009 was determined mainly by the contraction of industry (-15.1%) and the construction market (-6.7%). A less dramatic decrease was recorded in agriculture and in the service sector (-3.1% and -2.6% respectively).

The **public finances** were affected by the strongest recession ever to have been recorded since the Italian Statistical Office - Istat started its surveys: the deficit/GDP ratio wound up at 5.3 percent, against the 2.7 percent recorded in 2008. The primary surplus dropped from 2.5 to -0.6 percent of the GDP. The fiscal burden⁵ amounted to 43.2 percent, having increased by 0.3 percent against 2008 (42.9%) as a result of a decrease in GDP which exceeded that of overall fiscal revenues (decrease in direct, indirect and social security contributions offset by a strong increase in capital account taxes).

The contraction of manufacturing activities is mainly to be ascribed to a decrease in **gross fixed investments** (-12.1%), which affected all types of investment goods: machinery and equipment (-18.4%), vehicles (-15.2%), buildings (-7.9%) and intangible assets (-5.4%).

Final figures for domestic consumption show a less noticeable decrease (-1.2%), due to the fall in household spending (-1.8%) which was not offset by higher Public Administration expenditure (+1.1%).

¹ OECD, Economy Outlook No. 86 (November 2009).

² IMF, World Economy Outlook (April 2009, October 2009 and January 2010).

³ European Commission, Economic Forecast (November 2009 and February 2010).

⁴ Relazione Previsionale Programmatica (Draft Budget Report -September 2009) and Nota di aggiornamento (Updating notes) 2010-2012 to the Italian Stability Programme (January 2010).

⁵ Combining direct and indirect, capital account and social security contributions as a proportion of GDP.

Foreign demand was also sluggish: the **exports** of goods and services saw a 19.1 percent decrease. The decrease in **imports** was less dramatic at -14.5 percent. The effects of the sharp halt of the Italian GDP in 2009 were felt in the **labour market**. In a dire time for sales, businesses were forced to lay off. In 2009, **manpower calculated in units**⁶ (assessed net of laid-off workers claiming temporary unemployment benefit - i.e. *cassa integrazione guadagni*) decreased remarkably (-2.6%). This trend results from the reduction of overall employment levels, the decrease in jobs other than one's main job and a drop in flexible job contracts. The drop in employment rates emerged also from workforce statistics issued by Istat: in 2009 the so-called 'internal' employment rate⁷ dropped, on average, by 1.6 percent on a yearly basis (380 thousand less units). In a breakdown by sector, the contraction was especially significant in industry (-4.3%). Agriculture (-2.3%), constructions (-1.3%) and services (-0.8%) were less affected. The unemployment rate rose to 7.8 percent from 6.7 percent in 2008. The tense labour situation is also testified by the recourse to temporary unemployment benefit by laid-off workers (*cassa integrazione*): the hours falling under this system (classified under ordinary, extraordinary and exceptional temporary unemployment) increased by 311.4 percent against 2008, rising from 223 to 918 million.

	GDP	Household Consumption	AAPP & ISP Consumption ***	Gross fixed investment	Export**	Import**
Piedmont	-5.1	-2.1	1.0	-13.0	-22.6	-16.4
Lombardy	-4.7	-1.8	1.0	-12.7	-19.2	-14.6
Veneto	-4.8	-1.6	1.3	-13.0	-17.2	-8.2
Emilia Romagna	-4.4	-1.2	1.0	-12.8	-22.1	-13.3
Tuscany	-5.1	-1.8	1.7	-12.5	-7.3	-16.1
North-West	-4.8	-1.9	1.0	-12.8	-19.1	-15.3
North- East	-4.5	-1.5	1.2	-12.8	-18.9	-11.4
Centre	-4.6	-1.6	1.4	-13.1	-14.3	-7.9
South and IslandS	-5.1	-2.3	1.1	-14.0	-30.4	-28.5
Italy	-5.0	-1.8	0.6	-12.1	-19.1	-14.5

Source: Istat (national public accounts), Prometeia (scenarios for local economies - February 2010)

* National data are Istat estimates, data for regions and areas are Prometeia forecasts

** for Italy exports and imports refer to goods and services

*** AA.PP. Public administration bodies - ISP social enterprises

Table 2 – Main economic indicators in a number of Italian regions (% change vs. previous year)*. Year 2009

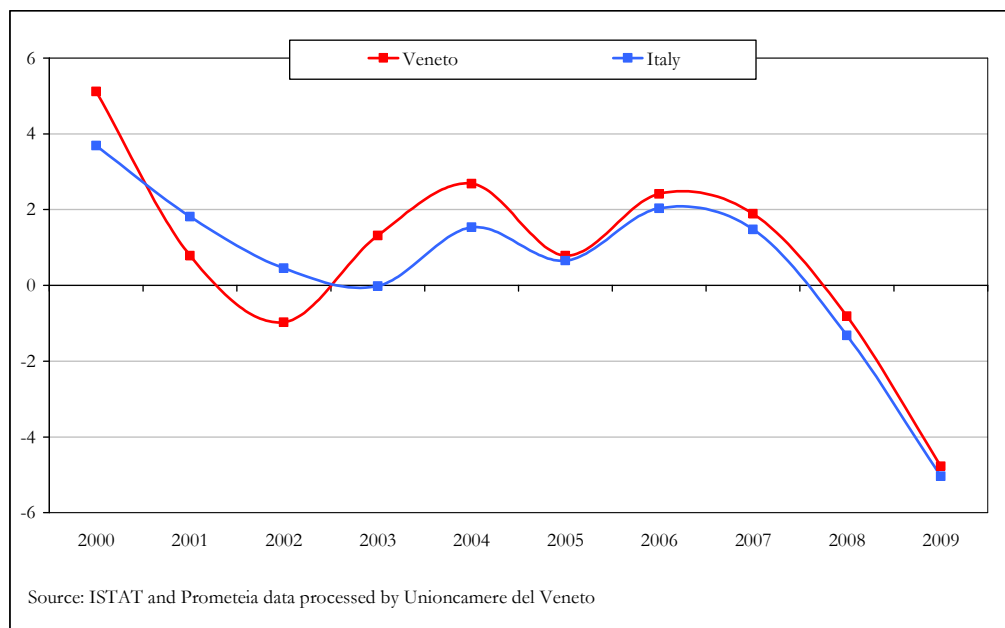
⁶ A manpower unit represents the amount of work provided in one year by a full time employee, or the equivalent amount of work provided by part time workers, or those employed in a main job and an additional job. This concept is not related to the amount of work provided by an individual, but to the number of hours per annum hypothetically worked by a full-time employee: the number of hours varies depending on the type of job. Manpower units are calculated net of laid off workers claiming temporary unemployment benefit - i.e. *cassa integrazione guadagni*).

⁷ The concept of 'internal' employment mirrors the average number of individuals in the period examined working in a 'productive activity' (as defined in SEC 95) in production units located in the portion of the territory assessed. The definition of 'employee' in this case also includes laid-off workers who have retained a formal relationship with their employer, for example in the form of a guarantee to resume work, or an agreement on the date on which work will be resumed. Laid-off workers claiming temporary unemployment benefit fall within this category.

3. Veneto economy

The recession affecting the region's economy became harsher during 2009. According to the estimates published by Prometeia, **the regional GDP suffered a remarkable downfall and fell 4.8 percent** against the previous year; this follows the drop recorded in 2008 (-0.8%) and the slowdown of the previous year (+1.9% in 2007) (Chart 3).

Chart 3 – GDP trends for the Veneto and Italy (% change vs. previous year).
Years 2000-2009



In comparison with the other regions of Italy, the GDP variation rate for the Veneto was slightly better than the rate recorded in Piedmont, Tuscany (both standing at -5.1%) and Valle d'Aosta (-5%), whereas it was slightly worse than the situation recorded in Lombardy (-4.7%), Friuli Venezia Giulia, Emilia Romagna (both at -4.4%) and Trentino Alto Adige (-4.2%).

With reference to the various components of the aggregate demand, the contraction of the regional GDP was mainly due to the drop in **gross fixed investments**, which decreased 13 percent on a yearly basis (against -3.1% in 2008), and **household consumption** (-1.6% against the -0.9% for the previous year).

As to the different items contributing to the variation of the GDP, it emerges that it was negatively affected by the decrease in net foreign demand (-3.4%), in gross fixed investments (-2.8%) and in family spending (-0.9%), although the impact of the latter was rather limited (Table 3).

With reference to the creation of **added value**, the slowdown of the regional economy in 2009 was determined by the negative trends affecting all fields of industry. More specifically, the manufacturing sector recorded a dramatic 12.7 percent drop. The construction market continued to struggle and fell by 4.5 percent. The agricultural sector was also affected, albeit more slightly, and recorded a 2.1 decrease, while the services also contributed to the negative economic trend by dropping 1.4 percent.

Demands	2007	2008	2009
GDP	1.9	-0.8	-4.8
Household consumption	1.8	-0.5	-0.9
AAPP & ISP consumption	0.2	0.1	0.2
Gross fixed investment	0.0	-0.7	-2.8
Changes in supplies	-0.5	0.1	2.2
Foreign net demand	0.4	0.2	-3.4

Source: processed by Unioncamere del Veneto on Prometeia data (scenarios for local economies - February 2010)

Table 3 – The Veneto. Breakdown of contributing factors for the growth of the GDP (associated values, year of reference 2000). Years 2007-2009

The main factor that determined the crisis of the Veneto's economy was the sharp fall in **exports**. After the abrupt halt recorded in 2008 (-1.1%, according to the provisional data supplied by the Italian Statistical Office - Istat)⁸, in 2009 the value of exports in the Veneto plummeted by 23.5 percent, while imports dropped by 24.8 percent (against a 0.9% decrease recorded in 2008).

The effects of recession hit also the production industry in general and the labour market. In 2009, the number of **active businesses** dropped 0.9 percent on a yearly basis⁹, however, it is the employment levels that cause greater concern as a result of the crisis. According to the data supplied by the Italian Statistical Office - Istat, in 2009 production suffered a 2.2 percent drop in manpower against 2008 (i.e. 47 thousand less manpower units) and the employed decreased to 2,112 thousand. Such figures refer to the downturn in the industrial sector (-5.8%); however also the construction and agriculture sectors recorded remarkable drops (-4.3% and -1.8% respectively). The number of businesses facing difficulties increased remarkably against 2008, and rose from 335 to 1,189 (+854 units), while figures on CIG (temporary unemployment) show that in 2009 the overall number of hours authorised amounted to 81.7 million, a total that widely exceeds the figures for 2008 (15.5 million hours)¹⁰.

The Veneto's GDP decrease in 2009 also affected the **productivity of labour**, i.e. the ability of the production system to generate wealth and, indirectly, income. Starting from 2007, the volume produced per manpower unit has gradually dropped (Table 4 and Chart 4). Between 2007 and 2009, productivity of labour fell by 1.5 percent from 52.3 to 50.8 thousand euros per manpower unit, a figure which is nevertheless lower than the national average (-1.7%).

⁸ For further information refer to the paragraph on "Foreign trade".

⁹ For further information refer to the paragraph on the "Production structure".

¹⁰ For further information refer to the paragraph on the "Labour market".

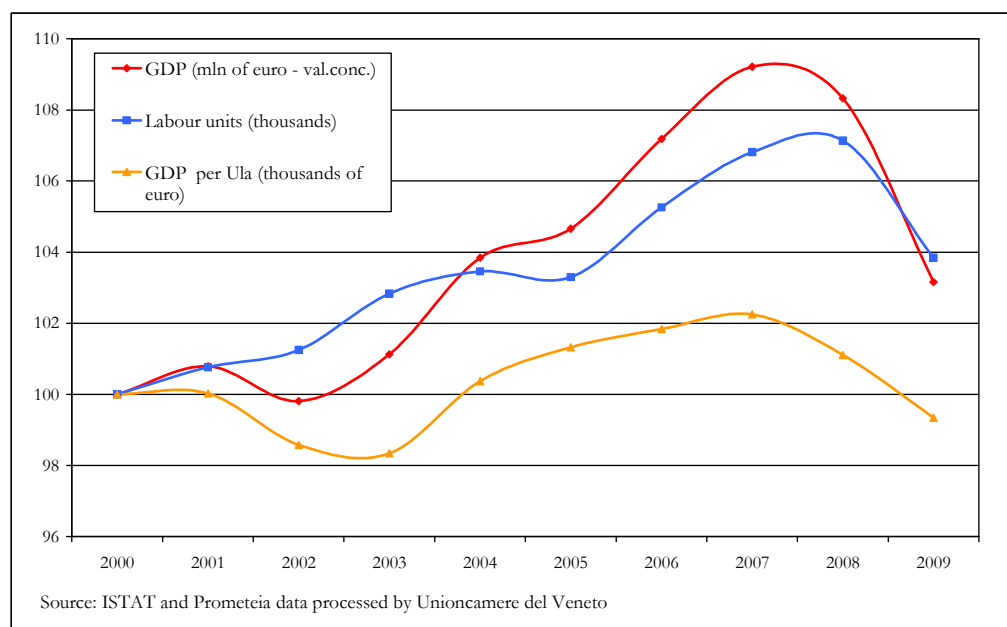
Table 4 – GDP, employment and productivity: the Veneto and Italy compared. Years 2000, 2007-2009

	2000	2007	2008	2009
Veneto*				
GDP (millions of euro - chain-linked value)	111,712	122,004	121,015	115,243
Labour units (thousands)	2,186	2,334	2,342	2,269
GDP per labor unit (thousands of euro)	51.1	52.3	51.7	50.8
Italy*				
GDP (millions of euro - chain-linked value)	1,191,057	1,289,988	1,276,578	1,214,609
Labour units (thousands)	23,412	25,025	24,996	24,371
GDP per labor unit (thousands of euro)	50.9	51.5	51.1	49.8

Sources: Istat, Pometeia

* Istat data refer to years 2000-2008 (regional accounts); Pometeia data refer to year 2009 (February 2010 forecast)

Chart 4 – Veneto. Trend of GDP, employment and productivity in the Veneto (starting point 2000=100). Years 2000-2009



Foreign trade

The harsh slowdown in global demand has caused this to be a trying period for exports for all Italian regions. In 2008 the Veneto's foreign trade had already been affected by negative trends and dropped 1.1 percent against the previous year; standing at 50 billion euros it nevertheless surpassed all forecasts¹¹ which had been made available a year earlier by the Italian Statistical Office - Istat (48.2 billion). In fact, the real downturn of the regional economy was felt in 2009: the Veneto's **exports recorded a harsh slowdown and decreased by 23.5 percent**¹², namely the equivalent of some 12 billion euros, thus falling to 38.2 billion. These considerations however are based on the assessment of provisional data which are known to be underestimated¹³ and unable to allow any in-depth evaluation of foreign trade flows for the whole region and for each Provincial District, especially when considering export-driven markets such as that of the Veneto.

The strong decline in exports was clear in all the quarters of 2009, although it did appear to be less evident in the second half of the year. Both Istat data and the data resulting from the *VenetoCongiuntura* survey (performed every quarter by Unioncamere del Veneto on a sample of some 1,200 manufacturing companies in the region with at least 10 employees) show a sharp decline in foreign trade from the second quarter of 2008. The opposite trend was observed in the third and last quarter of 2009: the foreign turnover of the Veneto's industry recorded a less dramatic negative trend than in the previous quarters, with losses of 16.1 and 7.4 percent respectively on a yearly basis. However the provisional data¹⁴ released by Istat on the last two quarters of 2009 reveal that the 'recovery' of exports was quite modest (-22% and -20.5% respectively)¹⁵ (Chart 5).

¹¹ According to the final figures supplied by Istat in February 2010, the value of the Veneto's exports in 2008 exceeded by 1.8 billion the forecasts made available in the previous year (March 2009). The percentage variation for 2008 on 2007 quantified by the Istat (provisional on final data) had been underestimated and stood at -4.6 percent.

