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Dynamics of Local Labour Markets

Introduction and Synthesis

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Introduction and synthesis

Global cycle on the upswing

The fiscal and monetary stimulus measures adopted by all main countries spurred the world economy to resume the recovery path in the second half of 2009. The recovery rate was varied across main areas: from slow and uneven in Europe, to relatively more lively in the United States and definitely fast in the emerging economies, with particular reference to Asian countries. Such a diversification in production trends was essentially due to the sizeof economic support measures which, on the average and at country level, was more moderate in Europe than in other economic systems. The exit from the recession period was also affected by the countries' structural features. If, on one hand, the greater flexibility of the American economy resulted into an immediate and appreciable deterioration in the rate of unemployment, on the other hand, it led to a remarkable acceleration of productivity which enabled a prompter reaction from the production system. On the contrary, the defence of the levels of employment and the relativeresilience of labour markets in most European countries were accompanied by more slackness inthe adjustment measures of firms.

Prospects of weak recovery in the industrial area...

All advanced economies, however, proved generally doubtful as to the level of short and medium term developments. Compared to the severity of the recessionary trend, from which the production systems were recovering, modest growth perspectives were reported across both the Atlantic shores. Doubts persisted on the dependence of the on the expansion policies and on the possibiluty of a strengthening of autonomous cpmponents of consumption and investment expenditures. The delayed repercussions of the economic crisis on the labour market tended, in fact, to squeeze family expenditures and encourage saving propensity. At the same time, the credit situation, though getting better, still proved relatively stringentfor both families and firms. The instability of currencies and raw materials on financial markets testified the investors' strong sensitiveness to risk and was an incertainty-building factor. Considering the above scenario, the need to withdraw the doses of fiscal stimulus injected in the last years called for the adoption of restrictive economic policies from advanced economies. While these measures will not be adopted to a considerable degree in 2010 – except for an initial clawback in money growth and for the implementation of adjustment policies in particularly unbalanced “peripheral” economies – amendments to interest rates and large public finance deficits should be expected as from the next year.

...better prospects for the emerging countries

The situation concerning the global cycle in the emerging countries appeared substantially different. Remarkable and effective fiscal and monetary stimulus measures were adopted in these countries, allowing the rapid restoration of growth rates reported before the economic crisis. China stood out as a main driving force for world recovery, particularly with regard to its neighbouring countries in the Far East. High expansion rates will be also reported by other emerging economies, such as India and Brazil, where short-term fears took an opposite course compared to those afflicting industrialized countries. The expansion monetary and fiscal measures were combined to inadequate exchange policies causing the risk of overheating; this was particularly true for China, where the rapid growth in private enterprise loans called for the adoption of restrictive measures in both January and February.

Long-term issues affect short-medium term expectations

The short-medium trends for the global cycle were strongly conditioned by long-term issues afflicting the world economy, which the policy-makers will be confronted with in the following years; the issues to be solved are manifold and partly new and call for structured solutions in terms of economic policies and international coordination.

Public imbalances

The last two-year economic crisis caused a strong increase in public deficits and debts in all major industrialized countries. According to the IMF estimates, in the absence of further expansion stimulus, the debt-GDP ratio in the averaging advanced economies would move from 75% in 2008 to 115% in 2014. The deterioration extent was unprecedented (the debts accumulated in the ‘30s were not equally serious) and should be associated to the exceptional circumstances of the 2008-2009 period; the adverse cycle conditions certainly played a main role along with the discretionary policies adopted to support aggregate demand, which caused the deterioration to become structural. The simultaneous heaviness of public balances was, on the other hand, observed in countries which, due to high demographic growth trends, will be faced by important pressures in terms of pension and sanitary expenditure in the following years. A difficult adjustment issue is therefore to be tackled. The difficulty derives from both the number and size of economies that are expected to reduce their imbalances and from the fact that a clawback action should be undertaken in terms of monetary policies. A timely corrective measure from economic policy makers would clearly play a major role along with their coordination capacities. A monetary and fiscal squeeze performed in excessive advance might cause the economies to fall into a new recession period – when the "injuries" suffered from the last crises are not yet healed. On the other hand, the markets' perception of overdelayed adjustment measures, would cause further concern on the deficit sustainability, with repercussions on the financial stability, rises in real interest rates, further increase in liabilities, "crowding-out" effects on private investments and spread of new recession impulses. In this framework, the announcement of reliable multiannual programmes aimed to adjusting public imbalances – in line with a well-coordinated scheme – would help reducing instability and favour the allocation of a considerable amount of Treasury securities which are set to expire in the following period. The problem of the public sector's debt prospectively affects almost all advanced economies while posing important challenges in the Common Currency Area. In the Euro zone, the reliability of most "suffering" countries (Greece, Spain, Irland, Portugal) clearly retrograded between the end of 2009 and the beginning of 2010 due to the revival of risk aversions, increased insolvency concerns and newly enlarged spreads over the treasuries by the aforementioned systems. Despite the modest dimension of Greece in terms of both GDP and public debt, the Greek crisis puts a serious strain on the operating arrangements of the Monetary Union, highlighting the gap from the optimal criteria established in the economic theory for currency areas. The no-bailout clause is summoned by the countries which are afraid to sustain the financial burden of a rescuing procedure. On the other hand, the markets suffer the uncertainty modalities of a possible rescue action. The action will prove necessary to safeguard the financial stability of the European area if the adjustment measures scheduled by the Greek authorities, under the supervision of the European

