

# Veneto 2011

## Economic report



Unioncamere  
Veneto



Economic and social research centre

*Now entering its 12th 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 provide updated information on the standing of the Veneto's economy: they reveal that, despite the effects of the global economic crisis, which started in mid 2008, the region is determined to bravely face up to the challenges that will arise from restructuring its businesses to revive competitiveness.*

*For the Veneto's economy, 2010 has been a "positive transition year": this expression hints to the fact that the region has acknowledged the need for its economy to change direction. Despite the drastic contraction of the regional GDP (down 5.9% in 2009), the most recent estimates point to a 1.6 percent increase in GDP in 2010 and a 1.3 percent rise in 2011, exceeding the forecasts for other Italian regions.*

*The worst of the recession, that struck a hard blow on our economy, now appears to be over: on a more positive tone it served to bring out the strengths of our production system: the ability to face up to competition, a healthy productive fabric, ability to adapt to negative conditions as they arise and the flexibility of projects and production, to adapt to new needs.*

*The Region's companies are in the process of redesigning their business model and remain committed to keeping a strong presence on international markets. These markets include not only those of more advanced countries, but also those of so-called emerging countries, where the global recession was less harsh. In 2010, exports rose to 45.6 billion euros, an increase of more than 16 percent against the previous year. Germany remains the main market for our exports, followed by France and the US; interestingly, China has started to become an important commercial partner.*

*There is awareness now that competitiveness is an issue to be faced at regional level and not as a problem affecting one single firm or business. The Public Administration is now also called upon to pull its weight and actively contribute to re-launching 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, its economic system's capacity to create new products and innovative quality services, in addition to a more widespread use of new technologies. 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, March 2011*

*GIUSEPPE FEDALTO  
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## Introduction

Following one of the worst recessions ever, Italy appears to be **making its way towards recovery** and forecasts expect this trend to become consolidated over the next two years. The international financial crisis proved to be a testing time for all Western economies and especially Europe. It forced Governments to launch appropriate measures to contrast unemployment, implement leaner fiscal frameworks for businesses and provide massive support to the main banking groups involved.

The effects of the measures were nevertheless hindered by many Member States' original **indebtedness and fiscal position**. When the crisis began, it became apparent that most governments could not afford any further indebtedness as a result of the *deficit spending* policies adopted in the past. European countries were forced to curb policies to ensure compliance with the Stability and Growth Pact, whose parameters were temporarily slackened by the European Union to respond to the unprecedented economic situation. Within this context, Greece emerged as an example of non-virtuous and, especially, of non-sustainable political management that soon led the Country to *default*. Today, this risk appears to be not so unlikely for a fair number of Member States, unless they implement appropriate checks on spending and national debt, as urged by the ECB.

In an, as yet, uncertain international framework and following a two-year negative trend, in 2010 the **economy of the Veneto shows signs of recovery**. The region's GDP increased 1.6 percent, thus exceeding the national average (+1.3%) and partly offsetting the worst phase of the crisis (in 2009, the GDP plummeted by 5.9%). The region emerged for its remarkable performance on international markets: exports increased 16.3 percent against 2009 providing new opportunities for economic growth. Recovery is apparent also in the area of gross fixed investments where growth stood at 4 percent (in contrast to the major decrease recorded in 2009), as well as in the area of domestic consumption. Despite increasing exports and growth in production, the repercussions of the crisis on the social fabric is testified by the diminishing purchasing power of households and tensions in the labour market. It will take some time to consolidate this improvement and assure that it positively affects employment.

Italy's moderate recovery is confirmed by the figures released by the Italian Statistical Office (Istat) on public finances: in 2010 the **net indebtedness** of Public Administrations amounted to -4.6 percent of GDP, having decreased compared to the previous year (-5.4%). The overall **fiscal burden** stood at 42.6 percent of the GDP (slightly below the 43.1% registered in 2009), although estimates suggest it could reach 52 percent taking into account the submerged economy.

Public spending nevertheless remains high and continues to constitute the main problem affecting public finances in Italy, thus potentially affecting the real economy and the organisation of production. It is unquestionable that the Italian Public Administration is unable to manage its resources efficiently. In 2010, **the total public expenses amounted to 51.2 percent of the GDP** (slightly lower than the 52.5% recorded in 2009). While there are no easy short-term solutions to indebtedness and sustainability, recovering efficiency in spending policies is possible and definitely desirable, especially when resources are lacking and the

economy has not yet fully recovered. The lack of efficiency in the Public Administration emerges as one of the main reasons for a high public debt, poor investment attractiveness and low quality of service provision to the population. If high levels of public spending are added to an already high indebtedness, it becomes impossible to implement growth policies to give a new boost to the economy.

In order to help regional businesses and to encourage them in this time of economic recovery, it is increasingly important to **bring public finances back into shape**, both by acting on the tax redistribution system and by cutting expenditure and mainly any form of waste. The Central Government receives from the Veneto much more than it actually gives back in terms of public spending. Italy's current form of government is extremely penalising for the Veneto region. The additional resources that the Italian State receives from the Veneto as taxes and that should be earmarked for redistribution amongst the national regions amounted, between 2006-2008, to some 18 billion euros (the so-called **residuum**): this generates an enormous gap between what the taxpayers pay out to the Public Administrations (both central and peripheral) and what they receive as services. The unfair and basically top-down system whereby taxes are redistributed to regions does not encourage local governments to become accountable, nor does it promote the independence of Local Bodies.

In addition, there are some Italian regions where the management of public spending is extremely efficient, even in comparison to other European countries, while others implement spending parameters that are two or three times the national average. If the latter adopted the same parameters used in the most **virtuous regions** (Veneto or Lombardy), i.e. based on "optimal levels of expenditure", the public administrations could save up to 28 billion euros a year while increasing spending for investments and services for families and firms.

In addition, to really implement the European guidelines and fulfil the aims of the new Lisbon Strategy, **all levels of administration - European, national, regional - should be actively involved in a constructive debate**. This aim would require for a start the involvement of the Regions and the Chambers of Commerce, whose activities support the development and the competitiveness of businesses. These institutions have the skills necessary to define policies and strategies that best suit the territories they represent: indeed, not all European regions share the same problems and require the same solutions. **Implementing identical measures to solve different problems and specific issues could and do lead to disastrous outcomes.**

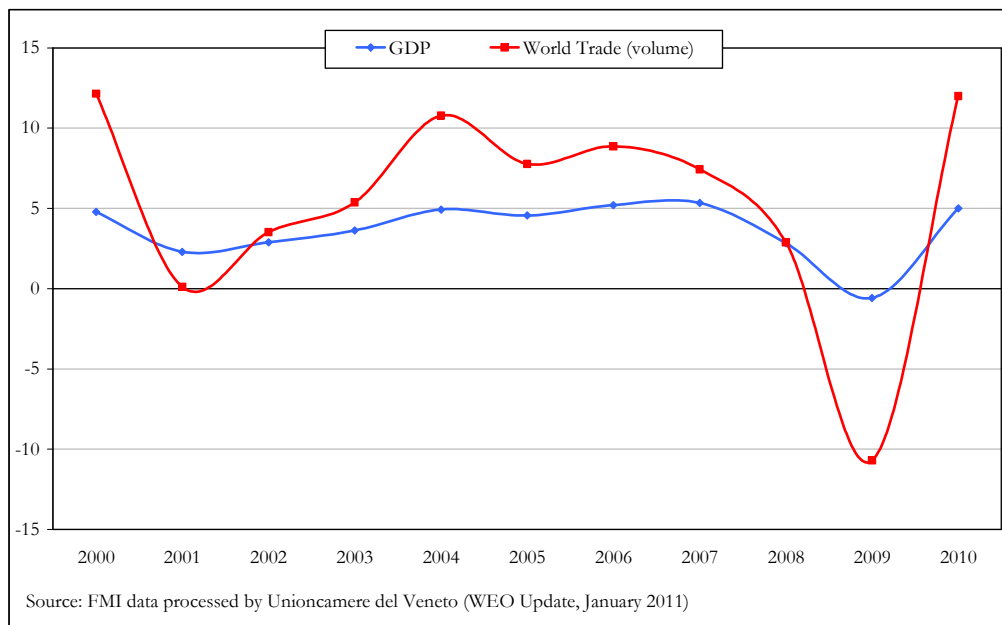
In addition, to really support business growth it is essential to achieve the aims of the **Small Business Act**, the European Union's first structured programme aimed at simplifying the legal and administrative framework to maximise growth and technological innovation in SMEs and ensure the sustainability of their activities.

Venice, March 2011

GIAN ANGELO BELLATI  
Director, Unioncamere del Veneto

## 1. The international economic context

Financial year 2010 ended with positive results for the world economy. According to the International Monetary Fund, the world **GDP** recorded an average 5 percent increase. Nevertheless, the speed of recovery was not even throughout: an early phase of rapid growth (5.9% and 4.9% in the first and second quarters) was followed by a slight slowdown in the second semester (3.6% and 4.4% respectively in the third and fourth quarters). **World trade** also recorded a significant 12 percent rise, which compensated for the dramatic downfall in 2009 (-10.7%) (Chart 1).



**Chart 1 - World GDP trends and world trade volume (% var. over the previous year). Years 2000-2010**

Overall, all industrialised nations enjoyed positive economic trends: the GDP of advanced economies rose 3 percent, following the 3.4 percent fall in 2009. Nevertheless, the breakdown of growth in reference to the trends of the major economies shows a general slowdown starting from mid 2010, with the exception of the US that continued to positively contribute to growth. In the fourth quarter, without the US contribution, growth in the other advanced countries would be nil. In 2010, the **US** economy registered a 2.8 percent increase in GDP (Table 1), mainly due to a less restrictive tax policy. This strategy was an incentive for economic growth, but nevertheless fuelled a feeling of uncertainty: indeed it has been forecast that in 2011 the US national debt could reach the threshold of 100 percent of the GDP. Uncertain prospects in the labour market and restrictive conditions for accessing credit have continued to weigh heavily on households. Economic recovery has not been matched by equally strong trends for private consumption, which has in fact always been one of the mainstays of GDP growth in the US.

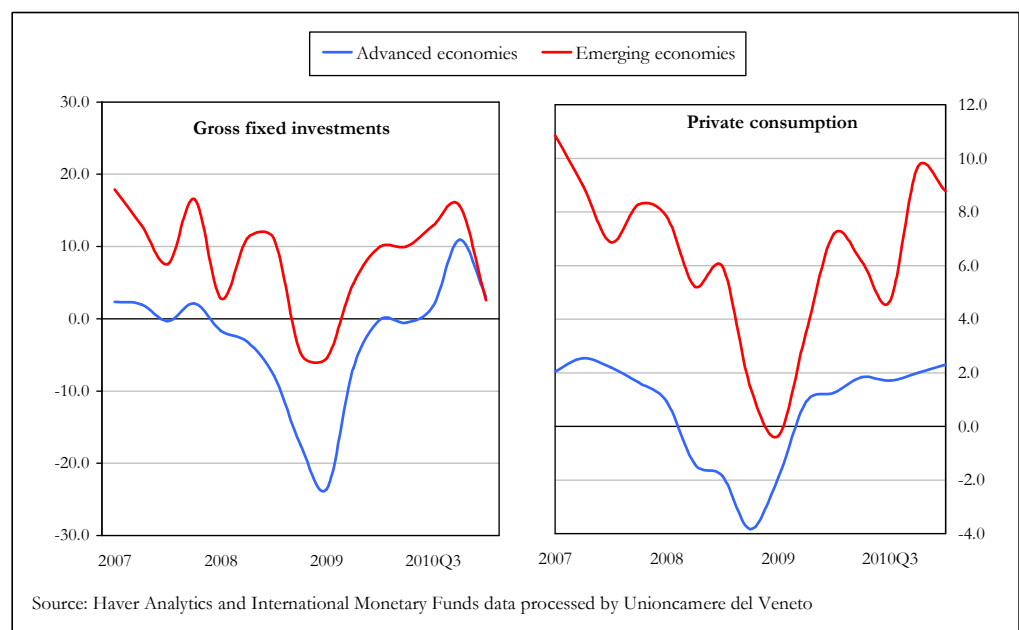
In 2010, **Japan** emerged from two years' recession (down 1.2% in 2008 and 6.3% in 2009) and experienced a 4.3 percent growth in GDP, despite relinquishing to China its second position after the US in the list of the world's largest economies (that it had held since 1968). This positive trend is mainly ascribable to



performance in the first quarter (1.5% increase over the previous quarter)<sup>1</sup>, while the second semester is characterised by deceleration (+0.5% in the second and +0.8% in the third quarter) finally recording a drop in the last quarter (-0.3%) caused by stagnating household consumption, a decrease in net exports and a standstill in industrial production.

The most significant performance for 2010 was recorded in emerging countries where the GDP grew 7.1 percent. In 2010, **China** restated its driving role, having consolidated its central role in the current economic and political scene. Chinese GDP recorded a 10.3 percent increase, thus exceeding the 9.2 percent achieved in 2009. This positive trend is attributable to the excellent performance of industrial production, with growth rates of 15.7 percent, namely 4.7 percent more than in 2009. Nevertheless, investments in fixed capital were not as hefty as in 2009: 24.5 percent in 2010 against 30.5 percent in the previous year. Beijing's main concern is currently the surge in prices (up 3.3% with peaks of 4.6% in December and 5.1% in November) especially of real estate and food. This rise was enhanced both by the liquidity made available in the last two years to cope with the effects of the crisis and by the increase in retail sales (up 18.4%, thus improving on an already sound 15.5% recorded in 2009).

**Chart 2 – Gross fixed investments and private consumption by geo-economic area (% var. over the previous quarter).**



**India's** economy also fared well, with the GDP increasing 9.7 percent, thanks to a clear increase in domestic consumption and business investments. **Brazil** ended its financial year with a 7.5 percent increase, with the first semester pulling its weight more than the second. The changes in inventories and domestic demand contributed to this trend, while net foreign demand suffered the appreciation of the local currency. Economic recovery after the crisis was good but not particularly strong in **Russia**, where the GDP growth (up 3.7%) was not enough to recover pre-crisis results. Consumption and exports have been the driving forces of the early stages of recovery in Russia, although in the second half of the year they seem to be suffering the effects of the rising inflation against the purchasing power, despite the favourable labour market conditions.

<sup>1</sup> The quarterly economic data are supplied by Eurostat.

The new trends in the global economy were thus confirmed in 2010: recovery was liveliest in emerging countries (which can now be considered to have finally “emerged”), and Asia's driving role was central for the other economies that are growing at a much slower pace.

The **Eurozone** recovery was more gradual and was driven by buoyant exports and investment, by fiscal stimulus measures and inventory rebuilding.

The second quarter saw the highest growth over the previous period (average 1% increase); such rate dropped to approximately 0.3 percent in the following quarters. Trends for family consumption were more restrained and, although positive, were affected by the uncertainty of the labour market. The data released and certified by Eurostat show that the GDP in the Eurozone grew 1.7 percent against 2009. The growth gap widened even between the leading countries in the Eurozone: GDP growth in Germany was much stronger (up 3.6%) than in France (1.6% rise) and Italy (1.3% rise), due to the greater ability of German companies to establish themselves in more dynamic markets.

The Spanish GDP remained stable (down 0.1%) whereas, amongst the non-Euro countries, the United Kingdom experienced a 1.3 percent rise in GDP.

	2008	2009	2010			% GDP
			IMF	OECD	Eurostat	
World	2.8	-0.6	5.0	-	-	100.0
United States	0.0	-2.6	2.8	2.7	2.8	20.2
Euro area	0.5	-4.1	1.8	1.7	1.7	14.6
Germany	1.0	-4.7	3.3	3.5	3.6	3.9
France	0.1	-2.5	1.6	1.6	1.6*	2.9
<b>Italy</b>	<b>-1.3</b>	<b>-5.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.3</b>	<b>2.4</b>
Spain	0.9	-3.7	-0.2	-0.2	-0.1	1.9
Japan	-1.2	-6.3	4.3	3.7	3.9	5.8
United Kingdom	-0.1	-4.9	1.7	1.8	1.3	3.0
China	9.6	9.2	10.3	10.5	-	13.3
India	6.4	5.7	9.7	9.1	-	5.3
Russia	5.2	-7.9	3.7	3.7	-	3.0
Brasil	5.1	-0.6	7.5	7.5	-	2.9

**Table 1 – Real GDP trends in a number of countries (% var. over the previous year). Years 2008-2010**

Source: 2008-2009 IMF data; 2010 estimates: IMF (WEO Update - January 2011), OECD (Economic Outlook - November 2010), Eurostat (March 2011)

\* estimated data

## 2. The national economic context

As the rest of the world economy, Italy's economy has started to grow, albeit at a slower and rather uncertain pace. Early 2010 was characterised by clear signs of recovery (with GDP growing 0.5% in the first and second quarters over the previous quarters), while the third quarter saw the first signs of a standstill which was then confirmed in the last quarter (with growth levels standing at 0.3% in the third and 0.1% in the last quarter). The most recent estimates made available by Istat in 2010 **show that the Italian GDP increased 1.3 percent** (1.2% considering calendar adjusted figures), following the dramatic 5.2 percent fall recorded in 2009.

This growth exceeds any previous forecasts made between the end of 2010 and early 2011 by the main research institutions, which had suggested a worse performance in line with the international economic scenario and the debt crisis in the European Union. However, this improvement is only superficial as it arises from the downward review of 2009 results (-5.2% against the previous -5%). The OECD<sup>2</sup>, having suggested for 2010 a 1.1% rise in GDP, in November reviewed its estimates for Italy bringing the rise down to 1 percent. In January, the IMF<sup>3</sup>, left its estimates for the growth of the Italian GDP for 2010 unvaried at 1 percent, although it prospected a mere 0.1 percent growth for 2011. The latest forecasts from the European Commission<sup>4</sup> suggest moderate recovery for Italy, with the GDP rising 1.1 percent, as a result of the gradual end-of-year deceleration linked to declining foreign demand and a slowdown in investments.

The rise in Italian GDP in 2010 certified by Istat (1.3%) stands behind the Eurozone average (1.7%) and the EU 27 average (1.8%). Growth was recorded throughout Italy although there are some differences across geographical areas: the highest growth levels were recorded in the North-West (1.4%) and the North-East (1.3%), while growth was slower in the Centre (0.9%) and the South (0.3%). A breakdown of industry to identify the sectors that contributed to this result show that the rise in GDP in 2010 is ascribable to growth in agriculture, forestry and fisheries (1% growth), industry in the strict sense (4.8%) and services (1%), while negative results continued to be recorded in the construction market (down 3.4%).

The increase in industrial production was mainly determined by a rise in **gross fixed investments** (up 2.5%) in most types of investment goods: machinery and equipment (+11.1%), automotive (+8.5%) and intangible assets (+1.4%). Investments in the construction market continued to decrease (down 3.7%). The final figures show a 0.6 percent increase in **domestic consumption**, a 1 percent increase in household spending and Private social institutions (Isp), and a 0.6 percent decrease in spending by Public Administrations.

Despite the driving effect of **foreign demand** in 2010 (according to the provisional data released by Istat on exchanges, exports increased 15.7% on a yearly basis), a large portion of the aggregate demand is ascribable to **imports** (up 22.6%). As a result, foreign trade contributed negatively to the calculation of the GDP and caused the deficit to worsen. The positive trend of Italian exports in 2010 clearly shows that the Made in Italy brand has risen from the ashes of the crisis year (having dropped 20.9% in 2009). Nevertheless, the soaring trend for

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<sup>2</sup> OECD, Economy Outlook No. 87-88, (May and November 2010).

<sup>3</sup> IMF, World Economy Outlook (October 2010 and January 2011).

<sup>4</sup> European Commission, Economy Forecast (November 2010 and March 2011).

imports negatively impacted the balance of trade for more than 27 billion euros, a deficit that clearly exceeds the trend for 2009 (some 6 billion euros).

**Public accounts** seem to be improving: the deficit/GDP ratio stood at -4.6 percent (-5.4% in 2009). The primary surplus was negative and stood at -0.1 percent of the GDP, nevertheless an improvement against the 2009 values (-0.7%). The fiscal burden<sup>5</sup> amounted to 42.6 percent, having decreased 0.5 percent against 2009, due to a remarkable decrease in capital account taxes (-72.3%). On the contrary, indirect taxes increased 5.1 percent, mainly due to an increase in VAT collected, while direct taxes increased 1.2 percent, held up by the increase in IRPEF (Personal Income Tax). Actual social contributions increased 0.5 percent, while imputed social contributions decreased by 3.2 percent.

