



ITALY'S DRAFT BUDGETARY PLAN

2023

Updated version



MINISTERO DELL'ECONOMIA E DELLE FINANZE

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2023

Submitted by the Minister of Economy and Finance

Giancarlo Giorgetti



FOREWORD

This Draft Budgetary Plan updates the Plan approved by the previous government on 10 October, which contained the revised macroeconomic and public finance forecasts under existing legislation, leaving to the future government the task of developing the policy scenario.

This new release of the Draft Budgetary Plan presents the macroeconomic and public finance policy scenario starting from a baseline existing legislation scenario updated to reflect the most recent data and changes in the exogenous variables of the forecast.

The new policy scenario forecasts a gradual decline in general government net borrowing (deficit), down from an estimated 5.6 percent of GDP this year, to 4.5 percent in 2023, 3.7 percent in 2024, and then to 3.0 percent of GDP in 2025. With interest payments expected to fluctuate around 4 percent of GDP, the deficit decrease will result from an improved primary balance (net of interest) such that the deficit will turn positive from 2024 onwards. In this scenario, the government gross debt-to-GDP ratio will decrease by about nine percentage points, from 150.3 percent in 2021 to 141.2 percent in 2025.

The public finance targets outlined herein have been submitted to Parliament, which on 9 November approved the resolutions concerning the Report adopted pursuant to Article 6 of Italian Law 243 of 2012 and to the Update of the Economic and Financial Document as revised and supplemented.

Note that the public finance policy scenario is based on conservative macroeconomic forecasts, derived from on a downward revision of the previous baseline existing legislation forecast. The Italian economy may contract slightly at the turn of the year, but is expected to grow at a moderate pace (0.6 percent for real GDP) even in 2023, and then accelerate in 2024, with a growth rate close to 2 percent.

Needless to say, this is a period of severe economic and social adversity, and of great geopolitical uncertainty. Soaring energy costs threaten the survival of Italian companies, not only in energy-intensive sectors, but also in the service sector.

Households are severely affected by the sharp rise in inflation at a time when wages are growing at a very moderate pace.

Therefore, measures to support businesses and households must be maintained and consolidated, becoming even more targeted, incisive and differentiated. This is to ensure that budget resources are spent wisely and, at the same time, that Italian businesses are not put at a severe competitive disadvantage and that poverty and social hardship are not exacerbated.

Under the new deficit target, the fiscal manoeuvre for 2023 can draw on additional budgetary resources amounting to 1.1 percent of GDP with respect to

the scenario under existing legislation. Such resources are to be entirely devoted to countering high energy prices and rising inflation.

The measures adopted by the Italian Government and to be included in the next manoeuvre are characterised by a targeted and temporary approach in line with the Recommendations issued by the European Commission to the Euro Area at the opening of the 2023 European Semester.

A 'targeted' approach means that, although the measures to mitigate energy costs are addressed to all citizens and businesses, a significant part of the resources made available is intended to support the most vulnerable sections of the population and the businesses that are in the greatest difficulty, as they are unable to increase their prices to reflect the sharp rise in costs against international competition that benefits from lower energy and material costs.

The adjective 'temporary' underlines, on the other hand, that the Italian Government intends to reduce and then discontinue all forms of subsidies and tax cuts as soon as natural gas, energy and fuel prices return to pre-crisis levels.

At the end of March, prior to the drafting of the 2023 Stability Programme, the Italian Government will reassess the situation and, if necessary, will implement new measures to counter high energy prices, preferably using any additional revenues and expenditure savings that may be found in the first few months of the year.

The 2023 Budget Law also includes several economic policy measures that are in line with the government's medium-term strategy. These measures, which are independently financed, will not have a negative impact on net borrowing. This reflects the Italian Government's commitment to achieving a balance between sound public finance management and economic growth revival in a sustainable way, in the belief that this will also have a positive impact on the yield differential on government bonds.

Since it took office, the Government has made every effort to speed up the implementation of the National Recovery and Resilience Plan (RRP) even in the face of obstacles such as rising prices for materials and public works. Specific resources will be allocated in the budget manoeuvre for this purpose. The implementation of the RRP will significantly boost the quantitative and qualitative growth of the Italian economy, also contributing to improving public-debt sustainability.

Lastly, with regard to the chapter normally devoted to the reforms implemented in response to the European Council's Country Specific Recommendations, please refer to the previous version of the Draft Budgetary Plan. This document also contains an update of the table on the economic policy and reform measures adopted following the approval of the Country Specific Recommendations.

A full account of the new government's economic policy and reform strategy will be contained in the National Reform Programme that will be published in early April as part of the 2023 Economic and Financial Document.

Giancarlo Giorgetti
Minister of Economy and Finance

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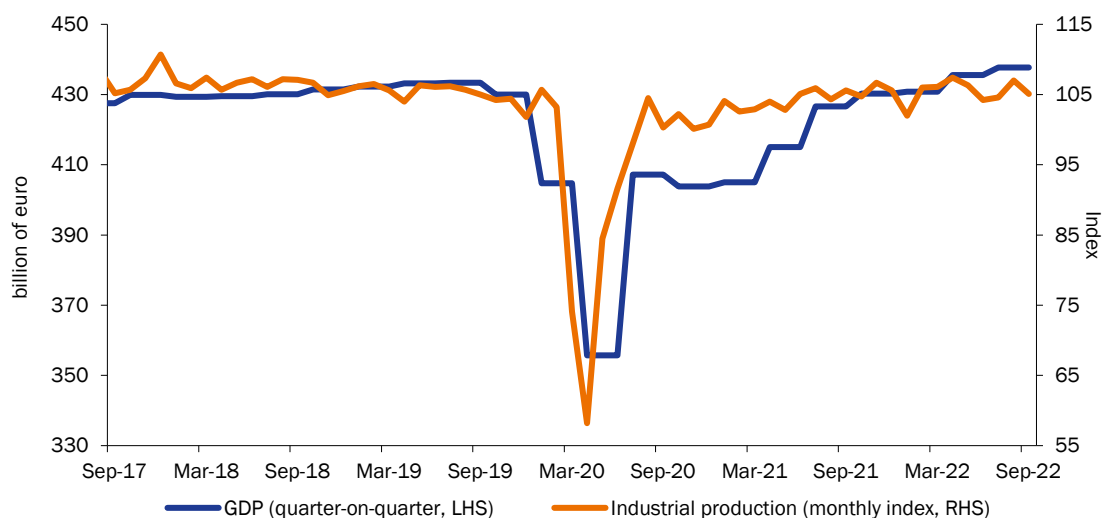
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I. MACROECONOMIC AND PUBLIC FINANCE SCENARIO

I.1 RECENT DEVELOPMENTS IN MACROECONOMIC AND PUBLIC FINANCE VARIABLES

According to the latest estimates released by ISTAT, GDP growth decelerated in the third quarter of the year, but contrary to the expectations of all forecasters, it remained positive. Indeed, after the cyclical 1.1 percent increase recorded in the second quarter, GDP rose by 0.5 percent in the summer quarter compared to the previous quarter. The resilience of the economy in the summer months was the result of a strong contribution from services, while manufacturing and construction experienced a moderate contraction in value added.

FIGURE I.1-1 : GROSS DOMESTIC PRODUCT AND INDUSTRIAL PRODUCTION



Source: ISTAT.

Thanks to the good performance levels reached in the third quarter, the acquired growth for the current year is 3.9 percent on average quarterly data, 4 tenths of a percentage point higher than the figure available in September, when the macroeconomic forecast at unchanged legislation used in the first version of the 2023 Draft Budgetary Plan (DBP) approved by the previous government on 10 October was prepared¹. Despite the persistence of significant downside risks for the final part of the year, which are linked to the intensification of inflationary tensions and the weakening of the international economic cycle, the GDP growth forecast for 2022 rises to 3.7 percent, from the 3.3 percent projected in the first version of the DBP².

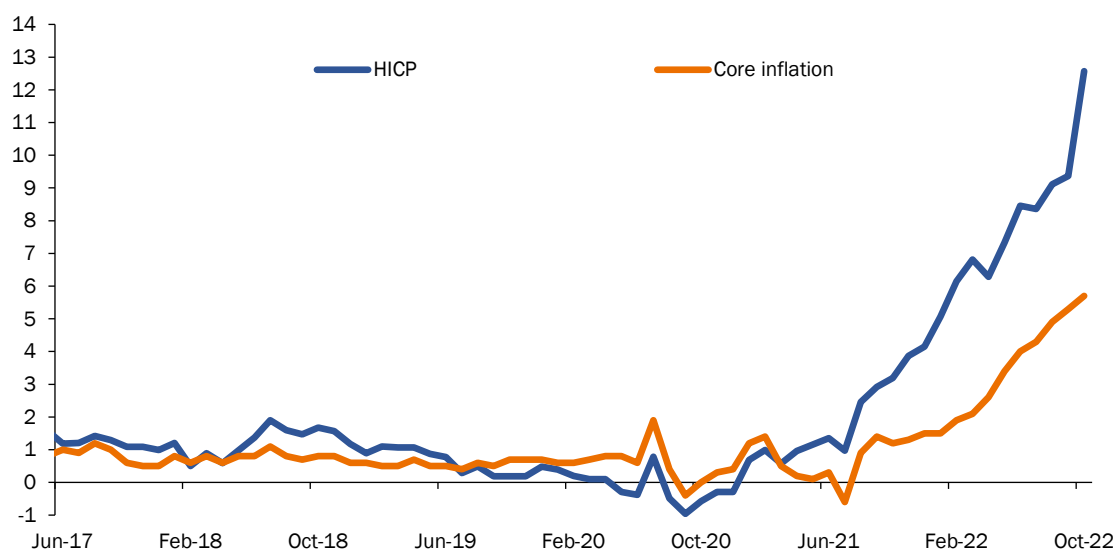
¹ Data adjusted for calendar effects. In detail, the acquired change was revised upwards by one tenth of percentage point with the revision of the quarterly economic accounts of 5 October 2022, to which three tenth of a percentage point were added with the preliminary estimate for the third quarter released by ISTAT on 31 October 2022.

² The corresponding forecasts for the average quarterly data are 3.4 percent for the DBP of 10 October and 3.8 percent for the current version.

Coinciding with a phase of substantial stability in crude oil prices, the domestic price of natural gas has recently fallen sharply from its peak in August. Although it is still at historically high levels, the price at the end of October practically cancelled out the increases seen in July and August. Moreover, due to the high level of storage reached at the end of September and the above-average temperatures that contributed to reducing the demand for gas, the price on the Italian virtual market was lower than that traded on the European reference market TTF.

In this context, the increase in natural gas prices during the summer pushed up the growth in energy import prices to 111 percent over the same period last year, which was passed on to producer prices (+41.8 percent in September) and consumer inflation in October. According to the Harmonised Index of Consumer Prices, the latter reached a new peak of 12.6 percent, up from 9.4 percent in September. Both unregulated and regulated energy prices contributed significantly to this increase. In particular, for the latter, the price of the electricity component of the protected market was 59 percent higher in October than in the previous quarter.

FIGURE I.1-2 : CONSUMER PRICES (HARMONISED INDEX, % CHANGE Y/Y)

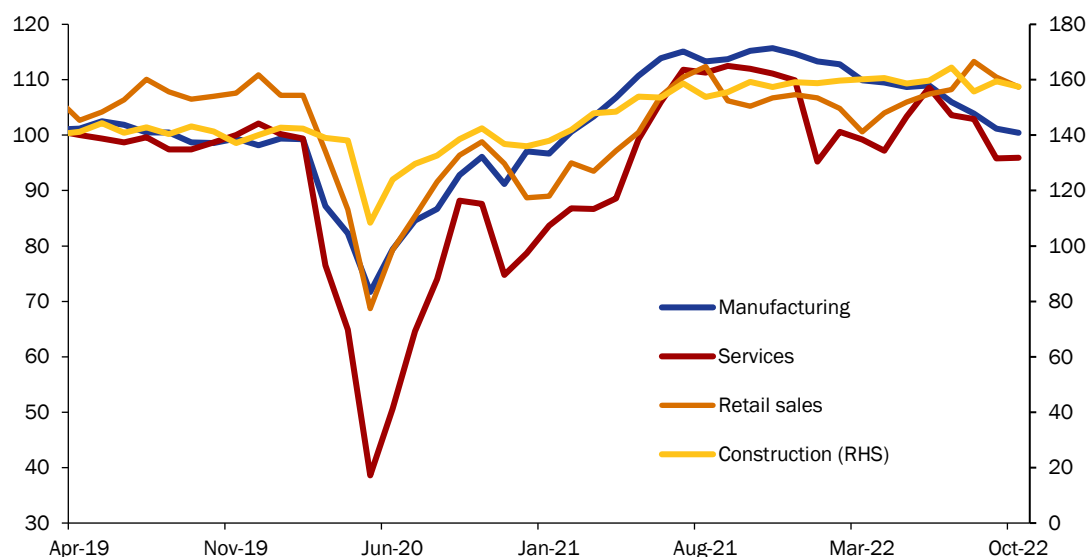


Source: ISTAT.

The spread of the price increase to the other index components brought core inflation (net of energy and fresh food) to 5.7 percent, again according to the harmonised index.

However, the surprisingly positive performance of economic activity in the third quarter was part of a macroeconomic context burdened by the worsening of qualitative indicators: information from the ISTAT surveys on business and consumer confidence continues to paint a picture dominated by uncertainty and deteriorating expectations, which is also reflected in the evolution of the PMI indexes, which have been below the expansion threshold since July.

FIGURE I.1-3 : INDICES OF CONFIDENCE OF ITALIAN BUSINESS



Source: ISTAT and MEF estimates for April 2020, when the survey had not been published.

Despite the fact that the qualitative information pointed to a downturn scenario for the third quarter, the dynamics of the quantitative indicators were consistent with the context of substantially stable activity: in August, the seasonally adjusted index of industrial production recorded a new, unexpected economic increase (2.3 percent m/m; up from 0.4 percent in July), accompanied by the robust recovery of construction production (2.7 percent m/m) after two months of economic decline. However, output subsequently decreased by 1.8 percent m/m in September, which brought the average quarterly change to -0.4 percent over the second quarter.