Commission, proves inadequate to subduing the markets' fears. The formulation of a general mechanism aimed at facing financial emergencies in the area would be advisable compared to the issuing of ad hoc measures providing short-range ineffective solutions.

International imbalances

A downsizing in international imbalances was reported during the recession period. It was, however, to be considered a temporary phenomenon. The emerging countries with a current account in surplus, particularly China, were, in fact, far from being launched on a development path driven by the domestic demand. However, this condition would be fundamental to meet the global rebalancing requirements and to tackle the problems associated to the low standard of living affecting these countries. The repercussions of a structural increase in Chinese consumptions on the international imbalances and growth are estimated in the Report. The simulations show that, in order to have significant repercussions on the advanced economies' growth, the increased domestic demand of the giant Asian country should be accompanied by a modification in the relative prices to industrialized countries, to be achieved through the adjustment of existing exchange rates. If no changes are adopted in currency balances, the benefits of a greater propensity to consume from Chinese citizens would exclusively reflect on the Country's major trading partners, that is to say, those operating in the Asian region and in other emerging areas. On the other hand, in order to have significant incentive effects on the advanced economies, a significant revaluation of the Chinese currency, the renminbi, should be advocated. Such a perspective does not seem to be politically assumable and might involve difficult managing tasks in a period in which the US federal deficit has significantly increased, taking also into account that the Chinese central bank is its major underwriter. However, an action aimed to the progressive – albeit moderate – appreciation of the Chinese currency with respect to the US dollar, might favour the gradual absorption of the current accounts of the two economies, without prejudicing the macro-economic stability.

Reform in the financial sector

At the end of the recession period, the issue of the regulatory reform in the finance sector should be tackled to avoid the repetition of systemic crises and to overcome the moral hazard components left to the different economies by the measures adopted for combating the crisis. An international agreement on the sector's regulatory criteria does not seem to be easily performable due to the strong interests at stake. At the same time, there is widespread concern about the reappearance of the bubbly conditions which characterized the pre-crisis period, with the consequent increase in assets prices fuelled by excess liquidity and the formation of new speculative bubbles. The return to high profits in the banking system was accompanied by the reappearance of generous bonus to state officials who had benefited from the actions taken by the State to face the critical period. In this framework, President Obama's stance on the separation between real credit activities and possession of investment companies or hedge funds within the framework of banking trading activities, should be seen as a reasonable proposal, even if its enforceability to the very different systems existing at global level is less predictable.

International scenario

In the 2011 scenario, the uncertainties associated to the aforementioned medium-long term issues would affect development in the industrialized area. According to our estimates, a relatively steadier growth would be recorded in the United States in 2010 (+2.9%), as a result of the expansion measures adopted last year. The US economy would successively slow down in 2011 (2.6%), when the economic policy becomes more restrictive. The inactivities reported after the gradual exit from the recession period would reduce the extent of the European recovery in 2010; a certain reinforcement – though to rates little above 1.5% in the Euro area – would be observed in 2011. The emerging countries would continue to be the propelling force of the world economy, mostly mirroring the positive evolutionary trend reported in Asia and Latin America. Thanks to the driving force of the emerging economies, the world gross product, after the 2009 fall, reconfirms a positive and relatively steady trend, which is set to strengthen still further in 2011.