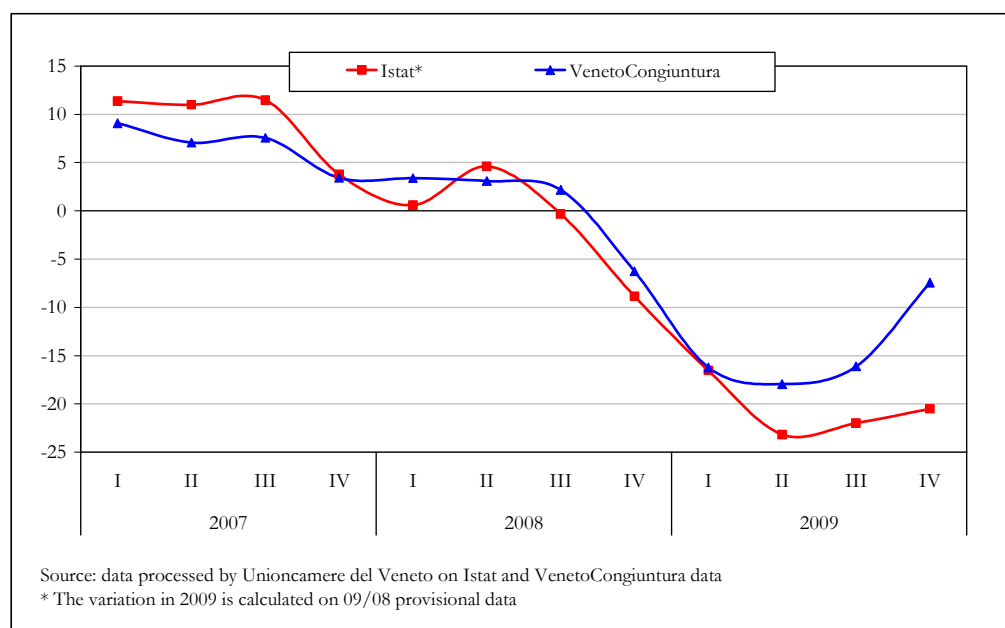
¹² As no final figures are as yet available, the variation for 2008 on 2009 is calculated comparing the (underestimated) provisional data with the final data adjusted to the figures made available by Istat.

¹³ The provisional data were released by Istat on March 15th 2009, whereas the final data will be made available in February 2011. The discrepancy between provisional and final data is entirely ascribable to events occurring after the year end, i.e. delays in the registration of declarations by the Ministry of Finance's Customs Offices. These delays are sometimes due to the companies' late submission of declarations, or to delays in data entries by the Customs Office's staff. The problems arising from the Customs Offices' failure to send figures to Istat on time are a critical issue for the quality of all statistical information on trade flows. From this point of view an improvement is expected as a result of the new procedures for sending data on foreign trade operations to the Customs. From January 1st 2010, the INTRA declarations of goods and/or services must be **sent electronically**. This is expected to ensure timely and suitable figures on the local territory and cut the number of statements sent late, which, in turn, will reduce the number of necessary reviews.

¹⁴ In the quarterly assessment of foreign trade figures it was considered appropriate to calculate the percentage variations for 2009 on 2008 using provisional data.

¹⁵ Pearson's correlation coefficient between the quarterly variation of foreign sales for the years 2007-2009 recorded in the *VenetoCongiuntura* survey and the variation based on the export data released by Istat equals 0.96. This means that the data resulting from the Unioncamere del Veneto survey can be considered to be a sound *substitute* source for export flow trends in the Region.

Chart 5 – The Veneto.
Export trends (quarterly %
change vs. previous year).
Years 2007-2009



In 2009, the Veneto's foreign trade accounted for **13.2 percent of national exports**, i.e. 0.4 percent less than in 2008. The Veneto is still the second-largest regional exporter in Italy after Lombardy (which ranks first at 28.3%). It is followed by Emilia Romagna (12.6%), Piedmont (10.2%) and Tuscany (7.9%). All of Italy's geographical areas recorded negative results, especially in the South (Islands -39.5% and South -23.5%) where exports dropped below the national average (-21.4%) as a result of declining sales of refined petroleum products. In the North-East the decrease in exports was also dramatic (-22.6%). Slightly better results were achieved in the North-West (-20.4%) and in the Centre (-15.2%).

Table 5 – Italy. Trade flows
in a number of regions
(million euros).
Years 2008-2009

	Imports			Exports		
	2008 (a)	2009 (b)	var.%	2008 (a)	2009 (b)	var.%
Piedmont	28,118	22,175	-21.1	37,935	29,647	-21.8
Lombardy	120,022	96,319	-19.7	104,102	82,040	-21.2
Veneto	39,502	29,705	-24.8	50,014	38,256	-23.5
Emilia Romagna	28,722	21,645	-24.6	47,528	36,417	-23.4
Tuscany	19,950	16,000	-19.8	25,262	23,024	-8.9
Friuli Venezia Giulia	7,522	5,217	-30.7	13,244	10,711	-19.1
North West	159,470	126,781	-20.5	147,951	117,833	-20.4
North East	81,828	61,678	-24.6	116,972	90,520	-22.6
Centre	56,503	48,047	-15.0	53,804	45,639	-15.2
South	25,831	19,950	-22.8	27,514	21,051	-23.5
Islands	27,922	16,834	-39.7	15,877	9,600	-39.5
Other or n.a.	30,497	20,923	-31.4	6,897	5,470	-20.7
Italy	382,050	294,213	-23.0	369,016	290,113	-21.4

Source: processed by Unioncamere del Veneto on Istat data

(a) definitive data; (b) provisional data

The negative performance of the North-East was exacerbated mainly by the drop in foreign trade flows recorded in Emilia Romagna, whose figures (-23.4%) are similar to those recorded in the Veneto, and Friuli Venezia Giulia (-19.1%). Other export-oriented Italian regions also struggled in the same period: Piedmont experienced a 21.8 percent decrease, followed by Lombardy that dropped 21.2 percent. Better performances were achieved in Tuscany, that recorded a 8.9 percent decrease (Table 5).

Breaking down the Veneto's exports in 2009 by **sectors**, significant drops were recorded in the areas of machinery (-26.6%, totalling 7,128 million euros), structural metalwork (-24.8%, totalling 2,398 million euros) and clothing (-20.3%, totalling 2,383 million euros). Jointly, these three fields of industry constitute almost one third of the Veneto's overall exports. The area that suffered most was the metalworking sector that recorded a dramatic 43.1 percent drop as far as the metallurgical industry is concerned (down to 1,692 million euros) and a 39.1 percent drop in the automotive and automotive components sector (down to 1,696 million euros). A remarkable downturn was also registered in other long-standing industries of the regional production system: jewellery (-25.4%), wood (-24.3%), furniture (-23.6%), knitwear, leather and tanning (-22.3% for both industries), agriculture and fisheries (-21.8%) and footwear (-15.2%). The only areas that were only slightly affected by lower foreign sales were the food (-7.7%, amounting to 1,630 million euros) and beverage industries (-5.8%, totalling 1,089 million euros) (Table 6).

Products	2008 (a)	2009 (b)	var. %	comp. %
Machinery	9,712	7,128	-26.6	18.6
Metalwork	3,189	2,398	-24.8	6.3
Clothing	2,991	2,383	-20.3	6.2
Other electrical equipment	2,699	2,003	-25.8	5.2
Eyewear	2,200	1,883	-14.4	4.9
Furniture	2,361	1,803	-23.6	4.7
Footwear	2,106	1,785	-15.2	4.7
Means of transport and parts production	2,786	1,696	-39.1	4.4
Metallurgy	2,974	1,692	-43.1	4.4
Food	1,766	1,630	-7.7	4.3
Tanning and leather processing	2,017	1,567	-22.3	4.1
Chemical Pharmaceuticals, synthetic fibers	1,783	1,480	-17.0	3.9
Rubber and plastic products	1,614	1,286	-20.4	3.4
Jewelry	1,620	1,209	-25.4	3.2
Household appliances	1,408	1,091	-22.6	2.9
Beverages	1,156	1,089	-5.8	2.8
Yarns and Fabrics	1,374	1,081	-21.3	2.8
Electronic, medical and measuring equipment	889	829	-6.7	2.2
Paper and printing	875	780	-10.8	2.0
Other manufactured products	944	751	-20.4	2.0
Agriculture and fishing	820	641	-21.8	1.7
Knitwear	593	461	-22.3	1.2
Cut, shaped and finished stones	556	392	-29.5	1.0
Glass and glass products	447	369	-17.4	1.0
Other services	481	368	-23.5	1.0
Refined petroleum products	335	216	-35.4	0.6
Wood	264	200	-24.3	0.5
Mining and quarrying products	56	47	-16.5	0.1
Total	50,014	38,256	-23.5	100.0

Source: processed by Unioncamere del Veneto on Istat data
(a) definitive data; (b) provisional data

Table 6 – The Veneto.
Exports by type of
product (million euros).
Years 2008-2009

The Veneto's main **trade partners** are once again Germany (13.2% of the Veneto's exports, namely 5,061 million euros), France (10.8%, i.e. 4,145 million euros) and the United States (6%, i.e. 2,295 million euros). The drop in the Veneto's exports can be ascribed to the remarkable drop in flows towards both the European and the non-European markets. The European countries that experienced greatest contraction were Spain (-29.8%) and the United Kingdom (-28.7%). Exports also diminished towards Germany (-22.5%) and France (-17.8%) (Table 7). Major trade partners such as the United States (-28.5%) and Russia (-37.8%), were also hit harshly by the crisis, as were the new and promising markets of Mexico, South Africa, South Korea and Turkey. On the contrary, China (currently ranking twelfth amongst destination countries for the Veneto's products) emerged as an interesting market and recorded a sales growth of 8.2 percent (932 million euros) on a yearly basis. The encouragement needed by the regional exports market to rise out of its sluggishness was provided by sales to the major emerging economies, that were less affected by the global recession. The weight of the so-called BRIC Countries (Brazil, Russia, India and China) over the total amount of the Veneto's exports definitely grew (6.8% in 2009), with China playing a leading part, having increased its imports from the Veneto between 2008 and 2009 by approximately 1 percent (from 1.7 to 2.4%).

Table 7 – The Veneto. Top 10 countries by origin of imports and destination of regional exports (million euros). Years 2008-2009

Countries	2008 (a)	2009 (b)	var.%	comp.%
<i>Imports</i>				
Germany	9,265	7,329	-20.9	24.7
China	3,442	2,910	-15.5	9.8
France	2,307	1,772	-23.2	6.0
Spain	2,709	1,244	-54.1	4.2
Netherlands	1,382	1,106	-20.0	3.7
Austria	1,482	1,074	-27.5	3.6
Romania	1,324	995	-24.8	3.4
Belgium	1,307	900	-31.1	3.0
United States	893	682	-23.6	2.3
Switzerland	767	512	-33.3	1.7
Total	39,502	29,705	-24.8	100.0
<i>Exports</i>				
Germany	6,529	5,061	-22.5	13.2
France	5,043	4,145	-17.8	10.8
United States	3,212	2,295	-28.5	6.0
Spain	2,890	2,029	-29.8	5.3
United Kingdom	2,620	1,867	-28.7	4.9
Austria	1,783	1,434	-19.6	3.7
Switzerland	1,523	1,333	-12.5	3.5
Russian Federation	1,753	1,089	-37.8	2.8
Romania	1,468	1,012	-31.1	2.6
Belgium	1,243	972	-21.8	2.5
Total	50,014	38,256	-23.5	100.0

Source: data processed by Unioncamere del Veneto on Istat data
(a) definitive data; (b) provisional data

The assessment of the trade flows from abroad shows that in 2009 the Veneto's **imports** were estimated at **29.7 billion euros**, down 24.8 percent against the previous year (totalling a decrease of 10 billion euros)¹⁶. The decrease experienced by the Veneto is fully in line with figures ascribed to the remaining Italy's north-eastern regions where flows dropped by 24.6 percent. The comparative data for foreign sales, considering all the main regions, also show a decrease: imports dropped by 24.6 percent in Emilia Romagna, 21.1 percent in Piedmont and 19.7 percent in Lombardy.

As to the list of the region's **main countries for imports**, Germany continues to rank first (7,329 million euros) having supplied almost one quarter of the Veneto's imports, despite the 20.9 percent drop recorded in 2009. China still ranks second (2,910 million euros), having experienced a 15.5 percent decrease in goods exported to the Veneto.

Sluggish exports and imports in the Veneto have resulted in a provisionally **positive trade balance** for **8.6 billion euros**, almost 2 billion euros less than in 2008 (Chart 6).

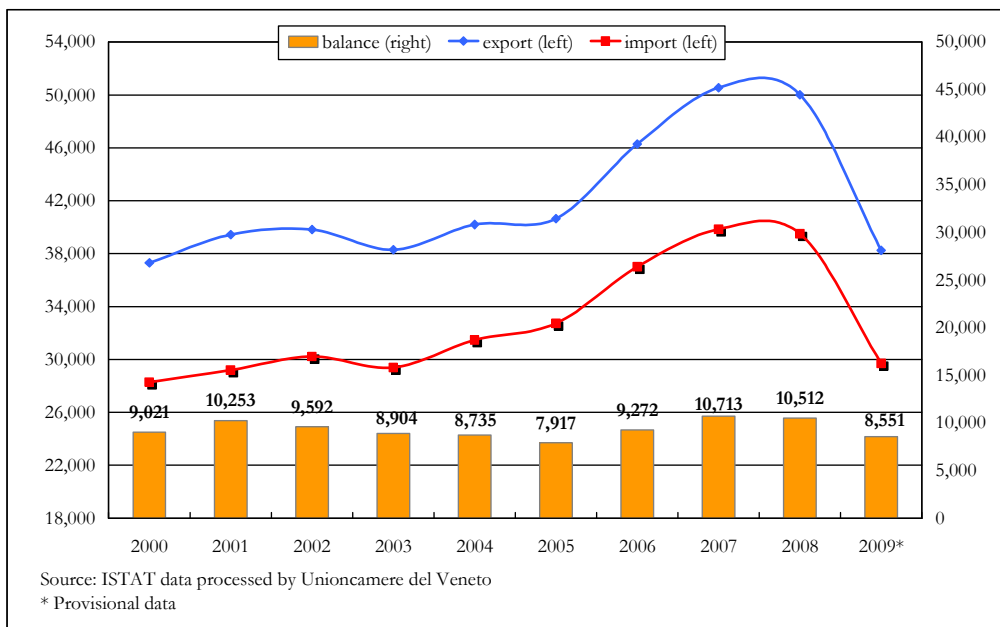


Chart 6 – Veneto. Exports, imports and trade balance (million euros). Years 2000-2009

The region's trends for exports are fully in line with the national average. In 2009, **Italian exports** plummeted by 21.4 percent over 2008, thus recording the worst figures for trade flows since 1970. The decrease in imports (-23%) was even more dramatic. In 2009, the balance of trade provided negative results for 4,100 million euros, with a clear reduction of the negative balance recorded in 2008 (13,034 million euros). Breaking down the contraction by the various fields of industry involved, it emerges that the yearly basis figures for 2009 show decreases mainly in the areas of coke and refined petroleum products (-39.2%), base metal and metal products not including machinery and equipment (-29.3%), automotive (-25.4%, with vehicles recording a 34.1% decrease).

¹⁶ The figures revealing this dramatic drop were exacerbated by the fact that the provisional data for imports in 2008 (for 37.3 billion Euros) were subsequently reviewed for the worse. The review was completed in 2009 by Istat and became necessary as a result of the purchase of an off-shore re-gasification platform that was ascribed to the Provincial District of Rovigo as it is located at some 12 miles off shore from Porto Levante. Therefore, the discrepancy between the provisional and the final figure (for some 1.4 billion Euros) is totally due to the value of the re-gasification plant.

Production structure

In 2009, the number of **registered businesses** in the Veneto amounted to **506 thousand**, down by more than 3,300 units against 2008: this corresponds to a **0.7 percent decrease**. The **working businesses** registered a **0.9 percent decrease** and went from 462,567 in 2008 to **458,352** units in 2009.

The economic crisis greatly affected the region's business network, adding to the change in the type of prevailing industry and business structure that has been ongoing in the Veneto's production system for several years. In the last decade, the traditional fields of industry have gradually shrunk in size: this is especially true for areas such as agriculture and the manufacturing industry that have left room for an expansion of the tertiary sector and a variety of incorporated companies (mainly share capital companies and cooperatives) that have taken over one-man businesses and partnerships. The financial crisis that broke out in the U.S.A. in September 2008¹⁷ and proceeded to become the deepest recession since the post war period inevitably influenced and exacerbated these trends. Evidently, the companies that were most affected were those more exposed to the fluctuations of the global credit and financial markets and those companies whose activities rely on a fluctuating demand, which are therefore more prone to suffer greater losses in times of recession (businesses that manufacture durable consumer goods).

Considering the **fields of industry that were most affected** (Table 8), the working businesses that showed the worst performances were those operating in the fields of agriculture, hunting and forestry (-3.2%) and manufacturing (-2.5%). The financial crisis and the credit crunch hit hard also on the construction industry. On a yearly basis construction businesses suffered a loss of -1.4 percent. The tertiary were able to stay on top of the 'tsunami' effect of the crisis: except for the automotive, packaging and communication industries that saw a 2.2 percent decrease in business, the other areas recorded increases, at times even remarkable ones.