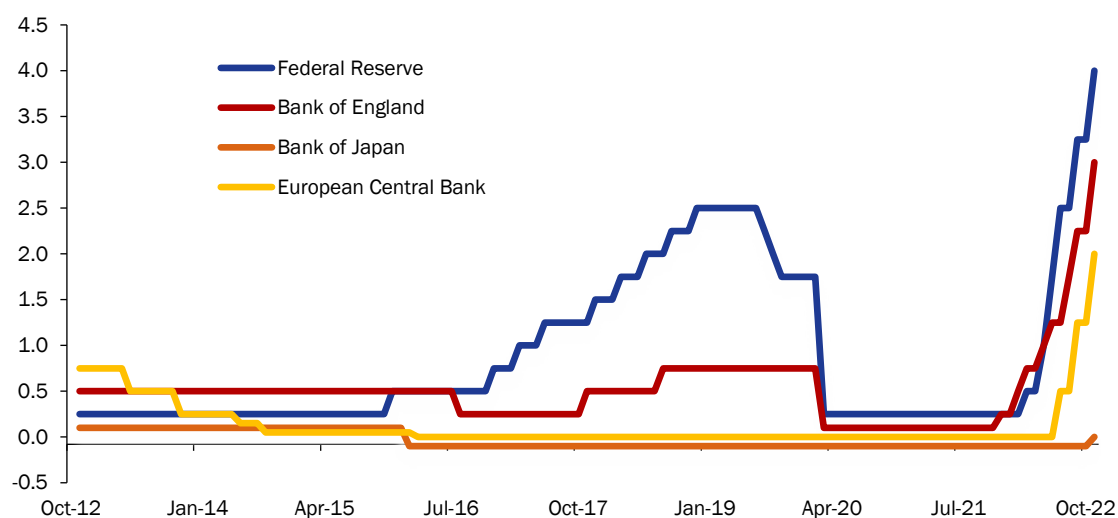
Expectations of a slowdown in the economic cycle at a global level persist, with a downward revision of the forecasts of national and international bodies dictated by persistent inflationary tensions and the decisive response of central banks. On 2 November, the Federal Reserve raised reference rates (Fed Funds) by 75 basis points for the fourth time in a row. Following the central bank's decision, consumer prices showed a slowdown in the pace of growth of the core component (net of food and energy) for the first time in more than a year, but this will have to be confirmed in the coming months before the Governing Board can consider a slowdown or a pause in the restrictive phase.

Although underlying inflationary pressures continued to grow, US consumer spending increased more than expected in September. Together with the acceleration in exports and the recovery in overall government spending, the consumption trend contributed to the recovery in GDP, which grew at an annualised rate of 2.6 percent in the third quarter over the previous period, rebounding from the contraction in the previous two quarters (-1.6 percent and -0.6 percent q/q, respectively). Signs of weakening came instead from private investment, which declined for the second consecutive quarter despite the increase in non-residential and machinery investment. Furthermore, in spite of the positive GDP figure, the growth profile of final demand in the US declined over the course of the year, while inventories increased.

The US labour market is starting to feel the effects of weakening domestic demand. In October, the unemployment rate rose slightly to 3.7 percent from a low

of 3.5 percent in July and September. Moreover, the most recent qualitative surveys show a general weakening of the US economic scenario.

FIGURE I.1-4 : POLICY RATES OF MAJOR CENTRAL BANKS (%)



Source: Refinitiv.

For the European economy, too, although expectations for the second half of the year pointed towards a slowdown in the cyclical phase, the latest statistics on economic growth confirm the economy is holding up, but at the same time expectations of a slowdown in the cyclical phase remain. In the Euro Area, cyclical variation in GDP in the third quarter of the year was positive (0.2 percent) but slower than in the first two quarters of the year, with a year-on-year variation of 2.1 percent.

The labour market continued to respond promptly to the economic cycle, with employment growing cyclically by 0.2 percent in the third quarter and the unemployment rate at a new low of 6.6 percent in September, the historically low level since the introduction of the euro.

On the supply side, the Eurozone energy crisis remains the main concern of companies and a drag on activity, especially in energy-intensive sectors. Although the production index in the Eurozone continued to recover in September after the sharp decline in July and the rebound in August, industrial activity appears to be affected by a decline in demand, also linked to the sharp rise in producer prices. Economic surveys at the beginning of the quarter reported a contraction in production levels and an increase in goods in stock. This backdrop is more strongly felt in European manufacturing, particularly in the sectors most exposed to energy price volatility, and in the services sector, due to lower demand induced by the rise in the cost of living and the tightening of economic conditions.

Indeed, commodity prices, especially those of energy, still exert strong upward pressure on the entire supply chain. Producer prices in August rose by 43.3 percent year on year and contributed to the rise in consumer prices, which in October accelerated to 10.7 percent year on year due mainly to the boost of energy and fresh

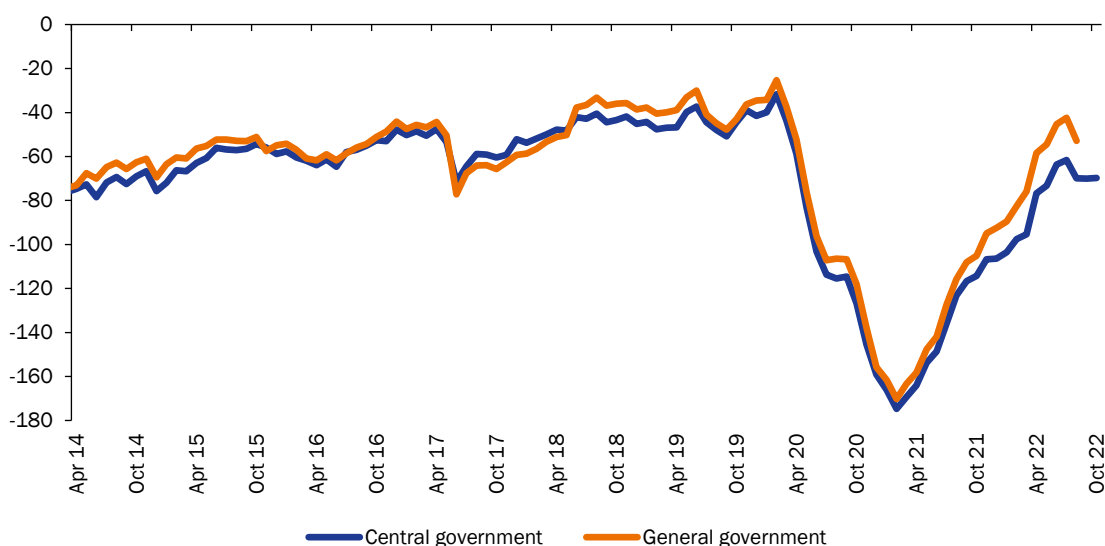
food prices. However, core inflation also rose to 6.4 percent from 6.0 percent in September³.

In the face of rising inflation, the tightening of monetary policy by the European Central Bank (ECB) continues. The Governing Council has raised key interest rates by 2 percentage points in the last three meetings and introduced measures to reduce excess reserves in the banking system. These ECB actions resulted in a significant increase in euro market rates, which will not fail to have a depressive effect on GDP growth in the area.

On the public finances front, the institutional sector accounts published by ISTAT indicate a sharp reduction in the general government net borrowing in the first quarter, to 9.0 percent of GDP from 12.8 percent in the corresponding period of 2021 (in non-seasonally adjusted terms)⁴ and 3.1 percent of GDP in the second quarter, up from 7.2 percent in the same quarter last year.

The revenue trend was particularly positive in the first nine months of the year, with tax revenues increasing by 12.1 percent and social security contributions by 7.0 percent⁵.

FIGURE I.1-5 : GOVERNMENT BORROWING REQUIREMENT (EUR BILLION, 12-MONTH CUMULATIVE VALUES)



Source: MEF elaborations on monthly data from the State General Accounting Department for central government, and from the Bank of Italy for general government

A marked improvement in public finances is also signalled by the central government cash requirement, which amounted to 56.5 billion in the first ten months of the year - an improvement of about 36.8 billion compared to 93.3 billion in the same period last year. Even if the grants received in August 2021 and April 2022 from the Recovery and Resilience Facility (RRF) are excluded from the comparison, the

³ The data in the paragraph is from Eurostat.

⁴ Except for 2020 - a year out of the norm in that it was marked by the first phase of the pandemic and massive fiscal policy interventions - the first quarter normally records the highest levels of net borrowing for the whole year. As mentioned in the text, the quarterly net borrowing data are not seasonally adjusted.

⁵ Report on tax and social security contributions revenue of the Department of Finance and the State General Accounting Department.

reduction in cash requirement in the first ten months of the year amounted to 35.7 billion (a drop of about 35 percent). This is a very positive result also in light of the allocation of public resources for measure to lower energy prices and to aid businesses and households implemented during this period.

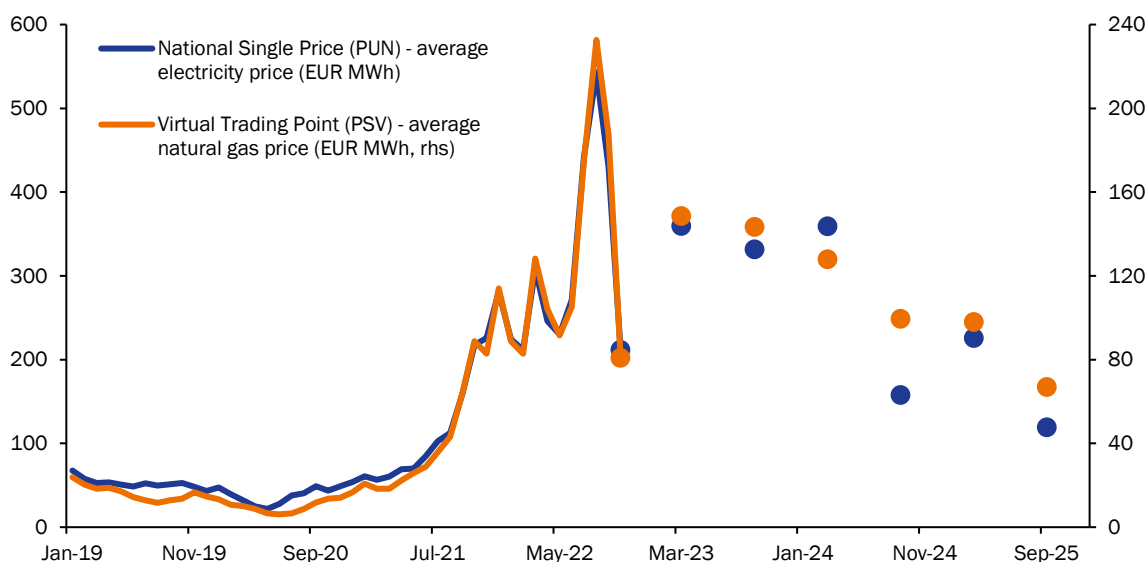
I.2 UPDATE OF THE MACROECONOMIC SCENARIO UNDER EXISTING LEGISLATION

The GDP growth forecast for the current year improves from the first version of the DBP to 3.7 percent (from 3.3 percent). For 2023, on the other hand, a loss of momentum in activity is projected, with GDP growth revised downwards to 0.3 percent - from 0.6 percent. For 2024-2025, the end-September forecast is confirmed at 1.8 percent and 1.5 percent, respectively.

Nominal GDP growth has been revised upward: for 2022, the higher nominal GDP growth rate entirely reflects the improvement in the real component, while in 2023 it reflects an upward revision of GDP deflator growth that is more pronounced than the decline in real GDP.

In detail, the improvement in the forecast for 2022 stems from a more buoyant performance of activity in the third quarter than foreshadowed in the previous version of the DBP 2023. On the other hand, the most up-to-date internal assessments project a negative change in GDP for the last quarter of the year, which would result from a cyclical retreat in the value added of industry and a slowdown in the growth of services.

FIGURE I.2-1 : NATURAL GAS PRICE FOR 2019-2022 AND FORWARD PRICES FOR 2022-2025



Source: Italian Energy Markets Manager (GME - Gestore Mercati Energetici).

Nevertheless, the dynamics of activity in the second half of the year would exert a non-negligible carryover on 2023, amounting to 0.3 percent, 0.2 percentage points higher than the September forecast. In the new existing legislation scenario, the expectation of a further cyclical downturn in activity in the first quarter of 2023 is confirmed, as driven mainly by the weakening in household consumption, also

considering the fact that the existing legislation scenario takes into account the discontinuation of the measures to lower energy costs for businesses and households.

Starting in the second quarter of next year, cyclical GDP growth is expected to pick up, as supported by the fall in the price of natural gas and a subsequent slowdown in inflation, as well as by the improved outlook for the global economy and the boost provided by the investments of the Recovery and Resilience Plan (RRP). It should be noted that the recovery profile foreshadowed from the second quarter of 2023 onwards is in any case moderate and reflects conservative assessments in light of the many energy and geopolitical uncertainty factors, primarily the average gas price level also as a reflection of temperatures and consumption during the winter.

The downgrading of GDP growth in 2023 compared to the DBP at the beginning of October, by 0.3 percentage points, is consistent with changes in the main exogenous variables of the forecast.

TABLE I.2-1 : EFFECTS ON GDP OF THE UPDATE OF THE INTERNATIONAL SCENARIO IN COMPARISON WITH THE DBP OF 10 OCTOBER 2022 (IMPACT ON GROWTH RATES)

	2022	2023	2024	2025
1. World trade	0.0	-0.2	0.0	0.1
2. Oil and gas prices	0.0	0.1	0.0	-0.1
3. Nominal effective exchange rate	0.0	-0.1	0.0	0.0
4. Interest rate assumptions	0.0	-0.1	0.0	0.0
Total	0.0	-0.3	0.0	0.0

In particular, while recent futures price levels for natural gas and oil are less unfavourable compared to September, the euro exchange rate is less competitive, interest rates and expected yields are higher and Oxford Economics' forecast of world trade developments is weaker than expected in September. Overall, this subtracts 0.3 percentage points from the real GDP expansion rate.

Compared to the previous forecast, the new existing legislation scenario shows differences in the dynamics and composition of domestic demand, price developments and foreign trade. The worsening of the contribution to growth made by domestic demand in 2023 - due to the lower growth rate of consumption and investment - is accompanied by a downward revision of exports consistent with the worsening of world trade projections.

In the light of accelerating inflation in October and of a significant persistence of the core component, the GDP and consumption deflators dynamics were revised upward: while the GDP deflator is unchanged in 2022 with respect to the first version of DBP due to the combined effect of a downward revision of the quarterly economic accounts of the first half of the year and the prospects for greater dynamics in the second half of the year, the consumption deflator is raised to 7.0 percent (from 6.6 percent). In 2023, instead, the GDP and consumption deflators are projected to rise to 4.2 percent (from 3.7 percent) and 5.9 percent (from 4.5 percent previously), respectively, and then remain essentially unchanged in the 2024-2025 period.

The inflation rate is expected to decrease by early 2023, as price index levels, especially energy prices, will compare with the already very high levels in early 2022. The core inflation component is expected to be more persistent than the overall index, due to the lags in the adjustment of prices of other goods and services, albeit it embarks on a path of gradual deceleration later next year. Consistent with this inflation scenario, the trend of labour costs per full-time equivalent in the private

sector in 2023 is projected to be slightly higher than in the previous forecast (3.9 percent from 3.7 percent), also as a result of the time lag between the increase in inflation and the consequent adjustment of contractual wages.