In Italy, the effects of the social crisis are more strongly felt in the labour market. In 2010, **manpower calculated in units**<sup>6</sup> (assessed net of laid-off workers claiming temporary unemployment benefit - i.e. *cassa integrazione guadagni*) decreased 0.7 percent following the remarkable drop recorded in 2009 (down 2.9%). This drop stems from the decreasing number of employees (-1.1%), while the self-employed increased 0.4 percent. The drop in employment is also ascribable to a decrease in the number of residents in employment (-0.7%) and in the number of non-resident illegal foreign workers. The drop in employment rates affected industry in the strict sense (-3.5%), the construction market (-1.1%) and the services (-0.1%), whereas a 1.6 percent increase was experienced in agriculture, forestry and fisheries. The tense labour situation is also testified by the recourse to temporary unemployment benefit by laid-off workers (*cassa integrazione* – **CIG**). The hours falling under this system (classified under ordinary, extraordinary and exceptional temporary unemployment) increased 31.7 percent, exceeding 1.2 billion, i.e. 730 thousand workers.

	GDP	Household Consumption	AAPP & ISP Consumption	Gross fixed investment	Export **	Import**
Piedmont	0.8	0.6	-0.4	2.9	15.9	16.8
Lombardy	1.7	1.0	-0.2	3.9	14.2	20.6
<b>Veneto</b>	<b>1.6</b>	<b>0.7</b>	<b>-0.2</b>	<b>4.0</b>	<b>16.2</b>	<b>24.9</b>
Emilia Romagna	1.2	1.1	-0.6	3.9	16.1	22.2
Tuscany	1.0	0.7	-0.3	2.9	15.4	26.0
North-West	1.4	0.9	-0.3	3.6	14.1	20.0
North-East	1.3	0.9	-0.4	3.8	15.4	23.9
Centre	0.9	1.0	-0.3	2.9	17.4	19.8
South and Islands	0.3	0.2	-0.7	1.8	26.3	39.0
<b>Italy</b>	<b>1.3</b>	<b>1.0</b>	<b>-0.6</b>	<b>2.5</b>	<b>15.8</b>	<b>23.4</b>

Source: Istat (national public accounts), Prometeia (scenarios for local economies - February 2011)

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

\*\* Istat provisional data

**Table 2 – Main economic indicators in a number of Italian regions (% var. over the previous year)\*. Year 2010**

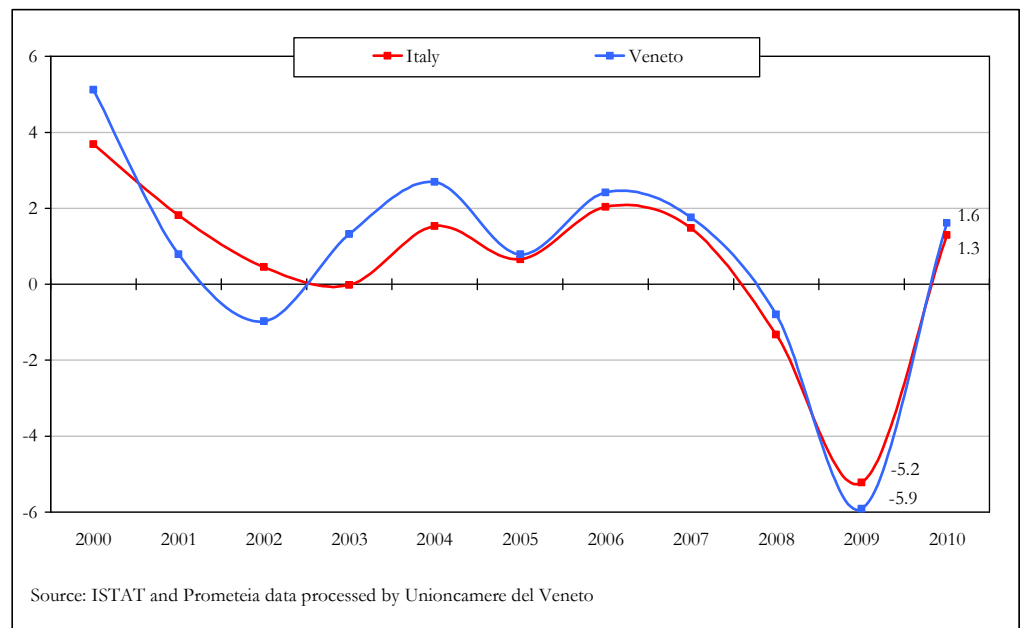
<sup>5</sup> Amount of direct and indirect, capital account and social security contributions as a ratio of GDP.

<sup>6</sup> 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*).

### 3. Veneto economy

In a national context of slow economic recovery, also the Veneto is slowly overcoming the consequences of the crisis. According to the estimates published by Prometeia, **2010 ended with a 1.6 percent increase in the regional GDP** on a yearly basis. This increase partly offsets the downturn recorded in previous years, leaving behind the harshest stages of the crisis reached in 2009 when the regional GDP suffered its worst performance in the last decade (-5.9%) (Chart 3).

Chart 3 - GDP trends for the Veneto and Italy (% var. over the previous year). Years 2000-2010



In comparison with the other regions of Italy, the GDP variation rate for the Veneto was fully aligned with the figures recorded in Lombardy (+1.7%) and slightly better than those recorded in Friuli Venezia Giulia, Emilia Romagna (both standing at +1.2%) and Tuscany (+1%). The recovery was weaker in other northern Italian regions: Piedmont, Trentino Alto Adige (both standing at +0.8%), Liguria (+0.7%) and Valle d'Aosta (+0.6%).

A rising GDP was flanked by a similar growth in **domestic demand**, which increased 1.2 percent. On the one hand, this trend reflected the near stagnation of **private consumption** (which only grew 0.7%) and **public consumption** (which stood stable at -0.2%), hindered by the tensions on the labour market and the restrictive budgetary policies; on the other it reflected the marked rise in **gross fixed investments**, which increased 4 percent following the dramatic fall in 2009 (-13.9%). The sluggish recovery of **consumption** is due to the fact that, from the third quarter of 2009 onwards, the end of the economic recession marked the beginning of the **social recession**. Indeed, having to cope with a lower disposable income and uncertain job prospects, consumers remain cautious.

Foreign demand played a crucial role within this economic framework. Following the dramatic halt recorded for **exports** in 2009 (-21.5%), the provisional data

released by Istat<sup>7</sup> reveal that in 2010 **exports** were the item that most strongly contributed to the positive results for demand (+16.3% over 2009), although its effects on GDP growth were largely offset by a strong increase in **imports** (+23.7%).

As to the different **items contributing to the variation of the GDP**, it emerges that a positive contribution was supplied by gross fixed investments (0.8 percent) following the drop during the crisis. What was missing to further augment the growth in GDP was the contribution of consumption and net foreign demand (Table 3).

<b>Demands</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
GDP	1.8	-0.8	-5.9	1.6
Household consumption	1.9	-0.3	-1.0	0.4
AAPP & ISP consumption	0.2	0.1	0.1	0.0
Gross fixed investment	0.4	-1.0	-3.1	0.8
Changes in supplies	-1.0	0.3	0.5	0.6
Foreign net demand	0.4	-0.1	-2.5	-0.2

Source: processed by Unioncamere del Veneto on Prometeia data (scenarios for local economies - February 2011)

**Table 3 – The Veneto.** Breakdown of contributing factors for the growth of the GDP (associated values, year of reference 2000). Years 2007-2010

	<b>2000</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Veneto*</b>				
GDP (millions of euro - chain-linked value)	111,712	120,875	113,725	115,558
Labour units (thousands)	2,186	2,339	2,269	2,257
GDP per labour unit (thousands of euro)	51.1	51.7	50.1	51.2
<b>Italy**</b>				
GDP (millions of euro - chain-linked value)	1,191,057	1,271,897	1,205,536	1,221,159
Labour units (thousands)	23,412	24,938	24,223	24,047
GDP per labour unit (thousands of euro)	50.9	51.0	49.8	50.8

Sources: Istat, Prometeia

\* Istat data refer to years 2000-2009 (regional accounts); Prometeia data refer to year 2010 (February 2011 forecast)

\*\* Istat (national accounts)

**Table 4 – GDP, employment and productivity: the Veneto and Italy compared.** Years 2000, 2008-2010

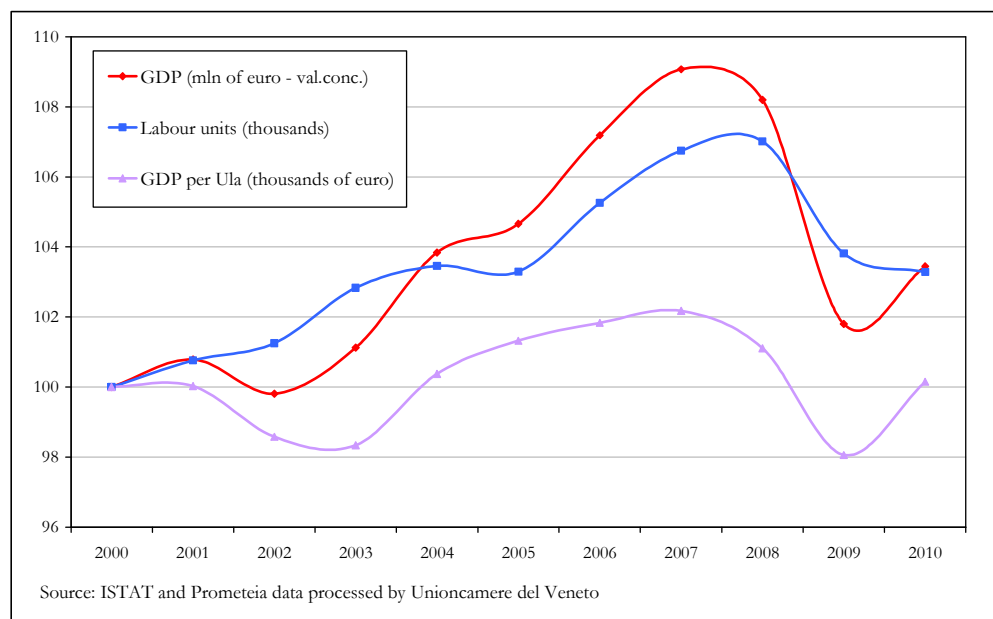
However, growth was not strong enough to support significant recovery in production or labour demand. In 2010, the number of **active businesses** stood almost at a standstill (-0.2%) compared to the previous year<sup>8</sup>, whereas the number of **employees** decreased by some 15 thousand units, a further drop, although not as strong as that witnessed in 2009 (-46 thousand units). The decreasing

<sup>7</sup> For further information refer to the paragraph “Foreign trade”.

<sup>8</sup> For further information refer to the paragraph on the “Production structure”.

employment levels were somehow buffered by the use of the different forms of CIG (temporary unemployment benefit granted to laid-off workers) available: in 2010 almost 125 million CIG hours were authorised<sup>9</sup>. It appears that the rise in production has not benefited the creation of new employment. The decrease in manpower units (-0.5%), which measure the amount of labour used by firms, was flanked by a slight increase of **labour productivity**, that is the production system's ability to generate wealth and, indirectly, income (Chart 4).

**Chart 4 – Veneto. Trend of GDP, employment and productivity in the Veneto (starting point 2000=100). Years 2000-2010**



As to income formation, estimates for 2010 suggest that the **added value** over the basic prices increased 1.6 percent against the previous year, thus only partly recovering the 6.4 percent drop recorded in 2009. The new growth now experienced after two unfavourable years was mainly ascribable to industry in the strict sense, which, with a growth rate of 3.9 percent, has broken the negative cycle that characterised 2008 and 2009. The negative trends of 2009 were upturned also in services and in agriculture, although not as forcefully as in industry (both recorded a 1.2% increase). However, the construction market recorded a further drop in added value (-0.9%), which adds to the 8.7 percent drop recorded in 2009.

<sup>9</sup> For further information refer to the paragraph on the “Labour market”.



## Foreign trade

In 2010, exports were on the way towards recovery in the whole of Italy. Following the downfall in 2009, all regions recorded a two-digit rise. Nevertheless, the situation will be clearer once the impacts of the crisis have been absorbed, as competition on international markets is increasingly fierce and growth will not simply be pulled along by the recovery of world trade.

In 2010, **Veneto exports rose 16.3 percent, for a total value of 45.6 billion euros**, up more than 6.4 billion against the previous year<sup>10</sup>. Despite the rise in foreign trade, the region has not yet been able to offset the harsh drop registered in 2009 (-21.5%, bringing down the value of trade flows to the equivalent of 39.2 billion di euros)<sup>11</sup>. In fact, the Veneto's exports still lag behind the levels achieved in 2008 and 2007 (when it exported goods for some 50 billion euros).

However, these variations should be interpreted with caution, as they were calculated on the value of regional exports registered in 2009, when the region's economic system was facing the worst phases of the international economic crisis, and on provisional data, which are known to be underestimated<sup>12</sup> and do not allow any in-depth evaluation of foreign trade flows neither for the whole region, nor for each Provincial District, especially when considering export-driven markets such as that of the Veneto.

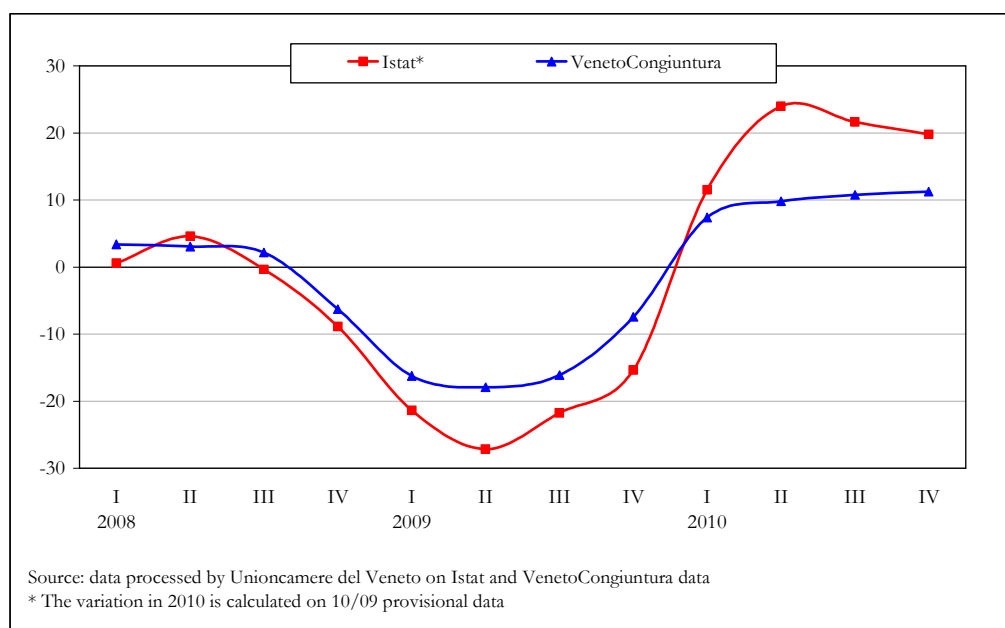


Chart 5 – The Veneto.  
Export trends (% var. over  
the same quarter of the  
previous year).  
Years 2008-2010

The rise in exports has characterised all quarters in 2010. More specifically, a

<sup>10</sup> 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.

<sup>11</sup> Based on the final figures (released by Istat in October 2010), the value of the Veneto's exports in 2009 exceeded by 983 million the provisional data that had been released six months earlier in March 2010. The 2009/2008 percentage variation calculated by Istat (provisional data over final data) was higher, namely -23.5 percent.

<sup>12</sup> The provisional data were released by Istat on 14th March 2011, whereas the final figures are made available in October 2011.



particularly favourable trend was recorded between April and June. Both the Istat figures and the results of the *VenetoCongiuntura* survey (performed every quarter by Unioncamere del Veneto on a sample of some 1,200 manufacturing companies from the Region with at least 10 employees) reveal that foreign trade exchange showed signs of recovery from the third quarter of 2009 onwards. This trend was consolidated from the second quarter of 2010, when foreign sales by the Veneto's industry showed positive trends with growth standing at some 10 percent compared with the same quarters of the previous year (in detail: +9.8, +10.8 and +11.3%)<sup>13</sup>. The positive balance is mainly attributable to large businesses, with the medium and small industries lagging slightly behind. The assessment of the provisional data by Istat concerning the last three quarters of 2010 also shows that there has been almost constant recovery in the area of exports (+24, +21.6 e +19.8% respectively on a yearly basis)<sup>14</sup> (Chart 5).

The Region's businesses have proved to have a strong internationalisation propensity: the figures relating to the Region's **market openness** (imports account for 26% of the regional GDP) and **inclination towards exports** (exports account for 31.4% of the regional GDP) definitely exceeded the values recorded in 2009 (21.6 and 27.7% respectively) and national figures, confirming that the Region's businesses are very active on foreign markets.

In 2010, the Veneto's foreign trade accounted for **13.5 percent of national exports**, with no variations compared to 2009. The Veneto is still the second-largest regional exporter in Italy after Lombardy (which nevertheless has lost a share of overall national exports, having dropped from 28.2 to 27.8%). It is followed by Emilia Romagna (12.5%), Piedmont (10.2%) and Tuscany (7.9%).

**Table 5 – Italy. Trade flows in a number of regions (million euros). Years 2009-2010**

	Imports			Exports			Balance
	2009 (a)	2010 (b)	var.%	2009 (a)	2010 (b)	var.%	
Lombardy	97,031	115,969	19.5	82,269	93,903	14.1	-22,066
<b>Veneto</b>	<b>30,624</b>	<b>37,877</b>	<b>23.7</b>	<b>39,239</b>	<b>45,634</b>	<b>16.3</b>	<b>7,756</b>
Emilia Romagna	21,777	26,454	21.5	36,478	42,336	16.1	15,882
Piedmont	22,571	26,213	16.1	29,717	34,473	16.0	8,260
Toscana	16,004	20,130	25.8	22,998	26,590	15.6	6,459
Lazio	25,554	28,835	12.8	11,946	14,812	24.0	-14,024
Friuli-Venezia Giulia	5,255	6,473	23.2	10,742	11,585	7.9	5,112
North-West	127,924	152,218	19.0	118,178	134,843	14.1	-17,375
North-East	62,784	77,269	23.1	91,604	105,700	15.4	28,431
Centre	48,641	58,123	19.5	45,587	53,445	17.2	-4,678
South	20,373	26,794	31.5	21,164	24,530	15.9	-2,264
Islands	16,870	23,360	38.5	9,521	14,442	51.7	-8,918
Other or n.a.	21,017	27,186	29.4	5,679	4,623	-18.6	-22,563
<b>Italy</b>	<b>297,609</b>	<b>364,950</b>	<b>22.6</b>	<b>291,733</b>	<b>337,584</b>	<b>15.7</b>	<b>-27,366</b>

Source: processed by Unioncamere del Veneto on Istat data

(a) definitive data; (b) provisional data

<sup>13</sup> The correlation coefficient calculated between the quarterly variation of foreign sales for the years 2008-2010 recorded in the *VenetoCongiuntura* survey and the variation based on the export data released by Istat equals 0.98. As a result, 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.

<sup>14</sup> In the quarterly assessment of foreign trade figures it was considered appropriate to calculate the percentage variations for 2010 on 2009 using provisional data.

**The regional breakdown** of figures for Italy shows that the greatest increases in exported goods were recorded in Italy's islands (+51.7%, resulting from the increase in exports of refined petroleum products), followed by the Centre (+17.2%) and the South (+15.9%), which is in line with the average national figures (+15.7%). Less remarkable growth was experienced in the North-East (+15.4%) and the North-West (+14.1%). Despite growth in the South, northern firms have continued to rank as the drivers of Italian export: indeed they account for three-quarters of overall national exports.

Compared to other major exporting Italian regions, the Veneto recorded an increase in foreign trade on par with Emilia Romagna (+16.1%) and Piedmont (+16%) and higher than that recorded in Tuscany (+15.6%) and Lombardy (+14.1%, below the national average) (Table 5).

Products	2009 (a)	2010 (b)	var. %	comp. %
1 Machinery	7,254	8,614	18.8	18.9
2 Metalwork	2,522	2,646	4.9	5.8
3 Clothing	2,412	2,564	6.3	5.6
4 Other electrical equipment	2,051	2,488	21.3	5.5
5 Metallurgy	1,734	2,442	40.8	5.4
6 Means of transport and parts productions	1,798	2,333	29.8	5.1
7 Eyewear	1,895	2,250	18.7	4.9
8 Furniture	1,883	2,056	9.2	4.5
9 Footwear	1,836	2,046	11.5	4.5
10 Tanning and leather processing	1,604	1,944	21.2	4.3
11 Food	1,674	1,863	11.3	4.1
12 Chemical Pharmaceuticals, synthetic fibers	1,512	1,856	22.7	4.1
13 Rubber and plastic products	1,340	1,556	16.1	3.4
14 Jewelry	1,217	1,487	22.2	3.3
15 Beverages	1,125	1,312	16.7	2.9
16 Yarns and Fabrics	1,091	1,199	9.9	2.6
17 Household appliances	1,113	1,186	6.5	2.6
18 Paper and printing	791	915	15.7	2.0
19 Other manufactured products	767	913	19.1	2.0
20 Agriculture and fishing	683	832	21.8	1.8
21 Electronic, medical and measuring equipment	843	799	-5.3	1.8
22 Other services	377	481	27.5	1.1
23 Knitwear	467	458	-2.0	1.0
24 Cut, shaped and finished stones	403	409	1.5	0.9
25 Glass and glass products	373	404	8.3	0.9
26 Refined petroleum products	217	290	33.8	0.6
27 Wood	209	234	11.9	0.5
28 Mining and quarrying products	48	57	18.2	0.1
<b>Total</b>	<b>39,239</b>	<b>45,634</b>	<b>16.3</b>	<b>100.0</b>

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

**Table 6 – The Veneto.**  
Exports by type of product,  
classified by value (million  
euros). Years 2009-2010

The breakdown by **types of product**<sup>15</sup> shows that all items contributed to the general year-on-year increase. The metallurgical industry experienced the best performance for exports, having grown 40.8 percent, for a total value of almost 2.4 billion euros. Good recovery rates were recorded also in the automotive industry and in automotive components (+29.8%, namely 2.3 billion euros) and in other crucial sectors of the regional economy: eyewear (+18.7%, i.e. 2.2 billion euros), tanning and leather industry (+21.2%, 1.9 billion euros) and jewellery

<sup>15</sup> This product classification aggregates the Ateco 2007 codes to highlight the leading sectors and areas of Veneto's foreign trade.