The acceleration in international growth reported in 2009 was mirrored by the strengthening in world trades. The strongest boost was recorded in the Asian region and, in particular, in China. The inter-area exchanges in the Far East particularly profited from the Chinese tradition. The anticipating indicators showed positive exchange dynamics even at the beginning of the present year. According to the estimates considered in this scenario, the world demand will averagely increase by 7.5% in 2010 and by 8.4% in 2011.

Oil price

Crude oil started to fluctuate in the range between 70 - 80 dollars/ barrel since last fall. The upward pressure was the result of a particularly severe winter period and of the increase in the long positions held by the hedge funds during the last days of December; the downward pressure was, instead, the result of the US dollar strengthening. In the following months, the real cycle evolution along with the speculative capital movements on the financial markets are expected to further drive the quotation trend. In 2010, oil would averagely reach 76 dollars/barrel (+24% compared to 2009); a more moderate increase (approximately +10%) would be recorded in 2011, with the price of crude oil coming in at 84.5 dollars.

Exchange rates

The weakness of the European currency – more than the strength of the US dollar – affected the dollar-euro exchange rate quotations for the first period of 2010. The growing concern for the Greek financial conditions, which had repercussions on other economies particularly liable to the burden of debt, played a major role along with the positive cyclical trend recorded in the United States – an element which, in the following month, will continue to affect the ratio evolution between the two currencies. According to forecasts, variability in average quotations is expected at the beginning of 2010. Towards the end of the year, the FED's monetary restriction policy, which would forestall the ECB's one, along with a cycle evolution which would continue to be more remarkable in the United States, could bring about a moderate dollar appreciation phase.

Sings of recovery in the Italian economy

A gradual production recovery is also observed for the Italian economy. The initial phases of the recovery process appeared bumby and uneven, as shown by the downtrend recorded in the fourth quarter of the last year. The basic trends, however, are still moderately positive.

...after a severe, though not particularly long, recession period

The dating for the Italian economic cycle is revised in the Report. The dating exercise started from the preliminary attempt to identifying the lowest peak recorded in the last recession period. According to estimates, based on a plurality of variables (composing the ISAE index for the Italian economy), the end of the recession period is to be identified in the month of May 2009. Approximately 20 months would have therefore elapsed from the previous expansion peak (August 2007). Hence, the last negative cycle in terms of duration seemed to be slightly longer than the previous ones, albeit not to a large extent: the average duration of the Italian post-war recessions was 16 months but longer recession periods had already been reported (36 months in the early 80s, 29 months in the early 2000s). The largest difference lies in the extent of the slump, which is calculated across a variety of indicators: investments shrunk by approximately 18% between highest and lowest peak; the industrial production by more than 25%; the gross domestic product by 6.4%. These percentage values are significantly higher than those recorded in the previous recession periods, even the most severe ones.

Backward steps Induced by the slump

The Italian economy was not the only one to experience a severe recession at European level. The production loss recorded in the other countries, all of which covering an important role in the manufacturing industry, was even more severe than the Italian one, due to stronger repercussions driven by the decline in world exchanges. In this sense, Italy was associated to Germany and to other "small" European economies. However, due to a period of weaker economic growth, which largely affected the Italian economy in the pre-crisis period, the fall in the production activity led to a sharpest deterioration of the Italian GDP over time compared to other European countries: the production quarters "lost" by Italy as a result of the recession period amounted to 30, that is to say, more than twice the number estimated for Germany and France. This evaluation shows the extent of the differentiated damages caused by the slump on the different economies, in proportion to the the different long-term growth actions adopted by other countries at the eve of the crisis. This does not obviously imply that Italy will need twice the period needed to other European partners to recover the product loss suffered during the adverse cycle. The effective recovery time of the different countries will depend on the growth rate they will be able to adopt during the expansion phase. The expected adjustment specified in the ISAE estimates between Italy and the Euro area for the 2010-2011 period, indicates that the time needed to return to the pre-crisis levels (which, in any case, differed from one country to the other) is not significantly dissimilar.