On the labour market front, employment picked up again in September, and the unemployment rate stood at 7.9 percent, unchanged from August and at its lowest level since 2009. In response to the expected loss of momentum in economic activity, employment dynamics were adjusted slightly downwards for the year 2023. Nevertheless, also due to labour force developments, the forecast of the unemployment rate has been revised slightly downwards compared to the DBP in early October in 2022 (8.1 percent, -0.1 percentage points) and is confirmed at 8.0 percent in 2023, 7.7 percent in 2024 and 7.5 percent in 2025.

The current account balance of the balance of payments is projected to be in deficit in 2022 and 2023, before returning to a small surplus in the following two years mainly due to the expected decline in energy prices. Compared to the previous version of the DBP, the current account deficit in 2022 has been revised in improvement (from -0.8 percent to -0.5 percent) also due to a revision of the 2021 figure (from 2.4 percent to 3.1 percent).

TABLE I.2-2 : SYNTHETIC MACROECONOMIC SCENARIO UNDER EXISTING LEGISLATION (1) (% CHANGES, EXCEPT WHERE OTHERWISE SPECIFIED)

	2021	2022	2023	2024	2025
GDP	6.7	3.7	0.3	1.8	1.5
GDP deflator	0.5	3.0	4.2	2.5	2.0
Consumption deflator	1.6	7.0	5.9	2.3	2.0
Nominal GDP	7.3	6.8	4.6	4.3	3.6
Employment (FTEs) (2)	7.6	4.5	0.2	1.1	1.0
Employment (LF) (3)	0.8	2.3	0.2	0.9	0.8
Unemployment rate	9.5	8.1	8.0	7.7	7.5
Labour costs per FTE (4)	0.9	3.4	3.9	3.4	2.8
Current account balance (% of GDP)	3.1	-0.5	-0.2	0.3	0.9

(1) Any inaccuracies are due to rounding.

(2) Employment expressed in terms of Full-Time Equivalents (FTEs).

(3) Number of employed people according to the Labour Force Survey (LFS).

(4) Private sector.

I.3 PUBLIC FINANCE MEASURES ADOPTED AFTER THE PUBLICATION OF THE FIRST VERSION OF DBP 2023

The continuation of the energy crisis has made it necessary to further extend the measures concerning the reduction of excise duty rates on energy products used as fuels, including liquefied petroleum gases, the exemption from excise duty for natural gas used as motor fuel, and the reduction of the VAT rate to 5 percent for the supply of natural gas used as motor fuel, which were provided for by previous measures taken in 2022. These measures were arranged by the Ministerial Decree of 19 October 2022⁶ for the period 1-3 November 2022 (with an effect of approximately

⁶ Ministerial decree No. 247 of 19 October 2022 on measures concerning the 'Reduction of taxes on certain energy products used as fuels, period 1 - 3 November 2022', published in the Official Journal on 21 October 2022.

93 million in 2022) and by decree-law No. 153/2022⁷ for the period 4-18 November 2022 (with burdens of approximately 465 million in 2022 and 21 million in 2024).

These extensions do not entail a worsening of the general government deficit, as the related financial effects are offset through the use of higher VAT revenues, deriving from the changes in the international price of crude oil recorded in the period from 1 September to 13 October 2022, as well as through the reduction and rationalisation of funds and expenditure in the State budget.

I.4 UPDATE OF THE PUBLIC FINANCE SCENARIO UNDER EXISTING LEGISLATION

The update of the public finance scenario under existing legislation takes into account the most up-to-date information available at the time this document was prepared, including:

- the revision of existing legislation macroeconomic forecasts compared to DBP of early October;
- the emergency measures to counter the economic repercussions of rising energy prices introduced by the above-mentioned decrees of 19 and 20 October.

In 2022 and 2023, the deficit-to-GDP ratio under existing legislation is expected to be 5.1 percent and 3.4 percent, respectively, confirming the forecast of the DBP of 10 October (hereinafter DBP).

In the following two years, the deficit-to-GDP ratio is projected to 3.6 percent in 2024 (3.5 percent in the DBP) and 3.3 percent in 2025 (3.2 percent in the DBP).

The updated projections for the general government account take into account the acceleration in inflation recorded in September and October first and then the subsequent upward revision of forecasts for the coming years, which impact on social benefit expenditure and inflation-indexed debt service. In addition, the expected interest rates used for the forecast were revised upwards as a result of developments in the market environment this past month, also following the latest ECB monetary policy decisions. As a result, the forecast of interest expenditure has increased by about 2 billion in 2022, 3.6 billion in 2023, 2.6 billion in 2024 and 4.7 billion in 2025 compared to the previous version of the DBP.

As a result of these increases and the new expected level of nominal GDP, which is also higher than previous forecast, the profile of interest expenditure as a ratio of GDP shows only modest increases, ranging between 0.1 and 0.2 percentage points. The ratio of interest expenditure to GDP is now expected to rise to 4.1 percent in 2022, remain constant in 2023, fall to 3.9 percent in 2024 and stand at 4.0 percent in 2025.

Beyond the upward revision of interest expenditure, public finance trends continue to be positive, due to growth in tax revenues that will offset upward revisions to primary expenditure. In the years 2023-2025, the primary balance will therefore be slightly better than in the DBP. Specifically, a primary surplus of 0.7 percent of GDP is projected in 2023 (previous 0.5 percent), 0.2 percent in 2024 and 0.8 percent in 2025 (previous 0.7 percent). The improvement in the primary balance forecast compared to early October offsets, entirely in 2023 and partially in 2025,

⁷ Decree law No. 153 of 20 October 2022, on 'Urgent measures on excise duties and VAT on fuels'.

the deterioration in interest expenditure, thus limiting the upward revision of the deficit forecast.

On the primary expenditure side, the forecast of pension expenditure is increased by around 0.6 billion in 2023 and by around 7.1 billion in 2024 compared to the DBP existing legislation scenario. These higher burdens are substantially related to the different pension indexation assumptions following the revision of the forecast profile of the inflation rate.

The increases in nominal pension expenditure compared to the September forecast are about 5.6 billion in structural terms in 2025. The increase in 2025 is about 6 billion for total expenditure on cash benefits.

The combined effect of these increases and the expected new level of nominal GDP leads to a slightly higher profile of pension expenditure as a share of GDP than in October. After reaching a level of 16.6 percent of GDP in 2024, the ratio of pensions to GDP will stand at 16.5 percent in 2025, compared to the 16.4 percent projected for both years in October.

On the revenue side, the dynamics of tax revenues are stronger than expected in October, thanks to the higher nominal growth expected for the main macroeconomic aggregates⁸.

In 2023, indirect taxes are expected to grow at a rate that is more than one percentage point higher than previous forecast (+10.4 percent compared to +9.2 percent), while an average growth rate of +2.7 percent is confirmed for the following two-year period.

For direct taxes, greater dynamism is expected in the 2024-2025 period, in which this type of revenue is expected to grow at an average rate of +3.1 percent (previous +2.7 percent). The updated forecast takes into account, among other things, the new growth forecast for pension amounts, which has been updated to take into account the inflation-linked revaluation expected under the new macroeconomic scenario.

The trend in social security contributions remains broadly in line with the DBP forecast under existing legislation.

In light of the above elements, in 2022 the tax burden under existing legislation will rise to 43.8 percent of GDP, a level 0.1 percentage points lower than the previous forecast. From 2023 to 2025, an average decline of about 0.4 GDP points per year is expected, to reach 42.5 percent of GDP at the end of the period.

I.5 ADDITIONAL MEASURES FOR 2022 AND MANOEUVRE 2023-25

Energy prices have recently decreased but remain at historically high levels and there is a risk of a new spike during the winter months. Moreover, Italy's gas supply is mainly based on import flows subject to various risks in the current geopolitical context.

In this framework, the Italian government's priority objective is to limit as much as possible the impact of high energy prices on the budgets of households, especially those most in need, and to ensure the survival and competitiveness of Italian companies both globally and in the European context, also in view of the

⁸ The revenue forecast incorporates the effects of the extension of the reduction of excise duties and VAT on fuels until 18 November 2022.

substantial interventions recently announced by other EU Member States and non-EU countries.

The update of the general government account presented in paragraph I.4 confirms a level of net borrowing for the current year of 5.1 percent of GDP, 0.5 percentage points of GDP below the target of 5.6 percent set in this year's Economic and Financial Document (Section I, Stability Programme).

The Italian government decided to confirm the deficit target for 2022 of the Stability Programme and to use the resulting budget margin, quantifiable in 9.1 billion, to fund new measures to mitigate the cost of energy, such as the reintroduction of tax credits for companies, the instalment plan for the energy component of gas and electricity bills with a guarantee issued by SACE, and the cut extension in excise duties and VAT on fuels until 31 December. In addition, the ceiling of the tax exemption for so-called corporate 'fringe benefits' is raised to EUR 3,000 for 2022. This is a corporate welfare measure that aims to increase workers' salaries, including through the reimbursement of utilities (water, electricity and gas).

A decree-law approved by the Council of Ministers on 10 November and in the process of being finalised (so-called '*Aiuti-quarter*'), in addition to the above-mentioned measures, provides, in particular, for the coverage of the financial effects of the natural gas purchases made in recent months by the *Gestore dei Servizi Energetici* (GSE), amounting to 4 billion, by removing the legal provision that the gas purchased by the GSE be resold by the end of 2022. Given the recent fall in the national gas price may be temporary, this will allow the gas to be resold later at prices less penalising to public finances instead of immediately crystallising the related losses. The expected proceeds based on forward gas prices will be received and accounted for in 2023.

With regard to the 2023-2025 manoeuvre, contained in the draft budget law, given the high uncertainty of the economic framework and the need to continue countering the high cost of energy, the Italian government decided to request Parliament's authorisation to set a new policy path for the general government net borrowing. The new policy deficit-to-GDP levels are set at 4.5 percent for 2023, 3.7 percent for 2024 and 3.0 percent for 2025.

On 9 November, Parliament approved with specific resolutions the revised and integrated version of the Update to the Economic and Financial Document and the new policy scenario balances proposed by the Government in the Report pursuant to Article 6 of Law 243/2012.

A comparison with the updated scenario under existing legislation of this document shows how the new targets generate a fiscal room of 1.1 percent of GDP in 2023 and 0.1 percent of GDP in 2024, while in 2025 the net borrowing target is approximately 0.2 percentage points lower (net of rounding) than the forecast under existing legislation.

The new deficit targets are consistent with a gradual improvement in the primary balance (net of interest), which will turn slightly positive in 2024, before reaching a surplus of around one percent of GDP in 2025. Moreover, the structural balance (i.e., cyclically adjusted and net of temporary measures), will improve over the entire three-year period on a gradual path towards the Medium-Term Objective (MTO).

The resources of the net manoeuvre will be used to counter high energy prices in the first months of 2023.

Energy price developments and their impact on businesses and households will be monitored on an ongoing basis in the first months of 2023. At the latest when the next Stability Programme is drawn up, an assessment will be made of whether there is a need for further measures to lower energy bills and help businesses and households, and how these will be financed.

The policy path for the period 2023-2025 covers the needs for the so-called unchanged policies and for the introduction and renewal of various measures with an economic and social relevance.

In particular, most of the available resources, deriving from the new deficit target, will be used for measures that support households and firms in the context of high energy costs and rising inflation.

The measures for high energy costs are especially concentrated in the first quarter of 2023, with resources amounting to 21.6 billion, including transfers to Healthcare and local authorities to face the increase in energy costs, and non-temporary measures that amount to about 2 billion.

To support companies, the tax credits already provided for the partial compensation of the higher costs for the natural gas and electricity purchases, will be refinanced and increased in percentage. For the first quarter of 2023, the cancellation of the rates of general charges for the electricity system and, as a more generally applicable measure, the reduction of VAT and general charges on gas will be refinanced as well. The measures to support the users most exposed to price increases are significant, with a remarkable expansion of the number of beneficiaries of the social bonus.

Furthermore, to support families, the budget law establishes a "Family Package" that includes a series of measures that range from the reduction of VAT for children's and feminine hygiene products to the increase of the single allowance for children up to one year and for large families. It is also included an increase for one month of the parental leave for female workers. A fund is also set up to support families. For Health, in particular, there will be an increase of the National Health Fund.

The budget law, given the strong increase in pension expenditure due to the rising inflation, changes the pension indexation mechanism for the period 2023-2024 safeguarding, in particular, the low pensions and providing for the minimum pensions a transitional increase, for the same period, in order to counter the negative effects of inflation. Still on social security, the budget law establishes the possibility for specific categories of workers to access early retirement, such as those who have collected 41 years of contributions and are 62 years old in 2023; for the same category a contribution relief is also provided if they continue working. Some measures are confirmed, such as the "Opzione Donna", that will be slightly modified, and the "Ape Sociale" for physically taxing jobs.

Furthermore, for 2023, the fruition modality of the Citizenship Income will also be changed: for families with members able to work (with the exception of families in which there are persons with disability, minors or persons at least sixty years of age) there will be a maximum limit of 8 months' wages for 2023, pending the reform that will be adopted starting from 2024.

Important measures are also introduced in the area of taxation. The *flat tax* is extended from 65,000 to 85,000 euros for self-employed workers and an incremental *flat tax* is introduced with a 15 per cent subsidized taxation on the excess of business of self-employment income with reference to the higher amount declared in the last three years. Productivity bonuses paid to employees are subject to tax relief and

measures are envisaged in favor of taxpayers. Finally, additional resources are allocated for reducing the tax wedge with a 2 percent cut in social security contributions paid by employees with income up to €35,000 and a further 1 percent for income up to €20,000.

The financial commitment to allow the start-up and implementation of public works in the face of rising material costs is significant. Strategic roads and railway infrastructures are identified towards which public resources should be channeled.

Lastly, measures are taken in favor of Regions and local bodies, aimed amongst other things at supporting the continuity of the services provided.

Update on government’s actions in response to high energy prices

In the DBP of 10 October, the package of measures adopted to mitigate the impact of inflation on households and businesses was quantified at approximately 62.6 billion in the years 2021 and 2022 (3.3 percent of GDP), of which 5.5 billion (0.3 percent of GDP) for 2021 and 57.1 billion (3.0 percent of GDP) for 2022, including the 3.8 billion allocated in the budget law for 2022. For 2023 and 2024, gross interventions were estimated at 402 million and 207 million, respectively.