(+22.2%, 1.5 billion euros). The industrial machinery industry, which ranks first in the Veneto for exports, sold goods for more than 8.6 billion euros, accounting for 18.9 percent of the regional total, having increased 18.8 percent against 2009. The only items that experienced decreases were the electronics, medical and measuring appliances industries (except for eyewear) and knitwear (-5.3 and -2% respectively on a yearly basis) (Table 6).

An assessment of the **receiving markets** shows that trade integration was held up high with the EU27 Countries, that absorbed 60% of the Veneto's exports (up 14% against 2009). Germany once again confirmed its position as the Veneto's main trade partner having purchased goods for 6.2 billion euros (i.e. 13.7% of regional exports, up 17.3% over 2009). The outcome of the trade balance for exchanges with Germany were nevertheless negative, considering that the Veneto bought goods for more than 9 billion euros (+20% over 2009). The French market ranks second with 4 billion euros of goods exported (10.7% of the regional total, having increased 13.1% on a yearly basis), followed by the United States, Spain and the United Kingdom.

**Table 7 – The Veneto.**  
Top 10 countries by origin  
of imports and destination  
of regional exports  
(million euros).  
Years 2009-2010

Countries	2009 (a)	2010 (b)	var.%	comp.%
<i>Imports</i>				
1 Germany	7,551	9,060	20.0	23.9
2 China	2,907	3,837	32.0	10.1
3 France	1,902	2,376	24.9	6.3
4 Spain	1,287	1,796	39.6	4.7
5 Austria	1,142	1,594	39.6	4.2
6 Netherlands	1,223	1,585	29.5	4.2
7 Belgium	962	1,243	29.2	3.3
8 Romania	1,054	1,167	10.7	3.1
9 Libya	660	869	31.6	2.3
10 United Kingdom	497	727	46.4	1.9
European Union 27	19,294	24,197	25.4	63.9
Extra EU 27	11,330	13,680	20.7	36.1
<b>Totale</b>	<b>30,624</b>	<b>37,877</b>	<b>23.7</b>	<b>100.0</b>
<i>Exports</i>				
1 Germany	5,314	6,234	17.3	13.7
2 France	4,330	4,897	13.1	10.7
3 United States	2,287	2,993	30.9	6.6
4 Spain	2,146	2,388	11.3	5.2
5 United Kingdom	1,941	2,208	13.8	4.8
6 Austria	1,497	1,672	11.7	3.7
7 Switzerland	1,328	1,672	25.9	3.7
8 China	930	1,393	49.8	3.1
9 Russian Federation	1,080	1,281	18.6	2.8
10 Romania	1,065	1,264	18.7	2.8
European Union 27	24,034	27,392	14.0	60.0
Extra EU 27	15,205	18,242	20.0	40.0
<b>Total</b>	<b>39,239</b>	<b>45,634</b>	<b>16.3</b>	<b>100.0</b>

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

In 2010, foreign trade with China increased (almost 3% of the Veneto's exports are absorbed by China; that figure has almost doubled since 2009, bringing the value of trade flows up to 1.4 billion euros). Also trade with the United States rose (+30.9%, 3 billion euros, i.e. 6.6% of regional exports). Indeed, regional exports to NAFTA countries (United States, Canada and Mexico) experienced remarkable and noteworthy growth. The Veneto's exports have been largely revived by sales to the large emerging economies. The weight of BRIC countries over the total regional exports rose (it accounted for 7.5% in 2010) and is mainly supported by the Chinese market, whose contribution to total exports increased 0.7 percent between 2009 and 2010 (from 2.4 to 3.1%).

In 2010, the Veneto's **trade surplus amounted to 7.7 billion euros**, falling slightly below the value recorded in the previous year, due to rising trends for **imports** over exports.

Trade flows from abroad increased by almost one quarter compared to 2009, achieving a provisional value of **37.9 billion euros**. The Veneto experienced growth rates in line with the north-eastern area of Italy, where flows generally increased 23.1 percent. Foreign imports also rose in the regions generally taken as comparison: In Tuscany imports rose 25.8 percent, in Emilia Romagna 21.5 percent; slightly lower rises were recorded in Lombardy and Piedmont (19.5% and 16.1% respectively).

In 2010, the Veneto's **top trade partner for imports** continued to be Germany (more than 9 billion euros), from which almost one quarter of the Region's imports originated, recording a 20 percent increase in 2010. China consolidated its second place (almost 4 billion euros), with the volume of imported goods from China growing 32 percent over 2009.

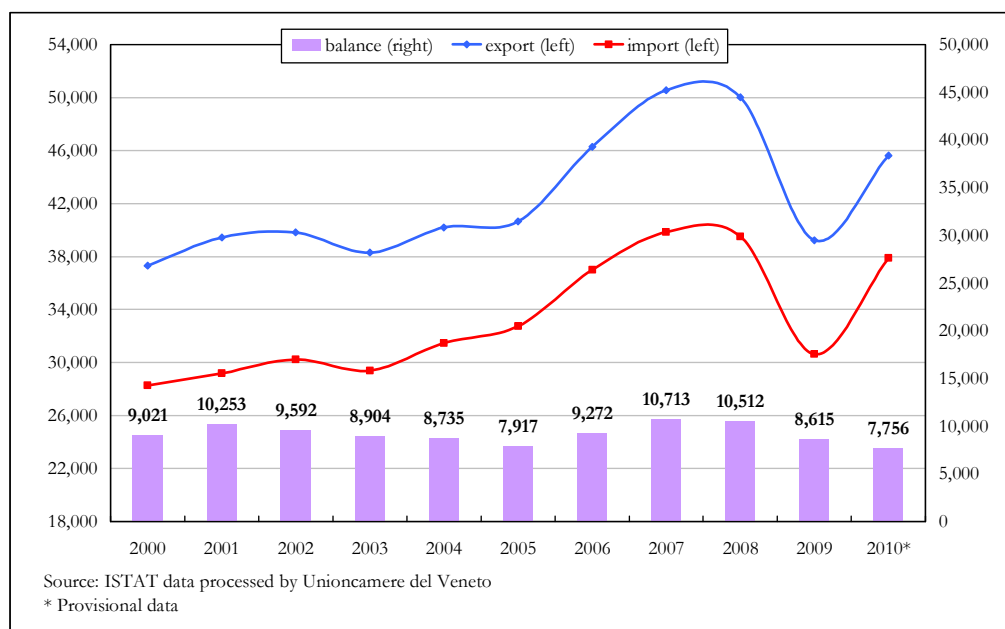


Chart 6 – The Veneto. Exports, imports and trade balance (million euros). Years 2000-2010

## Production structure

In 2010, the regional production structure remained largely unchanged in terms of size<sup>16</sup>. In the Veneto, there were **506,453 registered businesses**, having increased by some 400 units compared to 2009: in percentage terms, this means that the situation is **generally stable** (+0.1%). The number of **active businesses** registered a **slight 0.2 percent decrease**, which translates into 1,000 less units. This apparent stability in fact hides a variety of different trends depending on the type of firm and its field of activity.

Following the setback recorded in 2009 (-1,021 businesses), **the difference between newly registered and closed companies is now positive again**: in 2010, 32,029 businesses were established against 28,672 businesses that ceased production<sup>17</sup>, giving rise to a positive balance of 3,357 units (Chart 7). The reversal of the trend is ascribable to two issues: on the one hand the number of new registrations increased (+6% over 2009) and on the other hand there were less closures (-8.2% over 2009). If the assessment is extended to the last decade, it emerges that registrations and closures recorded the same trends witnessed between 2000 and 2003, standing at a balance. In subsequent years, the number of closures decreased while new registrations increased constantly, leading to a positive balance that almost doubled the percentages for previous years. This remarkable rise was then followed by decreases between 2007 and 2008, with the balance turning negative in 2009 due to a fall in registrations.

In terms of **sectors**, the restructuring started at the beginning of the decade continues and is characterised by the shift towards services to the detriment of manufacturing: excluding trade and tourism, services account for 24 percent of businesses and are almost twice the number of manufacturing companies (13% of the total), whose count continues to fall.

Manufacturing is one of the sectors that registered remarkable decreases (-1.5%) together with agriculture (-2.8%) and the construction industry (-0.9%), both harshly affected by the financial crisis and the credit crunch.

On the contrary, the services upheld their positive trends, with the sole exception of transport and storage, where a further 1.7 percent decrease was recorded. The utilities industry achieved the greatest increase (+8.8%), followed by healthcare and social services (+5.3%) and advanced services for businesses (+4.3%).

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<sup>16</sup> As from this report, the figures on the breakdown by sector of registered and running companies supplied by Infocamere-Stockview are disseminated using the new classification of economic activities (Ateco 2007): this is the Italian version of the Nace Rev.2 classification approved at European level, which is in turn extrapolated from the UN defined classification (Isic Rev.4). It is drawn up by Istat and prepared compliant to Community and International laws. The use of this new classification system to replace the one previously adopted (Ateco 2002) has led - as was to be expected - to a re-classification and thus a "migration" of economic units (firms, staff, goods, services, etc.) from one area to another. This shift has caused a change in retrospective and historical data, which therefore might highlight a different evolution - even of considerable size- compared to the previous Ateco 2002 classification. Examples are provided by the publishing industry, the components of which are completely removed from the manufacturing sector to form a specific section, and the food industry, where almost half of its components are re-classified as services (see note no.19). This should not be seen as an alteration of the interpretation of previous trends, but rather as an opportunity to assess events against a different and more comprehensive backdrop, thanks to the availability of more efficient tools. For further information please refer to [www.istat.it](http://www.istat.it).

<sup>17</sup> 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 Productive Activities), since 2006 Movimprese follows different rules for compulsory cancellations and cancellations for other reasons from the Register of Companies. 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.

A more in-depth assessment of the **manufacturing businesses** (Table 9) shows that almost all sectors witnessed more or less remarkable contractions, with the sole exception of the automotive industry (+0.1%), rubber-plastic (+0.6%) and repairs, maintenance and installation of machinery (+12.7%): the latter is one area that Istat continues to classify as manufacturing but which should be classified under services instead. The greatest losses were recorded in wood-furniture (-3.4%), metal products (-2.4%) and the fashion system (-2.3%), while the contraction was slighter in the areas of non-metalliferous minerals (-1.8%), machinery and mechanical equipment (-1.7%) and electrical and electronic machinery (-1.6%). Negative trends, albeit slighter, were also recorded in the food (-0.5%) and publishing industries (-0.9%).

Economic sector	Registered		Active		Reg.	Active
	2009	2010	2009	2010	var.% 10/09	
Agriculture, forestry and fishing	81,853	79,551	81,353	79,071	-2.8	-2.8
Mining	323	316	277	268	-2.2	-3.2
Manufacturing industry	66,222	65,343	59,166	58,260	-1.3	-1.5
Public utilities (energy, gas, water, environment)	968	1,042	863	939	7.6	8.8
Construction	78,882	78,520	75,211	74,566	-0.5	-0.9
Trade and repair of motor vehicles motorcycles	111,957	112,475	104,424	104,936	0.5	0.5
Accommodation and catering	31,164	31,996	27,391	28,070	2.7	2.5
Transport services, logistics and storage	15,972	15,759	14,897	14,643	-1.3	-1.7
Media and communication services	9,161	9,303	8,402	8,531	1.6	1.5
Advanced support services for businesses	16,233	16,858	14,817	15,447	3.9	4.3
Financial Services & Insurance	9,079	9,172	8,676	8,790	1.0	1.3
Real estate	30,824	31,387	28,213	28,743	1.8	1.9
Rental business, tourist services and supp. Business	9,787	10,081	9,104	9,385	3.0	3.1
Private education and training services	1,646	1,698	1,554	1,593	3.2	2.5
Health, social care and private health services	1,643	1,722	1,498	1,578	4.8	5.3
Services to the person	3,934	4,071	3,464	3,595	3.5	3.8
Other activities	18,433	18,764	18,026	18,340	1.8	1.7
Unclassified Companies	17,925	18,395	1,016	470	2.6	-53.7
<b>Legal form</b>						
Joint-stock companies	105,005	107,303	79,816	81,527	2.2	2.1
Partnership	115,108	114,498	96,999	96,422	-0.5	-0.6
Sole proprietorship	276,324	274,924	274,756	272,387	-0.5	-0.9
Cooperatives	5,748	5,872	3,797	3,849	2.2	1.4
Other forms	3,821	3,856	2,984	3,040	0.9	1.9
<b>TOTAL</b>	<b>506,006</b>	<b>506,453</b>	<b>458,352</b>	<b>457,225</b>	<b>0.1</b>	<b>-0.2</b>

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

Economic sector	Registered		Active		Reg.	Active
	2009	2010	2009	2010	var.% 10/09	
Food, beverage and tobacco	4,120	4,076	3,704	3,686	-1.1	-0.5
Textile, clothing and footwear	12,352	12,042	10,534	10,294	-2.5	-2.3
Wood and furniture	10,581	10,269	9,558	9,234	-2.9	-3.4
Paper, print and furniture	2,578	2,552	2,286	2,266	-1.0	-0.9
Chemical, pharmaceutical and oil industries	733	720	612	604	-1.8	-1.3
Rubber and plastic	1,643	1,652	1,446	1,454	0.5	0.6
Marble, glass, ceramics and non metal products	3,440	3,391	3,075	3,021	-1.4	-1.8
Metal and metal products	13,813	13,583	12,720	12,411	-1.7	-2.4
Machine tools	4,971	4,913	4,342	4,268	-1.2	-1.7
Means of transport	1,153	1,153	986	987	0.0	0.1
Electrical and electronics machinery	3,657	3,616	3,221	3,171	-1.1	-1.6
Repair and maintenance machinery and equipment installation	2,110	2,383	2,049	2,309	12.9	12.7
Other manufacturing enterprises	5,071	4,993	4,633	4,555	-1.5	-1.7
<b>TOTAL</b>	<b>66,222</b>	<b>65,343</b>	<b>59,166</b>	<b>58,260</b>	<b>-1.3</b>	<b>-1.5</b>

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

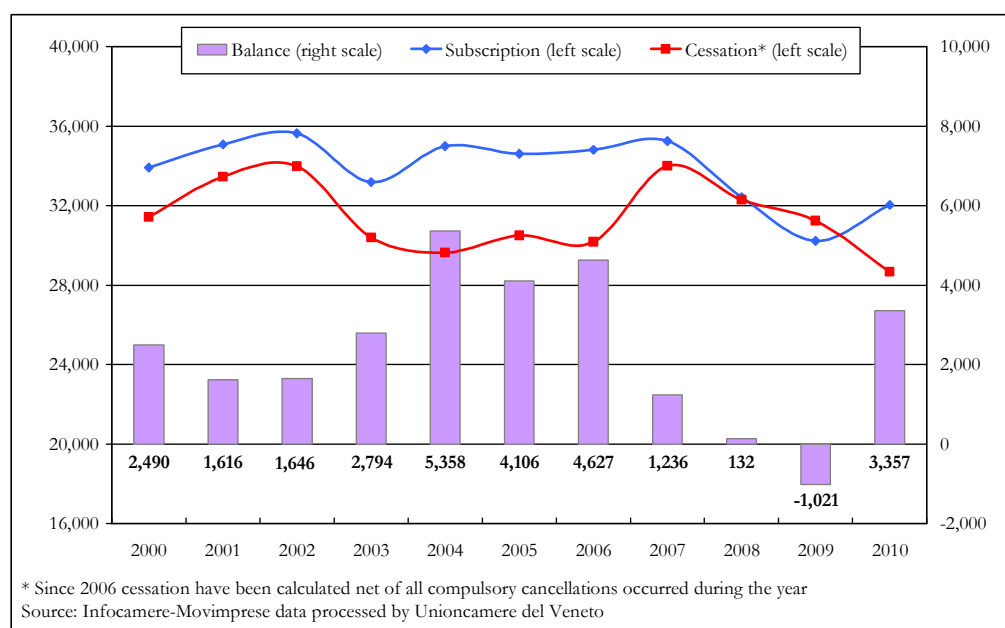
**Table 8 – The Veneto.**  
Registered and active companies by sector and legal form of business (% variation and annual variation over previous year).  
Years 2009-2010

**Table 9 – The Veneto.**  
Registered and active manufacturing companies by sector (yearly and % variation over the previous year).  
Years 2009-2010



Considering businesses from the point of view of their **legal incorporation**, the entrepreneurial fabric has emerged stronger from the crisis: the number of one-man businesses and partnerships dropped even further while there was an increase in the number of companies with share capital and co-operatives. One-man businesses, that account for most of the Region's firms (approximately 60%), suffered a 0.9 percent decrease, losing further ground compared to the previous year. In 2010, the number of partnerships decreased 0.6 percent. The number of joint-stock companies continued to rise: an increase was recorded of 1,700 units, i.e. a 2.1 percent increase; the number of co-operatives increased by 1.4 percent.

Chart 7 – The Veneto.  
Company registrations,  
closures and the balance of  
companies registered.  
Years 2000-2010



## Labour market

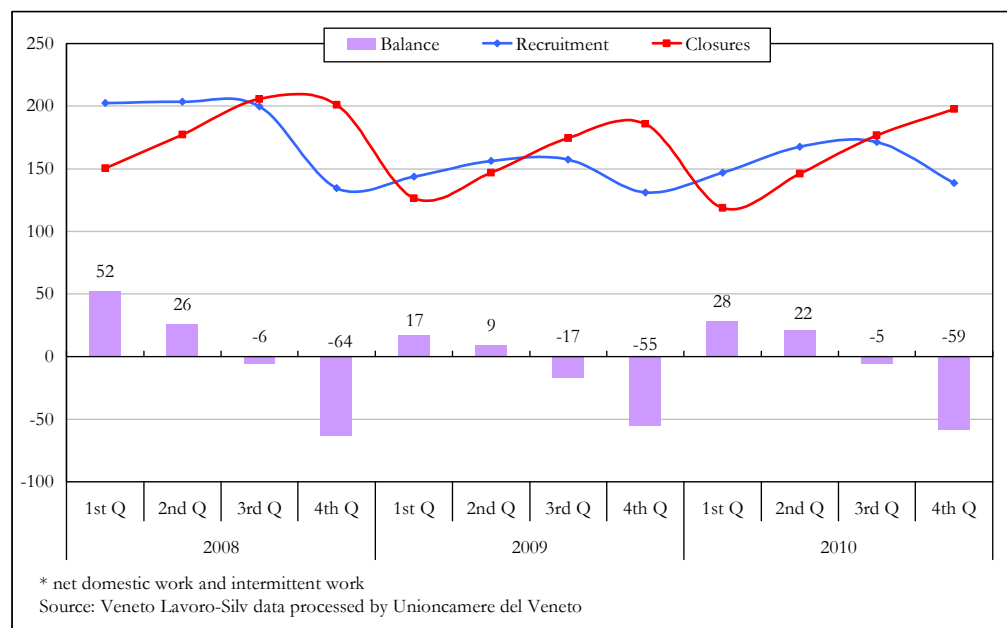
Despite the recovery of the regional economy, in 2010 the labour market grew less than forecast in the first semester, as a result of the slowdown recorded in the last quarter. The calculations supplied by Veneto Lavoro on data released by Silv<sup>18</sup>, show that the Veneto ended the year 2010 **with a negative balance for employment, namely a drop in almost 15 thousand jobs**. This marks a further decrease that adds on to the drop recorded in 2009 (-46 thousand units).