The areas that grew most were healthcare and social services which recorded a 6.2 percent growth, while other activities associated to public, social and personal services, real estate, research and IT, education and financial and capital brokerage grew between 1 and 2 percent. The production structure of the tourist services, i.e. hotels and restaurants, despite a slight decrease over 2008, continued to record a positive trend and grew 0.9 percent, while shops remained basically stable (-0.2%).

The way business is done has changed since the beginning of the decade. New businesses have discarded the simpler **forms of incorporation** such as partnerships and one-man companies and now prefer the more complex joint stock companies. From 2000 to 2009 there was a 70 percent increase in this type of business with numbers rising from 46 thousand to some 80 thousand units. In spite of the crisis, in 2009 joint stock companies managed to hold on to their positive trends (+2.2%), which were nevertheless less successful than in previous years. There was also an increase in other types of incorporation (mainly cooperatives) that rose 2.7 percent. Partnerships (-1.4%) and one-man businesses (-1.7%) became less popular, although they still represent 60 percent of the region's entrepreneurial fabric.

¹⁷ The start date is conventionally set at the date of the crash of Lehman Brothers on 15th September 2008.

	Registered		Active		Reg.	Active
	2008	2009	2008	2009	var.% 09/08	
Economic sector						
Agriculture, hunting and forestry	82,573	79,936	82,086	79,482	-3.2	-3.2
Fish, fish farming and connected services	3,011	3,103	2,948	3,044	3.1	3.3
Mining	338	323	282	277	-4.4	-1.8
Manufacturing industry	74,101	72,636	66,898	65,213	-2.0	-2.5
Production and supply of electricity, water , gas	275	266	250	240	-3.3	-4.0
Construction	75,912	75,144	72,863	71,807	-1.0	-1.4
Wholesale and retail trade - personal property and household items						
Hotels and restaurants	114,024	113,935	106,579	106,380	-0.1	-0.2
Transport, storage and communication.	26,825	27,206	23,405	23,611	1.4	0.9
Monetary and financial brokerage	17,848	17,572	16,732	16,360	-1.5	-2.2
Real estate, rental , ITC and research services	8,939	9,047	8,540	8,645	1.2	1.2
Education	65,223	66,214	59,678	60,676	1.5	1.7
Health care and other local services	1,529	1,551	1,442	1,462	1.4	1.4
Other public, social and personal services	1,572	1,665	1,429	1,518	5.9	6.2
Domestic services	19,039	19,402	18,226	18,553	1.9	1.8
Unclassified companies	0	0	0	0	n.c.	n.c.
	18,168	18,006	1,209	1,084	-0.9	-10.3
Legal form						
Joint-stock company	102,385	105,005	78,097	79,816	2.6	2.2
Partnership	116,792	115,108	98,364	96,999	-1.4	-1.4
Sole proprietorship	280,801	276,324	279,502	274,756	-1.6	-1.7
Other forms	9,399	9,569	6,604	6,781	1.8	2.7
TOTAL	509,377	506,006	462,567	458,352	-0.7	-0.9

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

Table 8 – The Veneto.
Registered and active companies by sector and legal form of business (% change and annual change compared with previous year).
Years 2008-2009

In addition to the final count of active and registered businesses, the Register of Companies of the Chambers of Commerce provides information on the registration and cancellation of companies¹⁸ during the year¹⁹.

If we take a look at the **vital statistics** for the businesses (Chart 7), we will discover that in 2009, for the first time since 2000, the balance shows more closures than new registrations (-1,021 units), with a sharp 6.8 percent decrease in new registrations. Belying expectations, cancellations also diminished, confirming the soundness of the production system (-3.2%). The assessment of the 'births and deaths' of businesses from 2000 to 2009 shows similar trends and an almost constant final balance until 2003.

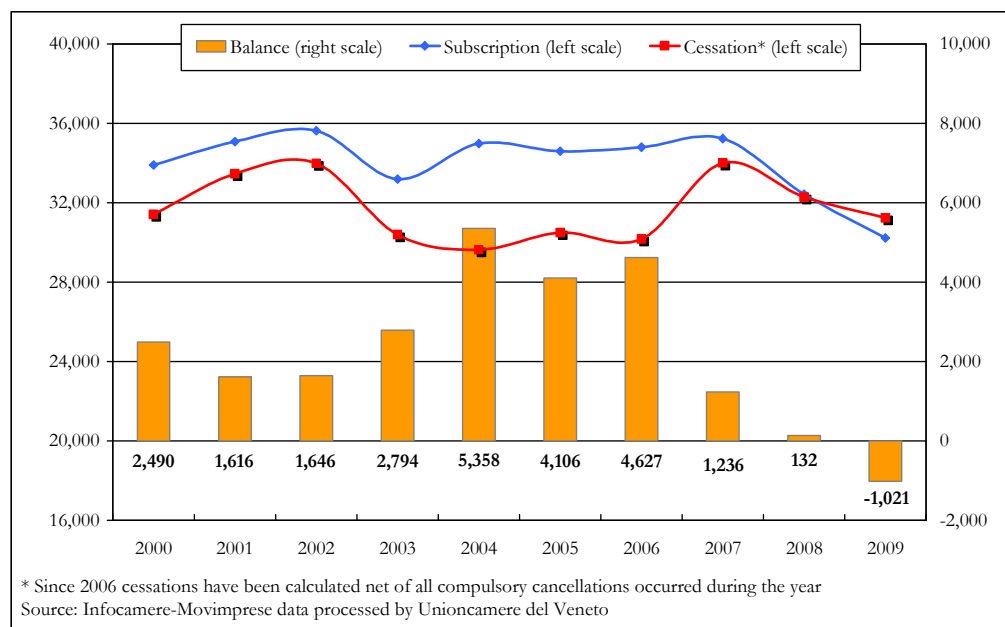
From 2004 to 2006, registrations remained stable while cancellations gradually decreased. The higher balances recorded in this three-year period can be ascribed primarily to fewer companies closing down. Then, starting from 2007, a year in which the Veneto's economy began to show signs of a slowdown, the balance decreased.

¹⁸ As a result of the implementation of the new procedures for compulsory cancellations (Italian Presidential Decree D.p.r. n. 247 of 23.07.2004 and subsequent 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. This has resulted in a decrease in the final count of active and registered companies which is not due to the economic and demographic situation, but rather to the decision to automatically change the position of companies that are no longer ongoing concerns. Consequently, as of 2006, to ensure that the final counts are in fact comparable, cancellations are considered net of any compulsory cancellations made during the period

¹⁹ In the assessment of the business flows it is important to bear in mind that the first quarter of the year generally provides a negative balance as it mirrors the closures entered into the books in January, but which actually occurred in the last days of the previous year. These closures are recorded by the Chambers of Commerce as referring to the first quarterly statements, thus providing overestimated figures.

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).

Chart 7 – The Veneto.
Company registrations,
closures and the balance of
companies registered.
Years 2000-2009



Labour market

The dramatic downturn in the regional economy was also mirrored rather drastically in the labour market, albeit with a certain delay. The negative trend is confirmed by Istat's statistics on the labour force that for 2009 record **2,112 thousand people in employment** in the Veneto, down 2.2 percent over 2008 (-47 thousand units). The drop in employment in the Veneto was higher than any other decrease recorded in the rest of the country and the North-East, where employment decreased by 1.6 percent.

The decrease in employment also negatively impacted the **employment** and **unemployment rates**. In 2009, the employment rate fell by 1.8 percent bringing the number of the employed population aged between 15 and 64 down to 64.6 percent. The number of people seeking jobs increased by 33.4 percent on a yearly basis (+26 thousand units), bringing figures up to 106 thousand. The **unemployment rate** rose by 1.3 percent in 2009, reaching 4.8 percent. The unemployment rate of women stood at 6.4 percent, while the unemployment rate of men reached 3.6 percent: both these figures exceed those recorded in 2008 (when they stood at 5.2% and 2.4% respectively). The **activity rate** calculated for the population aged between 15 and 64 decreased to 67.9 percent (68.9% in 2008).

The decline in employment in 2009 mainly affected the self employed that dropped 6.4 percent (-31 thousand units), against a much slighter 1 percent decrease in the number of employees (-16 thousand units). The sharpest drop in employment was recorded for women (-2.4%) rather than for men (-2.1%).

In terms of **sectors** involved, the industrial field strictly speaking (-5.8%) and the construction industry (-4.3%) were the most dramatically affected. Agriculture also fared rather badly and suffered a 1.8 percent decrease, a figure which is however better than 2008's performance (-17%). There was less concern for employment rates in the tertiary sector (-0.7%) thanks to the good performance recorded in the area of innovative services. By contrast, growth was recorded in the trade sector, with employment rising 2.4 percent.

	VENETO			NORTH-EAST			ITALY		
	2008	2009	%	2008	2009	%	2008	2009	%
Workforce	2,238	2,217	-0.9	5,304	5,289	-0.3	25,097	24,970	-0.5
Employed	2,159	2,112	-2.2	5,123	5,042	-1.6	23,405	23,025	-1.6
Agriculture	61	60	-1.8	180	175	-2.6	895	874	-2.3
Manufacturing	675	636	-5.8	1,416	1,372	-3.1	4,985	4,771	-4.3
Construction	180	172	-4.3	411	392	-4.5	1,970	1,944	-1.3
Trade	289	296	2.4	743	736	-1.0	3,540	3,446	-2.7
Services	954	948	-0.7	2,373	2,366	-0.3	12,014	11,990	-0.2
Unemployed	79	106	33.4	181	247	36.6	1,692	1,945	15.0

Source: Istat data processed by Unioncamere del Veneto

Table 9 – Italy, the North-East and the Veneto. Employees by sector of activity (thousands). Years 2008-2009

The declining employment rates highlighted by Istat are confirmed by the **VenetoCongiuntura** quarterly survey conducted by Unioncamere del Veneto on small and medium sized businesses. In manufacturing companies, the average yearly drop in employment for 2009 was 4.2 percent, markedly lower than the figures for 2008 (-1.5%). In terms of size, small and medium sized businesses (with at least 10 staff) and micro-businesses accounted for the greatest drop at 4.2 percent. The employment of foreign workforce dropped significantly (-7.8% on a yearly basis).

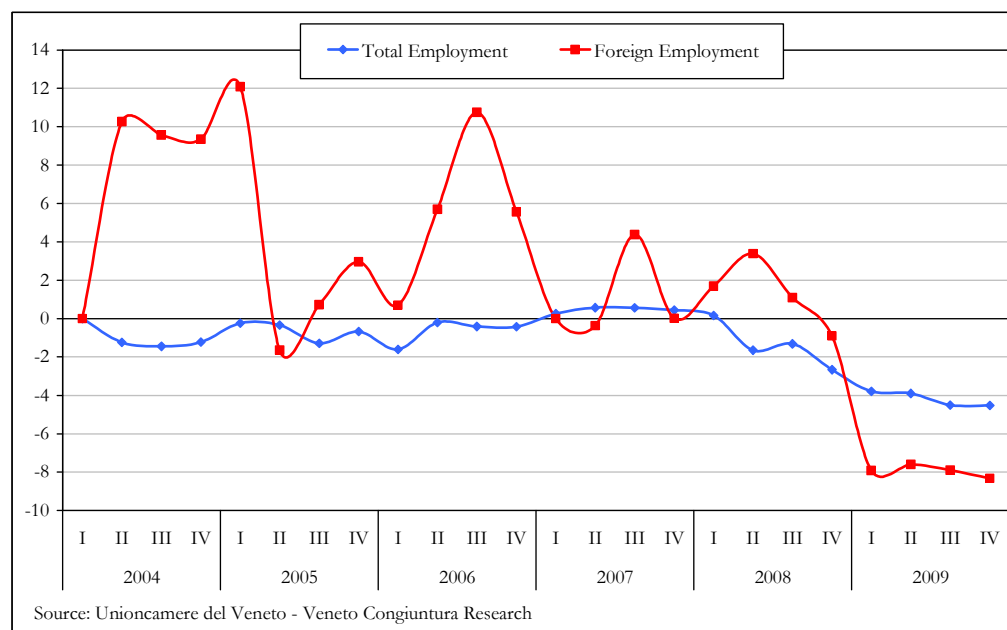


Chart 8 – The Veneto. Total employment and foreign workforce in businesses with at least 10 staff (% change vs. previous year). Years 2004-2009

It was a hard time for the labour market also in other fields of industry. According to the regional Unioncamere survey on retailers and some areas of the services, in 2009 trade recorded an average yearly 2 percent decrease in employment (down 1.4 % compared to 2008). In the services, employment trends were negative in tourism (-5.5%) and transport (-3.1%), whereas growth was recorded in the area of innovative services (+1.4%).

The administrative data supplied by SILL have highlighted a clear drop in employment between January and November 2009: overall **recruitment** in businesses and institutions decreased by 21 percent. The contraction mostly impacted blue-collar workers as a result of the poor performance of the manufacturing industry (-41%) and the construction industry (-24%). The declining figures for new hires affected youngsters (-24% for 20-year-olds) more than adults (-16% for 40-year-olds).

This particularly negative employment trend in the Veneto was further confirmed by the number of companies that **formally declared they were suffering as a result of the crisis**²⁰ and by the number of laid-off workers claiming temporary unemployment benefit - i.e. *cassa integrazione guadagni* (CIG).

From 2008 to 2009, the number of firms that formally declared their 'crisis status' rose from 335 to 1,189 businesses (+854 units), whereas the number of workers who are estimated to have been involved in provisions for the recourse to extraordinary CIG and/or laid off/made redundant were almost 31 thousand units (+24,271 units over 2008). In 2009, 1,141 such procedures were opened, involving 42 thousand workers.

The figures supplied on the **CIG** benefits supplied by Inps show that in 2009 a total number of 81.7 million CIG hours were authorised (i.e. almost 50 thousand full time work positions), a figure that by far exceeds the 2008 figures (15.5 million hours). The increase in the number of authorised CIG hours refers not only to the approximately 46 million so-called 'ordinary' CIG hours but also to almost 36 million so-called 'extraordinary' CIG hours. The breakdown of the 'ordinary' CIG hours shows that total hours in the manufacturing industry rose from 4.6 to 40.6 million, whereas in the construction industry they rose from 2.4 to 5.4 million.

As to the number of people **made redundant**, in 2009 collective lay-offs (pursuant to Italian Law no. 223/1991) affected 10 thousand work places, a figure that by far exceeds the just under 7 thousand of the previous year (+46% over 2008). An even more dramatic situation emerges from the figures for individual lay-offs by small businesses (pursuant to Italian Law no. 236/1993 which grants tax benefits to the companies that hire personnel, but gives no entitlement to redundancy benefits) with some 23 thousand places affected in 2009 (against approximately 13 thousand in 2008, up 45% over 2007).

²⁰ This procedure is the formal declaration by the company that starts with a communication made by the company to the trade unions, Inps (Italy's National Social Security Institute) and the Provincial Commission for labour issues.

Agriculture

The value of the Veneto's **gross agricultural production** in 2009 was estimated at **4,375 million euros**, having **decreased by some 7.5 percent** over 2008 (Table 10). This contraction is largely due to the decrease in the prices of agricultural products that affected many crops and livestock farms; in fact the variation calculated at constant prices, i.e. estimating amounts produced rather than market shares, is much smaller (-1.4%).

	current prices	constant prices
Herbaceous crops	-10÷-12%	-1÷+1%
Woody crops	-13÷-15%	-1÷-3%
Farming products	-5÷-7%	-1÷-3%
Gross output	-6÷-8%	-2÷0%

Source: INEA forecast

Table 10 – The Veneto. Gross agricultural production (% change vs. previous year). Year 2009

The quantity of **herbaceous crops** produced was overall similar to the previous year's: however, cereals especially were affected by remarkable decreases in price. The average yearly price of maize dropped 30 percent, that of soft wheat and durum wheat decreased 33 and 44 percent respectively, while the price of barley fell 37 percent. **Maize** is confirmed as the Veneto's most extensively cultivated crop, with over 278 thousand hectares (-1%) and an overall production of some 2.1 million tons (-7.5%), followed by **soft wheat** that decreased down to 98 thousand hectares (-9%) after five years of increasing investments (+70% over 2005).

Industrial crops in general held on to their previous market positions: **soybean** crops experienced a remarkable increase in yield (251 thousand tons, i.e. +43%) and benefited from a favourable market trend that enabled its average price to increase by 11 percent, while the **sugar beet**, of which 936 thousand tons were produced (-4%), recorded a market price of 40.5 euros/t, in line with the previous year's level.

The Veneto's **fruit and vegetable sector** was marked by a further decrease in investments in horticultural crops that shrunk to some 34,600 hectares in 2009 (-1%), while the size of the region's orchards remained somewhat stable (23,600 ha). The favourable season produced a good yield, which increased for most types of crops, although the general decrease in prices negatively affected commercial results. The value of production was estimated at some 850 million euros, with decreases affecting both vegetable farms (-4%) and orchards (-9%).