The business cycle indicators set moderate signs of recovery: results of a cluster anlysis

Overall positive signs of a gradual recovery were confirmed by the business-cycle indicators. The industry confidence index steadily improved compared to the minimum peak of the beginning of 2009, hitting back, in January, the summer 2008 levels (prior to the Lehman Brothers collapse). A cluster analysis of the firms' behaviour patterns, as shown in the ISAE surveys, underlines the manufacturers' precautionary attitude towards the recession trend. It is clear that the improved opinion climate recorded the last year is accompanied by a shift in the firms' attitude, which moves from an initial strong pessimism about present and future trends to a condition of neutral expectations and, only to a marginal extent and in the most recent period, to full expansion expectations. This is particularly true for the exporters, who especially suffered the recession period. This kind of analysis – which takes into account the area of "neutrality" largely considered in the business surveys – might contribute to explain the discrepancies observed at the onset of the recovery phase between the increasingly positive signals reported in the surveys (synthesized in the confidence index which exclusively takes into account the differences between positive and negative assessments, to the exclusion of neutral judgements) and the substantially more moderate trends recorded in the production activity.

Easing of credit tentions

As to the access to credit issue, most recent ISAE surveys show a remarkable easening of credit tensions compared to the restrictive conditions experienced between the end of 2008 and the first months of 2009. The easing also concerns several credit rationing events, with a smallest share of firms claiming not to have obtained the requested loan credit from the bank.

Ups and downs of industrial production, which is still on a recovery path

Following the sharp increase recorded in the third quarter, the industrial production stepped once again back in the last three months of 2009. Such a discontinuous trend was also affected by statistical factors, associated to the jump adjustment of the July-September period. In any case, a favourable trend for the manufacturing activity was basically still recorded. The expectations for the following months confirm the ongoing recovery trend in production levels which, though with ups and downs, characterized the production process in the second half of 2009. The ISAE estimate shows an approximately 2% rise in the first 2010 quarter, but positive signals are also outlined for the second quarter. The increase should particularly affect exporters who might profit from a recovery in foreign demand. The investment good producing companies would confirm the upward trend recorded in the second half of 2009, also in relation to the introduction of tax relief measures aimed to the purchase of operating equipment since the second half of the previous year.

Anticipatory synthetic indicators

Signals that the economic trend would gradually approach a favourable path are reported by the ISAE anticipatory synthetic indicator, which shows a positive trend for the production system in the first half of the year.

Forecasts for the 2010-2011 period

On the whole, the available signals generated moderate recovery rates also for the Italian economy, particularly if compared with those recorded at similar exit stages from less serious recession periods than the last two-year crisis. The GDP would thus increase by 1% on this year's average (+1.1% in the Euro area); this assessment implies a 0.4 point upward revision of the growth estimate for 2010 with respect to the previous forecast (October 2009). The gradual recovery would be driven by the strengthening of world trade. A moderate increase would be recorded in terms of domestic demand. A curb on domestic expenditure might result from the evolution of the labour market, which would suffer the delayed repercussions of the production fall and the slowness of the recovery process. The cyclic profile hypothesized for the present year would deliver a positive knock-on effect of 0.1 percentage point to the year 2011. On the strength of such business inheritance and in the presence of a consolidation in international and domestic recovery factors, the GDP would increase by 1.4% in 2011 (+1.6% in the Euro area).

These trends would overally contribute to recover about 40% of the production loss recorded in the 2008-09 period. A rise in the growth rate by about 1.6%-1.7% would bring the GDP to the pre-crisis levels in 2013.

In the medium-term perspective, the adoption of more solid expansion rates will depend on the way in which the Country's potential product will be able to recover from the recessional period. The severity of the fall and the repercussions on the labour market imply a series of disruptive effects on the economy's production capacity and growth potential. However, during the cycle most negative phases, the renewal forces of the production system contribute to the recovery. Several firms are in trouble, die or shrink; others – the most competent and efficient ones – respond more promptly and expand. This selective movement leads to a rise in the average level of efficiency of the production system, partly compensating for the intrinsic disruptive features of the economic crisis. The adjustment stimulus is expected to be stronger for the

FORECASTS FOR THE ITALIAN ECONOMY: SUMMARY
(Percentage changes, unless otherwise indicated)