The trend of the balance for employment was uneven throughout the year. Whereas the first two quarters were characterised by a positive balance for employment (+28 thousand and +21 thousand units respectively), the last two ended with a negative balance. More specifically, the third quarter registered falling figures for more than 5 thousand jobs, while the last quarter saw a drastic contraction of 59 thousand units. The trend registered in the last quarter was

<sup>18</sup> Silv (*Sistema informativo lavoro veneto* - Veneto Labour Market Information System) enables the monitoring of labour market trends in the Veneto, with reference to employees and insourced workers for which it is obligatory to notify the beginning of the work contract (so-called *collaborazioni a progetto*, *collaborazioni coordinate e continuative*, "mini-coccolò"). For further information please refer to [www.venetolavoro.it](http://www.venetolavoro.it).

nevertheless in line with past trends, considering that the year-end coincides with the administrative closure of contracts, especially those for temporary workers.

The **negative balance for employment** resulted both from the increase in firm closures, with figures rising, albeit slightly, from 634 to almost 640 thousand units (+1%) and from the clear increase in new hires that rose from 588 to 625 thousand units (+6%), which however proved unable to upturn the figures and provide a positive balance.



**Chart 8 – The Veneto.**  
Recruitment, closures and the balance of employee work\* (in thousands).  
Years 2008-2010

The increase in **new hires** mainly involved the manufacturing sector, that recorded major growth trends (+20% against -34% in 2009); the other fields of industry saw increases between 1 and 2 percent. The positive variation predominantly involved male workers (+11%) and foreigners (+9%), whereas women (+2%) benefited only from this rise. With reference to the **type of contract** offered, the number of permanent contracts decreased (-5.2%) and the balance for this type of contract remained negative (-12.4 thousand units). On the contrary, the demand for fixed-term contracts increased (+3.6%) and this type of contract enjoyed a positive balance (+4.7 thousand units).

	Recruitment			Closures			Balance	
	2009	2010	var.% 10/09	2009	2010	var.% 10/09	2009	2010
<b>Total</b>	588.1	624.6	6.2	634.0	639.4	0.9	-45.8	-14.8
<b>By gender and nationality</b>								
Female	297.1	302.4	1.8	313.3	306.8	-2.1	-16.2	-4.4
Male	291.0	322.2	10.7	320.7	332.6	3.7	-29.7	-10.4
Italian	430.0	452.2	5.2	468.7	467.7	-0.2	-38.7	-15.5
Foreign	158.1	172.4	9.0	165.2	171.7	3.9	-7.2	0.8
<b>By sector</b>								
Agriculture	49.3	50.0	1.4	49.2	49.7	1.0	0.1	0.3
Industry	150.0	179.4	19.6	185.9	193.1	3.9	-35.8	-13.8
in Construction	37.4	37.7	0.8	43.7	41.0	-6.2	-6.3	-3.3
Services	388.8	395.3	1.7	398.9	396.6	-0.6	-10.1	-1.3

\* net domestic work and intermittent work

Source: Veneto Lavoro-Silv data processed by Unioncamere del Veneto

**Table 10 – The Veneto.**  
Recruitment, closures and balance of employee work\* broken down by gender, citizenship and industry (in thousands).  
Years 2009-2010



The drop in employment levels recorded in 2010 was mitigated by the massive recourse to several types of temporary unemployment benefit available (i.e. *cassa integrazione guadagni* - CIG) and the diminished impact of the economic crisis on employment (at least for large firms).

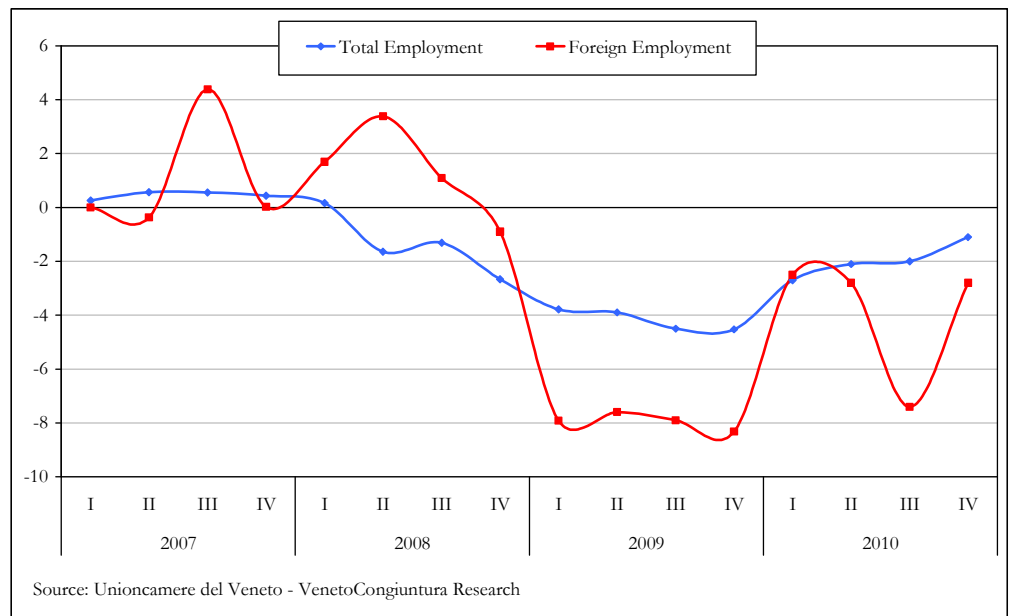
In 2010, the number of **CIG hours authorised** soared to a total of almost 125 million against 81 million recorded in 2009, having increased 54.3 percent. In particular, the number of extraordinary CIG hours went up (55 million against 17 million in 2009), while the number of ordinary CIG hours dropped (from 46 to 28 million). Of the total number of extraordinary CIG hours authorised, there was a remarkable increase of hours authorised in the manufacturing sector (52 million over 16 million in 2009), while the number of ordinary CIG hours in the industrial sector decreased equally remarkably (down from 40 to 22 million).

The number of firms that in 2010 **formally declared they were suffering as a result of the crisis**<sup>19</sup> rose from 1,189 to 1,425 businesses (+236 units), whereas the number of workers involved in the subsequent recourse to extraordinary CIG benefits or lay-offs decreased (29,434 units against almost 31 thousand in 2009).

The number of workers **made redundant**, the number of collective lay-offs (Italian Law 223/91) and the subsequent inclusion in the redundancy lists remained more or less stable (10,221 units against 10,055 in 2009). There was however a drop in the number of individual lay-offs (Italian Law 236/93) made by small businesses that dropped from 23,238 to 22,879 units (-1.5%).

The decrease in employment shown by the administrative data released by Silv is also confirmed by the results of the **VenetoCongiuntura** survey conducted by Unioncamere del Veneto. Based on sample surveys performed in 2010, manufacturing businesses in the Veneto suffered an average 2.1 percent yearly drop in employment rates: this figure is lower than the drop recorded in 2009 (-4.2%). The falling employment rates affected small businesses (up to 9 staff), that suffered a 3.1 percent drop, more than medium-sized businesses, that suffered a 2.1 percent drop. The number of foreigners employed fell significantly (-3.8%), although the drop was lower than the one recorded in 2009 (-7.8%).

**Chart 9 – The Veneto.**  
Total employment and foreigners employed in businesses with 10+ staff (% var. over the previous year). Years 2007-2010



<sup>19</sup> 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.

In other fields of industry the labour market suffered even more severely. For example, retail trade saw a yearly drop in employment rate of 2.8 percent (-2% in 2009). In the services, employment trends were negative for transport (-0.7%), whereas positive signals come from tourism (+0.5%) and innovative and technological services (+1.5%).

The scenario traced based on administrative data and sample surveys is partly confirmed by the results supplied by the Italian Statistical Office (Istat), which however refer only to the first three quarters of 2010<sup>20</sup>. According to an ongoing survey on the labour force, in the Veneto Region, employment has remained overall stable compared to the same period in 2009 (+0.1%), having recorded **2,113 thousand people in employment**. The results for the Veneto appear to be in contrast with those recorded in other north-eastern regions and in the rest of Italy, where employment has dropped 0.5 and 0.9 percent respectively.

The balance of employment is ascribable to the positive trend for self-employment (+12.7%), that is in clear contrast with the **negative variation recorded for employees** (-3.4%). These figures are basically in line with those detected by Unioncamere del Veneto in its business surveys.

Overall, the **employment rate**, i.e. persons in employment as a percentage of the population of working age (15- 64 years), stood at 64.6 percent for the first three quarters of 2010, having dropped by just one percent compared to the same period in 2009. These figures thus confirm a situation of general stability. On the contrary, the **unemployment rate** reveals an upward trend, having risen from 4.8 to 5.6 percent, whereas the **activity rate**, calculated on the population aged between 15 and 64 stood at 68.4 percent (it was 68% in the first three quarters of 2009).

As to the **fields of industry** involved, the drop in employment levels affected the entire industrial sector in the strict sense (-8.6%). On the contrary, growth was recorded in agriculture (+8.1%), construction (+7.4%), services (+3.7%) and trade (+2.2%).

	Veneto			North-East			Italy		
	2009	2010	var. %	2009	2010	var. %	2009	2010	var. %
Labour force	2,216	2,238	1.0	5,292	5,314	0.4	24,938	24,928	0.0
Total Employees	2,111	2,113	0.1	5,054	5,029	-0.5	23,059	22,851	-0.9
Agriculture	61	66	8.1	178	184	3.3	863	878	1.7
Industry excl. Constr.	647	591	-8.6	1,387	1,325	-4.5	4,802	4,576	-4.7
Construction	164	176	7.4	378	384	1.6	1,929	1,936	0.4
Commerce	302	308	2.2	749	747	-0.3	3,448	3,369	-2.3
Services	938	972	3.7	2,361	2,389	1.2	12,017	12,092	0.6
Looking for employment	105	125	18.6	238	285	19.7	1,878	2,077	10.6

Source: Istat data processed by Unioncamere del Veneto

**Table 11 – Italy, the North-East and the Veneto. Labour force broken down by industry (in thousands). Years 2009-2010 (Jan-Sept)**

<sup>20</sup> When this report was printed, the latest figures available referred to the third quarter of 2010.

## Agriculture

After the negative results of 2009, the year in which the Veneto's agriculture registered an overall drop of 8.4 percent, 2010 was marked by a significant recovery in the **value of production**, estimated at 4.8 billion euros and equal to an increase of about 7 percent.

The recovery is not the result of a quantitative increase in production, but rather a significant **rise in the prices** of many agricultural products, which had registered a sharp drop in 2009. Said increase was fuelled in particular by herbaceous crops, whose turnover at current prices registered an estimated increase of 21 percent, to a lesser degree by woody crops (+9%) and even less by farming products (+1%).

**Table 12** – The Veneto.  
Trend in gross agricultural  
production (% change vs.  
previous year).  
Year 2010

	current prices	constant prices
Herbaceous crops	+20÷+22%	-12÷-14%
Woody crops	+8÷+10%	-8÷-10%
Farming product	0÷+2%	-5÷-7%
<b>Gross output</b>	<b>+6÷+8%</b>	<b>-6÷-8%</b>

Source: Veneto Agricoltura estimates on Istat data

In 2010 **herbaceous crops** totalled a production more or less in line with that of the previous year in quantitative terms, but registered a substantial rise in prices in trading markets. This is especially true for the price of cereals. Maize is still the Veneto's most extensively cultivated crop with an estimated area of 275,000 hectares, i.e. slightly less than in 2009 (-1%), and a production of over 2.2 million tons (-2%). The mean annual price reached 168.8 euros/t, i.e. 40 percent higher than the year before. The decrease in area cultivated with soft wheat (92,500 hectares, -8%) was more substantial. However, due to the rise in yield (+5%), the drop in production was limited to 3 percent, down to 545,000 tons. The mean annual price of 182 euros/t equalled a 25 percent increase compared to the mean price in 2009. On the contrary, as regards durum wheat, it is estimated that there was an increase in the cultivated lands (+6%), which, matched by the improved yield, made it possible to reach a production of almost 70,000 tons (+9%) at lower prices compared to 2009 (-11%). The cultivation of rice registered a substantial increase in the cultivated area (4,100 hectares, +29%) and the yield (22,700 tons, +22%) but suffered from a drop in prices of about 24 percent on markets.

The year was positive also for **industrial crops**, except for sugar beets. Soybean crops not only registered a major increase in production (272,000 tons, +22%) due to the rise in both investments (70,500 hectares, +15%) and yield (+6%), but also benefited from the favourable situation of international markets where the mean annual price (340 euro/t) rose by 5 percent compared to 2009. Sugar beets registered a drop in the cultivated area (14,500 hectares, -8%), yield (-7%) and production (-14%). The year was positive for tobacco with an increase in

investments (8,500 hectares, +12%), yield (+21%) and final production, which was estimated to amount to 32,700 tons (+25%). Sunflower crops registered a drop in the number of hectares cultivated and in production by about 7 percent, while noteworthy is the further rise in the area cultivated with rape-seed (3,800 hectares, +12%).

The **vegetable sector** was marked by a further decrease in investments in horticultural crops that shrunk to some 32,600 hectares (-1%). This decrease equally affected greenhouse horticultural crops (3,600 hectares) and open-air crops (25,500 hectares), while the drop was sharper for tuber vegetables (3,500 hectares, -2%). However, the rise in prices allowed the sector to register a 10% rise in the value of production.

It should be noted that in 2010 the **fruit sector** had a rebound after the poor commercial results of the previous year and registered a sharp rise in prices: +48 percent for peaches and nectarines, +14 percent for cherries and +11 percent for kiwifruit. Generally speaking, the Veneto's production was in line with - or slightly higher - than in 2009, while both Italy and Europe suffered a significant drop in production.

The Veneto confirmed its position as the largest national producer of **wine grapes and wines**, with production amounting to 1.1 million tons of grapes and 8.2 million hectolitres of wine (+2%). The year was moderately positive in both quantitative and qualitative terms. It should be noted that after two consecutive years of falling prices, marked by an average drop of some 15-20 percent, grape prices rose again registering a mean increase of 14 percent on the Veneto's commodity markets, with peaks of 30 to 40 percent depending on the province and variety.

The **animal farming sector** recorded a further drop in milk production, which stood at 11 million quintals (-2%), thus making up almost entirely for excess production and allowing the Veneto not to exceed its quota. The farm-gate prices of milk were rather low in the first six months, while they started to rise again after June. As for beef, it is estimated that production amounted to about 210,000 tons, in line with that of the previous year. Prices fell, thus worsening the overall situation marked by rising costs of production in the second half of the year due to feed costs. The pork sector continued to suffer from stagnation due to scarce profitability of farms resulting from the low prices of animals for slaughter and from the rise in the costs of production. The production of pork meat is estimated to amount to 140,000 tons as in 2009. The poultry sector registered its best performance in terms of production in recent years (+5%), with 460,000 tons of meat, but the market prices penalized producers (-2%). However, demand was stronger compared to other types of meat.

The provisional data for the first 6 months of 2010 showed declining figures for the **sea fishing** sector: production fell 17 percent in quantity and 26 percent in value. Also the mean price was lower than in 2009 (about -10%). While the product sold in regional fish markets dropped by 6.7 percent in quantitative terms in 2010, the value was rather stable. The negative trend is partly due to the voluntary fishing ban by fishermen in June 2010 to protest against EU measures for small-scale trawling.

The trend observed for some years now continued and at the end of 2010 there was a drop in the number of Veneto-based **active businesses** in the Register of Companies of the Chambers of Commerce to slightly over 75,600 units (-2.9%

compared to 2009), while the number of agro-food businesses was more or less stable at almost 3,700 units (-0.5%)<sup>21</sup>.

Based on the provisional data on employment in the first 9 months of 2010, the total number of **employees** in the agricultural sector increased by 8.1 percent over the same period of the previous year, thus exceeding the national average and the performance of other regions of Italy's North East.

In 2010 the Veneto's **trade deficit** in agrofood products decreased by 4.4 percent compared to 2009, thus dropping to about 887 million euros. This result is due to a rise in exports (+15.1%, reaching 4 billion euros), which was greater than that in imports (+11%, 4.9 billion euros).

A closer look at the most significant trends in the **early months of 2011** shows that the prices of cereal products generally continued to rise, almost reaching 300 euro/t for soft wheat (more than double the prices in the same period of 2010) and registering significant increases also for maize (+70%) and soybean crops (+25%). The first information collected from local farmers on their seeding intentions for the new farming year showed a sharp drop in investments in winter cereals due to the bad weather conditions that characterized the fall of 2010 in the order of 30-40 percent for soft wheat and even more for durum wheat and barley, while the brunt of investments would go to maize (+8-10%) and soybean, whose number of cultivated hectares could rise to about 20 percent.

As regards the wine trade, the trend in prices in early 2011 for DOC red wines on the Verona exchange seems to confirm the substantial increase (+34%) recorded in the last months of 2010, while DOC white wines in Treviso have registered a further increase in prices (7%) compared to the one registered at the end of 2010. Milk prices too have shown a slight increase in early 2011 reaching about 40 euro/100 litres, thus increasing the profitability of animal farms.

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<sup>21</sup> Starting from this report, the number of enterprises operating in the food sector was determined based on the new Ateco 2007 classification (C10, C11, C12), which replaces the previous Ateco 2002 classification (D15 and D16). This change led to a sharp downsizing of the sector in which some 3,900 units were reclassified and moved to the services sector. Due to this shift the number of food enterprises dropped from 7,600 to 3,700 units. This event should not be interpreted as a real crisis in the sector, but simply reflects the result of the implementation of the new classification.

## Manufacturing industry

2010 was a positive year for manufacturing, even though production recovery proceeded slowly. After the sudden drop in the last two-year period, 2010 saw industrial production partly recover the ground lost, returning to 2005 levels. However, qualitative indicators do not seem to show any consolidation in the cycle.

In 2010 the regional **industrial production** index calculated by Unioncamere del Veneto based on the results of the *VenetoCongiuntura*<sup>22</sup> survey registered a mean annual variation of +6.3 percent, achieving positive results in all quarters of the year. Though encouraging, the overall figure conceals the still negative performance of micro-businesses (up to 9 employees), which registered a mean annual decrease of -2.3 percent. This is due to the prolonged effects of the economic crisis on the weaker segments of the production supply chains, which started to register positive results only in the second half of 2010. The recovery was driven especially by large-sized enterprises (250 employees and over). The latter registered an average annual increase of 11.8 percent, almost double the regional figure, followed by medium-sized enterprises (50-249 employees) with +8.3 percent.

	1st quarter 2010	2nd quarter 2010	3rd quarter 2010	4th quarter 2010
<b>Sector</b>				
Food, beverage and tobacco	4.3	4.6	2.8	4.0
Textile, clothing and footwear	3.9	4.2	0.0	5.2
Wood and furniture	-4.3	4.1	-0.1	2.0
Paper, print and furniture	3.6	2.5	4.6	-1.7
Rubber, plastic	6.8	6.7	8.6	4.2
Marble, glass, ceramics and non-metal products	-1.1	12.0	-1.1	-2.9
Metal and metal products	4.9	8.5	11.8	11.4
Machine tools	0.3	15.5	10.3	9.8
Electrical and electronics machinery	11.2	18.9	11.5	16.1
Means of transport	-	15.9	-0.6	-18.0
Other manufacturing enterprises	21.7	2.2	1.4	0.4
<b>Main grouping of Industries</b>				
Capital goods	-2.1	8.4	6.4	9.9
Intermediate goods	8.9	11.7	10.1	8.3
Consumer goods	4.5	5.9	0.4	0.8
<b>Class size</b>				
2 - 9 employees	-8.5	-1.9	0.8	0.1
10-49 employees	1.8	6.1	3.0	4.2
50-249 employees	9.3	9.6	6.9	7.2
250 or more employees	12.7	13.9	11.3	9.4
<b>Total</b>	<b>5.3</b>	<b>8.6</b>	<b>5.5</b>	<b>5.7</b>
of wich with 10 or more employees	6.9	8.9	5.6	5.8

Source: Unioncamere del Veneto - VenetoCongiuntura survey

**Table 13 – The Veneto.**  
Trend in industrial production by activity, field of industry and company size (% change over the same quarter of previous year). Year 2010

<sup>22</sup> The *VenetoCongiuntura* survey conducted every quarter on a regional sample of over 2,000 manufacturing firms with at least 2 employees is the main source of information for the economic analysis of manufacturing firms for both its scope of observation and the rigour of the method adopted (cf. [www.venetocongiuntura.it](http://www.venetocongiuntura.it)).