The yield of **wine grapes** in the 2009 harvest was estimated at some 1.1 million tons, showing a slight increase (+1.5%) compared to the amounts harvested in the previous year, thus confirming the Veneto's position as the largest national producer. This led to the production of some 8 million hectolitres of wine and must: the breakdown per type of product this year shows significant differences compared to previous years, as a result of the reform of the CMO for wine and the changes brought to some important appellations, more specifically the Prosecco. The Veneto's commodity exchanges recorded remarkable decreases in price for all types of wine grapes on the market. Prices fell on average some 10-20

percent below those for the 2008 harvest which were already far lower than the 2007 prices – sometimes even falling 30-40 percent.

As to **animal farming**, the estimated value of the Veneto's production of **cow's milk** in 2009 did not exceed 350 million euros, having decreased sharply against the previous year (-17%) as a result of the plummeting farm-gate prices of milk, now quoted at 34-36 euros/100 litres including VAT, definitely far too low to ensure the productivity of most farms. In terms of quantity, the production for the 2008/09 campaign decreased by 2 percent due to the closure of 5 percent of farms, of which there are now 4,400 units.

The Veneto is still the leading region for the production of **beef** and accounts for 24.5 percent of total national production. It is estimated that, in 2009, 210 thousand tons were produced, having experienced a slight decrease over 2008. The generated turnover amounts to 460 million euros, down some 6 percent compared to the previous year mainly due to falling prices.

Pork was produced in the same amounts as the previous year and stood at some 133 thousand tons, however the price of this meat recorded an average 6-7 drop due to a shrinking demand, especially for certified products. **Poultry** continued its recovery after the disastrous years of 2005/06 (bird flu) further increasing the number of slaughtered animals by 1.5 percent. This figure is the result of a 3 percent increase in the production of chicken meat against a 5.8 percent drop in turkey meat. The demand for poultry stagnated during the year and the prices dropped on average by 2-4 percent.

The regional production for **sea fishing** in the first half of 2009 was estimated at 13,242 tons, having increased by 18.8 percent compared to the same period in 2008, while market trends generally remained stable (+0.1%) throughout the whole year.

From the point of view of the production structure, the agricultural sector has recorded a further reduction in the number of **agricultural businesses** that are now down to 82,526 units (-0.6%). There was a contraction in the number of employed in this sector (60 thousand units, -1.8%) which was nevertheless proportionally lower than the overall decline in employment (-2.2%).

It is also worth noting that with a loss of 802 million euros in 2009, the deficit of the regional **balance of trade for the agro-food** sector has slightly improved over 2008 (-1.2 billion euros). This result is ascribable to a greater decline in imports (-15.7%) than exports (-10.2%). The final balance was also positively affected by the performance of the food industry that recorded a positive balance of 17 million (it was -275 in 2008), and by the results achieved in agriculture and the fisheries, where losses decreased from -922 to -819 million euros.

Manufacturing industry

The year 2009 turned out to be gloomy indeed for the manufacturing industry. As for the rest of Italy and other countries, the industry was severely hit by the economic crisis. The drop in production seems to have come to a halt in recent months and quality indicators appear to hint to the strengthening of the production cycle, although it is not yet clear to what extent production will be able to recover.

According to the *VenetoCongiuntura* survey conducted by Unioncamere del Veneto on a sampling of almost 2000 companies with at least 2 employees²¹, **industrial production** declined in every quarter of the year and the indicator recorded an average drop of 14.8 percent on a yearly basis. The recession of the regional industry lasted five quarters, however it was in the first nine months of 2009 (Table 11) that this sector registered the sharpest fall since the beginning of these economic surveys in 1972. In the fourth quarter of 2009 the decline of the indicator drew to a halt (-8.1%) and returned to the levels recorded at the end of 2008. The variation in the trend identified in the last quarter is less dramatic as it is compared to the same period in 2008 when the crisis had already started.

	1st quarter 2009	2nd quarter 2009	3rd quarter 2009	4th quarter 2009
Sector				
Food, beverage and tobacco	7.1	0.7	-1.5	-0.7
Textile, clothing and footwear	-16.5	-12.8	-15.8	-5.4
Wood and furniture	-20.7	-19.5	-17.7	-12.0
Paper, print and furniture	-3.5	-11.8	-11.5	-0.2
Rubber and plastic	-16.2	-20.3	-13.5	-5.3
Marble, glass, ceramics and non metal products	-6.7	-11.6	-14.6	-5.3
Metal and metal products	-25.8	-29.6	-21.4	-15.6
Machine tools	-23.6	-25.8	-20.9	-13.0
Electrical and electronics machinery	-21.1	-23.5	-16.8	-3.1
Other manufacturing enterprises	-20.6	-23.2	-9.5	-3.5
Main grouping of Industries*				
Capital goods	-19.6	-23.5	-22.7	-11.2
Intermediate goods	-21.6	-23.4	-18.0	-8.5
Consumer goods	-10.3	-12.9	-8.8	-5.6
Size				
2 - 9 employees	-15.0	-21.8	-22.0	-13.3
10-49 employees	-15.8	-16.6	-14.8	-10.1
50-249 employees	-16.2	-19.3	-15.3	-6.1
250 or more employees	-20.9	-25.9	-13.4	-4.6
Total	-16.5	-19.5	-15.6	-8.1
of wich with 10 or more employees	-16.7	-19.3	-14.8	-7.5

Source: Unioncamere del Veneto - VenetoCongiuntura survey

* Data for Q1 2009 refer only to companies with 10 or more employees

Table 11 – The Veneto. Industrial production by activity, field of industry and company size (% change over the same quarter of the previous year). Year 2009

²¹ 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 *VenetoCongiuntura* survey thus became the main instrument to assess the economic situation of manufacturing enterprises, both on account of the size of the interviewed sample (almost 2,000 companies each quarter) and the rigorosity of the method it employs.

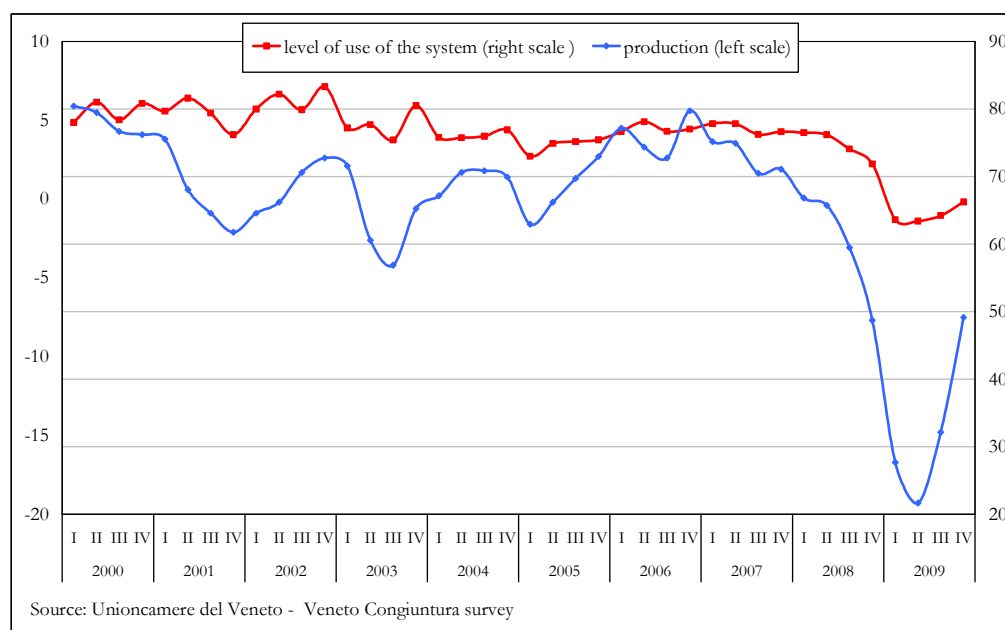
The steep decline in industrial output suffered by the regional economy is due to the sharp contraction of international trade in addition to the slowdown of domestic demand. The most adversely impacted **sectors** include the manufacturers of instrumental and intermediate goods, which are recognised as being cyclical sectors that are hit hard during recessions. Consumer goods were less harshly affected by the unfavourable economic situation, contributing to soften the drop in production. The demand for these goods is less influenced by economic cycles. The assessment of each individual sector reveals that the food industry was the only sector to record a positive trend having grown some 1.5 percent. All other sectors closed the financial year 2009 with a loss. The areas that most suffered were the mechanical industry (machine tools recorded losses for over 20%, followed by electrical and electronic machinery that lost some 15%), followed by the metallurgical industry (more than -23%) and wood and furniture (more than -17%). A slightly better situation was recorded in textiles, clothing and footwear, and in the rubber and plastic sector (both stood at about -13%). More than 10 percent drops were recorded in the areas of marble, glass, ceramic and other non-metal minerals, rubber and plastic.

In terms of **size**, the negative figures for production affected all types of business although in different moments in time. While the larger businesses felt the crisis mainly in the early quarters of last year, the micro-businesses managed to rise to the situation and survive the first quarter but were forced to admit defeat in the subsequent quarters.

These results are confirmed by the data published by Istat on Italy's industrial production (-17.5% 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, revealing a drop in production during the year.

The negative performance of Veneto industry is confirmed by the **capacity utilization rate** (Chart 9), which showed an average rate of 64.4 of full operational capacity during 2009, the lowest average recorded in the last 30 years.

Chart 9 – The Veneto. Trend of industrial production and capacity utilization rate for companies with less than 10 employees. Years 2000-2009



The **turnover** generally followed a similar trend as seen for production. Indeed, this indicator was influenced by the trend of sales prices that according to the *VenetoCongiuntura* survey recorded an average 2 percent yearly decrease for small and medium sized businesses (10 or more employees).

The variations recorded in the first three quarters were much stronger and are estimated to have been more or less -16 percent, a figure that slowed down during the last three months (-8.1%).

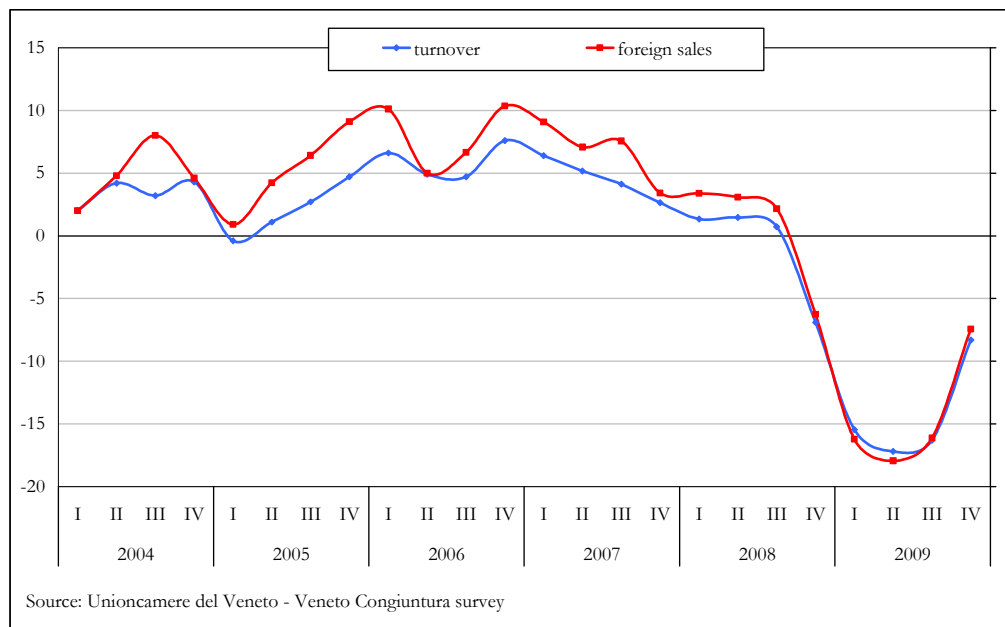


Chart 10 – The Veneto. The trend in turnover and foreign sales of companies with at least 10 employees. Years 2004-2009

Similar trends are recorded for **foreign sales**, that basically shadowed the trend of the overall turnover throughout 2009 (Chart 10). This confirms that the crisis is ascribable both to domestic demand and foreign demand.

No reassurance came from **domestic and foreign orders** especially during the first three quarters of the year, reaching more stable and less damaging levels during the last quarter. As orders are considered to be a predictive indicator for the future of the economic cycle, this is hopefully a sign that the crisis is coming to an end, although recovery will be slow and weak.

On the other hand, the indicators on **employment** are not very comforting as they showed increasingly negative variations during the year standing at or rising slightly above -4 percent.

The situation of **foreign manpower** is even more critical and plummeted rather drastically throughout the year; the most drastic figures were recorded in the last quarter and stood at -8.3 percent.

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 a remarkable decrease in investments in 2009 with a 5.5 percent drop in real terms and a 7.9 percent decrease in constant values (net of inflation). This is the most significant decrease to have been recorded since the previous crisis in the construction market that occurred in the early 1990's as a result of Italy's "*tangentopoli*" (i.e. "bribesville") scandal and arises from what are actually very diverse trends within the different production sectors. In 2009, the **investments** in the construction market in the Veneto fell just below 15 billion euros. This figure must be added to approximately 3 billion euros for ordinary maintenance: the sector therefore is worth approximately 18 billion euros. New buildings represented, as always, the primary reference market, accounting for 53 percent of investments, while renovation works accounted for 47 percent of the market. New residential buildings are still the best performing sector (26.4% of the turnover) in spite of a marked decline (-20.4% at current value). A decrease was recorded also in new non-residential buildings and renovations commissioned by private clients (respectively -13.4% and -5.7%). After a period of stagnation in 2008, public works increased significantly in 2009: the public non-residential market increased (+6.5% for new buildings and +28.6% for renovations) as did civilian works (+27.2% for new buildings and +26.2% for renovations). The overall figure arising from these positive trends is not sufficient, however, to offset the negative trends recorded in other more quantitatively important areas. It is worth highlighting however that the home-renovation sector recorded an overall 1.7 percent increase, thus showing some timid signs of recovery that may be further reinforced as a result of the incentives envisaged by the recent regional 'housing plan' (Table 12).

Table 12 – The Veneto.
Investments broken
down by reference market
(million euros at current
value) Years 2007-2009

	2007	2008	% variation 2008/2007	2009	% variation 2009/2008	% distribution in 2009
New Buildings	9,308	8,936	-4.0	7,937	-11.2	53.0
residential buildings	5,286	4,962	-6.1	3,951	-20.4	26.4
non- residential private buildings	2,498	2,417	-3.2	2,094	-13.4	14.0
non- residential public buildings	403	428	6.4	456	6.5	3.0
civil engineering	1,122	1,129	0.7	1,436	27.2	9.6
Renovation	6,821	6,917	1.4	7,036	1.7	47.0
residential buildings	3,488	3,534	1.3	3,477	-1.6	23.2
non- residential private buildings	2,210	2,251	1.8	2,122	-5.7	14.2
non- residential public buildings	345	351	1.7	451	28.6	3.0
civil engineers	779	781	0.3	986	26.2	6.6
Total investments	16,129	15,852	-1.7	14,973	-5.5	100.0

Source: data processing and forecasting by CRESME on behalf of the CEAV-Unioncamere observatory

In 2009 the Veneto experienced a sudden slowdown. That happened one year after the onset of the crisis in 2008, when the effects of the slump had already become clear, although its full blow had not yet been felt. While it is important to recall that this unfavourable trend follows the second longest growth period since the Second World War, compared to previous crises, some factors have more strongly contributed to making the situation worse: for a start there is the problem associated to the ability of businesses to access credit as a result of the

international financial crisis and secondly there is the decreasing demand due to the economic crisis affecting families.

2009 has been the first year in which all economic indicators recorded negative values. While in 2008 despite the sluggish market, the number of active businesses grew from 72,151 to 72,863 (+1%) and employment also grew from 175,827 to 179,764 employees (+2.2%), in 2009 there was a clear decrease in the number of businesses (-1.4%) and employees (-4.3%). As a result, 2009 emerges as one of the worst years for the Veneto's construction industry. A closer look at the figures, however, will reveal that the negative trends have had very diverse repercussions on different parts of the supply chain. For the second year running, and despite the crisis, the better organised businesses were able to find a way to remain in the market and to grow in number - and this is true for both larger and micro businesses. This must be taken into account when interpreting the data concerning **active businesses**: in 2009 they decreased by 1.4 percent overall, however there was an increase in companies with share capital, both non-artisan(+4%) and artisan (+7.3%). There are now over 9,500 such companies and they account for 13.2 percent of the total working businesses. Partnerships are decreasing both in the artisan (-3%) and in the non-artisan (-1.6%) sector and there are remarkably negative trends for independent tradesmen, the number of which dropped by 2.7 percent, i.e. more than 1,300 units. It emerges that the 2009 crisis predominantly affected small non-specialised artisan businesses: this is an important clue that is useful for redefining the strategic policies to encourage the future market recovery (Table 13).

