



Italy and Spain – stocktaking of reforms and challenges ahead

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**Italy – Spain:
Structural Reforms: dynamic growth impact and policy
challenges**

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Outline of presentation

- Entering the crisis: similarities and differences
- 7 years later: the extent of adjustment
- Taking stock of reforms
- The challenges ahead

Entering the crisis: similarities and differences

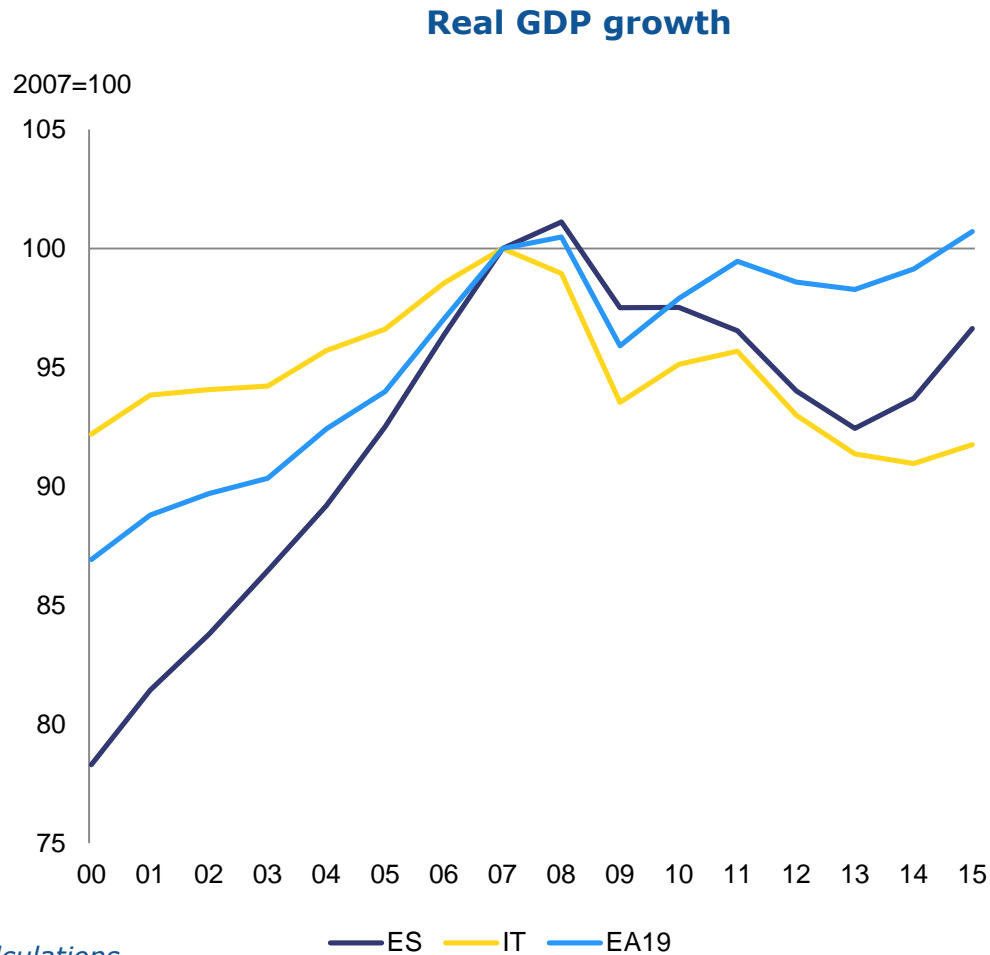
Italy

- High public debt, low private debt
- Stagnant productivity growth & subdued economic activity
- Some job creation but participation & employment rates remain low; duality increased

Spain

- Low public debt, high private debt on the back of property boom
- Low productivity growth but sustained real GDP growth...
- ... driven by strong job creation in non-tradeable sector; duality increased.