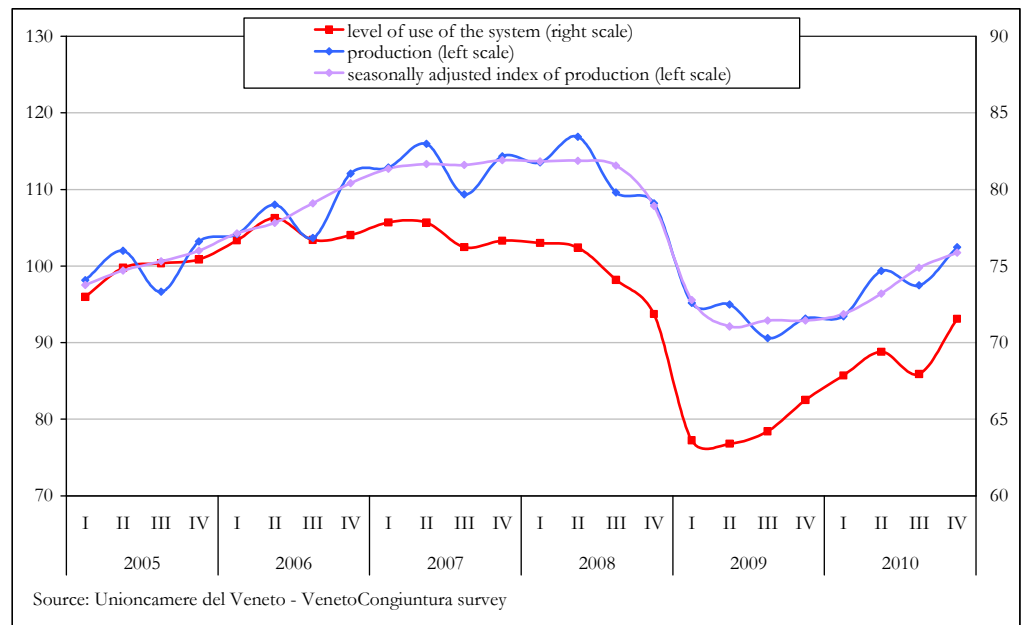
The recovery in production levels was fuelled by the strong increase in the Region's **exports**, following the growth in world trade. Above all, intermediate goods showed a more favourable trend with a mean annual variation of 9.7 percent, thus confirming the overall recovery in the manufacturing sector, followed by instrumental goods with +5.6 percent. The trend in consumer goods is positive but still low at +3 percent. In 2009 these goods were less harshly affected by the recession, thus buffering the drop in production.

Considering individual sectors, the electrical and electronic machinery industry registered the best performance with a mean variation of +14.4 percent, followed by the mechanical and metallurgical industries. Enterprises operating in the food, rubber and plastic sectors also registered positive results, followed by those of the fashion, paper and printing industries. The transportation and vehicle industries registered a mean drop of -0.9 percent due to the slowdown in sales in the entire automotive sector.

The trends shown by the Unioncamere del Veneto surveys are confirmed by the data published by Istat, according to which the industrial production index registered an annual increase of +5.5 percent in 2010, and are better than those published by Unioncamere Italiana, according to which Italy's North East recorded a +2.9 percent, confirming the good performance of the Veneto's industry.

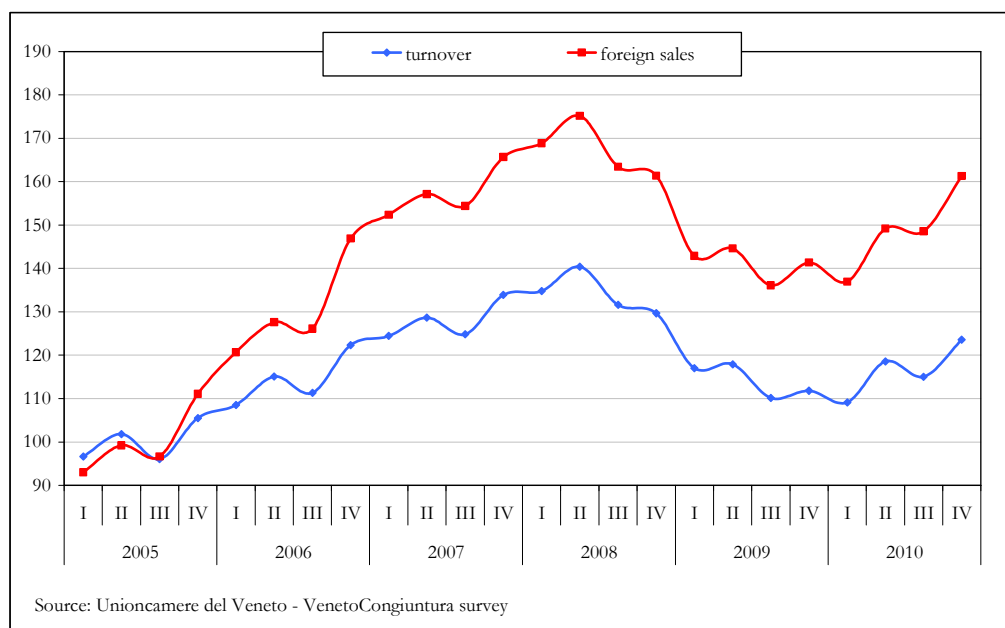
The good result achieved in 2010 has been confirmed also by the **capacity utilization rate** (Table 10), which registered a mean annual value of 69.2 percent, i.e. an increase of almost 5 percentage points compared to 2009, reaching 71.5 percent in the fourth quarter, namely the value registered at the end of 2008.

**Chart 10 – The Veneto.**  
Trend of industrial production (raw and seasonally-adjusted index based on 2005=100) and capacity utilization rate for companies with less than 10 employees. Years 2005-2010



According to the *VenetoCongiuntura* survey, the overall **turnover** registered a positive result similar to that of production and recorded in 2010 a mean annual variation of +6.8 percent compared to the previous year, namely the highest value in the past decade.

A decisive contribution to recovery came from **foreign sales**, which recorded a mean increase of +9.8 percent, the highest in the last 10 years, thus returning to the same levels reached at the end of 2008, when the first signs of the crisis were being felt.



**Chart 11 – The Veneto.**  
Trend in turnover and foreign sales for companies with less than 10 employees. Years 2005-2010

Recovery in the manufacturing sector was fuelled also by domestic and foreign **orders**. While domestic demand remains weak, as in the rest of Italy, foreign demand and foreign sales have returned to the maximum levels reached in 2008.

**Employment** is still causing concern: in 2010 it showed a mean annual decline of 2.1 percent. The most affected are **foreign workers** (-3.8% in 2010) who have been laid off by manufacturing companies and will find it hard to be absorbed in the job market, thus fuelling unemployment.



## 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 further decrease in investments with a drop of -8.5 percent in real terms and -10 percent in constant values (net of inflation). It is the second most significant decline since the beginning of the market crisis after the much greater one in 2009 (-14.1% in investments at current values).

In 2010 the construction sector in the Veneto reaped **investments** of slightly over 12.6 billion euros. Considering also the 3 billion euros in ordinary maintenance, the overall value of production stood at about 15.6 billion euros. However, the crisis has altered the market structure: building renovations accounted for 51.6 percent of investments, thus becoming the leading market at the expense of new buildings. The data on residential renovations with 29.1 percent of investments, i.e. 4 percentage points more than new residential buildings, is extremely significant. In terms of cyclical trends, 2010 was marked by a sharp negative variation in new buildings in both the residential sector (-12.8%) and in the private and public non-residential sector with -13 percent and -17.8 percent respectively. The decrease in public works (-17.6%) was also significant: while in the past public works had always had an anticyclical role during crises, in this case this item worsened the negative trend of the entire sector. In the 2008-2010 period, the Veneto's building market lost a total of 21.4 percent in investments, but the drop in the new buildings sector alone amounted to 32.5 percent, with a peak of 35.3 for new residential buildings. Similar values were registered in the private non-residential sector (-31.3%). Put otherwise, the building crisis in the Veneto between 2008 and 2010 saw a one-third contraction in both the residential and non-residential new buildings markets, which had always been key markets for building enterprises.

The crisis has changed the very structure of the building market. In this scenario of transformations, however, it should be noted that in 2010 the recovery in the residential building sector registered a 3.8 percent increase, the only growing market - as proven, among other things, by the rise in demand linked to the 36 percent tax credit for green remodelling and energy efficient improvements.

**Table 14 – The Veneto.**  
Investments in the  
market of reference  
(millions of euro in  
current value)  
Years 2008-2010

	2008	2009	2010	var. % 09/08	var. % 10/09	distr. % 2010
<b>New Buildings</b>	<b>9,063</b>	<b>7,107</b>	<b>6,122</b>	<b>-21.6</b>	<b>-13.9</b>	<b>48.4</b>
residential buildings	4,904	3,637	3,172	-25.8	-12.8	25.1
non-residential private buildings	2,520	1,989	1,730	-21.1	-13.0	13.7
non-residential public buildings	427	453	373	6.2	-17.8	2.9
civil engineering	1,213	1,029	847	-15.2	-17.6	6.7
<b>Renovation</b>	<b>7,013</b>	<b>6,696</b>	<b>6,515</b>	<b>-4.5</b>	<b>-2.7</b>	<b>51.6</b>
residential buildings	3,544	3,541	3,675	-0.1	3.8	29.1
non-residential private buildings	2,253	2,099	1,966	-6.8	-6.3	15.6
non-residential public buildings	377	334	275	-11.4	-17.7	2.2
civil engineering	839	723	600	-13.9	-17.0	4.7
<b>Total investments</b>	<b>16,076</b>	<b>13,804</b>	<b>12,637</b>	<b>-14.1</b>	<b>-8.5</b>	<b>100.0</b>

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

The growth rate of renovations and the almost 22,000 applications within the framework of the “housing plan” registered as of 31 December 2010 are signs of a scenario marked by a slow and partial recovery of the market in the near future. Businesses were severely affected by the impact of the crisis in 2010, although some categories coped better than others. Data on the **number of businesses** active in the building sector, both artisan and non-artisan, showed an overall decrease of 0.9 percent compared to 2009 (when the decrease amounted to 1.4%). However, the drop was sharper among the non-artisan firms (-1.5%) compared to the artisan firms (-0.7%). In particular, the data show that some types of business are witnessing strong growth, among which artisan joint-stock companies (+7.6%) and artisan cooperatives and consortia (+5.2%). On the contrary, the businesses most heavily hit by the crisis are non-artisan sole proprietorships (-10%) and artisan and non-artisan partnerships, which have registered a decrease of -2.4 and -2.1 percent respectively. After an extremely difficult 2009 for businesses, 2010 too was marked by a situation of great hardship, but, as was the case the year before, the negative trend has affected demand in a varying manner. Better structured companies and companies joined by forms of cooperation proved able to better tackle the crisis. These elements can be useful in defining an intervention strategy to favour market recovery in the future.

**Table 15 – The Veneto.**  
Active artisan and non-artisan building enterprises by legal status. Years 2009-2010

	2009	2010	Var. % 2010/2009
Artisan			
Joint stock	2,098	2,258	7.6
Partnership	8,149	7,956	-2.4
Sole partnership	48,156	47,799	-0.7
Other forms*	58	61	5.2
<b>Total</b>	<b>58,461</b>	<b>58,074</b>	<b>-0.7</b>
Non-artisan			
Joint stock	9,551	9,675	1.3
Partnership	3,292	3,222	-2.1
Sole partnership	3,098	2,788	-10.0
Other forms*	809	807	-0.2
<b>Total</b>	<b>16,750</b>	<b>16,492</b>	<b>-1.5</b>
<b>Total</b>	<b>75,211</b>	<b>74,566</b>	<b>-0.9</b>

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

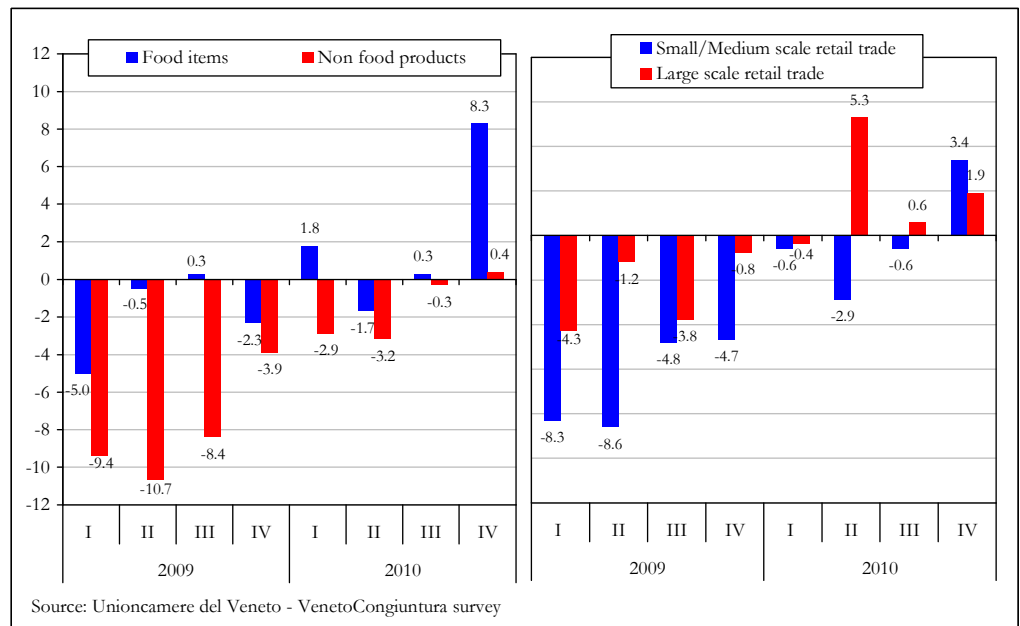
\* "Other forms" include cooperatives and consortia

Against a backdrop of economic slowdown and sluggishness, the CEAV-Unioncamere Observatory has underscored that the crisis has been felt more intensely in the first part of the year, while the fourth quarter already showed a slight turnaround. This provides reason for hope, especially in terms of employment, since one of the most serious consequences of the crisis has been the negative trend in employment (-3,300 employees according to the data of Veneto Lavoro), although Istat data on the second and third quarters of 2010 did not confirm this trend and actually registered a substantial recovery in jobs with average increases of over 10 percent. Said recovery is definitely due to the favourable period for construction site works and to the actual launch of the "housing plan", which starting from the second quarter of 2010 saw a sharp increase in applications.

## Trade

In 2010 retail sales in Italy remained stable with +0.2 percent compared to 2009. According to Istat, the trend is stagnant and has been heavily affected by the drop both in consumption of foodstuffs and in the number of small-sized shops. The situation in the Veneto is better. Based on the *VenetoCongiuntura* data of Unioncamere del Veneto, **retail sales** registered a mean annual increase of +1.2 percent, a result much better than that of 2009 (-5.3%). In particular, the third quarter of 2010 was the first in which all kinds of products sold and the size of businesses registered a positive result.

**Chart 12 – The Veneto.**  
Trend in retail sales by product and business size (% change vs. the same quarter in the previous year).  
Years 2009-2010



The positive trend in sales can be ascribed to the good performance of **food products**, which grew by over 2 percent. **Non-food products** recorded instead a negative mean annual variation of -1.5 percent (Chart 12).

In terms of **size**, a substantially positive contribution came from large-scale retail trade, which grew by 1.9 percent (data confirmed also by the national survey on department stores<sup>23</sup>), as opposed to the stability of small retailers (-0.2%).

Orders registered an oscillating trend over the year, alternating very positive peaks and negative dips, though achieving a mean positive value of 0.7 percent.

Considering the consumer price index for the entire country (NIC), estimated by Istat, the **inflation rate** in 2010 reached **+1.5 percent**, higher compared to 2009 (+0.8%), when it had reached the lowest value in 50 years, in stark contrast to the sharp rise in 2008 (+3.3%).

The Veneto followed the national trend, recording a mean annual change in

<sup>23</sup> According to the data of the Italian Unioncamere, in collaboration with REF (Research in Economy and Finance), in 2010 department store sales registered a 1.9% increase compared to 2009. The bi-monthly monitoring of sales in department stores with regard to consumer packaged goods is based on the weekly surveys on scanner data and on promotional campaigns, carried out by A.C. Nielsen and IRI-Infoscan, which are then integrated with the survey conducted by Chambers of Commerce on retail economic trends. The analysis illustrates the various trends in department store sales by geographical area, region and market of reference. It is a sector comprising over 9,000 points of sale among which hypermarkets and supermarkets, 23% of which are located in western Italy, 21% in the North East, 19% in central Italy and the remaining 36% in southern and insular Italy.

consumer prices equal to +1.4 percent. The rise in the regional inflation rate was due mainly to higher prices in transportation (+4.2%), alcoholic beverages and tobacco (+2.8%) and education (+2.5%). All expenditure items contributed nonetheless to the rise of inflation, save for communications, the only sector to record a negative change (-0.9%).

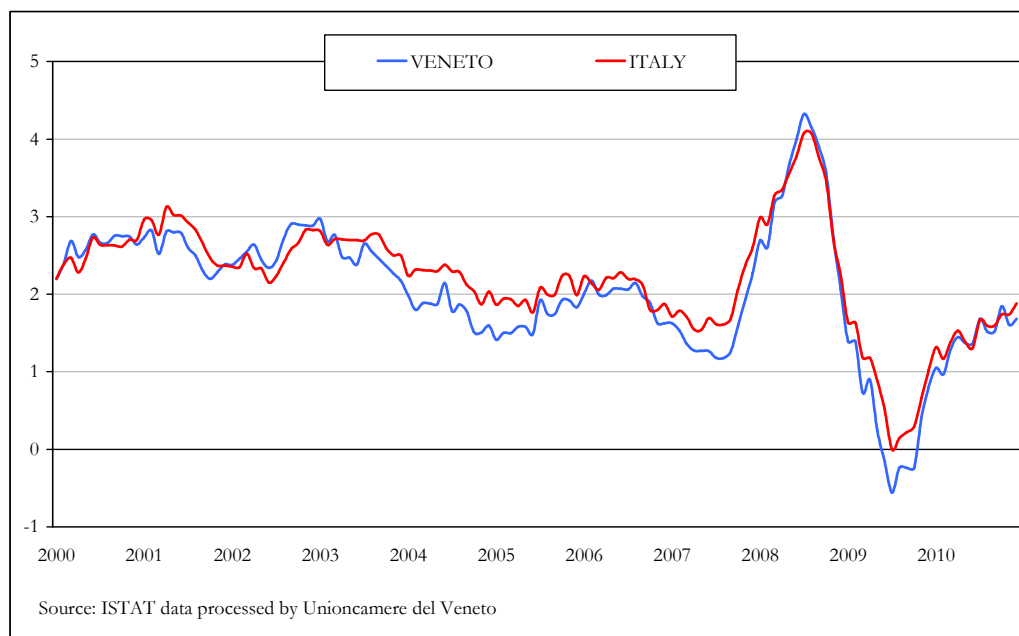


Chart 13 – Italy and the Veneto. Consumer price index for the entire country (NIC). Years 2000-2010

With regard to **car sales**, the drop started in 2008 has continued. According to data supplied by UNRAE (*Unione Nazionale Rappresentanti Autoveicoli Esteri* - Italy's National Association of Representatives of Foreign Car Manufacturers), in 2010 in the Veneto almost **152 thousand new vehicles** were registered, more than 14 thousand less than in 2009, namely a -8.6 percent decrease. Nationwide the decrease was slightly sharper, namely -9.1 percent. Compared to other Italian regions, the Veneto's trend was better than that of Emilia Romagna (-9.7%), but worse than Lombardy (-8.4%), Piedmont (-5.2%) and Tuscany (-4.7%).

	2009	2010	% variation 10/09
Piedmont	199,986	189,588	-5.2
Lombardy	403,954	370,221	-8.4
Emilia Romagna	176,203	159,053	-9.7
Tuscany	189,915	180,927	-4.7
<b>Veneto</b>	<b>166,361</b>	<b>151,988</b>	<b>-8.6</b>
<b>Italy</b>	<b>2,171,275</b>	<b>1973911</b>	<b>-9.1</b>

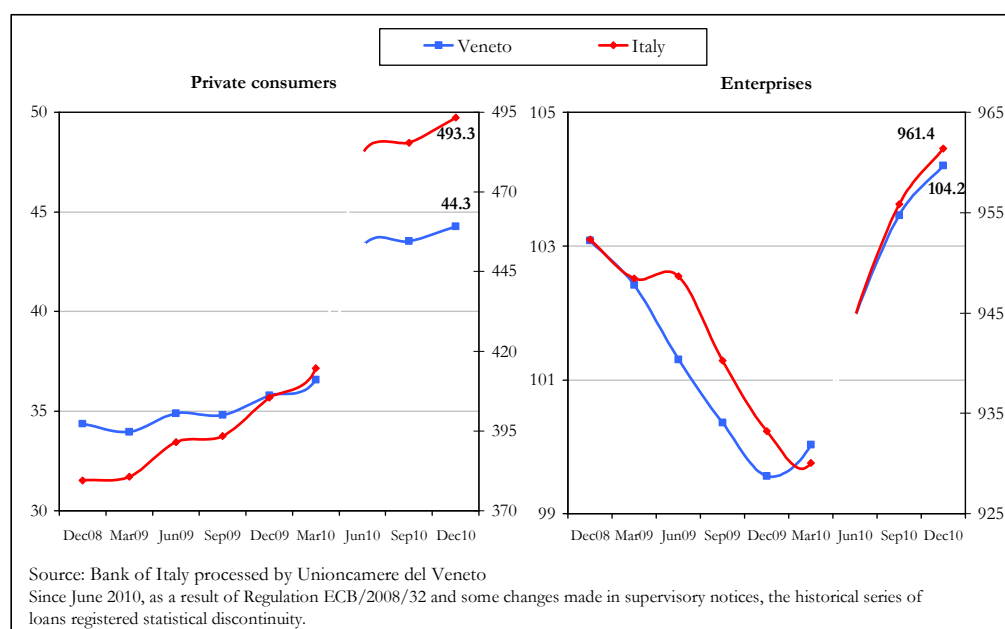
Table 16 – Italy. Car registrations by region. Years 2009-2010

Source: data processed by UNRAE on Ministry of Transport data, last updated: 28 February 2011

## Credit

After the drop registered in 2009, the demand for loans registered a moderate recovery in 2010. According to data supplied by Banca d'Italia, in December 2010 the **lending activity**<sup>24</sup> of banks in the Veneto to support the regional economy registered an estimated growth of +5.6 percent over the year, greater than the rate registered in Italy (+3.9%)<sup>25</sup>. Despite the variations in the volume of loans in June 2010 and the subsequent interruption of the series, it is clear that the trend in investments improved over the year (Chart 14), hitting the 44 billion euros mark regionally and 493 billion euros in Italy. Based on the estimated growth rates, compared to the -3 percent drop recorded at the end of 2009, in 2010 the Veneto registered a rise in loans granted by almost 9 percentage points, much better than the result recorded nationwide (+5.5 percentage points).