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Artisan										
Legal form										
Joint stock	118	236	529	713	957	1,185	1,464	1,720	1,949	2,091
Partnership	7,726	8,010	8,248	8,383	8,473	8,495	8,453	8,434	8,370	8,120
Sole proprietorship	36,623	38,301	40,529	42,515	44,800	46,752	48,391	49,519	49,389	48,073
Other forms*	48	55	57	49	52	55	55	50	45	54
Total	44,515	46,602	49,363	51,660	54,282	56,487	58,363	59,723	59,753	58,338
Non-artisan										
Legal form										
Joint stock	4,466	4,777	5,126	5,341	5,561	5,792	6,213	6,658	7,126	7,414
Partnership	2,536	2,526	2,499	2,442	2,429	2,366	2,398	2,413	2,503	2,463
Sole proprietorship	2,494	2,582	2,578	2,814	2,745	2,818	2,942	2,836	2,909	2,966
Other forms*	510	505	498	496	498	476	492	521	572	626
Total	10,006	10,390	10,701	11,093	11,233	11,452	12,045	12,428	13,110	13,469
Total	54,521	56,992	60,064	62,753	65,515	67,939	70,408	72,151	72,863	71,807

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

* "Other forms" include cooperatives and consortia.

Table 13 – The Veneto. Active artisan and non-artisan construction companies by legal form of business. Years 2000-2009

Considering the current scenario of remarkable slowdown, the *Construction Market Observatory CEAV-Unioncamere* has remarked that the blow of the crisis was more harshly felt in the first half of the year, whereas the last quarter shows some early signs that the trend is changing. The quarterly survey, performed on a sample of 600 businesses considered to fairly represent this sector, has shown that as the reference area of companies broadens, so does the businesses' ability to improve their performance. Indeed, the more specialised businesses with a greater number of employees who work at the provincial or regional level are able to outperform the average indicators for the sector. The less organised businesses that employ fewer staff and focus on a smaller area (their municipality) were those that suffered most.

Trade

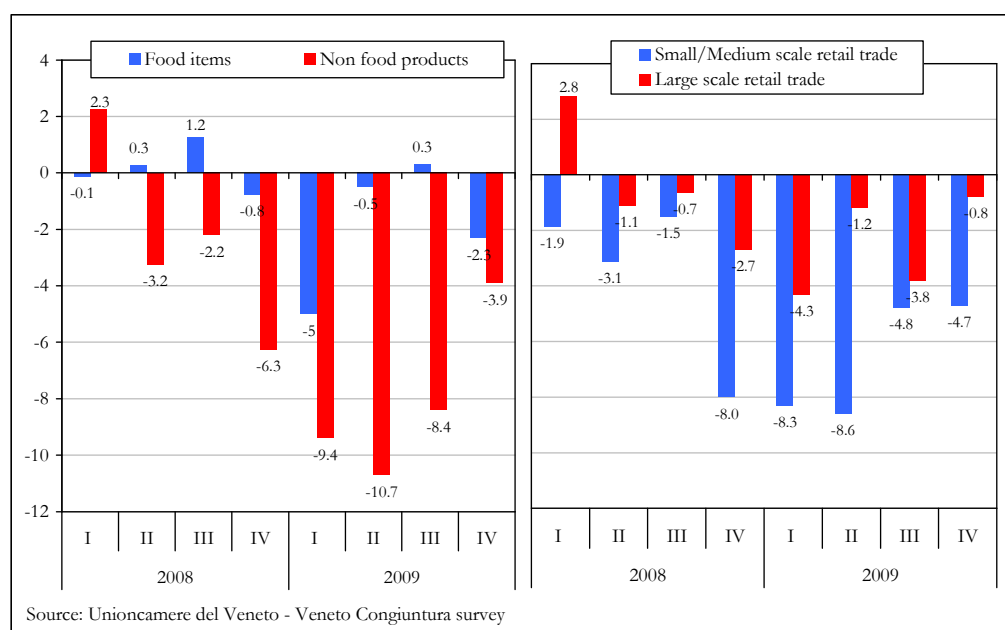
In 2009, **retail sales** recorded a negative trend.

The low inflation rate characterising this period has not encouraged consumption, not even in the last quarter on the occasion of the Christmas celebrations. The exacerbation of the economic crisis and the subsequent drop in employment levels has clearly affected confidence, causing people to spend less.

According to the data supplied by *VenetoCongiuntura*, the quarterly survey of Unioncamere del Veneto, in 2009 retail trade recorded a drop in the sales of all kinds of product and in all stores regardless of their size. Compared with 2008, sales experienced an average 5.3 percent decrease (-1.3% in 2008). The **negative balance of consumption** is mainly ascribable to the non-food sector that recorded a drop higher than 8 percent. The sale of food products experienced a less marked variation and dropped some 2 percent (Chart 11).

In terms of **size**, the smaller retailers appeared to suffer most having witnessed a 6.6 percent contraction against the 2.5 percent recorded by the large distribution. Orders also dropped sharply (-5.5%) and the prospects for 2010 do not seem to bode well.

Chart 11 – The Veneto.
Trends in retail sales by products and establishment size (% change vs. the same quarter in the previous year).
Years 2008-2009



According to the data supplied for 2009 by Istat, in Italy the **inflation rate**, measured on the consumer price index for the whole nation (NIC), slowed down to **+0.8 percent**, the lowest levels measured in the last 50 years, in sharp contrast to the acceleration that had caused much concern in 2008 (+3.3%).

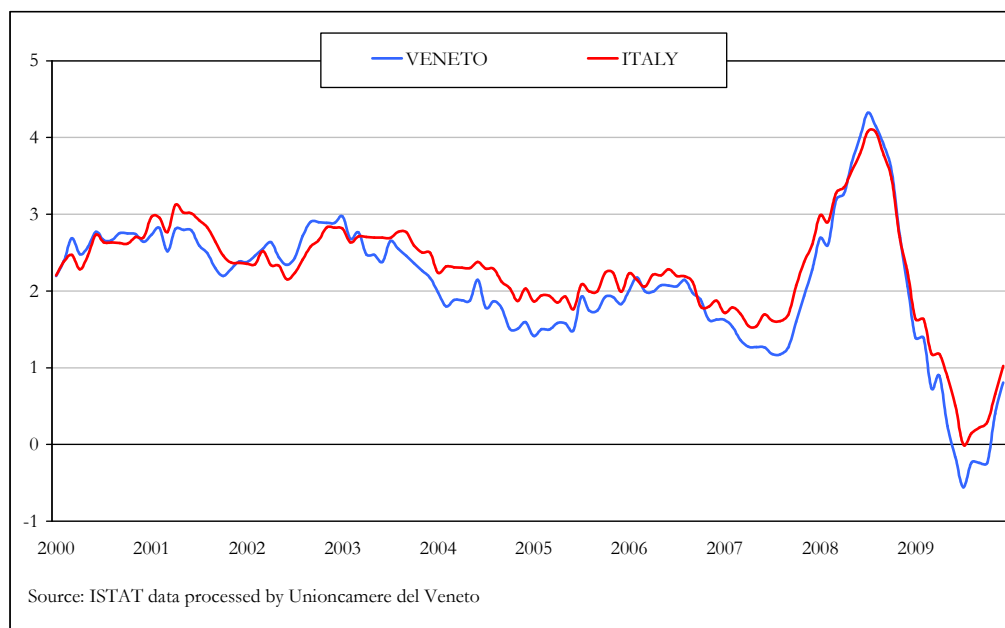


Chart 12 – Italy and the Veneto. Monthly consumer price index for the whole nation (NIC). Years 2000-2009

The average annual variation in consumer prices was +0.3 percent, slightly lower than the national average (Chart 12).

The single **expenditure items** that most contributed to the reduction of the inflation were transport (-2.7%), housing, water, electricity and fuel (-1.4%), followed by communications (-0.3%). On the other hand, positive price variations were recorded for the items alcohol and tobacco (+3.7%) and education (+2.2%). In 2009 the **sale of cars** held on to its positions, after the sharp downturn in 2008. According to data on the registration of new vehicles provided by UNRAE (Italy’s National Association of Representatives of Foreign Car Makers), in 2009 more than **166 thousand new vehicles** were registered in the region (-0.1% compared to 2008). The regional trend for car registrations is all in all very similar to the -0.2 percent recorded nationally. Compared to the other Italian regions, the Veneto achieved better trends than Lombardy (-1.3%), although Tuscany (11.4%), Piedmont (+0.5%) and Emilia Romagna (+0.4%) managed to fare better (Table 14).

	2008	2009	% variation 09/08
Piedmont	198,879	199,962	0.5
Lombardy	409,177	403,770	-1.3
Emilia Romagna	174,852	175,603	0.4
Tuscany	170,421	189,854	11.4
Veneto	166,451	166,248	-0.1
Italy	2,174,849	2,170,614	-0.2

Source: data processed by UNRAE on Ministry of Trasport data, last updated: 31 March 2010

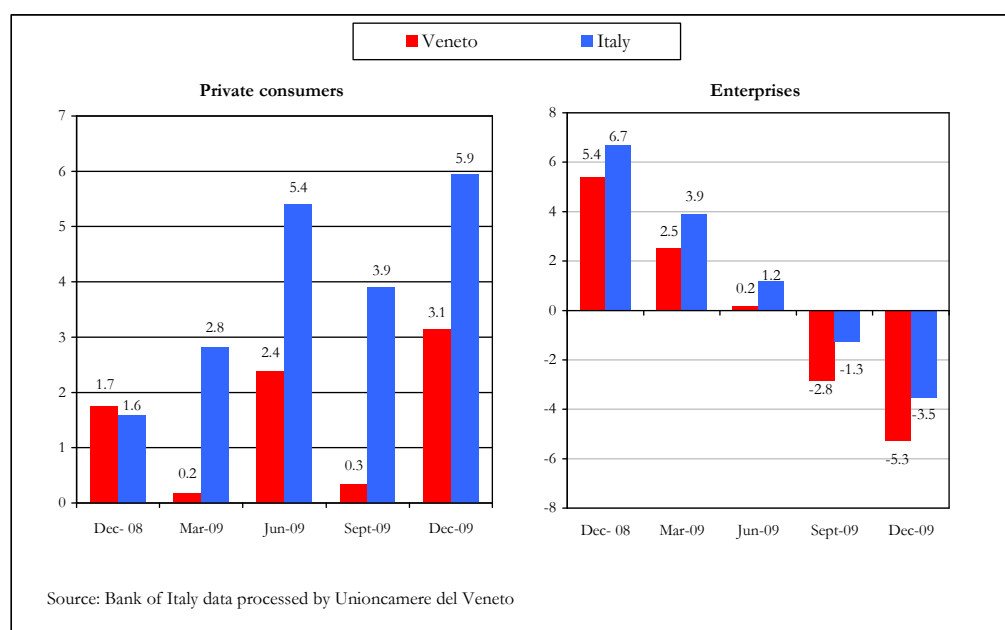
Table 14 – Italy. Car registrations by region. Years 2008-2009

Credit

Since the early days of the recession **the credit world has held a crucial role for the economy**. The current crisis has indeed overturned the economy but, as will be recalled, originated in 2008 in the US finance sector as a result of insolvency matured in “sub-prime mortgages”. The uncertainty recorded on financial markets reached unprecedented levels, causing enormous loss in the countries that were most exposed to financial trends, including the United States and the United Kingdom. Repercussions were also felt in the Italian banking system but they were less harsh.

However, the exacerbation of the economic scenario in 2009 caused disruption amongst businesses but also in families: as a result, the recourse to loans decreased and intermediaries introduced more restrictive criteria for granting them. According to the data supplied by Banca d'Italia, at the end of 2009 **the number of loans**²² granted by the Veneto's banks to support the region's economy decreased by 3 percent over the twelve months, thus exceeding the 1.5 percent decrease recorded in Italy as a whole. In 2009 the granting of loans highlighted increasingly negative trends as the months went by. Compared to the 3.6 percent growth detected in late 2008, there was a slowdown of almost 6 percent, in line with the national average.

Chart 13 – Italy and the Veneto. Growth trend of bank loans to consumers and businesses (% change vs. previous year). Dec. 08- Dec. 09



²² The figures supplied here on the variation of the size of loans do not always correspond to the percentage variations stated in other documents supplied by Banca d'Italia, as they do not take into account adjustments, reclassifications and securitisations. Loans are considered net of doubtful loans and repurchase agreements.

The drop in bank loans is ascribable to the decreasing number of loans granted to businesses²³, offset by an upward trend for consumers asking for loans²⁴. At the end of 2009, the ‘ongoing’ loans to businesses decreased 5.3 percent, almost twice the figure recorded at the end of September 2009 (-2.8%). Since the end of 2008, loans granted to businesses took a downward turn and decreased by some 10 percent. In Italy, at the end of 2009 the recorded decrease was less dramatic (-3.5%), although it is in line with the regional figures if we consider the whole stretch of the economic crisis.

The breakdown of loans to businesses by the main sectors of the economy shows that the worst position is held by the manufacturing industry, that at the end of 2009 saw a 10.6 percent drop in loans on a yearly basis, after three successive and worsening decreases.

According to the *VenetoCongiuntura* survey²⁵, in the Veneto 23.1 percent of the more than 2 thousand industrial businesses interviewed in January 2010 stated that in the previous six months their indebtedness had worsened, falling slightly below the levels recorded in July and January 2009 (26.3% and 24.3% respectively). The reasons most commonly provided by said companies include the demand for more guarantees and the increase of the spread on new financing. The trend recorded by the other sectors is also characterised by a slowdown, albeit to a lesser extent. At the end of 2009, the contraction for the businesses in the construction market amounted to 4.3 percent, while the services saw a 2.9 percent decrease.

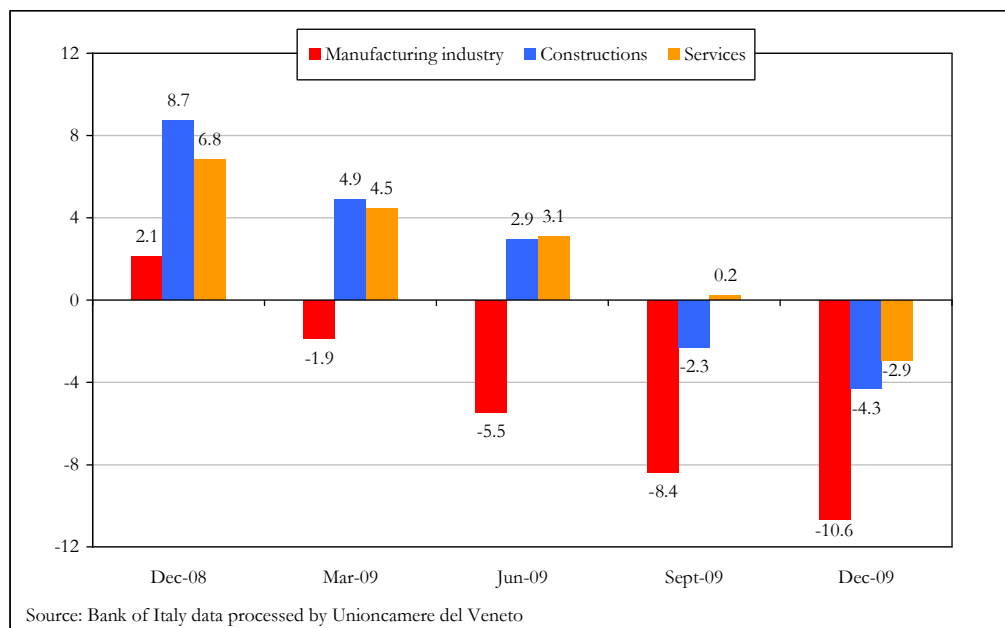


Chart 14 – The Veneto. Growth rate trend for loans to businesses broken down by sector (% change vs. previous year). Dec. 08- Dec. 09

²³ The aggregate value refers to the ‘production’ sector represented by non-financial companies and income generating families.

²⁴ The aggregate value refers to families, private social institutions and other individuals not further classified by the reporting institution.

²⁵ The results provided up to here refer to a survey conducted by Unioncamere del Veneto in January 2010 on the indebtedness of the Veneto's industry in the period between July and December 2009. The survey was performed by adding some questions to the survey usually administered by *VenetoCongiuntura* to a sample of 2,006 manufacturing businesses with at least 2 employees. The same questions had been asked to industries included in the *VenetoCongiuntura* sample in January and July 2009.