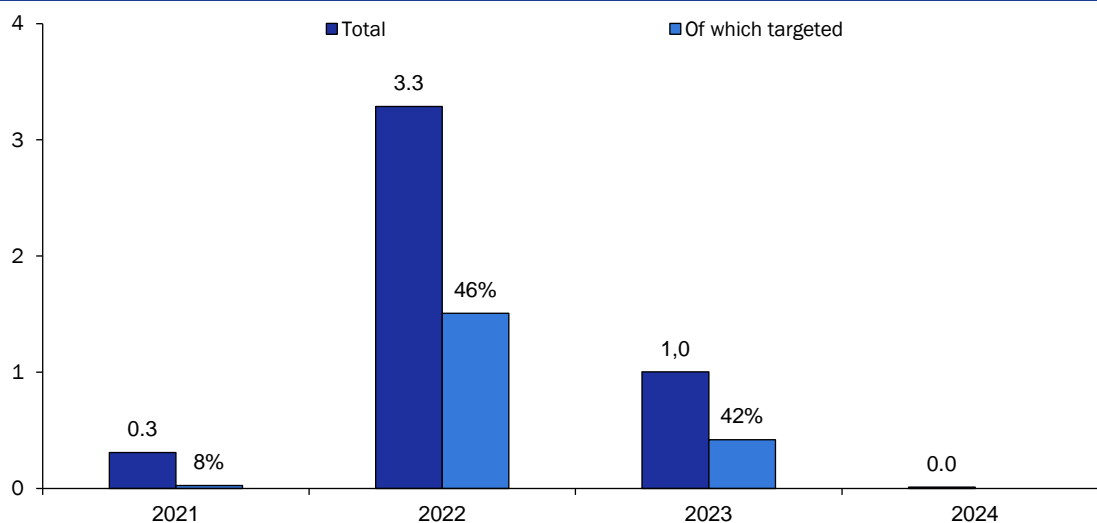
As a result of the measures introduced with the Ministerial Decree of 19 October and Decree-Law No. 153 of 20 October, as well as the additional measures contained in the *Aiuti-quater* Decree, the gross amount of the measures to counter the high energy price adopted in the first eleven months of 2022 rises from 3.0 percent of GDP to approximately 3.3 percent of GDP.

Taking into account, on a preliminary basis, also the resources of the net manoeuvre expected to be used to counter high energy prices in the first months of 2023, the size of the package would reach a level of approximately 1.0 percent of GDP in 2023.

The new measures are temporary in nature and do not have a significant impact on subsequent years. For 2024, indeed, the previous estimate is essentially confirmed.

Consequently, the size of the package of measures adopted from 2021 onwards would increase to almost 4.6 percent of GDP in cumulative terms.

FIGURE I.5-1 : MEASURES TO COUNTER HIGH ENERGY PRICES PER YEAR (% OF GDP)



Source: MEF analysis on the financial impact resulting of annex 3 of regulatory measures.

I.6 MACROECONOMIC POLICY SCENARIO

The 2023 fiscal policy, aimed at ensuring support to households and businesses in order to contain the impact of high inflation on the economic activity, has a positive effect on GDP growth, which can be estimated at 0.3 percentage points of additional growth compared to the existing legislation scenario in 2023 and 0.1 percentage points in 2024. The higher level of GDP in 2024, together with the fading out of the expansionary effects of the outlined manoeuvre, would result in a less pronounced economic activity in 2025.

In particular, fiscal policy measures are aimed at tackling high energy prices and rising utility bills.

In the policy scenario, the real GDP growth rate is 0.6 percent in 2023, rising to 1.9 percent in 2024 and 1.3 percent in 2025. Compared to the estimate under existing legislation, the higher growth in 2023 is mainly due to household consumption, which, boosted by an increase in nominal disposable income and the reduction in consumer inflation caused by the measures to lower prices, will increase by 1.0 percent in 2023 and 1.6 percent in 2024.

The measures aimed at containing the effects of higher energy prices should help mitigate the growth of consumer inflation in 2023 and consequently of domestic inflation, as measured by the GDP deflator. The discontinuation of these measures would contribute to a subsequent upturn in the price levels projected in the existing legislation scenario with an acceleration of the private consumption deflator in 2024. However, this would take place in a more favourable environment, where the prices of energy raw materials, consistent with futures prices, would decline, making a negative contribution to inflation.

The GDP deflator is projected to grow by 4.1 percent in 2023, before slowing to 2.7 percent in 2024 and 2.0 percent in 2025. The combined effect of higher real growth and the above-described price dynamics contribute to revising the nominal GDP profile upward by 0.2 percentage points in 2023 and 0.4 percentage points in 2024. In 2025, the dampening effect on real growth - equal to two-tenths of a percentage point - is also transmitted to the nominal GDP dynamics.

Gross fixed capital investments would also benefit from the measures taken, contributing positively to higher growth in economic activity and reaching around 22 percent of GDP at the end of the period.

Overall, higher domestic demand will lead to higher imports over the next two years, resulting in a marginal reduction of the current account balance and, on average, a slight decline in the contribution of net exports to growth.

With regard to the labour market, in the two-year period 2023-2024, the higher GDP growth promotes an increase in labour input and a more pronounced growth in labour income, which help sustain household consumption. Stronger employment growth also leads to a lower unemployment rate, which is one-tenth lower in the three-year period 2023-2025 than in the baseline macroeconomic scenario, reaching 7.4 percent at the end of the period.

TABLE I.G-1 : SYNTHETIC MACROECONOMIC POLICY SCENARIO (1) (PERCENTAGE CHANGES, UNLESS OTHERWISE INDICATED)

	2021	2022	2023	2024	2025
GDP	6.7	3.7	0.6	1.9	1.3
GDP deflator	0.5	3.0	4.1	2.7	2.0
Consumption deflator	1.6	7.0	5.5	2.6	2.0
Nominal GDP	7.3	6.8	4.8	4.7	3.4
Employment (FTEs) (2)	7.6	4.5	0.3	1.3	0.9
Employment (LF) (3)	0.8	2.3	0.3	1.1	0.7
Unemployment rate	9.5	8.1	7.9	7.6	7.4
Current account balance (% of GDP)	3.1	-0.5	-0.2	0.0	0.7

(1) Any inaccuracies are due to rounding.

(2) Employment expressed in terms of Full-Time Equivalents (FTEs)

(3) Number of employed people according to the Labour Force Survey (LFS).

I.7 EVOLUTION OF THE DEBT TO GDP RATIO

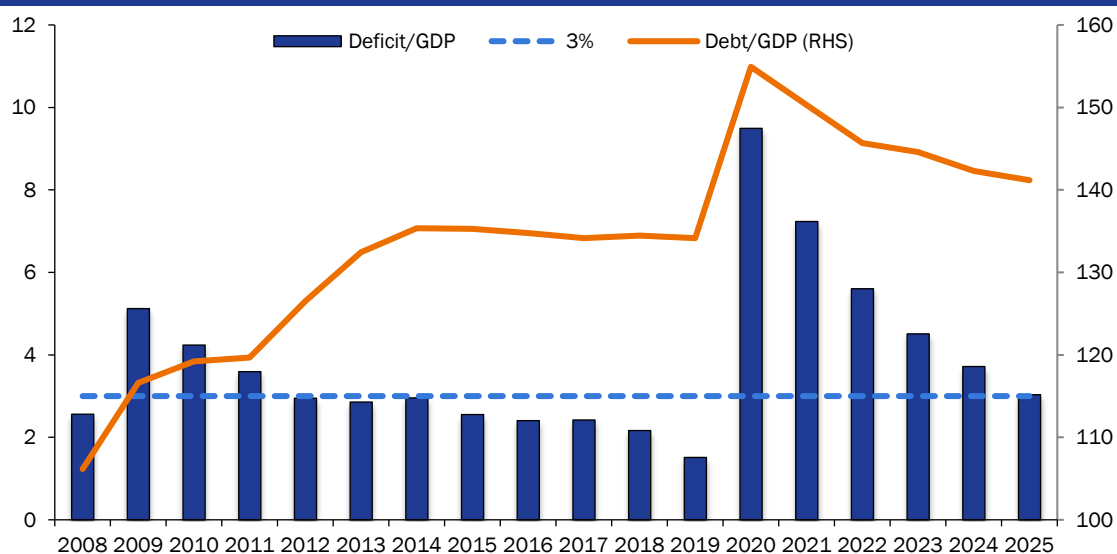
As mentioned above, the target for the general government net borrowing-to-GDP ratio for 2022 is confirmed at 5.6 percent, the level set in the April Stability Programme. The new policy scenario envisages the nominal deficit to further decline to 4.5 percent in 2023, to 3.7 percent of GDP in 2024 and to 3.0 percent in 2025, as a result of the fiscal measures that the Italian government is preparing to introduce with the next public finance manoeuvre for the 2023-2025 period.

A decline in the gross debt-to-GDP ratio in the current year is confirmed by the updated policy scenario. The decline is more pronounced than envisaged in the Stability Programme. The target for the debt-to-GDP ratio is in fact expected to fall from 150.3 percent in 2021 to 145.7 percent in 2022 (147.0 percent in the Stability Programme).

The new policy targets for the debt-to-GDP ratio for the next three years are also on average about 0.6 percentage points lower than those reported in the Stability Programme. This is due to a stronger dynamic of nominal GDP under policy scenario and an improvement in the general government primary balance. These positive factors more than offset the rise in the implicit financing cost of debt resulting from higher yields on fixed-income government bonds and higher inflation adjustments for securities indexed to consumer prices.

In 2023 and 2024, the general government gross debt in the policy scenario is expected to stand at 144.6 percent and 142.3 percent of GDP respectively, while in 2025, the final year of the projection, it is expected to stand at 141.2 percent, slightly below the DEF target of 141.4 percent.

Net of Italy's share of loans to EMU Member States, bilateral or through the EFSF, and of the contribution to the capital of the ESM, in 2025 the policy forecast will stand at 138.6 percent.

FIGURE I.7-1 : NET BORROWING AND DEBT OF THE GENERAL GOVERNMENT SECTOR (% OF GDP)

Source: ISTAT, Bank of Italy. From 2022 forecasts under the policy scenario.

I.8 ENDORSEMENT OF OFFICIAL FORECAST BY THE PBO

The new macroeconomic forecast under existing legislation for 2022 and 2023 was validated by the Parliamentary Budget Office (PBO) in a note dated 4 November 2022, at the end of the interlocutions provided for in the PBO-MEF Memorandum of Understanding of 13 May 2022.

The policy scenario forecast for 2022 and 2023 was validated by the PBO in a letter addressed to the Minister of the Economy and Finance on 9 November 2022.

II. TABLES

TABLE II.1-1 : BASIC ASSUMPTION (O.I)

	2021	2022	2023
Short-term interest rate (annual average)	n.a.	0,7	3,1
Long-term interest rate (annual average)	0,8	3,5	4,2
USD/€ exchange rate (annual average)	1,2	1,0	1,0
Nominal effective exchange rate	1,0	-1,2	-0,1
World excluding EU, GDP growth	6,2	2,9	1,7
EU GDP growth	5,2	3,1	0,0
Growth of relevant foreign markets	11,1	4,7	0,8
World import volumes, excluding EU	6,4	3,6	1,7
Oil prices (Brent, USD/barrel)	70,8	99,9	84,3

Note: A comma is used as a decimal separator

TABLE II.1-2 : MACROECONOMIC PROSPECTS (1.A)

	ESA Code	2021	2021	2022	2023	2024	2025
		Level Million Euro	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g	1.678.490	6,7	3,7	0,6	1,9	1,3
Of which							
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth					0,3	0,1	-0,2
1.2. Attributable to the estimated impact of NGEU funds on economic growth (1)			0,2	0,2	1,0	0,5	0,9
2. Potential GDP		1.719.800	0,1	1,1	0,8	1,1	1,1
contributions:							
- labour			-0,4	0,5	0,1	0,4	0,4
- capital			0,1	0,3	0,4	0,4	0,5
- total factor productivity			0,3	0,3	0,3	0,3	0,3
3. Nominal GDP	B1*g	1.782.050	7,3	6,8	4,8	4,7	3,4
Components of real GDP							
4. Private final consumption expenditure	P.3	985.186	5,2	3,9	1,0	1,6	1,2
5. Government final consumption expenditure	P.3	321.540	1,5	1,4	-2,6	-0,3	0,2
6. Gross fixed capital formation	P.51	336.498	16,5	8,7	3,0	4,6	2,5
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		0,3	0,4	0,0	0,1	0,0
8. Exports of goods and services	P.6	537.669	13,4	10,7	0,9	4,2	3,3
9. Imports of goods and services	P.7	504.780	14,7	14,0	1,3	4,7	3,2
Contributions to real GDP growth							
10. Final domestic demand		-	6,3	4,1	0,7	1,9	1,3
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0,3	0,4	0,0	0,1	0,0
12. External balance of goods and services	B.11	-	0,1	-0,8	-0,1	-0,1	0,1

(1) The impact refers to the resources for additional projects of RRF, REACT-EU, the anticipated resources of the Fondo sviluppo e Coesione and the National Complementary Plan. For details on the methodology used, see Appendix I to the 2022 National Reform Programme.