	2009*	2010*	2011*
Domestic scenario			
Gross domestic product	-4,9	1,0	1,4
Imports of goods and services	-14,9	3,2	3,5
Exports of goods and services	-18,8	3,8	3,9
Residential households' consumption expenditure	-1,7	0,8	1,1
Public administration and ISP consumption expenditure	1,3	0,5	0,5
Gross fixed investment	-12,7	0,8	2,8
Contributions to GDP growth			
- Domestic consumption	-0,7	0,6	0,8
- Total investment	-2,7	0,2	0,5
- Net exports	-1,1	0,1	0,1
- Change in inventories and valuables	-0,3	0,1	0,0
Consumer prices	0,8	1,6	2,0
Producer prices	-5,4	1,9	2,4
Per-capita earnings in the economy	2,3	1,5	1,8
Total employment (1)	-2,5	-0,6	0,7
Unemployment rate	7,8	8,8	8,8
Net borrowing of public administration. (% of GDP) (2)	-5,3	-5,1	-4,6
Primary surplus of public administration (% of GDP)	-0,6	-0,3	0,5
Tax burden of public administration	42,8	42,5	42,3
Debt of public administration (%of GDP) (2)	114,8	117,2	118,2
Twelve-month Ordinary Treasury Bill interest rate (3)	0,9	1,4	2,4
For reference: nominal GDP (millions of Euro) (4)	1.534.591	1.563.666	1.609.559
International variables			
Gross Domestic Product			
- World	-0,9	3,6	4,0
- United States	-2,4	2,9	2,6
- Euro Area	-4,0	1,1	1,6
Dollar-euro exchange rate (level)	1,39	1,41	1,36
World demand	-13,4	7,4	8,5
Official interest rates (2)			
- ECB	1,00	1,00	1,75
- Federal Reserve	0,1	0,2	1,6
Raw materials' prices (in dollars)			
- Non-energy products	-21,3	25,5	6,3
- Energy products	-26,6	19,6	8,3
of which: Brent ($/barrel)	61,6	76,5	84,5

Source: ISTAT, Bank of Italy, US Federal Reserve, IMF, HWWA.
(*) – ISAE forecasts.
(1) – Percentage points.
(2) – Number of people.
(3) – End of year annual rates. Gross interest rate for Treasury Bills.
(4) – Annual GDP not adjusted for working days.
(5) – In December 2008 the Federal Reserve set a range of 0 to 0.25 percent for its target rate.

manufacturing sector, which seems to particularly suffer from international competitive pressures and from the direct effects of the drastic drop in world demand recorded in the last period. Less severe pressures are observed for the other sectors, which, apart from being more protected from the crisis effects, are also characterized by lower competitive pressures to production efficiency.

Demand components...

After the 2009 fall, private consumptions are expected to rise this year, though recording moderate increase rates (+0.8%). The return to a positive path for the available nominal income would contribute to meet household expenditures. The inflation, the containment of which contributed to reduce the drop in purchasing power last year, would partly erode the consumers' increased expenditure capacity in 2010. The gradual overcoming of the uncertainty conditions recorded last year might interrupt the downsizing of the propensity to consume, which would marginally stabilize above the 2009 levels. The strengthening of the available income dynamics would allow, in the next year, an acceleration in consumers' expenditure (+1.1%), even in the presence of a substantially stable propensity to consume. Following the severe downfall recorded in the previous two-year period, investment might record a positive trend in 2010.

The easing of the credit market tensions, the tax relief measures, the progressive amelioration in the outlook on domestic and international economic cycles would support the accumulation of machinery and equipment components (+4.1% in the present year and +5% in 2011). Basically stagnant dynamics should charachterize the present-year investment in means of transport (+0,8%); a newly negative trend should characterize investment in the construction sector (-1.3%). The year 2011 should imply a relatively increased trend for both the investment typlogies (+3.3% for means of transport; +1.4% for the construction sector). As to exports, the Italian economy seems to have suffered – along with Germany – a more drastic drop in world demand than other European countries, between the second half of 2008 and the first months of 2009. The Italian delay compared to other European countries tended to increase in the second half of 2009, when an acceleration in foreign exchanges was reported. These trends suspended the relatively positive evolution (with respect to other European competitors) trend of Italian foreign sales after 2005. A series of specific features characterizing the international slump might have affected recent performances. The drop in global exchanges implied a comparatively sharper fall in top-quality consumer products, which the Italian industry is highly specialized in, as documented in the Report's European Market section. The successive trade recovery phase was driven by the Asian economies with respect to which the Italian geographical specialization is relatively weaker compared to other advanced countries, including some major European systems. In perspective, the economic recovery should lead to a new, gradual strengthening of top-quality product demand with potentially favourable effects on the Italian industry. On the contrary, the geography of the exchange activity will continue to exert unfavourable effects on Italian exports: Italy's market outlets will grow to a lesser extent than total trade both in 2010 and 2011. According to the ISAE estimate, foreign sales – which dropped by almost 20% in 2009 – would return to grow this year and in 2011 (+3.8% and +3.9% respectively); as a result of unfavourable geographical dynamics, these trends would imply a new reduction in the market share of Italian exports in both years.