**Chart 14 – Italy and the Veneto. Trend in bank loans to businesses and consumers (values in billions of euro). Dec. 08 - Dec. 10**



<sup>24</sup> 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. The loans comprise bad and doubtful debts and repo transactions.

<sup>25</sup> Since June 2010, as a result of Regulation ECB/2008/32 and some changes made in supervisory notices, the historical series of loans and deposits registered statistical discontinuity. In particular, the historical series of loans includes all securitised or otherwise transferred loans that do not meet the write-off criteria set forth by international accounting standards (IAS), similarly to those for the drawing up of financial statements. Application has entailed the re-posting in financial statements of assets previously written off and the associated liabilities, with a subsequent increase in the historical series of loans and deposits. Following these changes, an estimate of the growth rate in total loans, consumer loans and loans to businesses has been calculated. Assuming that the IAS impact of June 2010 remained unchanged in the following months, the estimate was obtained by deducting the IAS impact of June 2010 from the value of the loans from June to December 2010.

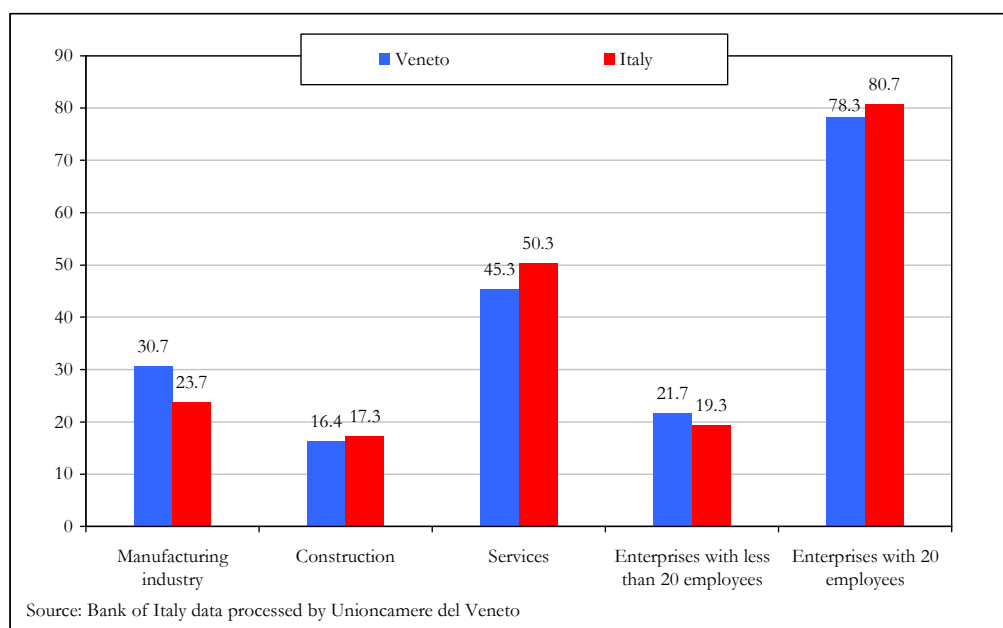
The increase in bank loans can be mainly ascribed to the rise in loans to **private consumers**<sup>26</sup>. According to the estimates of Unioncamere del Veneto based on Banca d'Italia, at the end of 2010 loans in the Veneto increased by +7.8 percent over twelve months, in line with the rest of the country, thanks also to the drop in interest rates. Based on the latest data, between December 2009 and June 2010, the short term interest rates dropped by 23 basis points, reaching 4.4 percent. The interest rates on new medium and long-term loans dropped instead by 12 basis points, namely to 2.8 percent, while the annual percentage rate on new home mortgages dropped by 15 basis points (to 2.4%).

Loans to **businesses**<sup>27</sup> have also registered a moderate recovery. At the end of December 2010 the growth rate amounted to +2.9 percent. The decrease in loans to businesses in progress since 2009 stopped only in the second half of 2010: both in March and June, bank loans to enterprises were still decreasing over the 12-month period by -2.3 and -1.1 percent respectively.

In Italy the trend was similar to the regional trend with decreases in the order of -1 percent in the first part of 2010 and with moderate increases in the second half of the year (+0.6% in September, +2% in December).

An analysis of loans to businesses broken down by main **sectors** of the economy shows a greater liveliness in the tertiary sector, which absorbed about a half of the loans, accounting for 45.3 percent in the Veneto and 50.3 percent in Italy. The loans used by the manufacturing sector amounted to 30.7 percent at a regional level and 23.7 percent in Italy, while construction registered 16.4 and 17.3 percent respectively.

The analysis of bank loans for the two main size categories showed a greater incidence of loans to businesses with at least 20 employees (78.3% of the total of those existing on 31 December 2010 amounting to about 76 billion euros in the Veneto; 80.7% for about 727 billion euros in Italy) compared to smaller businesses (21.7% for about 21 billion euros in the Veneto and 19.3% for about 174 billion euros in Italy).



**Chart 15 – Italy and the Veneto. Trend in loans to production activities broken down by sector and business size (comp.%). December 2010**

<sup>26</sup> The aggregate refers to private consumers, private social institutions and entities not classifiable by the reporting bodies.

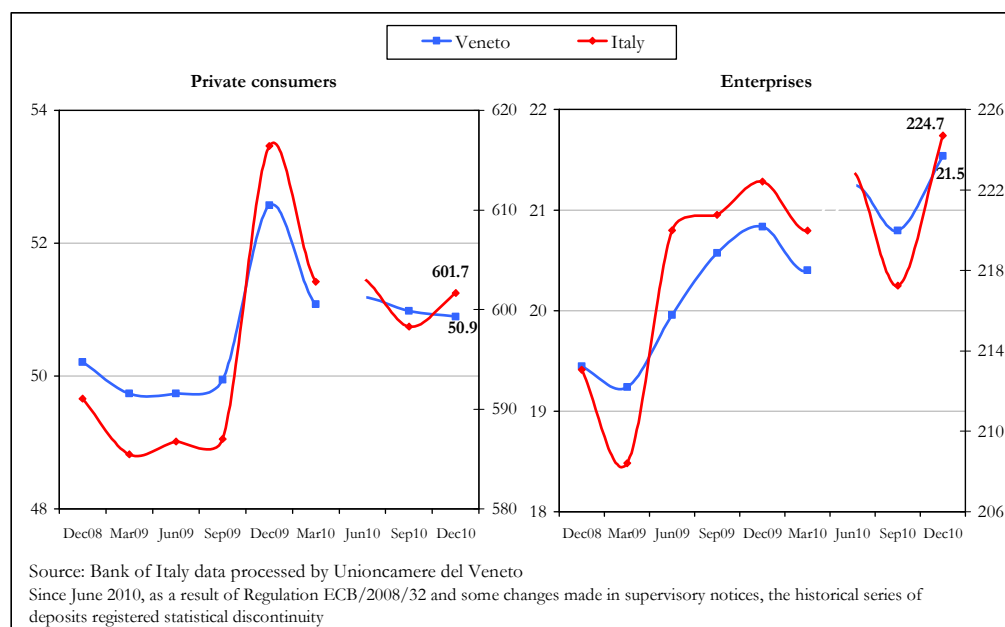
<sup>27</sup> The aggregate refers to the production sector composed of non-financial businesses and income-generating families.

The improved economic situation has stopped the rise in the **average risk** of loans, especially with regard to businesses. Between June 2009 and June 2010 the mean flow of new adjusted doubtful loans amounted to 2.5 percent of ongoing loans at the beginning of the period (2.6% at the end of 2009). It was worsened by the greater risk among private consumers, while the decay rate recorded almost no variation among businesses. In particular, the industrial sector recorded a drop in the loan riskiness from 4 to 3.5 percent between the end of 2009 and June 2010, which was offset by the increase registered in the construction sector, from 2.6 to 2.9 percent. The decay rate for businesses in the tertiary sector was unchanged compared to the previous year (2.4%).

Changes introduced to the calculation of **deposits**<sup>28</sup> by Banca d'Italia to bring it in line with EU regulations do not allow for an overall analysis of the trends recorded in 2010, but only for the individual semesters of the year. An analysis of the levels recorded in the two periods shows an overall slowdown in deposits, with a recovery only in the last quarter. In December 2010 the amount of bank deposits<sup>29</sup> in the Veneto stood at 75 billion euros, recording a sharp decline compared to June 2010 (-5.6%). By contrast, in Italy the situation in bank deposits was more or less stable in the last half of the year (+0.1%, for a value of 1,073 billion in December 2010).

The drop in deposits is to be ascribed in part to private consumers (-0.6% in December 2010 compared to June in the Veneto, -0.3% nationwide), while the amount of deposits held by businesses rose slightly (+1.4% in the Veneto, +0.8% in Italy).

**Chart 16 – Italy and the Veneto. Trend in bank deposits made available to businesses and consumers (values in billions of euro). Dec. 08 - Dec. 10**



<sup>28</sup> Unlike loans, it was not possible to calculate an estimated variation rate for deposits, as the impact on the historical series due to the changes made in June 2010 was not measured.

<sup>29</sup> 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

According to estimates and provisional data provided on the occasion of the BIT (*Borsa Internazionale del Turismo - International Tourism Exchange*), in 2010 the Veneto confirmed once again its role as a *leading* region in Italian tourism, with a strong appeal especially for foreigners. Data for the Veneto are to be considered as definitive. After two years of sluggishness, the year that has just come to an end closed with a plus sign in terms of both the number of arrivals and the number of stays.

In 2010 the Veneto hosted over **14.5 million tourists**, 61 percent of whom from abroad, leading to a 4.6 percent increase compared to 2009 and 3.2 percent compared to 2008. It is an extremely important result, not only because it marks a change in the trend, but also shows the best result in terms of the number of *incoming* guests since the start of the century, reaching pre-crisis levels. The growth in the number of arrivals was stronger among foreign guests (+7.1%) who have flocked to heritage cities (+12.3%) and lakeside and mountain resorts. The appeal of the Veneto among Italians also grew (+0.8%), with a great interest in heritage cities (+5.1%) and spa resorts (+4.7%).

The **number of overnight stays almost reached 61 million units**, tantamount to a 0.6 percent increase compared to the year before and near the record achieved in 2007. As in the case of arrivals, the number of guests too registered a positive trend among foreign guests (+2.3%), thus making up for the drop among Italians (-1.8%), which continued for the third time in a row.

However, despite these favourable results, the **mean stay**, after three years of stability, has dropped again to **4.2 days**, accounting for the lowest figure since 2000. The length of stay has dropped among both foreigners and Italians, thus confirming shorter and more frequent holidays.

The arrival of guests was positive over the entire year, except for the months of April, which coincided with the drop in the number of foreign visitors due partly to the extended block on air traffic in Europe following the eruption of the Icelandic volcano Eyjafjallajökull, and August, which was affected by the drop among Italians (-5.4%). On a monthly basis, the flow of foreigners steadily rose compared to 2009 (only January and April were negative), above all in the second half of the year (+8.3%), with a strong recovery in July and September. The trend in foreign tourism to the Veneto closely followed the trend registered internationally by the World Tourism Organization, which showed a recovery in the flow starting in May. The trend then picked up steam in the following months, achieving excellent results especially in the last quarter. The arrivals of Italian guests recorded greater discontinuity with drops in May, August, September and December offset by positive results in June, July and October. It should be noted that the weather in the summer 2010 was marked by heat waves, with extremely hot temperatures in July, alternated with cold spells and extraordinary rainfall in the months of August and September, thus having both an encouraging and discouraging effect on domestic tourism.

A similar trend, both overall and by origin, was recorded in the number of presences with excellent performance in March, May (strong recovery in tourism from across the Alps, +20%), July and October, bad results in April and June and stable figures in August and September.



**Table 17 – The Veneto.**  
Tourist flows by type of accommodation and destination.  
Years 2009-2010

	2009		2010		% variation	
	arrival	stay	arrival	stay	arrival	stay
<b>Accommodation facilities</b>						
hotel	9,476,138	27,748,475	10,087,941	28,291,457	6.5	2.0
extra hotel	4,469,034	32,695,799	4,495,801	32,528,258	0.6	-0.5
<b>District</b>						
heritage cities	6,619,713	15,539,887	7,266,513	16,236,786	9.8	4.5
lake	2,012,398	10,007,315	2,069,930	10,298,055	2.9	2.9
seaside	3,768,079	26,304,260	3,685,059	25,818,498	-2.2	-1.8
mountains	953,460	5,562,461	955,482	5,461,133	0.2	-1.8
spa resorts	591,522	3,030,351	606,758	3,005,243	2.6	-0.8
<b>Total</b>	<b>13,945,172</b>	<b>60,444,274</b>	<b>14,583,742</b>	<b>60,819,715</b>	<b>4.6</b>	<b>0.6</b>

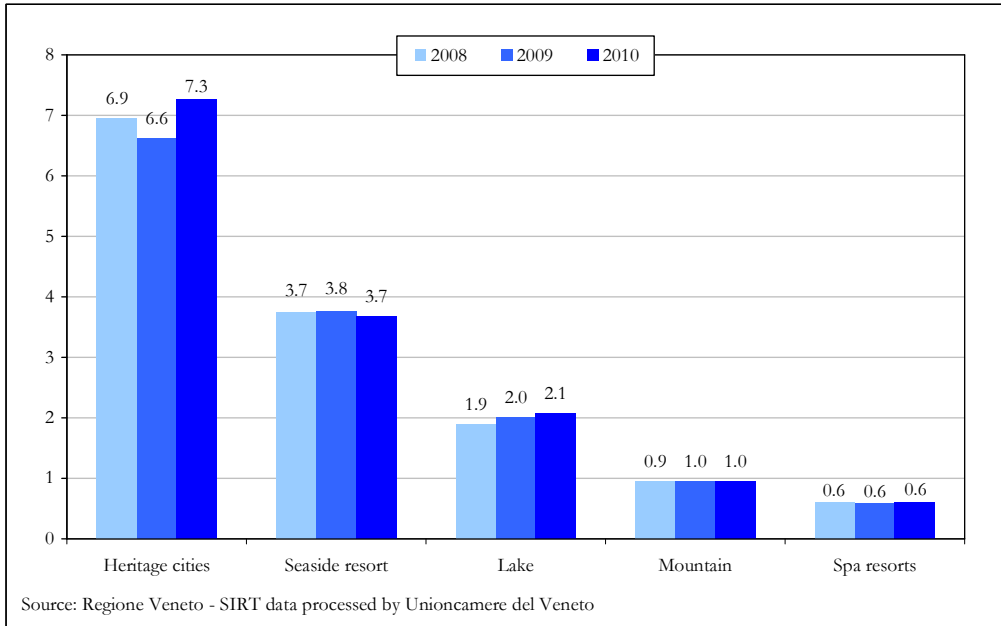
Source: Regione Veneto (SIRT) data processed by Unioncamere del Veneto

The easing of the economic situation was reflected on the tourism behaviour of **Italians**: while 2009 was marked by a greater number of guests from neighbouring regions or the Veneto and by a substantial drop in visitors from geographically farther places, thus confirming the tendency during the crisis of preferring nearby destinations, 2010 recorded a significant decrease in the number of visitors from around the Veneto and Trentino, matched by a rise in flows especially from Latium and Lombardy. As for overnight stays, there was a widespread contraction with interesting exceptions among tourists from southern Italy.

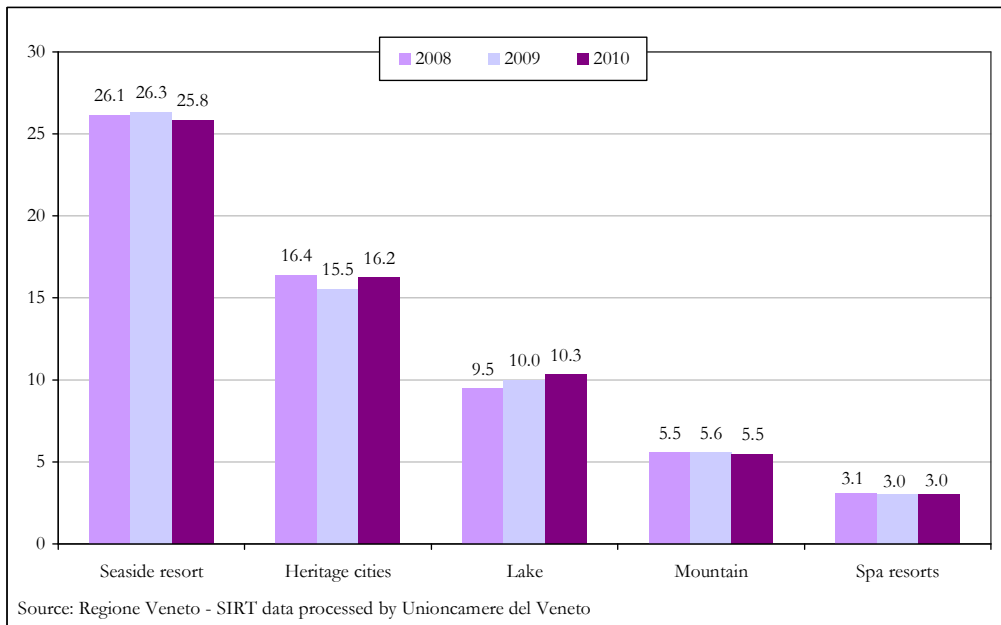
Continental Europe continues to be a point of reference for the **tourism market** of the Veneto, and this was confirmed also in 2010. There was a recovery among North American guests (+9.6% from the United States and +13.7% from Canada), while the entire sector was revitalized by Russian visitors with a +39.8 percent in terms of arrivals and +29 percent in the number of guests. Flows from Australia, South America and other extra-European countries were also very interesting, thus confirming the existence of new and important potential users of the Veneto's tourism services. The British and Dutch, instead, have abandoned the region, like the Irish and Greeks crushed by the burden of their domestic economic woes.

The **hotel system** registered an overall increase of 612,000 arrivals compared to 2009 (+6.5%) and almost 543,000 overnight stays (+2.0%), but the mean length of stay dropped further. Superior quality hotels did very well in terms of arrivals (+14.3%) and number of guests (+9.1%). Three-star hotels registered an increase in the number of guests, but the stays were shorter. Lower categories continued to witness the decline started already at the beginning of the 2000s.

The non-hotel sector, after the expansion around the middle of the decade, was steady with a +0.6 percent in arrivals and -0.5 percent in the number of guests. This sector showed major differences. While agritourism accommodations have continued to exert appeal, other types of accommodation, among which camp grounds and tourist resorts, registered a slowdown.



**Chart 17 – The Veneto.**  
Tourist arrivals by tourist area (millions).  
Years 2008-2010



**Chart 18 – The Veneto.**  
Tourist stays by destination (millions).  
Years 2008-2010

## Transport

After a troubled period, in 2010 the transportation sector registered steady activity. The decade-long effort to recover and implement the infrastructure network in the Veneto has continued with success thanks to increasing recourse to *project financing*.

Provisional AISCAT data on the regional **motorway network** showed an increase in traffic in 2010. Compared to 2009, the indicator expressed as vehicles per km increased by 1.7 percent (+0.4% nationwide), with significant differences in the trend in both components (+1% for light vehicles and +3.7% for heavy vehicles).