Compared to the Italian average, the Veneto recorded the worst performance for each assessed sector of the economy. In Italy the growth rate of financing to the manufacturing industry recorded a 9.6 percent drop, followed by the constructions with a 1.2 percent drop and an 0.9 percent decrease for services.

Private **consumers** proved greater resilience than businesses, nevertheless the growth rates were still rather low throughout 2009. Only at the end of December did growth gain momentum, recording a 3.1 percent increase for the twelve month period. The rest of the country achieved better levels of performance and growth rates, providing figures that almost always exceeded 2 percent.

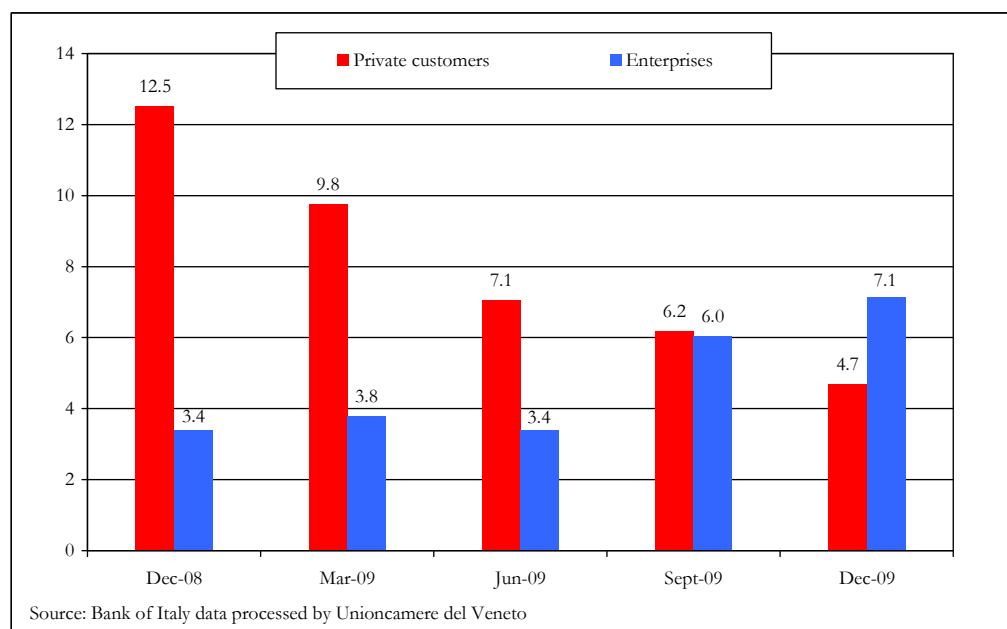
The positive trend recorded for loans granted to families was supported by the falling interest rates applied by banks to customers as a result of the decrease of the official discount rates. According to the updated figures as at September 2009 in comparison to December 2008, short term rates had decreased by 2.6 percent and stood at 4.6 percent; the interest rate on new medium to long term loans decreased by 2.8 percent and stood at 3.7 percent.

The worsening of the economy has caused an increase of the **average risk** of loans, especially those granted to businesses. The average for the four quarters of 2009 show that the number of new doubtful loans as a percentage of total loans has increased to 2.6 percent, against 1.4 percent recorded in 2008. This figure arises from the higher risk represented by businesses and to a lesser extent from the slightly higher risk associated to families.

Trends show that **bank collection**²⁶ grew by 7 percent (+6.7% in Italy) as at December, down from +10.6 percent recorded at the end of December 2008.

The reduction in the recourse to deposits is mainly ascribable to families (+4.7% in December 2009 against +12.5% a year earlier), while the deposits made by businesses showed a remarkable increase (+7.1% in December 2009 against +3.4% in December 2008).

Chart 15 – The Veneto.
Growth trend for
bank deposits made by
businesses and families
(% change vs. previous year).
Dec. 08- Dec. 09



²⁶ Total resident customers excluding monetary financial institutions (i.e. central banks, the banking system, monetary investment funds, electronic payment systems suppliers) and the Cassa Depositi e Prestiti.

Tourism

In the hardest period since the war, with unfavourable short-term situations and international difficulties, **the Veneto tourist system** stood up quite well, confirming its position as one of the best performing economic sectors in the region.

In 2009 the Veneto recorded almost **4 million guests**, a 1.3 percent decrease compared to the previous year, while overnight stays, which amounted to **60.4 million presences**, showed only a slight downturn (-0.3%).

Although results were negative for the second year running, it cannot be ignored that this was one of the best performances of the decade. The constant growth in the number of arrivals and stays, which respectively began in 2003 and 2005, came to a standstill in 2008 as the crisis in the real economy deepened, after having beaten every previous record in 2007. Nevertheless, the downturn shown in this two-year period has not been so severe as to lose the positions achieved and the Veneto can still boast of being **the leading tourist region in Italy**. Actually, precisely in the *annus horribilis*, the inevitable slowdown had a less severe impact in the Veneto than in other Italian and foreign competing regions (Tuscany and Umbria saw a drop in stays of 1% and 6.8% respectively).

According to initial estimates, the sector's **turnover** trend appears more uncertain, experiencing greater contraction than arrivals and stays and showing double-digit figures in some areas.

After a decidedly lacklustre start of the year due to the crisis, signs of recovery were seen in the months of June, August and September, thanks especially to foreign visitors, who accounted for 59.4 percent of the total, with a positive final trend (+0.6%). By contrast overnight stays of Italian visitors declined (-1.6%). The situation of arrivals is quite different, however, with Italian visitors recording a slight contraction (-0.5%) and foreign visitors falling back considerably (-1.8% or 156 thousand tourists).

	2008		2009		% variation	
	arrival	stay	arrival	stay	arrival	stay
Accommodation facilities						
hotel	9,783,169	28,594,052	9,476,138	27,748,475	-3.1	-3.0
extra hotel	4,346,896	32,013,403	4,469,034	32,695,799	2.8	2.1
District						
heritage cities	6,944,692	16,377,474	6,619,713	15,539,887	-4.7	-5.1
lake	1,895,291	9,463,822	2,012,398	10,007,315	6.2	5.7
seaside	3,746,815	26,136,962	3,768,079	26,304,260	0.6	0.6
mountains	945,720	5,545,810	953,460	5,562,461	0.8	0.3
spa resorts	597,547	3,083,387	591,522	3,030,351	-1.0	-1.7
Total	14,130,065	60,607,455	13,945,172	60,444,274	-1.3	-0.3

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

Table 15 – The Veneto.
Tourist flows by type of
hospitality facilities and
destination.
Years 2008-2009

The flows of **foreign visitors** partially mirrored the trend observed by the world tourism organisation, which recorded particularly negative results in the first quarter of 2009, followed by progressive improvement in the second half of the year, as the general economic situation gradually stabilised. Parallel to this, the absence of foreign tourists in the Veneto was greatly noticed in the first three months of the year (-21.7%), but tourist arrivals recovered as early as the second quarter (+0.6%) thanks to the favourable performance of the Easter period and the month of June. The summer showed decidedly positive results, while the last quarter of the year again registered negative results. A similar trend was observed for overnight stays (-19.9% in the first quarter, +5.1% in the second, +2.2% in the third and -2.5% in the fourth quarter).

The effect of the crisis can also be seen among **Italian tourists**: in line with the current trend, where there has been a drop in international departures and a greater propensity for short range vacations. So, the Veneto witnessed a rise in the stays of guests from bordering regions and a fall in the number of tourists from Latium and Piedmont, who had always been among its most regular guests.

But thanks to an intensive promotional campaign, tourists from continental Europe returned, especially Germans and Austrians, while there was a decline in both visitors affected by the strong euro (Great Britain, USA and Denmark) and those heavily stricken by the economic crisis (Spain, Romania and Ireland).

In terms of **tourist destinations**, once again the seaside took the lion's share, with 43.5 percent of stays, followed by heritage cities. However, when tourist flows are considered, a quite different situation comes to light: although the beaches and mountains kept up their pace in the face of the crisis and Lake Garda earned a net increase (+5.7% in overnight stays), stays in heritage cities collapsed (-5.1%) and spa resorts were once again in difficulty.

As in the rest of Italy, the hotel sector appeared to be suffering (-3.1% in arrivals and -3% in stays) despite the campaign to contain prices implemented by the trade associations to stem defections, while the non-hotel sector turned out to be quite dynamic (+2.8% in arrivals and +2.1% in stays), especially when outdoor tourism and stays at B&B facilities are taken into account.

The **average stay** remained unvaried (4.3 days), with a change in the area of origin: the duration of Italians' vacations is just above the average, but has been dropping for the last five years, while foreign visitors' stays are perfectly on the average and have been growing since 2007. The non-hotel sector obviously shows longer stays (7.3 days) than the hotel sector, which had to make do with an average stay of less than three days.

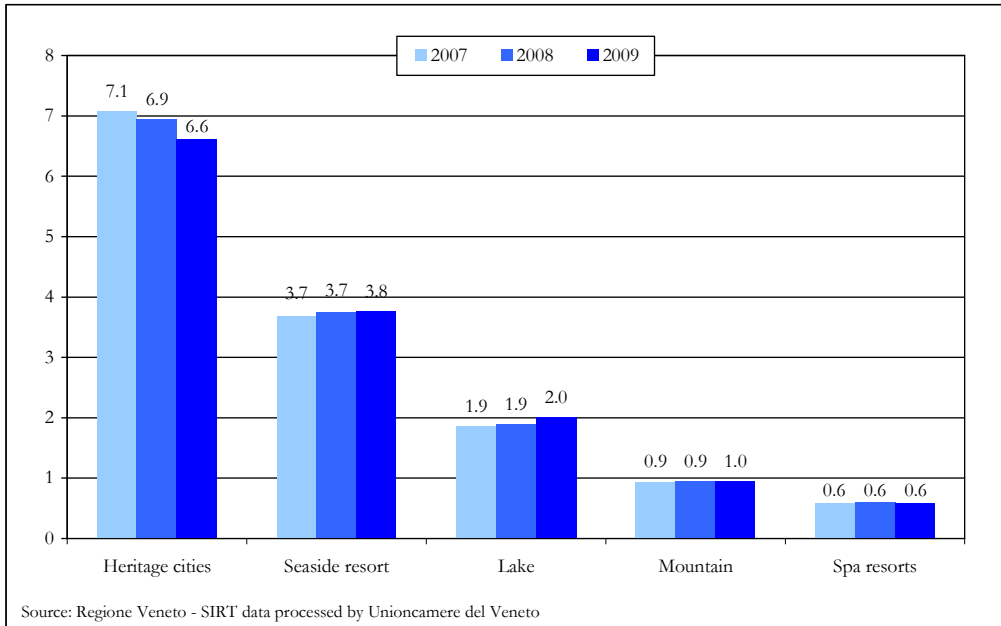


Chart 16 – The Veneto.
Tourist arrivals by tourist area (millions).
Years 2007-2009

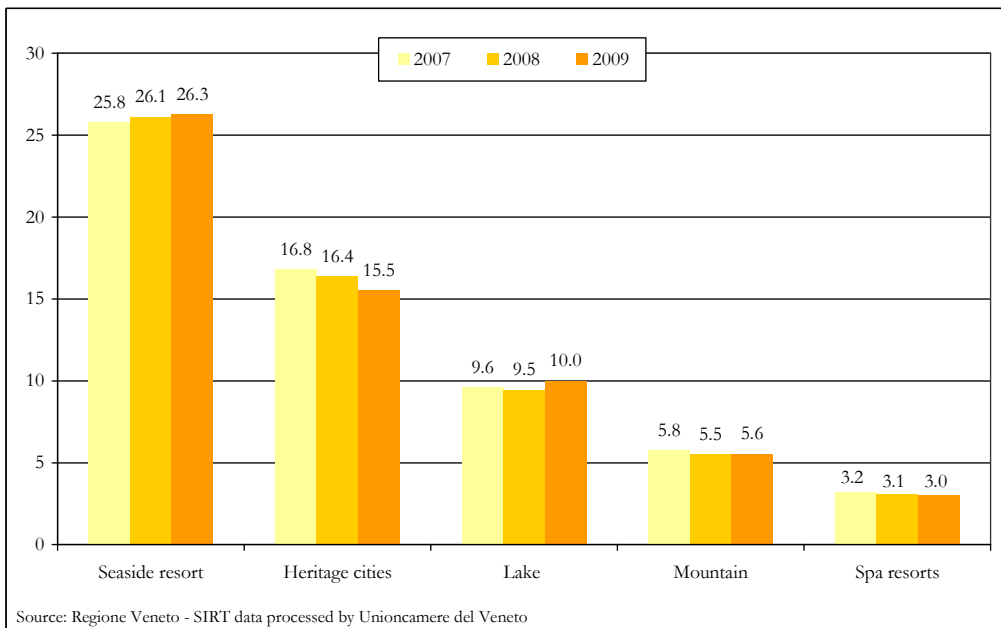


Chart 17 – The Veneto.
Tourist stays by destination (millions).
Years 2007-2009

Transport

While in 2008 the transport sector has been only marginally hit by the economic crisis, in 2009 the regional transport system in general, and the maritime and air transport sectors in particular, fully confirmed the difficult period we are going through. Only a few small positive signs were seen.

This is revealed both by the statistics on the **flows of goods and passengers** and by the process of adaptation of local infrastructures, which are so necessary for the regional economy.

The **infrastructure network** of our region continues to penalise enterprise, although there have been important accelerations recently in the realisation of new roadways. The first important results were seen with the opening of the Mestre Bypass (so-called '*Passante*'), which was inaugurated in February 2009. Then, in October 2009 a concession contract was signed for building a highway at the foot of the hills in the north of the region (so-called *Superstrada Pedemontana Veneta*); the consortium of Spanish enterprises SIS is a contracting party.

A few other projects in the pipeline are worth mentioning. To start with, the opening of the road construction site for the realisation of the third lane on the motorway between Quarto d'Altino and San Donà di Piave on the Venice-Trieste motorway, which will take place in 2010. Secondly the new cargo transport service by barge between Cremona and the Port of Venice, due to start in the first quarter of 2010, which will take a significant share of freight away from the A4 motorway when it becomes fully operative, thereby reducing pollution and transportation costs..

The interim data for 2009 on the **motorway network** in the territory of the region showed a decrease in traffic. Compared to 2008, the indicator, which is expressed in vehicles per kilometre, decreased by 3.3 percent (-0.9% in the rest of the country), with major differences in the dynamics of the two components (-0.6% for light vehicles and -10.1% for heavy vehicles).

Concerning **airports**, the data relative to the Veneto for 2009 show overall negative performance. The three main airports (Venice, Verona and Treviso), in fact, showed important decreases in the movement of passengers and contrasting trends in the movement of goods (Table 16).

11.6 million passengers and 41.6 million tonnes of goods transited through the Veneto's airports in 2009, with a negative trend, respectively, of -3.7 percent and -11.6 percent in comparison with 2008.

Table 16 – The Veneto.
Passenger and cargo
traffic in airports.
Year 2009

Airport	Passengers		Goods (tons)	
	Absol. value	var.% 09/08	Absol. value	var.% 09/08
Venice - Marco Polo	6,717,600	-2.6	32,533	6.0
Verona - Valerio Catullo	3,065,968	-9.9	6,335	-15.7
Treviso - Antonio Canova	1,778,364	4.1	2,763	-68.0
TOTAL	11,561,932	-3.7	41,631	-11.1

Source: Assaeroporti data processed by Unioncamere del Veneto

The **Venice Airport**, Italy's fourth largest national airport after Fiumicino, Malpensa and Linate, wound up 2009 with 6.7 million passengers, recording an annual drop of 2.6 percent.

The number of flights approached 76 thousand, decreasing 5.1 percent against 2008.

Cargo traffic amounted to 32,522 tonnes, which represented a 6 percent rise. The cargo sector therefore confirmed the favourable trend of previous years (excluding 2007) and was not influenced by the unfavourable economic situation.

The situation that arouses the greatest concern refers to **Verona's Valerio Catullo Airport**, which lost another position in the national standing, in terms of number of passengers carried, following the position lost in 2008 (fourteenth in the 2009 listing). There were significant decreases in the number of passengers carried (-9.9%) and heavy losses for the third consecutive year in cargo traffic, with a decrease of 15.7 percent. There was also a drop in the number of flights, which went from 40 thousand in 2008 to 38 thousand in 2009 (-7%).