As to imports, the gradual acceleration of domestic demand would set a new positive trend in foreign procurement (+3.2% in 2010 and + 3.5% in 2011). In consideration of the export dynamics, the net foreign demand contribution to the GDP growth, which was basically adverse in 2009, is expected to resume a positive course in both 2010 and 2011.

Labour market

According to the ISAE estimates, a general reduction in labour input was recorded at the end of 2009. The reduction was expected to approximately affect 633,000 full-time units (-2.5%), more than 400,000 of which employed in the industry and construction sectors, which mostly suffered the effects of the crisis. On the whole, the fall in AWAs appears relatively restrained considering the extent of the shrinkage reported in the economic activity. It was, in any case, higher than the reduction in the number of employed workers (-334,000, equal to -1.4%, according to monthly temporary ISTAT estimates). The massive recourse to the Redundancy Fund (Cassa Integrazione Guadagni), combined to the attentive administration of working hours (with abatement of overtime pays, use of permits and licenses etc.), allowed the eligible firms to cut working hours, trying to cause the least damage to the company staff. A large number of workers were dismissed in 2009, especially those employed on a fixed-term contract and independent workers (including those working on projects). Net negative occupational balances were also reported in terms of permanent workers as from the third quarter of 2009. The gradual improvement in the economic scenario might partially reflect the expected occupational trend for 2010. The adverse knock-on effect inherited from the year 2009 and the customary delay in which the labour market tends to adapt to with respect to the economic activity – which, on the other hand, is expected to slacken – will weigh upon the average yearly dynamics. Therefore, the drop in labour input is also expected to affect the year 2010, though to a lesser extent than the previous year (0.6%). Differently from 2009, the number of permanent workers will relatively drop to a larger extent than the overall labour input. The labour demand adjustment phases should end between the second and the third quarter 2010, but the effects on the total occupational balance will be observed only in 2011: the labour input should averagely increase by 0.7% in the next year. The unemployment rate (at 7.8% last year) would come in at 8.8% in 2010 and 2011.

As to the wage growth, a slowdown in the wage for individual worker will be averagely suffered in 2010 (+1.5%, against the 2.3% expected increase for 2009). Given the weakened conditions of the labour market, the slowing-down phase should continue throughout 2011 (+1.8%). The labour productivity, which recorded a sharp drop last year, should increase (by about +1% on the 2020-2011 average), especially for the manufacturing industry (+3.4% on the two-year period average). As a result of these trends, the unit wage costs, which remarkably increased in 2009, would tend to decrease in 2010 (-0.1% in the overall 2010 economic activity; -3% in the industrial sector) to finally moderately step up in 2011 (+1.1%, about +0.5% in the industrial sector).

Inflation

The progressive upturn in inflation, recorded last summer, should continue in the following months albeit to generally moderate extents. The acceleration should be essentially driven by the increase in fuel and power products. The inflationary tendencies should be mitigated by the positive evolution of domestic production costs which would bring about limited pressures on other price-building components. On the 2010 average, inflation would come in at 1.6%, that is to say, twice the rate recorded the last year. An even faster rise in consumer prices should be recorded in 2011, both as a result of persistent pressures from cost-building foreign components and for the reappearance of domestic inflationary pressures. The rate of growth of consumer prices would averagely come in at 2% in the following year. The inflationary trend for 2010, expressed in terms of harmonized index, would appear marginally higher than the trend averagely recorded in other countries of the Euro area; the gap would finally disappear in 2011.

Public finance

The intense drop in the economic activity reported last year led to a sharp deterioration in public finance aggregates, in a framework in which the budget policy was essentially oriented to controlling the finacial solidity of current accounts. According to the ISAE estimate, the public administration net borrowing need would amount to 5.3% of 2009 GDP (2.7% in 2008), in line with official data. In the two-year period perspective, the GDP-deficit ratio would come in at 5.1% in 2010 and at 4.6% in 2011. In 2011, as a result of the implementation of an additional measure amounting to 0.4% of GDP as specified in the updated Stability Programme, the deficit would drop to 4.2% of GDP. The debt-GDP ratio – which returned to increase in 2008 and, to a larger extent, in 2009 (114.8% according to the ISAE estimate) – would rise to 117.2% this year and to 118.2% in 2011; the implementation of the aforementioned additional measure would finally cause the national debt to come in at 117.8% of GDP next year.