Note: A comma is used as a decimal separator

TABLE II.1-3 : PRICE DEVELOPMENTS (1.B)

	ESA Code	2021	2021	2022	2023	2024	2025
		Level	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator		106,2	0,5	3,0	4,1	2,7	2,0
2. Private consumption deflator		104,6	1,6	7,0	5,5	2,6	2,0
3. HICP		105,0	1,9	8,5	5,5	2,6	2,0
4. Public consumption deflator		109,7	1,1	4,4	1,9	-0,8	0,0
5. Investment deflator		105,7	2,4	4,0	3,0	2,7	1,9
6. Export price deflator (goods and services)		108,3	5,0	11,3	4,3	1,4	0,9
7. Import price deflator (goods and services)		107,0	9,7	21,1	4,3	-0,2	-0,9

Note: A comma is used as a decimal separator

TABLE II.1-4 : LABOUR MARKET DEVELOPMENTS (1.C)

	ESA Code	2021	2021	2022	2023
		Level	rate of change	rate of change	rate of change
1. Employment, persons		25.092	0,6	1,7	0,2
2. Employment, hours worked		41.623.007	8,1	4,5	0,5
3. Unemployment rate (%)			9,5	8,1	7,9
4. Labour productivity, persons		66.893	6,1	2,0	0,4
5. Labour productivity, hours worked		40	-1,3	-0,8	0,2
6. Compensation of employees	D.1	732.783	7,9	8,2	3,3
7. Compensation per employee		44.144	0,7	3,2	2,9

Note: A comma is used as a decimal separator

TABLE II.1-5 : SECTORAL BALANCES (1.D)

	ESA Code	2021	2022	2023
	B.9	% GDP	% GDP	% GDP
1. Net lending/net borrowing vis-à-vis the rest of the world		3,0	-0,6	-0,3
<i>of which:</i>				
- Balance on goods and services		2,4	-0,5	-0,2
- Balance of primary incomes and transfers		0,7	0,0	0,0
- Capital account		-0,1	-0,1	-0,1
2. Net lending/net borrowing of the private sector	B.9	10,2	5,0	4,2
3. Net lending/net borrowing of general government	EDP B.9	-7,2	-5,6	-4,5
4. Statistical discrepancy				

Note: A comma is used as a decimal separator

TABLE II.1-6 : GENERAL GOVERNMENT BUDGETARY TARGETS BROKEN DOWN BY SUBSECTOR (2.A)

	ESA Code	2022	2023	2024	2025
		% GDP	% GDP	% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector					
1. General government	S.13	-5,6	-4,5	-3,7	-3,0
1a. Central government	S.1311	-5,7	-4,5	-3,7	-3,0
1b. State government	S.1312				
1c. Local government	S.1313	0,0	-0,1	-0,1	-0,1
1d. Social security funds	S.1314	0,1	0,1	0,1	0,1
2. Interest expenditure	EDP D.41	4,1	4,1	3,9	4,1
3. Primary balance		-1,5	-0,4	0,2	1,1
4. One-off and other temporary measures		0,4	0,3	0,1	0,1
5. Real GDP growth (%)		3,7	0,6	1,9	1,3
6. Potential GDP growth (%)		1,1	0,8	1,1	1,1
<i>contributions :</i>					
- labour		0,5	0,1	0,4	0,4
- capital		0,3	0,4	0,4	0,5
- total factor productivity		0,3	0,3	0,3	0,3
7. Output gap (% of potential GDP)		0,1	0,0	0,8	1,0
8. Cyclical budgetary component (% of potential GDP)		0,1	0,0	0,4	0,6
9. Cyclically-adjusted balance (% of potential GDP)		-5,7	-4,5	-4,2	-3,6
10. Cyclically-adjusted primary balance (% of potential GDP)		-1,6	-0,4	-0,3	0,5
11. Structural balance (% of potential GDP)		-6,1	-4,8	-4,2	-3,6

Note: A comma is used as a decimal separator

TABLE II.1-7 : GENERAL GOVERNMENT DEBT DEVELOPMENTS (2.B)

	ESA Code	2022	2023	2024	2025
		% GDP	% GDP	% GDP	% GDP
1. Gross debt		145,7	144,6	142,3	141,2
2. Change in gross debt ratio		-4,6	-1,1	-2,3	-1,1
Contributions to changes in gross debt					
3. Primary balance		1,5	0,4	-0,2	-1,1
4. Interest expenditure	EDP D.41	4,1	4,1	3,9	4,1
5. Stock-flow adjustment		-0,6	1,1	0,5	0,5
<i>of which:</i>					
- Differences between cash and accruals		-1,5	0,4		
- Net accumulation of financial assets		0,8	0,3		
<i>of which:</i>					
- privatisation proceeds		0,0	0,0		
- Valuation effects and other		0,1	0,4		
p.m.: Implicit interest rate on debt		2,9%	3,0%		
<i>Other relevant variables</i>					
6. Liquid financial assets					
7. Net financial debt					
8. Debt amortization (existing bonds) since the end of the previous year					
9. Percentage of debt denominated in foreign currency					
10. Average maturity					

Note: A comma is used as a decimal separator

TABLE II.1-8 : GENERAL GOVERNMENT EXPENDITURE AND REVENUE PROJECTIONS AT UNCHANGED POLICIES, BROKEN DOWN BY MAIN COMPONENTS (3)

	ESA Code	2022	2023
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR	49,0	49,4
Of which			
1.1. Taxes on production and imports	D.2	14,7	15,5
1.2. Current taxes on income, wealth, etc	D.5	14,9	13,8
1.3. Capital taxes	D.91	0,3	0,1
1.4. Social contributions	D.61	13,9	14,1
1.5. Property income	D.4	0,9	0,8
1.6. Other		4,4	5,3
<i>p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)</i>		43,8	43,4
2. Total expenditure at unchanged policies	TE	54,1	52,9
Of which			
2.1. Compensation of employees	D.1	9,9	9,4
2.2. Intermediate consumption	P.2	6,1	5,9
2.3. Social payments	D.62,D.632	24,1	23,9
<i>of which Unemployment benefits</i>		0,7	0,7
2.4. Interest expenditure	EDP D.41	4,1	4,1
2.5. Subsidies	D.3	3,1	2,1
2.6. Gross fixed capital formation	P.51	2,6	3,3
2.7. Capital transfers	D.9	1,7	1,7
2.8. Other		2,5	2,4

Note: A comma is used as a decimal separator

II. TABLES

TABLE II.1-9 : GENERAL GOVERNMENT EXPENDITURE AND REVENUE TARGET, BROKEN DOWN BY MAIN COMPONENTS (4.A)

	ESA Code	2022	2023
General government (S13)		% GDP	% GDP
1. Total revenue target	TR	48,9	49,2
Of which			
1.1. Taxes on production and imports	D.2	14,6	15,4
1.2. Current taxes on income, wealth, etc	D.5	14,9	13,9
1.3. Capital taxes	D.91	0,3	0,2
1.4. Social contributions	D.61	13,9	13,7
1.5. Property income	D.4	0,9	0,8
1.6. Other		4,4	5,2
<i>p.m.:Tax burden (D.2+D.5+D.61+D.91-D.995)</i>		43,7	43,2
2. Total expenditure target	TE	54,5	53,7
Of which			
2.1. Compensation of employees	D.1	9,9	9,4
2.2. Intermediate consumption	P.2	6,1	6,0
2.3. Social payments	D.62, D.632	24,1	23,9
<i>Of which Unemployment benefits</i>		0,7	0,7
2.4. Interest expenditure	EDP D.41	4,1	4,1
2.5. Subsidies	D.3	3,3	2,9
2.6. Gross fixed capital formation	P.51	2,6	3,3
2.7. Capital transfers	D.9	1,7	1,8
2.8. Other		2,7	2,3

Note: A comma is used as a decimal separator

TABLE II.1-10 : AMOUNTS TO BE EXCLUDED FROM THE EXPENDITURE BENCHMARK (4.B)

	ESA Code	2021	2021	2022	2023
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue*		5.110	0,3	0,8	1,8
1.a Of which investments fully matched by EU funds revenue**		2.300	0,1	0,1	0,6
2. Cyclical unemployment benefit expenditure ***		315	0,0	-0,1	-0,1
3. Effect of discretionary revenue measures		-9.508	-0,5	-1,3	-0,1
4. Revenue increases mandated by law		0	0,0	0,0	0,0

* The estimate for 2021 includes grants from Next Generation UE of 0.1% of GDP, 0.7% of GDP for 2022 and 1.5 % of GDP for 2023.

** The estimate for 2022 includes grants from Next Generation UE of 0.1% of GDP and 0.4% of GDP for 2023.

*** Computed on the basis of the unemployment gap.

Note: A comma is used as a decimal separator

TABLE II.1-11 : GENERAL GOVERNMENT EXPENDITURE ON EDUCATION, HEALTHCARE AND EMPLOYMENT (4.C)

Expenditure category	Available information
Education	In the period 2018-2022, education expenditure as a percentage of GDP averages 3.9% (4.1% in 2021). As for mid/long-term trends, see the latest national baseline scenario projections carried out at the European level within the Economic Policy Committee - Working Group on Ageing Populations and Sustainability ¹ .
Health	In the period 2018-2022, health care expenditure as a percentage of GDP averages 6.9% (7.2% in 2021 as a consequence of measures adopted to face the Covid-19 contagion). As for the mid/long-term trends, see the latest national baseline scenario projections carried out at the European level within the Economic Policy Committee - Working Group on Ageing Populations and Sustainability ¹ .
Employment ²	<p>As the change of scenario and the crisis generated as a result of the pandemic, expenditure on labor policies increased sharply in 2020, mainly attributable to passive policies and to a much lesser amount to active policies. Total estimated spending on active labor policies as a ratio of GDP was 0.25 percent in 2020, an increase from the 0.23 percent recorded in 2019, while passive policies increased from 1.29 percent to 2.59 percent.</p> <p>The largest expenditure introduced in active policies in 2020 (amounting to about 339 million euros) is the intervention called "Decontribution South," launched to contain the effects of the pandemic in the most disadvantaged areas (Decree Law 104/2020 art.27), for hiring from October 2020 until June 2021. In order to support and boost employment at the national level, a total exemption of contributions for 6 months for permanent hires has been provided (Art. 6, Decree-Law 104/2020), while the previously introduced intervention of contribution exemption aimed at hiring young people grows in 2020, with an expenditure of about 569 million euros (Law No. 205/2017).</p> <p>Currently, the available elements are not sufficient to predict a timely quantification of the expenditure in subsequent years. However, should be considered the continued implementation in 2021 (under a framework of growth recovery) of many labour-related interventions implemented to deal with the crisis generated in 2020.</p>

¹ Source: Ministero dell'Economia e delle Finanze - Ragioneria Generale dello Stato (2022), "Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario. Previsioni elaborate con i modelli della Ragioneria Generale dello Stato aggiornati a giugno 2022 - Rapporto n. 23".

² The employment expenditure contains government spending related to active labour market policies including public employment services. Source: Ministry of Labour and Social Policy.

TABLE II.1-12 : DISCRETIONARY MEASURES TAKEN BY GENERAL GOVERNMENT (5.A)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP
Flat tax	<p>Motivation: Reducing the tax burden on self-employed workers.</p> <p>Content of the measures: Incremental flat tax with preferential taxation at 15% on the excess business income and/or self-employment income in 2023 over the highest amount declared in the years 2020, 2021 and 2022, with a ceiling of 40,000 euro. Increase from 65,000 to 85,000 euro of the threshold access the flat-rate scheme for self-employed.</p>	D.5	Immediately effective	R	0,000	-0,014	-0,041	0,038
Unchanged policies and Ministries	<p>Motivation: Ensuring continuity of interventions whose funding decision is proposed annually.</p> <p>Content of the measures: it comprises, among other things, the refinancing of international missions, the fund for financing legislative measures and other resources allocated to funds in the Government budget.</p>	various, mainly P.2, D.1 (R) and D.6 (E)	Immediately effective	R/E	0,000	-0,112	0,027	0,005
Supporting firms	<p>Motivation: Supporting companies in order to consolidate the economic recovery.</p> <p>Content of the measures: Suspension of the Plastic Tax and Sugar Tax for 2023, refinancing of the SME Fund.</p>	D.2 (R) and D.9 (E)	Immediately effective	R/E	0,000	-0,082	0,088	-0,009
Health	<p>Motivation: Financing the National Health System.</p> <p>Content of the measures: Increase of the National Health Fund by 2.15 billion in 2023, 2.3 billion in 2024 and 2.5 billion in 2025; additional resources amounting to 650 million in 2023 for the purchase of vaccine.</p>	P2	Immediately effective	E	0,000	-0,140	0,030	-0,006
Measures to face the energy price hikes	<p>Motivation: Contain the effect of energy price increase on households and firms.</p> <p>Content of the measures: Prolongation of the reduction of the fuel rates until 31 December 2022; cancellation of improper bill charges. With reference to the first quarter of 2023: extension of electricity and gas discounted supply for economically disadvantaged users; refinancing of the tax credit for electricity and natural gas purchase with rate increases; cancellation of general system charges applied to the electric utilities and the natural gas sector; reduction to 5% of VAT on the supply of gas for civil and industrial uses.</p>	various, mainly D.5 (R) and P.2, D.3 and D.9 (E)	Immediately effective	R/E	-0,273	-0,699	0,970	0,002
Measures at the local level	<p>Motivation: Measures to support local public finance and public transport.</p> <p>Content of the measures: Return to municipalities of tax revenues foregone (IMU and TASI), reduction of the cut for the purchase of goods and services regulated by DL 66/2014. Support for energy/gas price hikes in the local transport sector, further increase of a Fund established at the Ministry of Infrastructure and Transport in order to cope with increases in the fuel and energy products prices, related to the provision of local and regional public passenger transport services by road, lake, sea and rail.</p>	various, mainly D.3 and P.2	Immediately effective / to share by ministerial decree	E	-0,029	-0,006	0,019	0,005

TABLE II.1-12 : DISCRETIONARY MEASURES TAKEN BY GENERAL GOVERNMENT (5.A)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP
Pension measures	<p>Motivation: Measures to give more flexibility to the pension system.</p> <p>Content of the measures: Introduction of measures for a new modality of flexible exit with a minimum age of 62 years old and a minimum contribution period of 41 years (so-called Quota 103), extension of the "Women's Option" measure, temporary increase of the minimum pensions for the period 2023-2024, redetermination of the indexation mechanism of pensions, incentive to remain at work (so-called Maroni Bonus).</p>	D.62	Immediately effective	E	0,000	0,079	0,052	0,034
Family policies	<p>Motivation: Supporting families.</p> <p>Content of the measures: VAT reduction from 10% to 5% for children's and feminine hygiene products, establishment of a fund for poor families managed by the Municipalities; increase of the single allowance for children up to one year and for large families; extension for 2023 of the subsidies for purchasing the first home addressed to young people under 36 years old; increase for one month of the parental leave for female workers, other measures.</p>	D.5	Immediately effective	R	0,000	-0,102	0,054	0,001
Measures in favor of taxpayers	<p>Motivation: Support to taxpayers in economic difficulty.</p> <p>Content of the measures: Closure of the notifications communicated between 2000 and 2015 that do not exceed the amount of 1,000 euro; facilitated schemes for notifications communicated from 1 January 2000 to 30 June 30 2022.</p>	D.5	Immediately effective	R	0,000	-0,056	0,096	-0,015
Citizenship Income (RdC)	<p>Motivation: Reorganization of poverty support and work inclusion measures.</p> <p>Content of the measures: Reform of the Citizenship Income fruition modality for 2023 and repeal of the measure from January 2024, in order to finance a comprehensive reform of poverty support and active inclusion measures.</p>	D.62	Immediately effective / Subsequent legislation	E	0,000	0,037	0,011	-0,002
Tax wedge reduction measures	<p>Motivation: Reducing the tax wedge to increase employees' purchasing power and measures to encourage permanent employment.</p> <p>Content of the measures: For pay periods of the year 2023, 2% exemption of social security contributions for employees with incomes up to 35,000 euro, increased by an additional 1% for incomes below 20,000 euro; 5% tax exemption of productivity bonuses up to 3,000 euro. Facilities to encourage permanent employment in order to promote stable entry into the labor market, especially for women, young people and citizenship income beneficiaries.</p>	D.62 and D.5	Immediately effective	R	0,000	-0,244	0,198	0,015