**Table 18 – The Veneto.**  
Passenger and cargo  
traffic in airports.  
Year 2010

Airport	Passengers		Goods (tons)	
	Absol. value	var.% 10/09	Absol. value	var.% 10/09
Venice - Marco Polo	6,868,968	2.3	37,612	15.6
Verona - Valerio Catullo	3,023,897	-1.4	4,634	-26.9
Treviso - Antonio Canova	2,152,163	21.0	2,932	6.1
<b>TOTAL</b>	<b>12,045,028</b>	<b>4.2</b>	<b>45,178</b>	<b>8.5</b>

Source: Assaeroporti data processed by Unioncamere del Veneto

After the setback registered in 2009, the **airport system**, both national and regional, has started to grow again. According to the data of Assaeroporti, Italian airports closed 2010 with about 140 million transiting passengers, thus turning around the negative trend started in 2008 (133.8 million passengers) and continued in 2009 (130.7 million passengers). The 2010 data for the Veneto also showed a recovering trend. As a whole, the Veneto's three main airports (Venice, Verona and Treviso) registered positive trends in both passenger and cargo traffic. In 2010 the Veneto's airports recorded over 12 million transiting passengers and 45,200 tons of cargo, namely 4.2 percent and 8.5 percent higher than 2009 respectively. In 2010 the **Venice and Treviso** airport system ranked third nationwide totalling over 9 million passengers (+6.2% compared to 2009). The number of flights rose by +1.2 percent (total of 95,280). Cargo traffic also recovered with 4.6 percent increase.

In particular, the passengers transiting through the **Venice airport** in 2010 amounted to almost 7 million, namely a 2.3 percent increase compared to 2009, while flights amounted to 74,692 (-1.5% on an annual basis). In April 2010 the volcanic ash cloud from Iceland forced the airport to close for a few days and the loss was estimated to amount to over 85 thousand passengers, with the cancellation of 800 flights. Domestic airline traffic rose by 11 percent thanks both to the flights operated by Easyjet to and from Rome and Naples and to the passengers carried by Alitalia and Meridiana in the domestic market. International airline traffic remained roughly steady compared to the previous year (+0.4%). An analysis of the breakdown between domestic and international traffic confirmed once again the international scope of Venice airport: 72 percent of passengers flew to European and intercontinental destinations, compared to the 57 percent of the entire Italian airport system. Cargo traffic amounted to 37,612 tons, recording a significant increase of 15.6 percent compared to 2009. The cargo

sector confirmed the good trend recorded in previous years (excluding 2007), which has made it possible to finally overcome the crisis that had started in early 2009 due to international political and economic instability.

During 2010 **Treviso airport**, with over 2.1 million passengers, recorded a 21 percent increase compared to the previous year, thus confirming the growing trend of recent years (flights amounted to 20,588, namely +12% compared to 2009). The Icelandic volcano ash cloud led to a 4.5-day closure of the airport in April 2010, with a loss of 35,000 passengers and the cancellation of 250 flights. Moreover, the closing of many European airports in December and November due to snow led to the cancellation of other flights to and from Treviso. Ryanair carried over 1.5 million passengers in 2010, with an increase in the amount of 9 percent compared to the previous year and a *market share* of 74 percent. This figure (down compared to the 81% of 2009) is the result of the strategy adopted to reduce the airport's dependency on a single carrier and to introduce new operators. The most important of these is Wizzair with over 350 thousand passengers (16.2% of total traffic) to destinations throughout Eastern Europe. The incidence of the Treviso airport on the total traffic of the Venice airport system rose to 24 percent (opposed to 21% in 2009), thanks also to new domestic and European opportunities.

In 2010, the "**Valerio Catullo**" airport of Verona underwent a deep strategic and infrastructure transformation, which however failed to revive the airport's activity. During the year there were drops in the number of transiting passengers (-1.4%) and heavy losses were posted for the fourth consecutive year in the cargo sector with a -26.9 percent contraction. There was also a drop in aircraft traffic from 38 thousand in 2009 to 37 thousand in 2010 (-2.7%). However, in the last months of 2010 the traffic in the Verona airport grew moderately (+3.6% in November and +11.4% in December in terms of passengers). Growth has continued in early 2011. January closed with 233,763 passengers carried (+26.6%), with growth rates in absolute and percentage terms never registered before in the same period.

Considering finally port traffic, the **Port of Venice** closed 2010 with an overall increase of 4.1 percent in terms of cargo traffic compared to 2009. This positive trend involved all sectors of traffic (in particular, +11.6% in the commercial sector excluding industrial traffic, which fell by 12.1%), with excellent results in the containers sector. Other positive results were recorded in 2010: +7.6 percent for refinery products, +35.4 percent for mining products, +11.4 percent for miscellaneous packaged goods. Noteworthy were project cargos for which the Port of Venice ranks at the top in the Upper Adriatic Sea thanks to the unique configuration of the docks and to the skilled labour available.

**Table 19 – Handling of cargo, containers and passengers through the Port of Venice. Years 2009-2010**

	2009	2010	% variation 10/09
<b>MOVEMENT OF GOODS (tons)</b>			
liquid bulk cargo	11,674,399	11,925,779	2.2
dry bulk cargo	6,321,611	6,280,036	-0.7
other break bulk cargo	7,195,458	8,015,801	11.4
<b>TOTAL</b>	<b>25,191,468</b>	<b>26,221,616</b>	<b>4.1</b>
<b>Movement of containers</b>	369,474	393,459	6.5
<b>Movement of passengers</b>	1,887,276	2,058,377	9.1
<b>SHIP ARRIVED</b>	4,275	4,246	-0.7

Source: Port of Venice data processed by Unioncamere del Veneto

In the **container sector**, the Port of Venice exceeded the pre-crisis levels, steadily growing over the entire year and reaching a total volume of traffic of 393,459 TEU (+6.5% compared to 2009). Said figure shows that Venice is recovering its traditional role as the gateway for outgoing Italian goods and especially for those of Italy's North East.

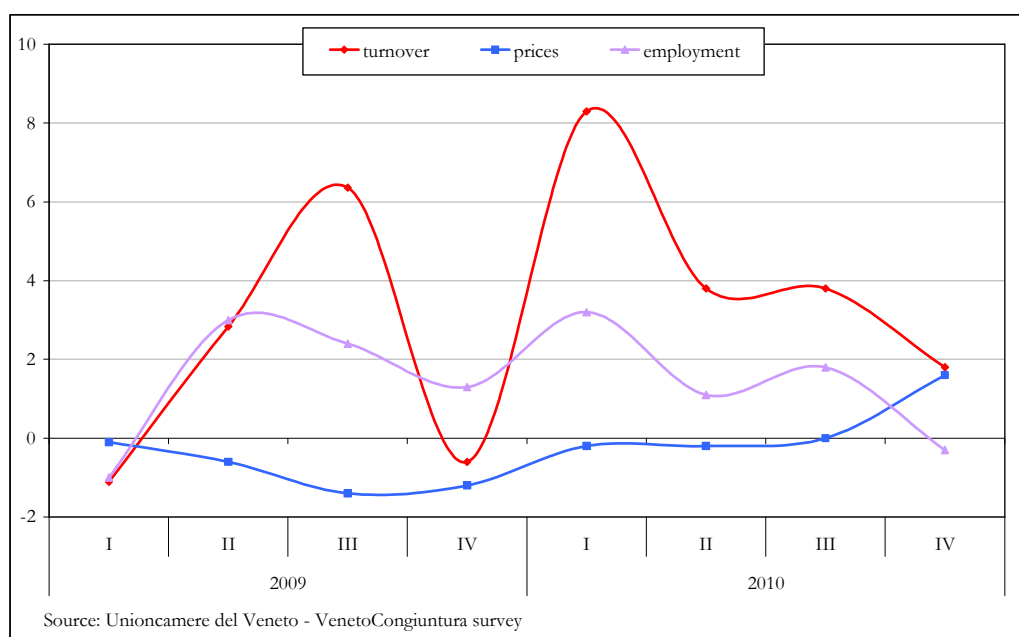
The **passenger sector** kept up its trend of growth in 2010 as well. Well over 2 million passengers chose Venice as the port of call for their leisure trips, namely a 9.1 percent increase compared to 2009. Sea cruises take the lion's share of passenger traffic with a percentage that in 2010 reached 77.7 percent of the total (75% in 2009), while the remainder is represented by ferry-boats and hydrofoils.

## Innovative and technological services

In 2010 innovative and technological services grew once again more than other sectors assessed in the *VenetoCongiuntura* survey by Unioncamere del Veneto.

While in the transportation sector the turnover increased by +2.4 percent and in tourism by +0.7 percent, in the field of innovative and technological services the **turnover** registered a mean annual growth of **+4.4 percent** (Chart 19). However, the positive trend in turnover showed a slight decrease over the year: in the first quarter it reached its highest value (+8.3%), dropping in the second and third quarters (both +3.8%) and even more in the fourth (1.8%).

The other indicators also registered positive signals: **employment** grew on average in the year by +1.5 percent, while **sales prices** recorded a mean variation of +0.3 percent.



**Chart 19** – The Veneto. Turnover, prices and employment in innovative and technological services. Years 2009-2010

The good performance of the innovative and technological services sector was confirmed also by the steady growth trend that it has experienced from 2000 to today in terms of number of businesses involved. In 2010 the number of **active businesses** exceeded 29 thousand units with an increase of +3.5 percent compared to the year before, while the incidence of the sector on the regional total passed from 6.1 to 6.4 percent (Table 20).

	Veneto			Italy		
	2009	2010	var. % 10/09	2009	2010	var. % 10/09
<b>Innovative and technological services</b>	28,472	29,478	3.5	347,206	358,929	3.4
Computer and telecommunications	7,146	7,248	1.4	82,952	85,076	2.6
Advanced support services for businesses	14,912	15,544	4.2	163,727	169,665	3.6
Operational support services for business	6,414	6,686	4.2	100,527	104,188	3.6
<b>Total</b>	<b>458,352</b>	<b>457,225</b>	<b>-0.2</b>	<b>5,283,531</b>	<b>5,281,934</b>	<b>0.0</b>

Source: Infocamere - Movimprese data processed by Unioncamere del Veneto

**Table 20** – Italy and the Veneto. Active businesses in innovative and technological services by sector. Years 2009-2010

## Artisan firms and small enterprises

In 2010 the number of **active artisan enterprises** in the Veneto amounted to 142,723 units. After the decrement of 2008 (-0.5%) and 2009 (-2.2%), 2010 registered yet another slight drop in the number of firms by -0.4 percent, equal to a loss of over 600 units.

The most significant decreases were recorded in the main **sectors** of the regional artisan crafts: manufacturing activities registered a -1.4 percent drop, while the construction sector shrank by -0.7 percent. In both sectors, which account for almost 70 percent of the region's artisan firms, the total loss almost reached 1,000 units. The trend of artisan firms in the agriculture, forestry and fishing sectors (-1.7%), in commerce and car and motorcycle repair (-0.7%) and in the transportation, logistics and storage sector (-2.9%) registered a negative result as well.

Sharp decreases were also registered in the mining industry (-4.6%) and real estate (-10.3%), although the size of both is rather small (0.1%). The other service activities showed instead a positive performance with peaks of +9 percent in tourism services and services to companies, +8.8 percent in communication media services and +5.3 percent in accommodation and restaurant services.

As regards the **legal status** of these firms, the trend was positive for joint-stock companies (+7.8%), while it was negative for partnerships (-2.2%), cooperatives and other forms (-1.9%) and sole proprietorships (-0.4%).

**Table 21 – The Veneto.**  
Active artisan firms  
by sector and  
by legal status.  
Years 2009-2010

	Active companies		2009/10 variation		Total %
	2009	2010	%	a.v.	
Agriculture, forestry and fishing	1,506	1,480	-1.7	-26	1.0
Extraction	87	83	-4.6	-4	0.1
Manufacturing industries	38,936	38,377	-1.4	-559	26.9
Public utilities (energy, gas, water, environment)	244	256	5.0	12	0.2
Construction	58,461	58,074	-0.7	-387	40.7
Trade and repair of motor vehicles and motorcycles	7,056	7,009	-0.7	-47	4.9
Accommodation and catering service	3,614	3,805	5.3	191	2.7
Transport services, logistics and storage	10,739	10,431	-2.9	-308	7.3
Media and communication services	834	907	8.8	73	0.6
Advanced support services for businesses	2,174	2,185	0.5	11	1.5
Financial and insurance services	18	20	11.1	2	0.0
Real estate activities	39	35	-10.3	-4	0.0
Rental business, tourist services and Business supp.	2,699	2,943	9.0	244	2.1
Private education and training services	171	176	2.9	5	0.1
Health, social care and private health services	89	96	7.9	7	0.1
Services to the person	586	588	0.3	2	0.4
Other activities	15,869	16,062	1.2	193	11.3
Unclassified companies	208	196	-5.8	-12	0.1
<b>Legal form</b>					
Joint stock	6,858	7,392	7.8	534	5.2
Partnership	30,726	30,039	-2.2	-687	21.0
Sole proprietorship	105,478	105,029	-0.4	-449	73.6
Cooperatives and other forms	268	263	-1.9	-5	0.2
<b>Total</b>	<b>143,330</b>	<b>142,723</b>	<b>-0.4</b>	<b>-607</b>	<b>100.0</b>

Source: Infocamere-Movimprese data processed by Unioncamere del Veneto

With regard to the economic indicators, the data collected within the framework of the pilot survey by the Regional Confartigianato were basically stable in terms of **production** and **turnover**. Broken down by sector, these data showed a good performance in the manufacturing sector with a +0.8 percent increase in production and +0.6 percent in turnover, while the trend in the building sector was negative with values of -0.5 percent for both indicators. Services both to enterprises and persons were stable. Supplier prices registered a +3 percent increase in all sectors.

	Production*	Turnover	Supplier's prices	Impact of investments**
Manufacturing industries	0.8	0.6	3.1	12.0
Building Trade/Constructions	-0.5	-0.5	2.4	10.8
Services for enterprises	0.1	0.4	3.9	17.5
Services for people	0.0	0.2	3.1	16.6
<b>Total - all sector</b>	<b>0.1</b>	<b>0.1</b>	<b>3.0</b>	<b>13.2</b>

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

**Table 22 – The Veneto.** Leading economic indicators for artisan firms and small enterprises (% change vs. previous year). Year 2010

Despite the economic recovery, the consequences of the crisis were still lingering on the **job market** in 2010. Employment in artisan firms dropped by -1.3 percent, with negative results in construction (-3.3%) and industry (-1%). The trend was stable in the services sector.

Sectors	2006	2007	2008	2009	2010
Foodstuff	-0.7	6.1	-2.1	0.7	4.2
Textiles, clothing, footwear	-2.2	-6.7	-4.5	-6.8	-3.3
Wood	1.3	1.4	-4.7	-5.2	-4.7
Graphics	2.1	3.5	-3.5	-3.8	-0.1
Ceramic, chemical products, glass	0.3	-1.2	-5.4	-5.6	-0.6
Mechanics	1.7	2.9	-2.8	-8.7	0.5
Other manufactured products	-2.4	-0.6	-4.8	-4.3	-5.1
<b>Total Manufacturing</b>	<b>0.2</b>	<b>0.5</b>	<b>-3.7</b>	<b>-6.3</b>	<b>-1.0</b>
Building	-2.0	0.6	-8.6	-6.1	-5.9
Plant engineering	-2.5	-1.3	-1.2	-3.0	0.0
<b>Total Construction</b>	<b>-2.2</b>	<b>-0.2</b>	<b>-5.6</b>	<b>-4.8</b>	<b>-3.3</b>
Servicing for cars and motorcycles	-1.9	0.2	-3.2	-0.1	0.3
Services for people and other services	-1.5	-1.6	-1.3	-3.1	-1.6
Transport	3.6	3.1	1.8	-2.4	2.9
<b>Total Services</b>	<b>-0.3</b>	<b>0.2</b>	<b>-0.9</b>	<b>-2.1</b>	<b>0.2</b>
<b>Total</b>	<b>-0.4</b>	<b>0.3</b>	<b>-3.7</b>	<b>-5.2</b>	<b>-1.3</b>

Source: Confartigianato Veneto - Bs consulting

**Table 23 – The Veneto.** Employment in artisan firms (% change vs. previous year). Years 2006-2010



## 4. The outlook for 2011

The tragic events that have sent shock waves through North Africa and Japan are two new sources of uncertainty for the world economy, thus drastically altering the most recent forecasts on the world economic situation.

The **winds of revolt that are blowing through North Africa** and spreading like wildfire in some Arab countries and especially to the East (Yemen and China) are forcing the West to open its eyes to the possible impact that such situation might have on the international economy and particularly on Italy. The popular uprisings generated by widespread discontent, fuelled by a situation of political instability and compounded by sharp oscillations in the economic and financial system or, in the worst of cases, by stagnation, are forcing the West to act militarily to enforce the *no fly zone* under the aegis of the UN and NATO. However, this will not be enough to protect some advanced economies against the greatest threats, which are strictly economic, especially those economies that have entered into trade agreements of strategic importance with the countries now in turmoil, as in Italy's case.

The **natural disaster that has struck Japan** and the damage to its nuclear power plants have brought the Japanese economy almost to a standstill right when its industry, after suffering the sharpest drop among all leading economies during the recession, was starting to grow again, in line with the other economies of Southeast Asia. Although it is hard to foresee the direct consequences, in the short term Japan will witness a sheer drop in production levels (and hence a temporary drop of GDP) and a slow recovery in months to come, supported by the reconstruction activities, matched by an increase in public spending.

For the world economy, the interplay of the two events may lead - in the very short term - to a negative impact on the prices of raw materials, starting from crude oil, and hence on international production, thus slowing down global growth, which in fact had already started decelerating at the end of 2010.

Japan accounts for 6 percent of world GDP and 4.3 percent of international exports. Trade could actually be the fast-track for spreading the effects of the disaster on the global economy, starting from the other Asian countries. Therefore, the global production chain in the manufacturing sector could spread the effects due to the interdependence of various sectors, starting from car and electronics industries.

However, the major concerns actually lie in the fact whether the crippled nuclear power plant is ultimately shut down. In Japan 25 percent of electricity is generated from nuclear power. Therefore, it appears to be quite likely that there will be an increase in the demand for oil and natural gas, which may further rise due to a “panic effect” on other advanced and emerging economies, which are curbing their programs for the expansion of nuclear capacity.

The first increases in crude oil prices are already visible and these are fuelled by disorders in Libya and by instability in other Middle Eastern countries. If they were to reach USD 110 a barrel, crude oil prices could slow down the world economy, with major risks for growth in the United States and Europe.

In light of these possible scenarios and given the uncertainty on future trends, it would be far-fetched to make hypotheses to chart out the course that the world economy will take in coming months.

**At the start of 2011 the world macroeconomic outlook is quite uncertain**, with consequences that greatly depend on the reaction of expectations to the panic and concern generated by the Libyan and Japanese crises. The impact on the economic trends could expose the world economy to the risk of a new slowdown in 2011, which is expected to be a year of weak growth.

In a draft report issued before the Japanese disaster and military intervention in Libya, the International Monetary Fund confirmed that **in 2011 the world economy will grow at a rate of 4.4 percent**, less than the mean growth rate of 2010 (+5%) and the 2006-2007 period (+5.5%). **World trade will register a 7.1 percent increase**, namely well below the rates recorded in 2010 (+12%) and before the crisis (+8%). However, these figures are bound to be reviewed downwards. The extent of this reduction will be published in the World Economic Outlook in mid-April.

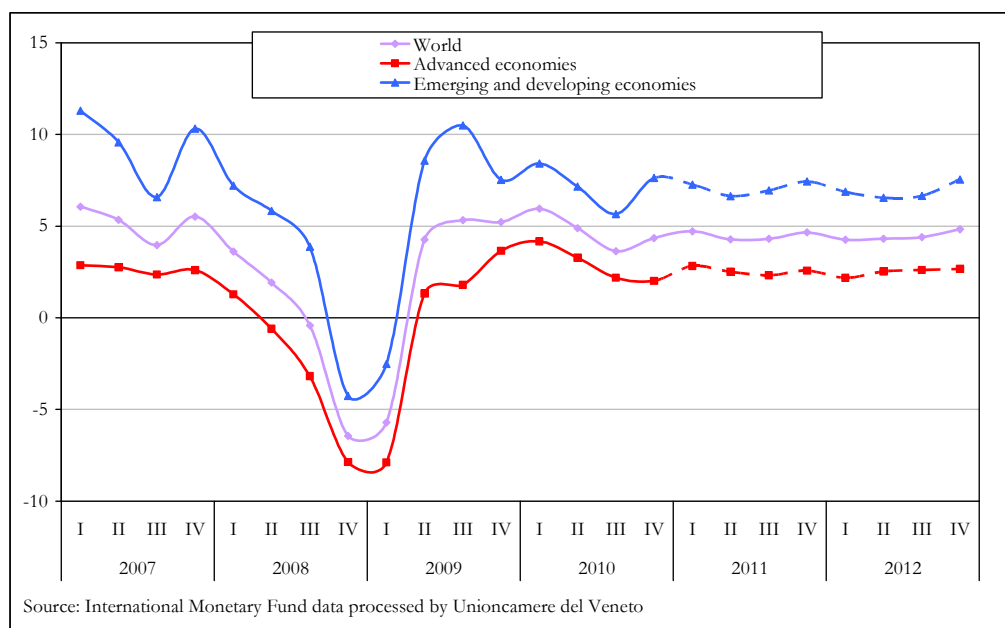


Chart 20 – Trend in global GDP (% change vs. same quarter of previous year). Years 2007-2012

As in recent years, world economic growth will continue to depend on **emerging economies** (or rather “emerged”). China, which is reining in economic growth to avoid overheating the economy, will also be affected by the consequences of the Japanese crisis and the GDP growth of around 9.6 percent estimated by the IMF for 2011 seems rather unlikely. Elsewhere the impact could be more moderate, as in India, which is expected to register a growth rate of 8.4 percent in 2011, and Brazil, where GDP should grow by 4.5 percent.