Treviso's **Antonio Canova Airport**, on the other hand, went against the trend, obtaining very different results than the other two regional airports. Almost one million eight hundred thousand passengers used the Treviso Airport, for an increase of 4.1 percent over 2008, despite the decrease in the number of flights (-3.9%). Nevertheless, the cargo sector of the Treviso airport carried only 2,763 tonnes of goods, showing a strong reduction of -68 percent compared to 2008.

The data on cargo traffic at the Treviso Airport showed a drop, which was not only a consequence of the general economic crisis, but was also due to the transfer of carrier UPS' logistics base from Treviso to Venice in June 2008.

Finally, in evaluating **port traffic**, the Port of Venice wound up 2009 with cargo traffic of 25.2 million tonnes, recording a drop of 16.7 percent over the previous year. The contraction in the volume of general cargo (-23.5%) and dry bulk cargo (-25.6%) was quite deep. The liquid bulk cargo was less substantial (-5.3%) (Table 17).

	2008	2009	% variation 2009/2008
MOVEMENT OF GOODS (tons)			
liquid bulk cargo	12,331,190	11,674,399	-5.3
dry bulk cargo	8,512,651	6,328,905	-25.7
other break bulk cargo	9,395,351	7,186,540	-23.5
TOTAL	30,239,192	25,189,844	-16.7
Movement of containers	379,072	369,474	-2.5
Movement of passengers	1,720,703	1,888,670	9.8
SHIPS ARRIVED	4,974	4,294	-13.7

Source: Port of Venice data processed by Unioncamere del Veneto

Table 17 – Movement of cargo, containers and passengers through the Port of Venice. Years 2008-09

The **container sector** dropped slightly, but was constant over the entire year, reaching a total volume of traffic of over 369,474 TEU and decreasing 2.5 percent compared to 2008.

Despite the year of crisis, this figure is nevertheless a historical record for the Port of Venice, second only to 2008.

The **passenger sector** also kept up its trend of growth in 2009. Almost 1.9 million passengers chose Venice as port of call for their leisure trips: that represents a 9.8 percent increase over 2008.

Sea cruises take the lion's share in passenger traffic, accounting for 75 percent of the total in 2009 (71% last year), while the remainder is represented by ferry-boats (20%) and hydrofoils (6%). Over the last ten years, the Venice Cruise Terminal has quadrupled its number of passengers, climbing from the tenth to the fourth position at European level (source GP Wild), taking the eleventh position worldwide and ranking first as 'Homeport' in the Mediterranean (namely the port of embarkation and disembarkation).

Innovative and technological services

Contrary to the other fields of the tertiary sector, innovative and technological services showed fine performance throughout 2009.

According to *VenetoCongiuntura* data, the turnover recorded an average annual variation of **+1.9 percent**, as opposed to the contractions recorded by the tourist, transportation and logistics sectors (-6.3% and -9.6% respectively). Only in the last quarter of 2009 was there a slight downturn of -0.6 percent compared to the corresponding quarter of the previous year.

Sector indicators also showed positive signs: average annual **employment** grew by 1.4 percent over 2008, while **sales prices** continued to decrease, marking an average variation of -0.8 percent. According to these results, the leading role of the sector for regional economic growth is confirmed, thanks to the high level of innovation of the Veneto's companies and the continuous efforts to procure investments. The importance of innovative and technological services in the Veneto is also demonstrated by the weight they carry in terms of the number of **active enterprises**, which has been growing consistently from 2000 until today. In spite of the recession, over 28 thousand active companies were recorded in 2009, representing a 2.9 percent increase over the previous year (+2.2% at national level), while the share held by sector, as a percentage of the total regional economy, grew from 5.9 to 6.1 percent.

Table 18 – Italy and the Veneto.
Active enterprises in the field of innovative and technological services, by sector.
Years 2008-2009

	Veneto			Italy		
	2008	2009	% variation 2009/2008	2008	2009	% variation 2009/2008
Innovative services	27,602	28,399	2.9	341,224	348,670	2.2
Post and telecommunications	777	808	4.0	12,160	12,436	2.3
IT and connected activities	7,210	7,389	2.5	84,206	85,418	1.4
Research and development	224	236	5.4	3,309	3,476	5.0
Other professional and entrepreneurial activities	19,391	19,966	3.0	241,549	247,340	2.4
Total	462,567	458,352	-0.9	5,316,104	5,283,531	-0.6

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

Artisan firms and small enterprises

According to Infocamere-Movimprese data, there were **143,330 active artisan firms** in the Veneto in 2009. Following the contraction in 2008 (-0.5%), the number of companies dropped by 2.2 percent, the greatest decline since 1993, with a net loss of over 3 thousand units. The reduction at regional level was greater than at national level (-1.4%).

The negative balance can be attributed to the impact of the crisis on the most important **sectors** of regional artisan crafts, especially in the field of manufacturing (-3.1%), but also in the area of construction (-2.4%) (Table 19). The absolute loss for both sectors exceeded 1.400 productive units. The trend for artisan companies in the field of services was also negative (-1.1%), even though services provided to people (+0.5%) were somehow able to withstand the crisis. Transport companies, on the other hand, suffered a decline in 2009 (-3.9%, with a peak of -4.3% in overland transportation which affected smaller road transport companies in particular). Also repair companies recorded negative growth (-1.8%).

In spite of a considerable downsizing compared to previous years, also services provided to companies showed a positive trend and grew by 1.9 percent (these are primarily IT services, cleaning services, etc. provided by artisan firms).

	Active companies		2008/09 variation		Total %
	2008	2009	%	a.v.	
Craft firms - Manufacturing	104,934	102,108	-2.7	-2,826	71.2
Constructions	59,753	58,338	-2.4	-1,415	40.7
Manufacturing industries	45,091	43,677	-3.1	-1,414	30.5
Mining industry	84	87	3.6	3	0.1
Energy	6	6	0.0	0	0.0
Craft firms - Services	39,040	38,627	-1.1	-413	26.9
Other public/ private services (a)	13,434	13,504	0.5	70	9.4
Trasports - communication	11,139	10,708	-3.9	-431	7.5
Repairs	8,971	8,811	-1.8	-160	6.1
Services to companies	5,033	5,130	1.9	97	3.6
Catering	210	200	-4.8	-10	0.1
Education	163	167	2.5	4	0.1
Health services	72	89	23.6	17	0.1
Financial services	18	18	0.0	0	0.0
Other activities					
Agricultural services(b)	2,328	2,385	2.4	57	1.7
Unclassified companies	223	210	-5.8	-13	0.1
Legal form					
Joint stock	6,413	6,858	6.9	445	4.8
Partnership	31,668	30,726	-3.0	-942	21.4
Sole proprietorship	108,179	105,478	-2.5	-2,701	73.6
Other forms*	265	268	1.1	3	0.2
TOTAL	146,525	143,330	-2.2	-3,195	100.0

Table 19 – The Veneto.
Active artisan firms by
sector and legal form.
Years 2008-09

Source: Infocamere data processed by Unioncamere del Veneto

(a) Mostly laundries, hairdressers, beauticians, wellness centres, recreational and entertaining activities

(b) Predominantly rental of farm machinery

With reference to leading economic indicators, the data collected by Regional Confartigianato in their pilot survey reveal the following: **production** fell by 4 percent, with a marked contraction in the field of construction (-5.2%) and in services to companies (-4.4%); **turnover** dropped by 4.1 percent, in line with production; **supplier prices** remained substantially stable in all sectors taken into consideration.

Table 20 – The Veneto.
Leading economic indicators for artisan firms and small companies (% change vs. previous year).
Year 2009

	Production*	Turnover	Supplier's prices	Impact of investments**
Manufacturing industries	-3.3	-3.0	0.5	11.3
Building Trade/Constructions	-5.2	-5.8	0.8	16.6
Services for enterprises	-4.4	-4.3	3.3	12.1
Services for people	-0.4	0.0	1.1	9.8
Total – all sectors	-4.0	-4.1	0.7	13.2

Sources: Confartigianato Veneto

* For industrial companies (manufacturing and building trade) production data are shown; for services demand-related data are shown

** % of artisan enterprises that made investments in 2009 out of the total of the interviewed sample

The impact of the crisis on artisan **employment** was heavy (-5.2%), with particularly negative effects in the field of manufacturing (-6.3%) and construction (-4.8%), while the services suffered a less accentuated reduction (-2.1%) (Table 21).

Table 21 – The Veneto.
Persons employed in artisan enterprises (% change vs. previous year).
Years 2005-09

Sectors	2005	2006	2007	2008	2009
Foodstuff	2.6	-0.7	6.1	-2.1	0.7
Textiles, clothing, footwear	-8.6	-2.2	-6.7	-4.5	-6.8
Wood	-4.9	1.3	1.4	-4.7	-5.2
Graphics	-3.7	2.1	3.5	-3.5	-3.8
Ceramic, chemical products, glass	-3.8	0.3	-1.2	-5.4	-5.6
Mechanics	-1.9	1.7	2.9	-2.8	-8.7
Other manufactured products	-5.2	-2.4	-0.6	-4.8	-4.3
Total Manufacturing	-3.9	0.2	0.5	-3.7	-6.3
Building	-1.3	-2.0	0.6	-8.6	-6.1
Plant engineering	-3.5	-2.5	-1.3	-1.2	-3.0
Total construction	-2.2	-2.2	-0.2	-5.6	-4.8
Servicing for cars and motorcycles	1.6	-1.9	0.2	-3.2	-0.1
Services for people and other services	0.2	-1.5	-1.6	-1.3	-3.1
Transport	3.4	3.6	3.1	1.8	-2.4
Total Services	1.5	-0.3	0.2	-0.9	-2.1
Total	-2.6	-0.4	0.3	-3.7	-5.2

Source: Confartigianato Veneto - Bs consulting

4. The outlook for 2010

Looking at the figures for the final months of 2009 and at the initial data available for 2010, one can reasonably argue that a **trend reversal** is underway **at international level**, which gives us reasons to believe that the recession is over.

Thanks to a number of economic stimulus packages implemented in the main countries, the world economy has resumed its growth, as confirmed by all of the key economic indicators. In fact, production has increased, the expectations of companies and consumers have improved, raw materials prices are increasing and quotations on stock markets are on the rise. Therefore, all of the ingredients to start a phase of recovery would exist, if only we were experiencing a normal situation. But the international economic scenario appears to be abnormal and weighed down by a number of critical situations, many of which are among the root causes of the recent recession and have not been solved yet. In particular, the situation in the banking sector is not clear. The sector may not have shown all of the potential losses in some countries and could therefore trigger additional critical episodes; the consequences of the credit crunch are still not entirely evident and could still damage the production system; many real estate markets are experiencing hardships, depressing the value of homes and determining negative effects on the wealth of families.

As a result of the recession, there is surplus production capacity in the industrial system, and an oversupply is beginning to develop on the labour market, which will tend to curb household consumption. The improved performance of financial markets rests on expectations of significantly higher profits in the upcoming months, but if that fails to happen the rise fuelled by such expectations could be nullified.

At the beginning of 2010, therefore, the world macro-economic scenario features clashing elements and any forecast on the intensity and speed of the recovery appears difficult. Nevertheless, over the short term leading indicators point to a distinct recovery trend, which could restore good growth rates during the first part of the year. However the consolidation of economic, monetary and fiscal policies could expose the world economy to risks of a new slowdown during the second half of 2010, which is therefore to be seen as a year of slow recovery.

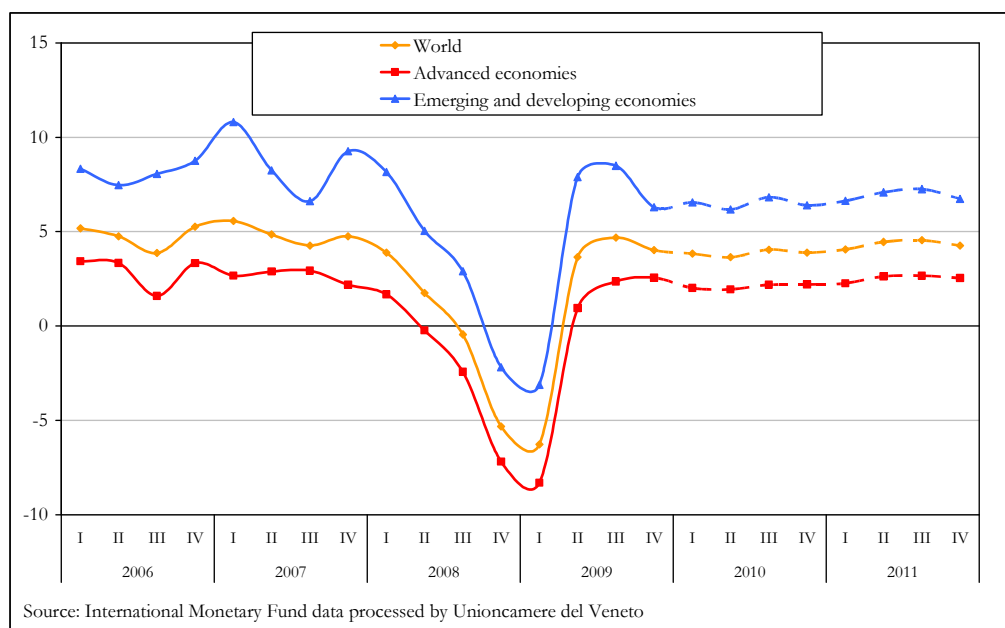


Chart 18 – Trend of world GDP (% change vs. same quarter of previous year). Years 2006-2011

According to the International Monetary Fund, **the world economy will grow at a +3.9 percent rate in 2010**, less than the +5.5 percent rate recorded in the two-year period 2006 - 2007. **World trade will also record an increase of 5.8 percent**, which is again well below the rates seen before the crisis (approximately +7- 8%). Such figures are the result of three different growth trends: emerging economies, especially in Asia, will recover well and grow by around 6 percent; America and Japan will perform relatively well, with an average growth rate of around 2 percent; Europe instead will be rather slow and its growth will not exceed 1 percent.

Among the **emerging economies**, the IMF estimates that China's GDP will grow 10 percent this year, while India's growth rate should be in the neighbourhood of +7.7 percent, thus exceeding the estimates made in October of +9 percent for China and +6.4 percent for India. Among the **developed countries**, the United States will experience a GDP growth rate of 2.7 percent, following the drop of 2.5 percent in 2009, while Japan will wind up 2010 with a variation of +1.7 percent (-5.3% in 2009).

In spite of visible signs of trend reversal, growth in **Europe** will be less pronounced than elsewhere, both due to the limited stimulus packages adopted in the member countries and the lesser degree of flexibility of European economies. According to IMF forecasts, the euro area will grow by 1.1 percent, following a decline of 4.1 percent in 2009, which was certified by Eurostat.

Table 22 – Percentage variation of GDP in real terms: comparison of forecasts. Years 2008-2011

	2008	2009	2010	2011
		Italy		
GDP March 2010 (a)	-1.3	-5.0	-	-
Government January 2010 (b)	-	-4.8	1.1	2.0
EU Commission February 2010 (c)	-	-4.7	0.7	-
Ref. January 2010	-	-4.8	1.0	0.8
Prometeia February 2010	-	-4.8	0.8	1.1
Confindustria December 2009	-	-4.7	1.1	1.3
OCSE November 2009	-	-4.8	1.1	1.5
Greta February 2010	-	-4.8	1.1	1.2
CER November 2009	-	-4.5	1.0	0.9
ISAE February 2010	-	-4.9	1.0	1.4
FMI January 2010	-	-4.8	1.0	1.3
		Veneto		
ISTAT October 2009 (d)	-0.8	-	-	-
Prometeia February 2010	-	-4.8	1.3	1.6
Greta February 2010 (e)	-	-5.1	1.1	1.6

Source: processed by Unioncamere del Veneto on cited source

(a) National accounts . Years 2007-2009 (1 March 2010)

(b) Explanatory note attached to the Stability Programme (28 January 2010)

(c) Interim Forecast, year 2010, unchanged policies (26 February 2010)

(d) Regional accounts. Year 2008 (15 October 2009)

(e) Greta estimates - GREM model (February 2010)

However EU member states show different trends. In 2010 a 1.5 percent growth is expected in Germany, which is leading the recovery in the euro zone thanks to its expanding production supported by rapidly growing exports. France instead should grow by 1.4 percent. Spain's contribution on the other hand is negative and the country will only rise 0.6 percent in 2010, while outside the euro area, the United Kingdom should experience an increase of 1.3 percent.

The forecasts for Europe therefore indicate a rather modest recovery, with the euro area lagging behind also because the weak dollar dampens the beneficial effects produced by the recovery of international trade. Additionally, the trend reversal described by business confidence indicators does not translate automatically into production growth. Indeed, many industrial sectors are witnessing surplus production capacity, which needs to be absorbed and is likely to delay the recovery of investments.