TABLE II.1-12 : DISCRETIONARY MEASURES TAKEN BY GENERAL GOVERNMENT (5.A)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP
Measures to support public investments	<p>Motivation: Additional resources at the central and local level for public investment and financing of strategic investments.</p> <p>Content of the measures: Refinancing of funds addressed to the State and the Territorial Entities' investments and of funds to face the energy price hikes for works in progress and those to be started; increase in resources addressed to the Italian State Railways for extraordinary maintenance and high speed, for ANAS interventions and for financing rapid mass transport; refinancing of development contracts and completion of modernization and renewal programs for the National Defense and for the aerospace sector; financing of road infrastructure in southern Italy and of rail infrastructure in fulfillment of international agreements.</p>	D.3 and P51g	Immediately effective / to be distributed through ministerial decrees / Subsequent administrative acts	E	0,000	-0,058	-0,033	-0,029
Measures in favor of school	<p>Motivation: Support for the school sector and incentives for school personnel.</p> <p>Content of the measures: Funding for transportation aimed at disabled students, restoration of the government subsidy to charter schools, increase of the fund for improving teacher education.</p>	Various, mainly D.3, D.6 (E) and D.5 (R)	Immediately effective	R/E	-0,003	0,002	-0,004	0,000
Tax deductions for building renovations and Eco-bonus	<p>Motivation: Rationalization of Superbonus tax deduction.</p> <p>Content of the measures: Changes to the incentives for energy efficiency. Anticipation of the 90% rate for the expenses referring to apartment buildings, while the 110% rate remains valid for single-family houses until March 2023.</p>	D.5	Immediately effective	R	0,000	0,015	0,010	-0,010
Other revenue / restraining measures	Other revenue / restraining measures	Various	Immediately effective	R	0,000	0,301	-0,279	0,003
Other expenditure / restraining measures	Other expenditure / restraining measures	Various	Immediately effective	E	-0,108	0,459	-0,201	0,275
Other revenue / expansion measures	Other revenue / expansion measures	Various	Immediately effective	R	0,000	0,021	-0,049	0,012
Other expenditure / expansion measures	Other expenditure / expansion measures	Various	Immediately effective	E	-0,062	0,041	-0,014	0,001
TOTAL					-0,475	-0,559	0,934	0,322
Measures to face the energy price hikes*								
Bills - reduction of general system charges and VAT	<p>Motivation: Contain the effect of energy price increases on households and firms.</p> <p>Content of the measures: Reduction of VAT rates on gas, reduction/cancellation of general system charges applied to consumers and to the gas sector and fiscal measures for the corporate welfare.</p>	Various, mainly D2 (R) and D3 (E)	Already adopted / Immediately effective	R/E	0,789	-0,471	-0,270	0,000

TABLE II.1-12 : DISCRETIONARY MEASURES TAKEN BY GENERAL GOVERNMENT (5.A)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022 % GDP	2023 % GDP	2024 % GDP	2025 % GDP
Bills - Social bonus	Motivation: Contain the effects of the increase in electricity bills on economically disadvantaged households and households in severe health conditions. Content of the measures: Reinforcement of social bonus for electricity and natural gas users.	D2 (R) and D7 (E)	Already adopted / Immediately effective	R/E	0,169	-0,041	-0,115	0,000
Tax credits for companies	Motivation: Contain the effects of the increase of the energy price hikes on companies Content of the measures: Tax credits in favor of companies for the purchase of electricity, gas and fuel.	D3	Already adopted / Immediately effective	E	1,122	-0,577	-0,472	0,000
One-time allowance	Motivation: Containment of the effects of inflation. Content of the measures: One-time allowances to employees, pensioners and other categories of individuals.	D62	Already adopted / Immediately effective	E	0,516	-0,475	-0,017	0,000
Reduction of excise duty rates and VAT rates on fuels	Motivation: Contain the effects of fuel price hikes. Content of the measures: Reduction of excise duty rates and VAT rates on some kind of fuels (petrol, diesel, etc.).	D2	Already adopted / Immediately effective	R	0,486	-0,463	0,013	-0,013
Other measures	Motivation: Containment of the effects of inflation. Content of the measures: Advance of the pension revaluation to the last quarter of 2022, increase of the pensions under 2.692 euro for month for the period october-december, increase of social security contribution exemption for employees, various measures to face the effects of inflation.	Various, mainly D6 (R) and D6 (E)	Already adopted / Immediately effective	R/E	0,205	-0,107	-0,085	0,000
				TOTAL	3,287	-2,134	-0,945	-0,013

(*): This table updates the list of measures to face the energy price hikes already reported in the previous version of the DBP; it includes the measures subsequently approved and those ones established with the Budget Law for 2023-2025.

Note: A comma is used as a decimal separator.

TABLE II.1-13 : DISCRETIONARY MEASURES TAKEN BY CENTRAL GOVERNMENT (5.B)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022	2023	2024	2025
					% GDP	% GDP	% GDP	% GDP
Flat tax	<p>Motivation: Reducing the tax burden on self-employed workers.</p> <p>Content of the measures: Incremental flat tax with preferential taxation at 15% on the excess business income and/or self-employment income in 2023 over the highest amount declared in the years 2020, 2021 and 2022, with a ceiling of 40,000 euro. Increase from 65,000 to 85,000 euro of the threshold access the flat-rate scheme for self-employed.</p>	D.5	Immediately effective	R	0,000	-0,014	-0,041	0,038
Unchanged policies and Ministries	<p>Motivation: Ensuring continuity of interventions whose funding decision is proposed annually.</p> <p>Content of the measures: it comprises, among other things, the refinancing of international missions, the fund for financing legislative measures and other resources allocated to funds in the Government budget.</p>	various, mainly P.2, D.1 (R) and D.6 (E)	Immediately effective	R/E	0,000	-0,126	0,044	0,005
Supporting firms	<p>Motivation: Supporting companies in order to consolidate the economic recovery.</p> <p>Content of the measures: Suspension of the Plastic Tax and Sugar Tax for 2023, refinancing of the SME Fund.</p>	D.2 (R) and D.9 (E)	Immediately effective	R/E	0,000	-0,082	0,088	-0,009
Health	<p>Motivation: Financing the National Health System.</p> <p>Content of the measures: Increase of the National Health Fund by 2.15 billion in 2023, 2.3 billion in 2024 and 2.5 billion in 2025; additional resources amounting to 650 million in 2023 for the purchase of vaccine.</p>	P2	Immediately effective	E	0,000	0,000	0,000	0,000
Measures to face the energy price hikes	<p>Motivation: Contain the effect of energy price increase on households and firms.</p> <p>Content of the measures: Prolongation of the reduction of the fuel rates until 31 December 2022; cancellation of improper bill charges. With reference to the first quarter of 2023: extension of electricity and gas discounted supply for economically disadvantaged users; refinancing of the tax credit for electricity and natural gas purchase with rate increases; cancellation of general system charges applied to the electric utilities and the natural gas sector; reduction to 5% of VAT on the supply of gas for civil and industrial uses.</p>	various, mainly D.5 (R) and P.2, D.3 and D.9 (E)	Immediately effective	R/E	-0,246	-0,727	0,971	0,002
Measures at the local level	<p>Motivation: Measures to support local public finance and public transport.</p> <p>Content of the measures: Return to municipalities of tax revenues foregone (IMU and TASI), reduction of the cut for the purchase of goods and services regulated by DL 66/2014. Support for energy/gas price hikes in the local transport sector, further increase of a Fund established at the Ministry of Infrastructure and Transport in order to cope with increases in the fuel and energy products prices, related to the provision of local and regional public passenger transport services by road, lake, sea and rail.</p>	various, mainly D.3 and P.2	Immediately effective / to share by ministerial decree	E	0,000	-0,011	0,010	0,000

TABLE II.1-13 : DISCRETIONARY MEASURES TAKEN BY CENTRAL GOVERNMENT (5.B)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022	2023	2024	2025
					% GDP	% GDP	% GDP	% GDP
Pension measures	<p>Motivation: Measures to give more flexibility to the pension system.</p> <p>Content of the measures: Introduction of measures for a new modality of flexible exit with a minimum age of 62 years old and a minimum contribution period of 41 years (so-called Quota 103), extension of the "Women's Option" measure, temporary increase of the minimum pensions for the period 2023-2024, redetermination of the indexation mechanism of pensions, incentive to remain at work (so-called Maroni Bonus).</p>	D.62	Immediately effective	E	0,000	-0,071	-0,060	0,009
Family policies	<p>Motivation: Supporting families.</p> <p>Content of the measures: VAT reduction from 10% to 5% for children's and feminine hygiene products, establishment of a fund for poor families managed by the Municipalities; increase of the single allowance for children up to one year and for large families; extension for 2023 of the subsidies for purchasing the first home addressed to young people under 36 years old; increase for one month of the parental leave for female workers, other measures.</p>	D.5	Immediately effective	R	0,000	-0,064	0,054	0,000
Measures in favor of taxpayers	<p>Motivation: Support to taxpayers in economic difficulty.</p> <p>Content of the measures: Closure of the notifications communicated between 2000 and 2015 that do not exceed the amount of 1,000 euro; facilitated schemes for notifications communicated from 1 January 2000 to 30 June 30 2022.</p>	D.5	Immediately effective	R	0,000	-0,056	0,096	-0,015
Citizenship Income (RdC)	<p>Motivation: Reorganization of poverty support and work inclusion measures.</p> <p>Content of the measures: Reform of the Citizenship Income fruition modality for 2023 and repeal of the measure from January 2024, in order to finance a comprehensive reform of poverty support and active inclusion measures.</p>	D.62	Immediately effective / Subsequent legislation	E	0,000	0,000	0,000	0,000
Tax wedge reduction measures	<p>Motivation: Reducing the tax wedge to increase employees' purchasing power and measures to encourage permanent employment.</p> <p>Content of the measures: For pay periods of the year 2023, 2% exemption of social security contributions for employees with incomes up to 35,000 euro, increased by an additional 1% for incomes below 20,000 euro; 5% tax exemption of productivity bonuses up to 3,000 euro. Facilities to encourage permanent employment in order to promote stable entry into the labor market, especially for women, young people and citizenship income beneficiaries.</p>	D.62 and D.5	Immediately effective	R	0,000	-0,011	0,011	0,000

TABLE II.1-13 : DISCRETIONARY MEASURES TAKEN BY CENTRAL GOVERNMENT (5.B)

List of measures	Detailed description	ESA Code	Adoption Status	Budgetary impact				
				Revenue/ Expenditure	2022	2023	2024	2025
					% GDP	% GDP	% GDP	% GDP
Measures to support public investments	<p>Motivation: Additional resources at the central and local levels for public investment and financing of strategic investments.</p> <p>Content of the measures: Refinancing of funds addressed to the State and the Territorial Entities' investments and of funds to face the energy price hikes for works in progress and those to be started; increase in resources addressed to the Italian State Railways for extraordinary maintenance and high speed, for ANAS interventions and for financing rapid mass transport; refinancing of development contracts and completion of modernization and renewal programs for the National Defense and for the aerospace sector; financing of road infrastructure in southern Italy and of rail infrastructure in fulfillment of international agreements.</p>	D.3 and P51g	Immediately effective / to be distributed through ministerial decrees / Subsequent administrative acts	E	0,000	-0,055	-0,031	-0,030
Measures in favor of school	<p>Motivation: Support for the school sector and incentives for school personnel.</p> <p>Content of the measures: Funding for transportation aimed at disabled students, restoration of the government subsidy to charter schools, increase of the fund for improving teacher education.</p>	Various, mainly D.3, D.6 (E) and D.5 (R)	Immediately effective	R/E	-0,004	0,003	-0,004	0,000
Tax deductions for building renovations and Eco-bonus	<p>Motivation: Rationalization of Superbonus tax deduction.</p> <p>Content of the measures: Changes to the incentives for energy efficiency. Anticipation of the 90% rate for the expenses referring to apartment buildings, while the 110% rate remains valid for single-family houses until March 2023.</p>	D.5	Immediately effective	R	0,000	0,015	0,009	-0,009
Other revenue / restraining measures	Other revenue / restraining measures	Various	Immediately effective	R	0,000	0,301	-0,279	0,003
Other expenditure / restraining measures	Other expenditure / restraining measures	Various	Immediately effective	E	-0,151	0,465	-0,212	0,170
Other revenue / expansion measures	Other revenue / expansion measures	Various	Immediately effective	R	0,000	0,021	-0,049	0,012
Other expenditure / expansion measures	Other expenditure / expansion measures	Various	Immediately effective	E	-0,062	0,045	-0,005	0,001
TOTAL					-0,463	-0,369	0,601	0,178

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
<p>Recommendation No. 1 - In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally-financed current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation; [...]</p>	With regard to the natural gas sector, as of 1 January 2023, the ' <i>Aiuti bis</i> ' Decree Law requires last resort suppliers and service operators to offer vulnerable customers the supply of natural gas at a price that reflects: the actual cost of supply in the wholesale market, the efficient costs of marketing service, and the contractual and service quality conditions, as defined by the Italian Regulatory Authority for Energy, Networks and Environment (<i>Autorità di Regolazione per Energia Reti e Ambiente</i> , ARERA).	MEASURES TO ADDRESS THE CRISIS Electricity supply
	The ' <i>Aiuti bis</i> ' Decree Law stipulates for 2022 that goods sold and services rendered to the employee and sums disbursed or reimbursed by the employer for the payment of domestic utilities for the integrated water service, electricity and natural gas will be excluded from taxable income for IRPEF purposes, up to a total limit of EUR 600.	MEASURES TO ADDRESS THE CRISIS Domestic utilities
	The ' <i>Aiuti bis</i> ' Decree Law stipulates that until 30 April 2023, electricity and natural gas suppliers may not unilaterally change the general terms and conditions of contracts with regard to price setting. The term of effectiveness of the provisions on the obligation to notify the MISE and MAECI of export operations, from the national territory outside the European Union, of 'critical raw materials' and ferrous scrap also not originally from Italy is extended from 30 September to 31 December 2022.	MEASURES TO ADDRESS THE CRISIS Energy costs
	With regard to the gas sector, with the ' <i>Aiuti bis</i> ' Decree Law the application of the VAT at a reduced rate of 5% is also extended to the supplies of thermal energy produced with methane gas used for combustion and for civil and industrial use, accounted for in the invoices issued for the estimated or actual consumption for the months of October, November and December 2022.	MEASURES TO ADDRESS THE CRISIS Reduced VAT in the gas sector
	With the ' <i>Semplificazioni</i> ' Decree Law the tax and financial benefits provided by the Third Sector Code (<i>Codice del Terzo Settore</i>) are extended to entities that, by registering in the national third sector register, have acquired ex novo the status of third sector entity. In addition, a fund is established for the financing of contributions in favor of third sector entities and civilly recognised religious entities that manage social and health services aimed at people with disabilities and carried out in residential and semi-residential settings.	MEASURES TO ADDRESS THE CRISIS Third sector
	Decree Law No. 21/2022 grants to tourist accommodation businesses a subsidy, in the form of a tax credit, equal to 50% of the amount of the IMU municipal tax paid in the second installment for the year 2021, provided that the relevant owners are also managers of such activities and that a decrease in turnover or revenues in the second quarter of 2021 of at least 50% compared to the corresponding period in 2019 has been suffered by such entities. The ' <i>Semplificazioni</i> ' Decree Law extends the deadline for submitting the IMU declaration for the year 2021 from 30 June to 31 December 2022. The ' <i>Aiuti quater</i> ' Decree Law provides for the exemption for companies in the entertainment sector (cinemas, theatres, concert halls) of the second instalment IMU for real estate, in case the owners are also the managers of the activities.	MEASURES TO ADDRESS THE CRISIS Tourism enterprises
	The ' <i>Aiuti bis</i> ' Decree Law raises the resources of the tourism fund by EUR 10 million for each of the years 2022, 2023 and 2024 in order to finance investments aimed at increasing the Italy's tourist attractiveness, also in relation to events, including sports events, connoted by a pronounced tourism importance.	MEASURES TO ADDRESS THE CRISIS Funding for Tourism