Among advanced countries, the GDP of the **United States** should register, net of the interactions of the crises in progress, a 3 percent growth rate, while the GDP of **Japan** is expected to have a “V” shape, namely marked by a temporary collapse (first quarter 2011) and an immediate turnaround (in the following quarters), and reach 1.3 percent.

In a context marked anyhow by rather weak growth, the **Eurozone** is expected to keep up a less sustained rate compared to the main advanced economies as a result of the deficit in the balance of payments and of public finance burdened by serious debt. According to FMI forecasts, in 2011 the Eurozone will record a growth rate of 1.5 percent, lower than the rate registered by Eurostat in 2010 (+1.7%). However, said figure conceals varying trends that increasingly underscore a divide between the countries of Northern Europe and those of the Mediterranean region. On the one hand, there is **Germany**, the locomotive for

European recovery, whose production is growing strongly driven by the fast rise in exports. In 2011 it will register a GDP growth rate of 2.2 percent. Sweden, Finland, Denmark and Austria are also expected to experience strong growth at rates of between 2 and 5 percent. On the other, there are the sluggish countries, namely Spain, Portugal, Greece and, unfortunately, even **Italy**. They all share high public finance deficits resulting from the strict economic policy measures adopted to tackle the financial crisis.

**Table 24 – Italy and the Veneto. Percentage variation of GDP in real terms: comparison of forecasts. Years 2009-2012**

	2009	2010	2011	2012
<b>Italy</b>				
<b>ISTAT</b> March 2011 (a)	-5.2	1.3	-	-
<b>Government</b> September 2010 (b)	-	1.2	1.3	2.0
<b>EU Commission</b> February 2011 (c)	-	1.1	1.1	-
<b>Ref.</b> January 2011	-	1.0	0.7	1.1
<b>Prometeia</b> February 2011	-	1.0	0.9	0.9
<b>Confindustria</b> December 2010	-	1.0	1.1	1.3
<b>OCSE</b> November 2010	-	1.0	1.3	1.6
<b>Greta</b> March 2011	-	1.0	1.1	1.4
<b>CER</b> November 2010	-	1.1	0.7	0.9
<b>FMI</b> January 2011	-	1.0	1.0	1.3
<b>Veneto</b>				
<b>ISTAT</b> October 2010 (d)	-5.9	-	-	-
<b>Prometeia</b> February 2011	-	1.6	1.3	1.2
<b>Greta</b> March 2011 (e)	-	1.1	1.6	1.7

Source: processed by Unioncamere del Veneto on cited source

(a) GDP and debt PA. Years 2008-2010 (1 March 2011)

(b) Decision of the Public Finance 2011-2013 (29 September 2010)

(c) Interim Forecast (February 2011)

(d) Regional accounts. Year 2009 (28 September 2010)

(e) Greta estimates - GREM model (March 2011)

Unlike other peripheral countries of the Eurozone which got hit by the debt storm, Italy's growth problems have a long-term nature. This situation may be less concerning in the short term, but it requires the ability to take action with a broader scope.

The growth forecasts supplied by the IMF, OECD and the EU Commission indicate that **Italy's economy will be growing at around 1 percent**, i.e., half the growth rate of Germany and a quarter of the growth of Nordic countries (Table 24). Moreover, the possible oil shock could trigger a dangerous period of stagflation in Italy, which must also grapple with the sovereign wealth funds of the countries affected by popular uprisings. If these funds are withdrawn, there could be devastating effects for Italy's economy<sup>30</sup>.

<sup>30</sup> For instance, Libya's stake reaches 7.5 percent in Italy's Unicredit bank and the Juventus football club, 2 percent in Finmeccanica, 1 percent in Eni and almost 15 percent in Retelit.

Though positive, Italy's weak economic growth is unlikely to help improve the performance of public accounts in a significant way. It is likely that the 2011 forecasts for the deficit-GDP and debt-GDP indicators will not differ much from those estimated in January by the IMF (-4.3% and 120.1% respectively).

The economic slowdown registered in the second half of 2010 is bound to have prolonged effects throughout 2011. The first consolidated data for the current year seem to confirm this. In January the industrial production and orders indices registered a slowdown of 1.5 and 0.3 percent respectively compared to December 2010 due to the negative result in consumer goods (-2.3%) and domestic demand (-1.4%). The signs of this slowdown can be seen in the data of the ISAE (now ISTAT) surveys on confidence among manufacturing and construction firms, which in February expressed less favourable opinions compared to January. Consumer confidence, instead, bucked the trend. In February consumers showed greater optimism on the future of the country's economic situation, a picture which seems bound to rapidly change due to the Libyan and Japanese crises.

The data on Italy's economic outlook are to be interpreted in the light of these indications. Over the year, the main aggregate demand items are expected to show a positive trend, except for public consumption. As for foreign demand, in 2011 exports are expected to register a positive trend, rising by 6.4 percent, thanks to the growing international opening of Italy's production system. However, the current balance of payments performance is expected to worsen, especially due to the rise in energy prices. As regards the labour market, 2011 is expected to be a stable year (+0.3% in labour units). This could trigger a rise in unemployment, which could reach 9.2 percent.

Indicators*	Veneto	North East	Italy
GDP	1.3	1.1	0.9
Household expenditure	0.9	0.6	0.6
Gross fixed investment	3.3	3.1	2.5
Imports	6.0	5.8	5.7
Exports	7.5	6.9	6.4
Labour units	0.4	0.5	0.3
Unemployment rate (%)	5.8	6.0	9.2

Source: Prometeia (February 2011)

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

What will the trends be in the Veneto's economy? The 2011 forecasts appear to point to better results compared to the rest of the country. According to the latest estimates (February 2011), **the Veneto will register a growth of 1.3 percent in GDP**, slightly higher than that of the North-East (+1.1%). In 2011 the forecast scenario outlined by Prometeia (Table 25) envisions Lombardy (+1.5%) and the Veneto at the forefront, followed by Emilia Romagna (+1%), Piedmont (+0.9%) and Tuscany (+0.7%).

With reference to the components of demand, during the course of 2011 household expenditure in the Veneto will grow by 0.9 percent, while gross fixed investments will increase by 3.3 percent. Exports are expected to grow by 7.5 percent, while imports should grow by 6 percent.

The effects of the crisis on employment should finally wear out in 2011: by the

**Table 25 – 2011 forecast scenario: comparison between the Veneto, the North-East and Italy.**

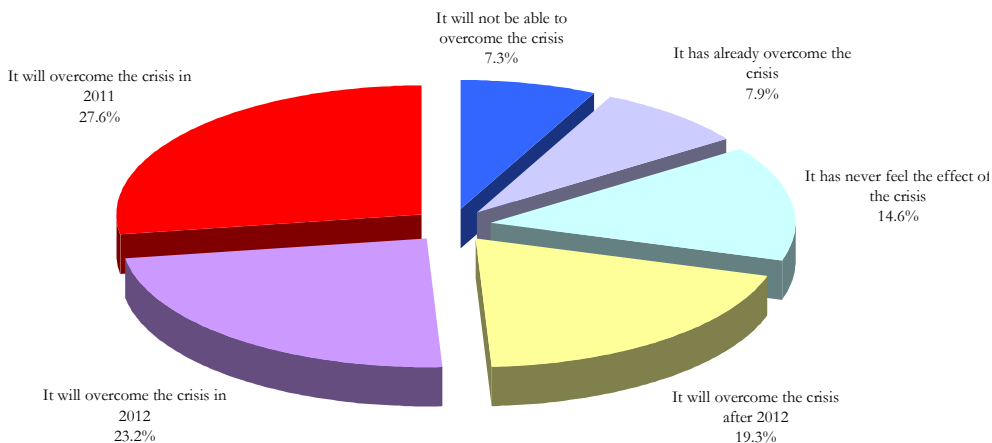
end of the year, labour units are expected to grow by 0.4 percent, but unemployment could actually rise to 5.8 percent, due to a possible return of inactive workers (i.e., people who are neither working nor seeking a job) to the job market.

Entrepreneurs' expectations for the first half of 2011 have nonetheless continued to improve. In January the confidence index of the manufacturing sector calculated by Unioncamere del Veneto as the balance between expected increases and forecast decreases in industrial production, amounted to +9.9 percent (as opposed to +7.4% in October 2010). Also with regard to turnover, the balance has improved (+12%), as have domestic orders (+8.1%) and foreign orders (+14.4%). Despite a negative balance of -5.7 percent, employment too has shown a slight improvement in confidence among entrepreneurs, which reached -6.4 percent in the previous quarter.

## 5. Focus: is the Veneto out of the crisis?

**Almost 28 percent of the Veneto's firms hope to make it out of the crisis by the end of 2011, while 23 percent believe that they are still heavily affected by the recession and expect to overcome it next year.**

These are the results of the survey by Unioncamere del Veneto, which was carried out in January 2011 on a sample of over 4,000 firms of the manufacturing, construction, retail and services sector. The goal was that of determining entrepreneurs' expectations concerning the time that their firms need to overcome the crisis and the main difficulties expected in 2011. It is worth mentioning however that 23 percent of the firms are already out of the crisis either because they were left untouched by it (15%) or because they have reportedly already weathered it (8%). The remaining 19 percent believe that they will have to wait until 2013, while 7 percent fear that they will not be able to make out of the recession at all.



Source: Unioncamere del Veneto - VenetoCongiuntura survey (4,006 cases)

**Chart 21 – The Veneto.** Forecasts of firms on the time needed to exit the economic crisis (% of answers). January 2011

Looking at the different **sectors**, **construction** is the one that was most heavily hit by the economic crisis. In January 2011 almost 85 percent of entrepreneurs stated that they were still in the middle of the crisis and over 10 percent said that they will not be able to recover. However, contractors show optimism for the future and about 40 percent believe that their firms will make it out of the crisis already this year. If you add to these firms those that either stated that they are already out of the crisis or that they were never touched by the crisis, this share of construction firms that will weather the crisis by the end of 2011 will amount to 56 percent, a figure greater than that of all the other business sectors surveyed.

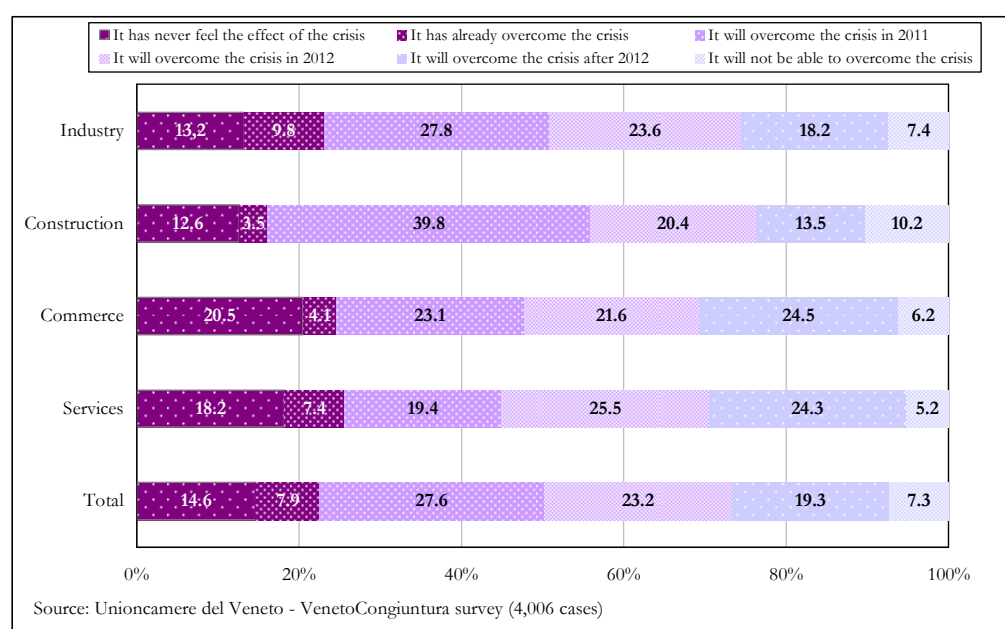
Despite the fact that the **manufacturing sector** has started off on a better footing compared to the construction sector (at the start of 2011 78% of the firms are still in the middle of the crisis as opposed to the share of 85% mentioned earlier), expectations seem to be less optimistic. At the end of 2011, 50 percent (56% in construction) of firms interviewed will have made it completely out of the tough economic phase, but the share (about 40%, 34% in construction) of those

who will not make it out this year (24% will succeed in 2012 and 18% after 2012) is nonetheless high.

**Retail and services firms**<sup>31</sup> have shown a slightly different behaviour compared to the two sectors already discussed, thus confirming that the recent economic crisis was mainly one affecting manufacturing and construction.

The results show that about 20 percent of firms have been left untouched by the tough economic phase. This figure rises to 25 percent if one adds up those firms that claim to have suffered from the effects of the economic downturn, but to have already made it out of the crisis at the end of 2010. On the contrary, those that are still in the middle of the crisis see the end of the crisis farther away. Among services firms, almost 20 percent state that they will manage to completely overcome this economic phase in 2011, while 25 percent will manage in 2012 and 24 percent after 2012. The trend among commercial firms is the same and 23 percent state that they will manage to overcome the crisis in 2011, 22 percent in 2012 and 25 percent only after 2012.

**Chart 22 – Veneto.**  
Forecasts of firms on the time needed to exit the economic crisis by sector (% of answers).  
January 2011



In terms of **size**, medium-sized enterprises are those to have best withstood the impact of the crisis compared to micro- and small enterprises and large enterprises.

In particular, in the manufacturing sector, 36 percent of firms with between 50 and 249 employees stated that they were never hit by the crisis or that they were already out, followed by micro-enterprises (23%), small-sized enterprises (21%) and large enterprises (19%). The differences become narrower though if one adds also the responses of those enterprises that expect to make it out of the crisis in 2011 and amount to 60 percent for micro-enterprises, 54 percent for medium-sized enterprises, 50 percent for large enterprises and 45 for small-sized enterprises. One last consideration regards the share of entrepreneurs who think that they will not make it out of the crisis. It was zero among large enterprises, 5

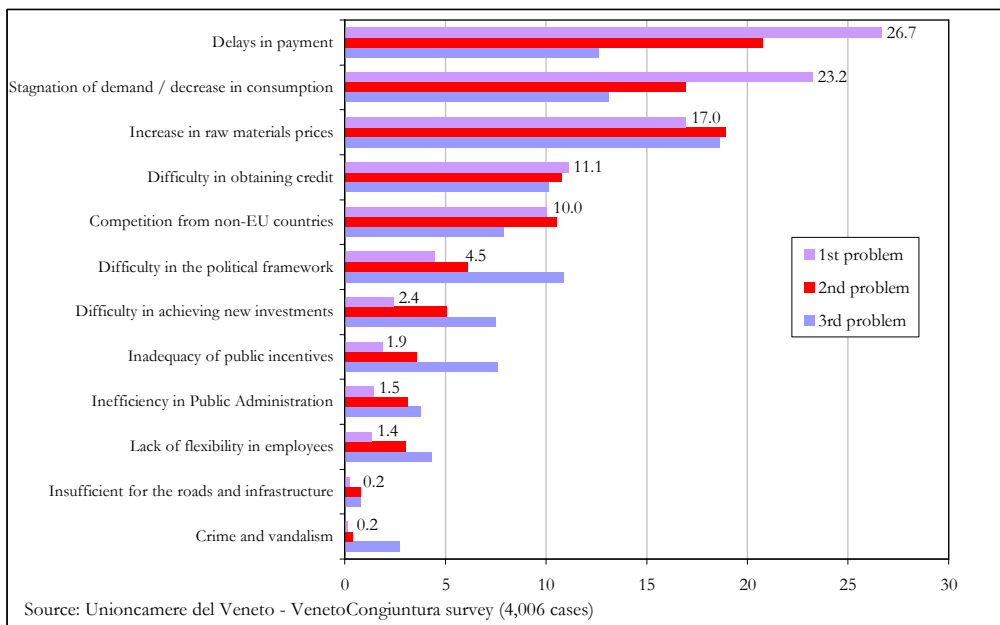
<sup>31</sup> Three services sectors were analysed by the *VenetoCongiuntura* survey: innovative and technological services; hotels, restaurants and tourism services; transportation, storage and logistics.



percent for small-sized enterprises, while a substantial result was recorded among micro- and medium-sized enterprises (+13 and +18% respectively).

The *VenetoCongiuntura* survey has also allowed determining **the three issues that are of most concern to entrepreneurs in 2011**. The results confirm that the hottest issues for the Veneto's firms are **delays in payments, stagnation of demand** and **difficulties in access to credit**.

Among **manufacturing firms** the main problem reported was that of delays in payments, which ranked first for 27 percent of the firms, 21 percent as the second problem, and 13 percent as the third most important problem. Another serious complication was the stagnation in demand: 23 percent of entrepreneurs ranked it as the number 1 problem, 17 percent as the second most important and 13 percent as the third. The ranking of the main problems also includes rising prices of raw materials, indicated as the main problem by 17 percent of entrepreneurs and by 19 percent as the second and third most important problem.

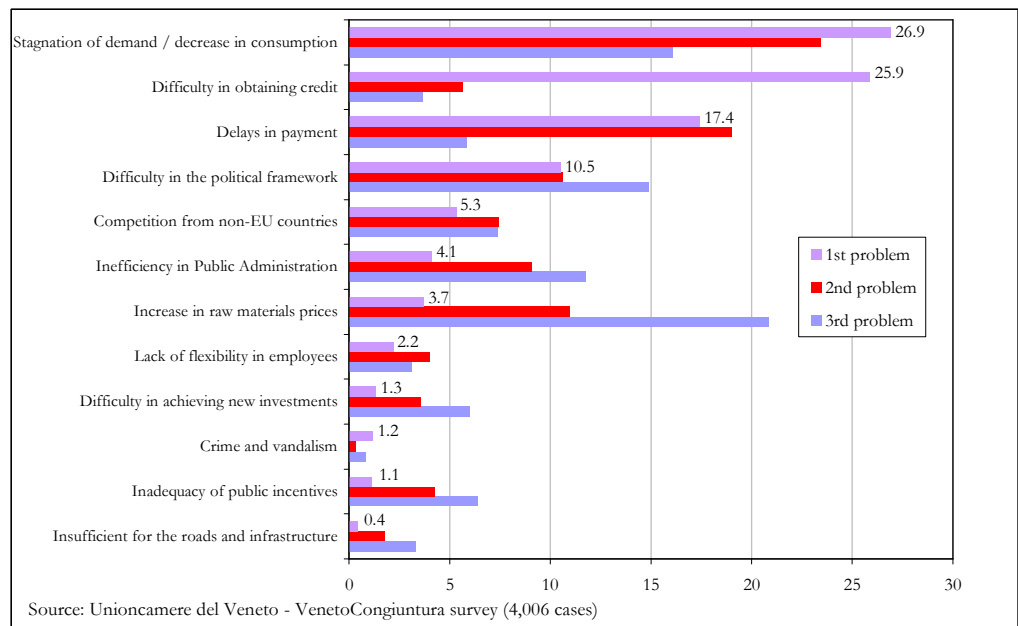


**Chart 23 – The Veneto. Problems reported by manufacturing firms for 2011 (% of answers). January 2011**

Among **commercial firms** the main problem reported by the Veneto's firms was that of stagnant demand: it ranked first for 27 percent of the entrepreneurs, and 23 percent and 16 percent as the second and third problem respectively. Another issue reported by retailers was difficult access to credit: 26 percent indicated it as the number 1 problem, 6 percent as the second most important and 4 percent as the third. The delays in payments are instead less stringent; it ranked first for 17 percent of firms, second for 19 percent and third for 6 percent.



**Chart 24 – The Veneto.**  
 Problems reported by  
 retail firms for 2011  
 (% of answers).  
 January 2011



Among **services firms** the prevailing problem reported was that of delays in payments, which ranked first for 30 percent of the firms, 28 percent as second, and 6 percent as the third most important problem. Difficult access to credit was reported as another major concern: it ranked first for 27 percent of businesses, and 5 percent and 2 percent as the second and third problem respectively. Then comes stagnant demand, which was reported by 13 percent of the interviewees as the main problem, by 11 percent as the second most important issue and by 18 percent as the third most important concern. It should be noted that the main concerns reported by these businesses also included the **uncertainty of the political landscape** and the **inefficiency of public administration**.

**Chart 25 – The Veneto.**  
 Problems reported by  
 some services  
 enterprises for 2011  
 (% of answers).  
 January 2011