In line with forecasts for Europe, **2010 will be a year of recovery also for the Italian economy**, which however will recuperate more slowly than its main European partners. The forecasts produced by the IMF, OECD and the EU Commission at the end of 2009 indicated that Italy's GDP would record a slightly positive growth of +0.2 percent in 2010. However updated forecasts indicate a growth of +1 percent for Italy, which enables us to look at 2010 with more optimism. The production system therefore is on a positive trend, but it is growing very slowly, as confirmed by the Italian Government which updated the forecast for 2010 at the beginning of February²⁷ estimating a growth of +1.1 percent (Table 22).

Italy's return to a path of economic growth, albeit of modest intensity, is confirmed by primary national centres for economic forecasting, which have raised their growth estimates for 2010. All of the most recent forecasts oscillate between +0.7 and +1.1 percent, a figure, nevertheless, which does not improve the trend in public accounts, with deficit exceeding 5 percent and a debt-to-GDP ratio of 117.2 percent.

Indicators*	Veneto	North East	Italy
GDP	1.3	1.2	0.8
Household expenditure	0.7	0.7	0.4
Gross fixed investment	0.9	0.9	0.6
Imports	3.4	3.1	3.9
Exports	5.2	4.6	4.4
Labour units	-0.1	-0.3	-0.6
Unemployment rate (%)	5.3	5.2	9.0

Source: Prometeia (February 2010)

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

Table 23 – 2010 forecast scenario: comparison between the Veneto, the Northeast and Italy as a whole.

The recovery of the Italian economy is confirmed also by the economic indicators for the **initial months of 2010**. In January, seasonally adjusted industrial production and turnover indexes have recorded increases of +0.1 and +5.1 percent respectively compared with the same month of 2009, thanks to the positive contribution of consumer goods (+2.9%) and foreign demand (+5.9%). This latter figure is confirmed by the dynamics of exports, whose trend recorded a +1 percent increase in January 2010 thanks to the positive progress of trade with non- EU countries (+4.7%). Signs of improvement were detected also by the ISAE polls with manufacturing companies. Producers of investment goods have been experiencing a good recovery in orders and also manufacturers of

²⁷ Informative Note 2010-2012 attached to the updated Stability Pact (28 January 2010).

intermediate goods have recorded important increases. Following a period of continuous hikes, consumer confidence (source ISAE) showed contraction in January, approaching the values of June 2009 and giving the impression that the negative effects of the crisis had not yet been overcome.

According to the available economic indicators, positive signs prevail in Italy's economic scenario for 2010. Household consumption is expected to improve slightly over 2009 (+0.4%), also inflation is expected to resume (+1.5%), along with an increase in gross fixed capital formation (+0.6%). On the side of foreign demand, 2010 exports should show a favourable trend, with a 4.4 percent increase thanks to the reinforcement of world trade. As far as the labour market is concerned, further deceleration in employment is expected in 2010 (-0.6% in labour units), triggering an increase in the unemployment rate, which will reach 9 percent.

But how strong will the recovery of the Veneto economy be? Forecasts for 2010 seem to provide indications in line with the rest of the country. According to the most recent estimates (February 2010), **the Veneto's regional GDP will grow 1.3 percent**, slightly above the rate of North-East Italy as a whole (+1.2%). In fact, the forecast scenario for 2010 developed by Prometeia (Table 23) envisions the Veneto and Emilia-Romagna leading the pack in terms of rate of development, in front of Lombardy (+1.1%), Piedmont (+0.8%) and Tuscany (+0.6%).

With reference to the components of demand, during the course of 2010 household expenditure in the Veneto will grow by 0.7 percent, while gross fixed investment will increase by 0.9 percent. Exports are expected to grow by 5.2 percent, while imports should grow by 3.4 percent.

The effects of the crisis on the production structure and employment will be severe again in 2010: as early as the first two months of the year, 237 companies have reported difficulties (147 in the same period of 2009) and 4,422 workers are potentially involved²⁸ (4,045 in 2009). By the end of the year the number of labour units could drop by 0.1 percent, while the unemployment rate would climb to 5.3 percent.

Entrepreneurs' expectations for the next six months have improved significantly, especially in the industrial sector (Chart 18). According to the *VenetoCongiuntura* survey conducted by the regional Unioncamere, the confidence index of the manufacturing sector based on the balance between expected increases and forecast decreases in industrial production was -1.6 percent, up from the previous quarter by almost 6 percentage points (it had been -7.4%). Uncertainty remains in the retail sector, where the confidence index based on the balance between positive and negative expectations concerning retail sales dropped to -33.5 percent, as compared to -21.8 percent in the previous quarter. Also the service sector finds it hard to recover confidence: its confidence index based on the balance between expected increases and forecast decreases in turnover remains negative, especially in the area of transportation (-26.9%) and in the tourist industry (-18.1%), while the situation is less severe in the sector of innovative services (-13.3%).

²⁸ These are statistics drawn up by Veneto Lavoro based on data supplied by Provincial Authorities. For further information: Veneto Lavoro (2009), *Crisi aziendali. L'impatto occupazionale*, (Business Crises: The Impact on Employment) report issued in February 2009.

5. Focus: the Veneto towards Lisbon 2010

Looking at the results achieved in the various field of industry and considering the growth of enterprises and trade, the Veneto is one of the strongest and most dynamic economies in Europe. A comparison with the 27 Member States of the European Union will reveal that one third of them is smaller than the Veneto in terms of population and economy (Table 24).

In terms of **resident population**, the Veneto has approximately as many inhabitants as Finland, Slovakia and Denmark (around 5 million inhabitants). In 2009 the Veneto had the fourth highest population density in the EU, with 265.5 inhabitants per km², as compared to a EU-27 average of 113.4 inhabitants per km². Between 1999 and 2009 the population in the region increased by 9.4 percent, causing the Veneto to earn 6th place in the list of the fastest growing countries headed by Ireland (+19.2% increase in population, despite a low population density of 63.8 inhabitants per km²). This result exceeded the EU-27 average, which showed an increase of +3.8 percent for the decade.

In terms of **income produced**, the Veneto is slightly smaller than Finland and Ireland and is larger than a good 9 Member States. According to the most recent data available, the regional GDP amounts to 145.5 billion euros at current prices and contributes 1.2 percent of the EU GDP.

Additionally, the Veneto is an economically rich region. In fact, in 2007 it ranked among the European countries with the highest **GDP per capita** (30,300 euros, at purchasing power parity), following Luxembourg, Ireland, The Netherlands, Sweden and Austria. This value exceeded both the national figure (25,800 euros per inhabitant) and the EU-27 average (24,900).

As to the **disposable income per capita**, the Veneto ranks 4th, with 16,969 euros at purchasing power parity, following Austria (18,393), the United Kingdom (17,776) and Germany (17,602).

	Population*	Area (km ²)*	GDP million euros in PPS**	GDP per capita in PPS**
EU27	422,085	4,403,357	12,362,787	24,900
Bulgarian	7,607	111,002	71,786	9,400
Denmark	5,511	43,098	164,893	30,200
Slovakia	5,412	49,034	90,942	16,900
Finland	5,326	338,436	155,415	29,400
Veneto (IT)	4,886	18,399	145,517	30,300
Ireland	4,450	69,797	160,764	36,900
Lithuania	3,350	65,300	49,858	14,800
Latvia	2,261	64,589	31,575	13,900
Slovenia	2,032	20,273	44,573	22,100
Estonia	1,340	45,288	23,013	17,100
Cyprus	797	9,250	18,275	23,300
Luxembourg	494	2,586	32,904	68,500
Malta	414	316	7,809	19,000

Source: processed by Unioncamere del Veneto on Eurostat data

* 2009 data

** 2007 data

Table 24 – Key macro-economic indicators for the Veneto and several European countries.

However, the progress of the Veneto and its performance in the European context can be best assessed against the **Lisbon objectives 2010**, which are expressed as targets with respect to several statistical indicators.

Ten years have passed since the Heads of State and Government of the European Union met in Lisbon in March 2000 and set some concrete targets to make the EU the most competitive and dynamic knowledge-based economy in the world by 2010. The time has now come to draw the bottom line.

Judging by the goals achieved to date, it appears clear that the Lisbon objectives concerning employment, social cohesion, innovation and environmental sustainability were too ambitious, both in relation to the socio-economic situation of many Member States and with respect to the historical phase when they were defined²⁹.

Although Italy as a whole, like many other countries in Europe, is falling far short of the Lisbon targets for 2010, there are actually five Italian regions that have almost achieved the Lisbon objectives, while three other regions, including the Veneto, are close to reaching them³⁰.

Given the size of the Veneto's population and economy, it appears interesting to compare the Veneto to other European countries, by analysing individual indicators and measuring the Veneto's performance against that of the 27 Member States of the European Union.

Concerning the labour market, the Lisbon strategy aimed at increasing the **employment rate** in the European Union to 70 percent by the year 2010³¹. In 2008 in the Veneto 66.4 percent of the population aged 15 -64 were employed, which was higher than the EU-27 average (65.3%) (Chart 19). The Veneto's employment rate however is lower than that of Emilia Romagna, Lombardy and other competing European regions.

Female employment appears to be the weak link in the chain in the Veneto: with a rate of 55.5 percent (which is below the European average of 59%) the region is lagging behind competitors and is still far away from the Lisbon target of 60 percent. The position of the Veneto worsens with respect to employment in the **55 - 64 age group**. The countries of Northern Europe head the list (the first three places are taken by Sweden, Estonia and Latvia), while the Veneto ranks low, with a rate of 32.2 percent, which is below the European average of 45.6 percent and far away from the 50 percent Lisbon target.

By contrast, the Veneto's **unemployment rate** is among the lowest in Europe (3.5% against a EU-27 average of 7%); only the Netherlands and Denmark perform better. It should suffice to recall that between 1999 and 2008 the unemployment rate in the Veneto dropped by one percent. The European Commission identified young people as 'a vulnerable age group' when it comes to employment and encouraged revision of specific policies, recommending, in particular, a review of policies to facilitate the transition from school to work. The Veneto's rate of youth unemployment (15-24 age group) is among the lowest in Europe (10.7%) and is below the EU-27 and Italian averages (15.6% and 21.3%,

²⁹ In order to revive the European economy, the Commission has drawn up a new ten-year strategy, called "Europe 2020", which will replace the Lisbon strategy. It should help Europe recover from the crisis and foster smart, sustainable and inclusive growth, turning the EU into a social and sustainable market economy, a more resource efficient, greener and more competitive economy, based on knowledge and innovation (see Communication from the Commission, COM (2010) 2020).

³⁰ The latest survey conducted by Centro Studi Sintesi to assess how successful Italian regions were in meeting the Lisbon targets for 2010 revealed the following: Emilia Romagna, Lombardy, Valle d'Aosta, Piedmont and Trentino Alto Adige take the first five places, followed by Tuscany, Liguria and the Veneto.

³¹ In this connection, it is worth mentioning that the new "Europe 2020" strategy establishes a higher goal, stating that 75 percent of the population aged 20 – 64 should be employed.

respectively). In particular, the Veneto has recorded the best performance after Baden-Württemberg (6.6%) e Bayern (6%) among the most advanced European regions.

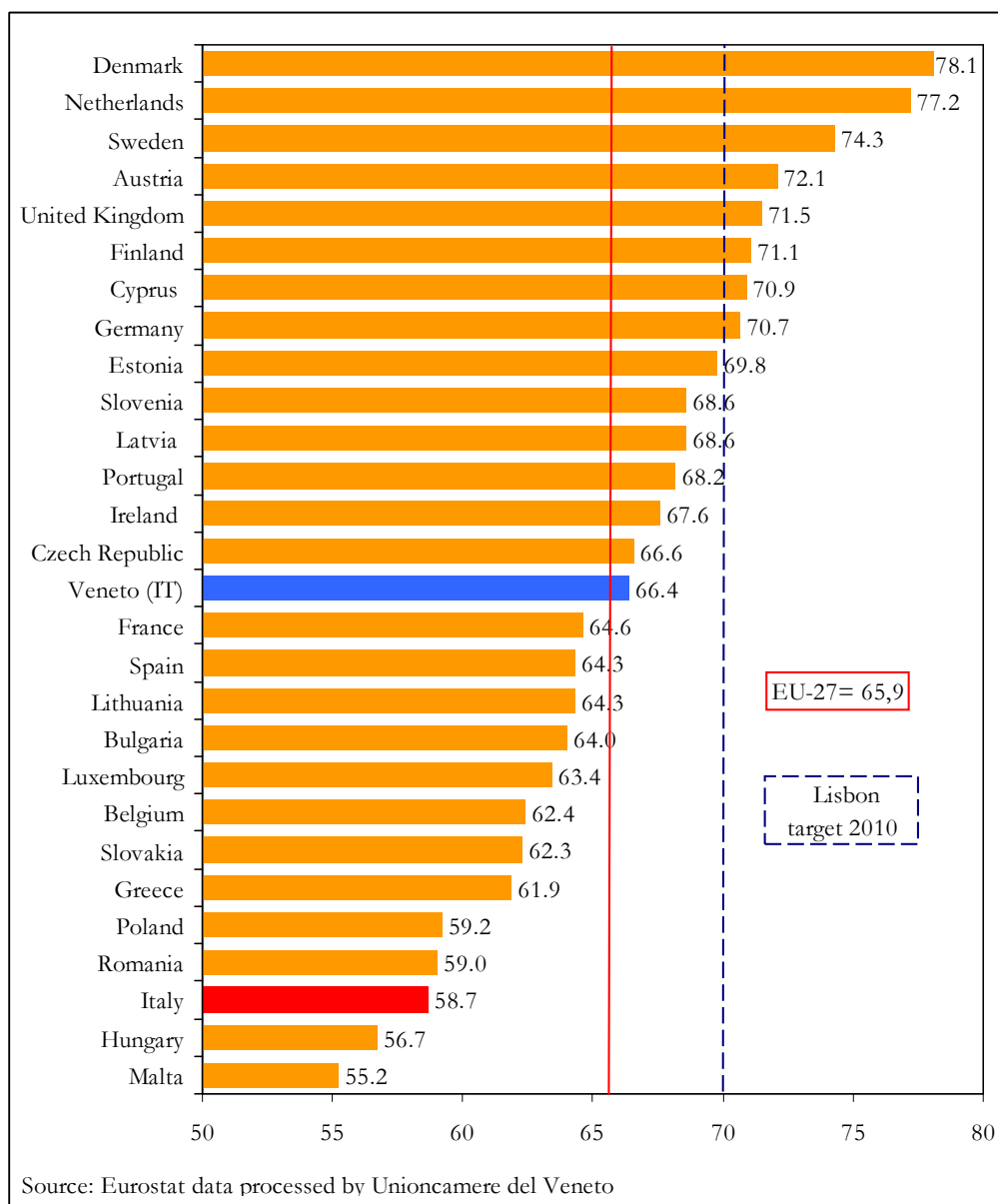


Chart 19 – Employment rate of the 15-64 age group in the Veneto and in the 27 EU Member States. Year 2008

The Lisbon strategy objective of increasing the employment rate can be met both by reducing unemployment and by increasing the labour force participation rate, which is measured by the **activity rate**. This indicator is particularly important for countries, like Italy, characterised by a high unemployment rate and a low labour force participation rate. In 2008 the Veneto’s activity rate was 68.9 percent, while the EU-27 average was 70.9 percent, i.e. the Veneto performed worse than other competitors.

The Lisbon strategy and the following Stockholm European Council set also the goal of spending 3 percent of a country’s GDP on **research and development**: that can be considered as a measurement of the level of innovation. In 2005 the Veneto invested only 0.6 percent of its GDP in research and development, while the EU-27 average was 1.8 percent. Again, in comparison with European competitors, the Veneto’s expenditure on innovation appears to be very low and still too far away from the European objectives. Only Sweden (3.6%) and Finland

(3.5%) were able to meet and exceed the Lisbon target (Chart 20). Looking at employment figures, only 2.6 percent of the total workforce were employed in the sector of high technology services (postal and telecommunications services, information technology and connected activities, research and development) in 2008 (it was 2.1% in 1998): that is far below the level recorded in countries that spend more on innovation, such as Sweden (5.1%) and Finland (4.9%).

Considering the number of **patent applications filed annually at the European Patent office (EPO)** in relation to the total population, the Veneto recorded 131.6 applications per million inhabitants in 2005, placing 9th. The most 'innovative' countries, in this sense, are still the countries in central and northern Europe: Germany, Sweden, Finland, the Netherlands, Luxembourg, Denmark, Austria and Belgium.

Chart 20 – Expenditure on research & development - the Veneto compared to EU 27 (in % of GDP). Year 2005