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	<p>The 'Aiuti ter' Decree Law sets up a fund for sports organisations providing resources for EUR 50 million for 2022 in non-repayable grants aimed at amateur sports associations and clubs that operate sports facilities, which are most affected by the energy crisis. Up to 30% of the fund is earmarked for amateur sports associations and clubs that operate swimming facilities.</p>	<p>MEASURES TO ADDRESS THE CRISIS</p> <p>Funding for sports organisations</p>
	<p>To cope with the emergency caused by the war in Ukraine, the Decree Law No. 21/2022 provides for the reduction of excise rates for gasoline and diesel fuel until 2 August 2022. The excise tax on natural gas used for automotive purposes is also reduced to zero. Private employers can grant fuel vouchers to their employees that do not contribute to income. In addition, a tax credit equal to 20% of the expenditure incurred for the purchase of fuel made in the first calendar quarter of the year 2022 is provided to companies engaged in agricultural and fishing activities. The 'Aiuti bis' Decree Law extends the tax credit to the third quarter of 2022. The 'Sostegni bis' Decree Law reduces to 5% the VAT rate applicable to natural gas supplies for motor vehicles. The 'Aiuti bis' Decree Law extends this measure to 30 September 2022 and also provides for the reduction of excise taxes applicable to certain energy products used as fuels. The 'Aiuti ter' Decree Law extends the above measure to the fourth quarter of 2022 and stipulates, from 18 to 31 October 2022, a reduction in the excise tax rates on gasoline, diesel, liquefied petroleum gas and natural gas used as fuels as well as in the VAT applied to natural gas used for motor vehicles. The 'Aiuti quater' Decree Law extends from 19 November to 31 December 2022 tax discount on excise duties on petrol and diesel, reducing the price of 30.5 cents per liter. For liquefied petroleum gas, the discount is worth 8 euro cents per kg, which rises to about 10 cents considering the impact on VAT.</p>	<p>MEASURES TO ADDRESS THE CRISIS</p> <p>Reduction of electric and gas bills</p>
	<p>The 'Aiuti' Decree Law provides for a one-off monetary transfer of EUR 200, to be paid to employees, pensioners and other categories of individuals. It also provides for a Fund, with a budget of EUR 500 million for 2022, to grant, for 2022, a one-off monetary transfer in favour of self-employed workers, including professionals enrolled in statutory social security schemes managed by private-law entities. The 'Aiuti bis' Decree Law extends this indemnity also to employees who were unable to receive it in July, as well as to graduate students and research fellows. A one-off indemnity of EUR 200 is also provided for sports collaborators who have already received the indemnities provided for in the emergency measures adopted during the pandemic emergency in the 2020-2021 biennium. Lastly, the 'Aiuti bis' Decree Law increases by EUR 100 million the allocation of the Fund for the provision of a one-off allowance for self-employed workers in 2022. The 'Aiuti ter' Decree Law awards employees, excluding domestic workers, with a salary not exceeding EUR 1,538, a one-off monetary transfer in the amount of EUR 150 to be paid in November 2022. This allowance is also granted to pensioners and self-employed workers whose income is below EUR 20,000.</p>	<p>MEASURES TO ADDRESS THE CRISIS</p> <p>Allowance for workers</p>
	<p>The 'Aiuti' Decree Law provides for the disbursement of a voucher equal to 100% of the expenditure for the purchase of passes for LPT, regional and interregional transport services as well as for national rail transport services. It also increases by EUR 50 million for 2022 the fund to enable the provision, until 30 June 2022, of additional local public transport services for students. The 'Aiuti bis' Decree Law increases the fund's resources to EUR 180 million for the year 2022. The 'Aiuti ter' Decree Law increases the fund by EUR 10 million for 2022.</p>	<p>MEASURES TO ADDRESS THE CRISIS</p> <p>Bonus for transport services</p>

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	The 'Aiuti' Decree Law allocates EUR 100 million for 2022 to the National fund for supporting access to rental housing (<i>Fondo nazionale per il sostegno all'accesso alle abitazioni in locazione</i>).	MEASURES TO ADDRESS THE CRISIS Rental support
	The 'Semplificazioni' Decree Law includes among the family units eligible for the orphan household allowance, those including at least one orphan who is an adult, has a severe disability and already holds a pension benefit. In addition, for 2022: the basic measure of the allowance under consideration for each dependent and disabled adult child is aligned with the general measure provided for each dependent minor child; the increase in the allowance provided for each dependent and disabled minor child is extended for adult children - dependent and disabled - under the age of twenty-one; and an additional amount equal to EUR 120 is provided for households with at least one dependent child with a disability.	MEASURES TO ADDRESS THE CRISIS Support for the vulnerable
	The 'Semplificazioni' Decree Law provides for the establishment of a special fund to support families in providing educational opportunities for the well-being of their children. The fund has an initial allocation of EUR 58 million for 2022.	MEASURES TO ADDRESS THE CRISIS Support for the vulnerable
	The 'Aiuti' Decree Law extends to the third quarter of 2022 the reduction to zero of system charges for both the electricity and gas sectors. The 'Aiuti bis' Decree Law extends this measure to the fourth quarter of 2022. Italian Decree Law No. 21/2022 expands the number of beneficiaries of social bonuses for electricity and gas, raising, for the period between 1 April and 31 December 2022, the ISEE threshold value that economically disadvantaged households must have to access these bonuses from EUR 8,265 to EUR 12,000. The 'Aiuti' Decree Law also provides for compensation in case households have paid excess amounts in the current year due to their ISEE certification having been issued after the beginning of the year.	MEASURES TO ADDRESS THE CRISIS Reduction of electric and gas bills
	Decree Law No. 21/2022 provides for energy-intensive businesses a tax credit equal to 12% of the expenditure incurred for the purchase of the energy component, actually used in the second quarter of 2022, provided that there was an increase in the energy cost per kWh of more than 30% compared to the same quarter of 2019. The 'Aiuti' Decree raises the tax credit from 12% to 15% and provides a tax credit for the purchase of natural gas to companies other than gas-intensive businesses to partially offset the higher costs actually incurred for the purchase of such gas for non-thermoelectric uses. The Decree also increases the tax credit for energy-intensive enterprises from 20% to 25% the share of expenses incurred for the energy component purchased and actually used in the second quarter of 2022. The 'Aiuti bis' Decree Law extends to the third quarter of 2022 the 15% tax credits for non-energy enterprises and the 25% tax credit for the purchase of natural gas for non-energy enterprises, for non-thermoelectric uses. The Decree also grants, under certain conditions, a tax credit in the amount of 40% of the expenditure incurred for the purchase of electricity and natural gas actually used in October and November 2022 to energy-intensive	MEASURES TO ADDRESS THE CRISIS

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	enterprises and natural gas-intensive enterprises. The same measure also applies to non-natural gas-intensive businesses, while for businesses with electricity meters with an available power of 4.5 kW or more other than the above, the tax credit is 30%. The 'Aiuti quater' Decree Law extends the tax credit for energy-intensive businesses until December. The decree provides also the installment of the bills for consumption made between 1 October 2022 and 31 March 2023, invoiced by 30 September 2023. The decree also extends the extraordinary contribution until 31 December 2022, in the form of a tax credit, to businesses and activities such as bars, restaurants and shops, for the purchase of electricity and natural gas.	Reduction of energy costs for businesses
	Decree Law No. 21/2022 allocates EUR 15 million in resources for 2022 to support the road haulage sector against the rise in oil product prices. The 'Aiuti' Decree Law provides for a tax credit covering 28% of the expenditure incurred, in the first quarter of 2022, for the purchase of diesel fuel for vehicles used in the performance of freight transport activities. The 'Aiuti ter' Decree Law allocates EUR 100 million for 2022 to support the transport sector (EUR 85 million for the road haulage sector and EUR 15 million for the road passenger transport services sector).	MEASURES TO ADDRESS THE CRISIS Road transport sector
	The 'Aiuti' Decree Law raises to 40% as for operating costs of the cinemas themselves in the case of large companies, or to 60% in the case of small or medium-sized companies. The 'Aiuti ter' Decree Law allocates EUR 40 million for the year 2022 as contributions to cinemas, theatres, and cultural institutes and venues whose operating costs have risen significantly as a result of increased electricity and gas supply costs.	MEASURES TO ADDRESS THE CRISIS Cinema sector
	The 'Aiuti quater' Decree Law extends the 110% superbonus until 31 March 2023 for detached houses that have completed 30% of the work by 30 September 2022. It also anticipates the remodulation to 90% for expenses incurred in 2023 for condominiums and has been introduced the possibility, also for 2023, to access the benefit for the owners of individual houses, in case of first home and if the owners do not reach a certain income threshold (EUR 15 thousand per year, raised according to the family quotient).	MEASURES TO ADDRESS THE CRISIS Superbonus
	The 'Aiuti bis' and 'Aiuti ter' Decree Laws introduce and extend the possibility of establishing areas of strategic national interest for the implementation of public or private investment plans or programmes for an amount of no less than EUR 400 million. The implementation of such plans or programmes will benefit from simplified and accelerated procedures	AREAS OF NATIONAL STRATEGIC INTEREST Public investment
Recommendation No. 1 - [...] Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds. [...]	The 'Aiuti bis' Decree Law established a fund with an allocation of EUR 40 million for 2022 for operators of local and regional public passenger transport services by road, lake, sea and rail, to cover the higher cost incurred in the second four months of 2022 for the purchase of fuel. For the same reason, EUR 15 million is allocated for 2022 for operators of road passenger transport services. EUR 15 million is allocated for 2022 in favour of the Italian railway infrastructure manager (RFI) for the purpose of continuing, from 1 April 2022 to 31 December 2022, to reduce the fee for the use of the railway infrastructure for rail freight services.	PUBLIC TRANSPORT Public investment
	Decree Law No. 68/2022 provides for simplification and acceleration measures for the implementation of the interventions included in the airport development plans.	ADMINISTRATIVE SIMPLIFICATION Airport sector

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	The Annual Law on the Market and Competition provides that motorway concessionaires must select operators requesting to install charging stations through the use of highly innovative technologies using competitive, transparent and non-discriminatory procedures. Existing concessions that have not yet been renewed must also provide for service areas to be equipped with charging stations for electric vehicles. The 'Aiuti ter' Decree Law also provides for the possibility for municipalities to allow, also free of charge, the construction and management of charging infrastructures to public and private entities, also by dividing them into lots to be assigned through competitive, transparent and non-discriminatory procedures.	ADMINISTRATIVE SIMPLIFICATION Charging of electric vehicles
	The 'Semplificazioni' Decree Law increases from 180 to 270 days the deadline within which sellers must confirm transactions for purchasing low-emission vehicles with eco-incentives (so-called <i>ecobonus</i>).	ADMINISTRATIVE SIMPLIFICATION Ecobonus
	Decree Law No. 21/2022 and the 'Aiuti' Decree Law introduce simplifications in the production of energy from renewable sources.	ADMINISTRATIVE SIMPLIFICATION Renewable sources
	The 'Aiuti bis' Decree Law adds to the Environment Code a new article on a single accelerated regional authorisation procedure for sectors of strategic importance.	ADMINISTRATIVE SIMPLIFICATION Environmental permits
	Decree Law No. 73/2022 introduces a certification system for the tax credit for investments in research and development, ecological transition, technological innovation 4.0 and other innovative activities introduced by the 2020 Budget Law.	ADMINISTRATIVE EFFICIENCY Tax credit in R&D
	The 'Aiuti' Decree Law increases from 20 to 50% the tax credits for investments in technologically advanced intangible capital goods functional to 4.0 transformation processes made from 1 January 2022 to 31 December 2022. The Decree also increases the tax credit for the 'Training 4.0' (<i>Formazione 4.0</i>) programme for small and medium-sized enterprises (from 50 to 70% and, for medium-sized enterprises, from 40 to 50% for employee training expenses aimed at acquiring or consolidating skills in technologies relevant for the technological and digital transformation).	PUBLIC INVESTMENTS Tax credit for investment in intangible assets
	The Annual Law on the Market and Competition sets out a framework of rules aimed at reducing the cost for the development of ultra-wideband networks and a series of measures aimed at streamlining interventions for the development of fibre access networks.	PUBLIC INVESTMENTS Broadband networks
Recommendation No. 1 - [...] For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring credible and gradual debt reduction and fiscal sustainability in the medium term through gradual consolidation, investment and reforms. [...]	The 'Aiuti bis' Decree Law allocates EUR 400 million for the year 2022 to ensure the continuity of services provided by local authorities to cover the increased spending on electricity and gas utilities resulting from the energy crisis.	BUDGET SUSTAINABILITY Local Authorities
	The 'Aiuti bis' Decree Law extends to 2023 the suspension of the reimbursement of cash advances acquired by the regions affected by the 2016 earthquake for the payment of overdue PA debts. A number of interventions for the completion of public and private reconstruction of the territories affected by the earthquake of 20 and 29 May 2012 are also financed, for a total expenditure of EUR 94.9 million, for the period 2022-2024.	BUDGET SUSTAINABILITY Aid to earthquake-stricken regions

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	<p>The '<i>Aiuti bis</i>' Decree Law contains various provisions on the distribution among regions of the financing of the Italian National Health Service. For the purpose of determining the standard health care requirements of the individual regions, it is extended to 2022 the principle whereby all the five best regions (identified on the basis of criteria such as quality of services provided, appropriateness and efficiency and on the principle of economic balance) are taken as reference regions. Also extended to 2022 is the provision whereby a 15% share of the funding in question is apportioned on the basis of regional resident population, and the remaining share, 85%, is used for the application of the division criterion based on regional standard health care requirements.</p>	<p>NATIONAL HEALTH SERVICE</p> <p>Standard health care requirements</p>
	<p>The '<i>Aiuti</i>' Decree Law establishes a fund of EUR 20 million for each of the years from 2022 to 2024, to be allocated to regions, provinces and metropolitan cities that have suffered a percentage reduction in 2021, compared to 2019, in revenues from the Provincial Transcription Tax (<i>Imposta provinciale di trascrizione</i>, IPT) and Third-Party Motor Liability Insurance (<i>RC Auto</i>) tax. An additional fund of EUR 60 million for each of the years 2022, 2023, and 2024 is also established for the Metropolitan City of Rome for the purpose of managing current expenses.</p>	<p>BUDGET SUSTAINABILITY</p> <p>Fund for Regions</p>
	<p>The '<i>Aiuti</i>' and '<i>Aiuti bis</i>' Decree Laws increase the fund in favour of local authorities by EUR 170 million and EUR 400 million, respectively. The '<i>Aiuti ter</i>' Decree Law further increases the resources of the fund by EUR 200 million for the year 2022, of which EUR 160 million to be allocated to municipalities and EUR 40 million to metropolitan cities and provinces in order to ensure the continuity of services provided.</p>	<p>BUDGET SUSTAINABILITY</p> <p>Fund for local authorities</p>
	<p>The Annual Law on the Market and Competition amends the regulations on the awarding of complex structure management positions within entities and companies of the National Health Service by making them more stringent. The annual law also provides for the possibility for regions or autonomous provinces to recognize the validity of second-level university master's degrees for certain positions in entities and companies of the National Health Service.</p>	<p>NATIONAL HEALTH SERVICE</p> <p>Assignments to health care workers</p>
	<p>To cope with the increased costs borne by NHS entities due to the increase in energy prices, the '<i>Aiuti</i>' Decree Law increases for 2022 the level of current funding of the National Health Service contributed by the state by EUR 200 million.</p>	<p>NATIONAL HEALTH SERVICE</p> <p>Funding to the Italian NHS</p>
<p>Recommendation No. 1 - [...] In order to further reduce taxes on labour and increase the efficiency of the system, adopt and appropriately implement the enabling law on the tax reform, particularly by reviewing effective marginal tax rates, aligning the cadastral values to current market values, streamlining and reducing tax expenditures, also for VAT, and environmentally harmful subsidies while ensuring fairness, and by reducing the complexity of the tax code.</p>	<p>The '<i>Semplificazioni</i>' Decree Law introduces measures on: (i) direct taxes, such as the repeal of the regulation on companies with systematic losses (to avoid the use of an automatic penalty mechanism in a period of persistent economic crisis), the repeal of the IRES surcharge for companies operating in the hydrocarbon sector, and the introduction of simplifications regarding the IRAP declaration; (ii) indirect taxes, by expanding, for example, the cases of exemption from the obligation of telematic communication ('<i>esterometro</i>') provided for the communication of data on cross-border transactions and deferring the deadline for the application of penalties for omitted or erroneous transmission of invoices relating to the same transactions. It is also provided that by order of the Director of the Revenue Agency, the cases of telematic payment of stamp duty may be extended.</p>	<p>ADMINISTRATIVE EFFICIENCY</p> <p>Tax Simplifications</p>
	<p>The '<i>Semplificazioni</i>' Decree Law introduces further simplifications to the relationship between taxpayers and</p>	<p>ADMINISTRATIVE EFFICIENCY</p>

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	tax authorities by providing, among other things: i) changes to the tax calendar, including by raising the threshold amounts that allow for facilitated payment methods of stamp duty on electronic invoices; ii) elimination of formal control on the data of the pre-filled tax return in the case of submission without changes through a tax advice centre (<i>Centro di Assistenza Fiscale</i> , CAF) or professional; even in the case of changes, the control does not affect unmodified health care expenses.	Tax Simplifications
<p>Recommendation No. 2 - Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021. Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation. [...]</p>	Law 78/2022 brings into force the delegated law reforming the Procurement Code, which affects the regulation of contracts and concessions having as their object the acquisition of services or supplies, or the execution of works and projects, put in place by contracting authorities.	NRRP IMPLEMENTATION Procurement Code
	With regard to culture and tourism, ministerial decrees to improve energy efficiency in cultural venues and to allocate resources for the attractiveness of villages to the more than 300 municipalities that have submitted their intervention programmes are approved.	NRRP IMPLEMENTATION Measures for culture and tourism
	To boost the circular economy and waste management, the National Strategy for the Circular Economy is adopted in June.	NRRP IMPLEMENTATION Circular Economy
	The ' <i>PNRR bis</i> ' Decree Law introduces a series of tax incentives for the development of hydrogen, and a special Research and Development Plan is established to promote hydrogen production and consumption.	NRRP IMPLEMENTATION Development of hydrogen
	The ' <i>PNRR bis</i> ' Decree Law introduces many measures concerning schools, universities and research with regard to teacher training, qualification and tenure. The decree adopting the School 4.0 (<i>Scuola 4.0</i>) plan is also approved with the aim of fostering the digital transition of the Italian school system.	NRRP IMPLEMENTATION School Sector
	The ' <i>Aiuti ter</i> ' Decree Law initiates the reform of technical and professional institutes, which aims to align the curricula of technical institutes with the demand for skills coming from businesses, especially by directing them toward the innovation introduced by the National 'Industry 4.0' (<i>Industria 4.0</i>) Plan, also with a view to full environmental sustainability.	NRRP IMPLEMENTATION School Sector
	Law No. 71/2022 introduces the reform of the judicial system to improve its efficiency. With the ' <i>PNRR bis</i> ' Decree Law, a number of administrative staff recruitments are made and the functioning of the Technical and Scientific Committee for Monitoring the Efficiency of Civil Justice (<i>Comitato tecnico-scientifico per il monitoraggio sull'efficienza della giustizia civile</i>) and the Committee for Monitoring the Efficiency of Criminal Justice (<i>Comitato per il monitoraggio sull'efficienza della giustizia penale</i>) is regulated. In order to speed up the procedures for recruiting new judges and, consequently, clearing the backlog, the ' <i>Aiuti ter</i> ' Decree Law introduces the possibility of carrying out the written test of the competitive examination for the judiciary by means of IT tools.	NRRP IMPLEMENTATION Judicial sector
	With regard to the PA reform, the ' <i>PNRR bis</i> ' Decree Law completes the framework for the civil service reform launched in 2021 by implementing a series of provisions on access mechanisms and personnel selection procedures. Lastly, with regard to digitization, a company is established to carry out the development, maintenance and management of software solutions and IT services in favour of social security agencies and central public administrations.	NRRP IMPLEMENTATION PA reform

TABLE II.1-14 : COUNTRY-SPECIFIC RECOMMENDATIONS (6.A)

Recommendations	List of measures	Policy Area
	<p>In July 2022, Italy's 2021-2027 Partnership Agreement is approved, thus concluding the strategic programming phase of the 2021-2027 cycle of cohesion policy. The Partnership Agreement concerns support from the European Regional Development Fund (ERDF), the European Social Fund plus (ESF+), and the Just Transition Fund (JTF). Resources from the funds will be directed toward interventions aimed at achieving European goals towards a climate-neutral economy (Green Deal) and a more just and inclusive society (Social Pillar), consistently with the UN 2030 Agenda and the National Strategy for Sustainable Development. Lastly, the Partnership Agreement promotes coordinated programming between the Interreg Objective and the Investment for Jobs and Growth Objective, including in the context of the Macro-Regional (EUSAIR and EUSALP) and Sea Basin (WestMED) Strategies in order to seize the opportunities present in international markets for the benefit of Italian territories and to contribute to the implementation of the Strategies.</p>	<p>COHESION POLICY</p> <p>Partnership Agreement</p>
<p>Recommendation No. 3 - Reduce the reliance on fossil fuels and diversify energy import. Overcome bottlenecks to increase the capacity of internal gas transmission, develop electricity interconnections, accelerate the deployment of additional renewable energy capacities and adopt measures to increase energy efficiency and to promote sustainable mobility.</p>	<p>The 'Aiuti ter' Decree Law provides for forms of administrative simplification in relation to permit applications for works aimed at increasing Italian national regasification capacity.</p>	<p>ADMINISTRATIVE SIMPLIFICATION</p> <p>Regasification works</p>
	<p>The 'Aiuti quater' Decree Law is expected to cover the costs incurred by the GSE (Manager of energy services) for the purchase of natural gas for storage carried out in 2022 pursuant to Decree Law No 80 of 30/6/2022. It extends the terms within which the GSE can resell the gas purchased from 31 December 2022 to 31 March 2023. Moreover, in order to increase the national production of natural gas, it is planned to increase the quantities extracted from existing crops in sea areas and to authorise new concessions between 9 and 12 miles.</p>	<p>SECURITY OF SUPPLY OF NATURAL GAS</p> <p>Natural gas production</p>
	<p>The Annual Law on the Market and Competition includes measures to adequately enhance the value of gas distribution networks owned by local authorities and to boost investment in the natural gas distribution sector, while also speeding up the procedures for conducting tenders for the distribution service of natural gas provided for in the Regulation governing the tender criteria and the evaluation of tenders with regard to the award of public service distribution of natural gas (<i>Regolamento per i criteri di gara e per la valutazione dell'offerta per l'affidamento del servizio della distribuzione del gas naturale</i>).</p>	<p>PUBLIC INVESTMENT</p> <p>Gas distribution networks</p>

TABLE II.1-15 : DIVERGENCE FROM LATEST STABILITY PROGRAMME (7)

	ESA Code	2021	2022	2023
		% GDP	% GDP	% GDP
Target General Government net lending/borrowing	B.9			
Stability Programme		-7,2	-5,6	-3,9
Draft Budgetary Plan		-7,2	-5,6	-4,5
Difference		0,0	0,0	-0,6
General Government net lending/borrowing projection at unchanged policies	B.9			
Stability Programme		-7,2	-5,1	-3,7
Draft Budgetary Plan		-7,2	-5,1	-3,4
Difference		0,0	0,0	0,3

Note: A comma is used as a decimal separator

TABLE II.1-16 : IMPACT OF RECOVERY AND RESILIENCE FACILITY ON GENERAL GOVERNMENT BUDGETARY PROSPECT - GRANTS (9.A)

	2020	2021	2022	2023	2024	2025
Revenue from RRF grants (% of GDP)						
RRF GRANTS as included in the revenue projections	0,0	0,1	0,5	1,1	0,8	0,7
Cash disbursements of RRF GRANTS from EU	0,0	0,5	1,1	0,6	0,4	0,3
Expenditure financed by RRF grants (% of GDP)						
TOTAL CURRENT EXPENDITURE	0,0	0,0	0,0	0,2	0,2	0,1
Gross fixed capital formation P.51g	0,0	0,0	0,1	0,2	0,4	0,3
Capital transfers D.9	0,0	0,1	0,2	0,5	0,1	0,1
TOTAL CAPITAL EXPENDITURE	0,0	0,1	0,3	0,7	0,4	0,4
Other costs financed by RRF grants¹ (% of GDP)						
Reduction in tax revenue	0,0	0,0	0,2	0,2	0,2	0,2
Other costs with impact on revenue	0,0	0,0	0,0	0,0	0,0	0,0
Financial transactions	0,0	0,0	0,0	0,0	0,0	0,0

¹ This covers costs that are not recorded as expenditure in national accounts.

Note: A comma is used as a decimal separator

TABLE II.1-17 : IMPACT OF RECOVERY AND RESILIENCE FACILITY ON GENERAL GOVERNMENT BUDGETARY PROSPECT - LOANS (9.B)

	2020	2021	2022	2023	2024	2025
Cash flow from RRF loans projected in the programme (% of GDP)						
Disbursements of RRF LOANS from EU	0,0	0,9	1,2	1,2	1,0	1,0
Repayments of RRF LOANS to EU	0,0	0,0	0,0	0,0	0,0	0,0
Expenditure financed by RRF loans (% of GDP)						
TOTAL CURRENT EXPENDITURE	0,0	0,0	0,0	0,1	0,1	0,1
Gross fixed capital formation P.51g	0,1	0,1	0,2	0,9	1,3	1,4
Capital transfers D.9	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL CAPITAL EXPENDITURE	0,1	0,1	0,3	0,9	1,3	1,4
Other costs financed by RRF loans¹ (% of GDP)						
Reduction in tax revenue	0,0	0,0	0,0	0,0	0,0	0,0
Other costs with impact on revenue	0,0	0,0	0,0	0,0	0,0	0,0
Financial transactions	0,0	0,0	0,0	0,0	0,0	0,0

¹ This covers costs that are not recorded as expenditure in national accounts.

Note: A comma is used as a decimal separator

TABLE II.1-18 : CENTRAL GOVERNMENT GUARANTEES AT 30 JUNE 2022 (% OF GDP) (10)

	Measures	Date of adoption ¹	Maximum amount of contingent liabilities (% of GDP)	Estimated take-up (% of GDP) ²
In response to COVID-19	Central Guarantee Fund for SMEs	17/03/2020	13,7 ³	8,5
	SACE- Italia Guarantee	08/04/2020	10,5	1,3
	Commercial credits insurance	19/05/2020	0,1	0,1
	Fund for first homes	26/05/2021		0,2
	Subtotal			10,1
Others	Central Guarantee Fund for SMEs		13,7 ³	0,9
	TAV S.p.A.			0,0
	Guarantees assumed by local administrations			
	Aid to firms			0,0
	Italian banks			0,0
	GACS			0,7
	Bond issues by CDP S.p.A.		0,3	0,2
	Guarantee fund for first homes			0,7
	Guarantee for non-market risks in favour of SACE	08/04/2020	6,3	3,0
	State guarantees in favour of ILVA			0,0
Green New Deal Guarantees	15/09/2020	0,1	0,1	
Subtotal			5,6	
Total				15,8

¹ The date refers to the legislative measure or ministerial decree that introduced or revised the guarantee scheme.

² Any inaccuracies result from rounding.

³ This amount is referred to the total portfolio (Covid and no covid period) and to the total limit both stock of guarantees as of 31/12/2021 and new guarantees of 2022.

Note: A comma is used as a decimal separator

III. METHODOLOGICAL NOTES

For the methods and models used for the estimates contained in this document, please refer to Chapter IV of the previous version of DBP 2023 and to the document 'Nota metodologica sui criteri di formulazione delle previsioni tendenziali' attached to the 2022 Economic and Financial Document (in Italian only).

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