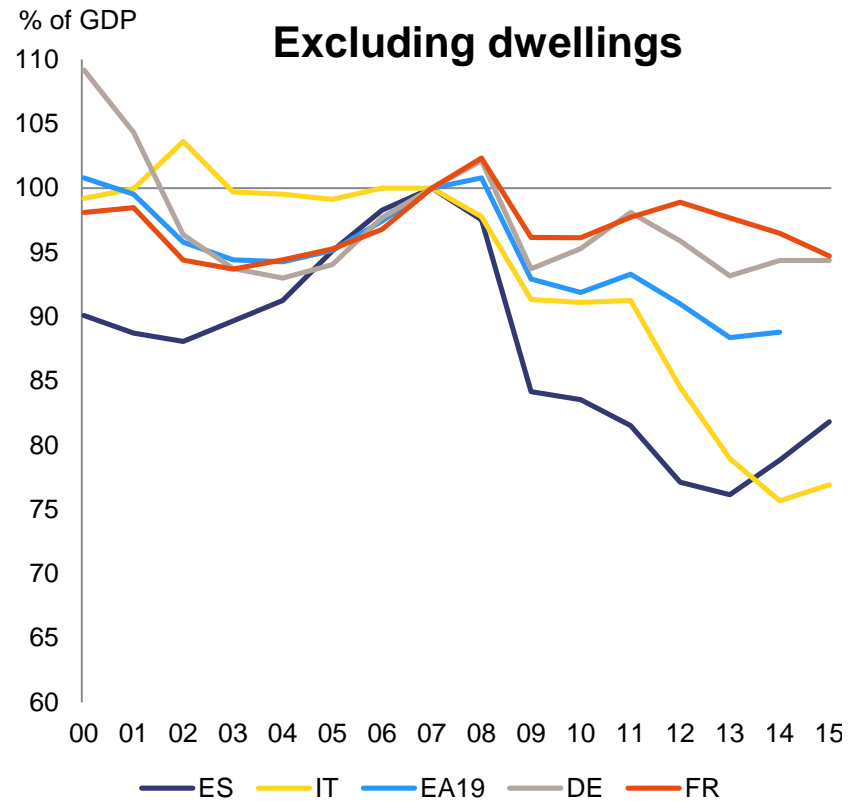
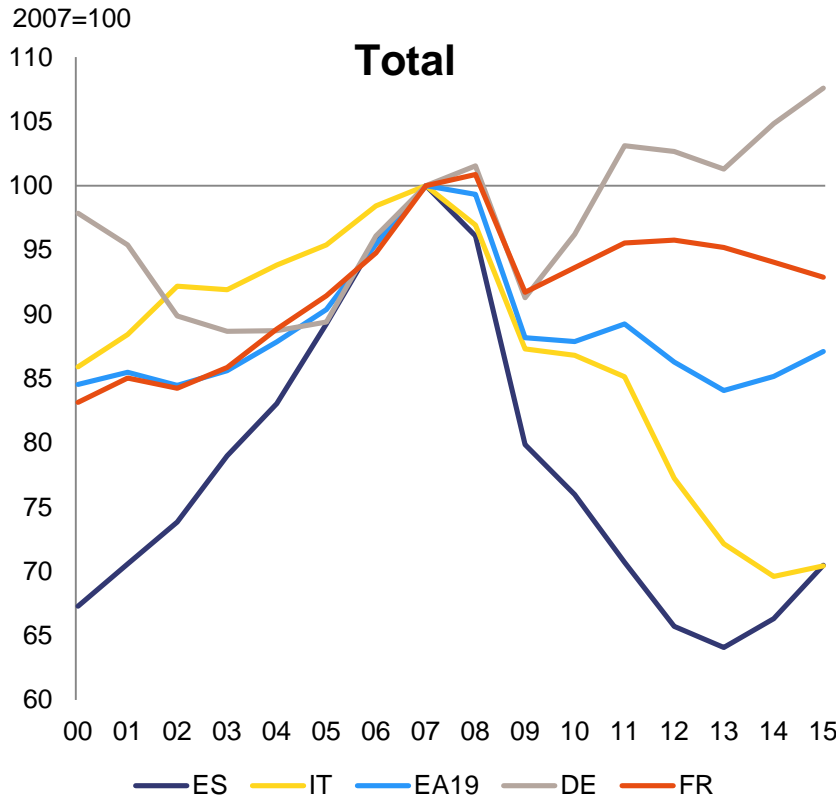
7 years later: diverging growth developments



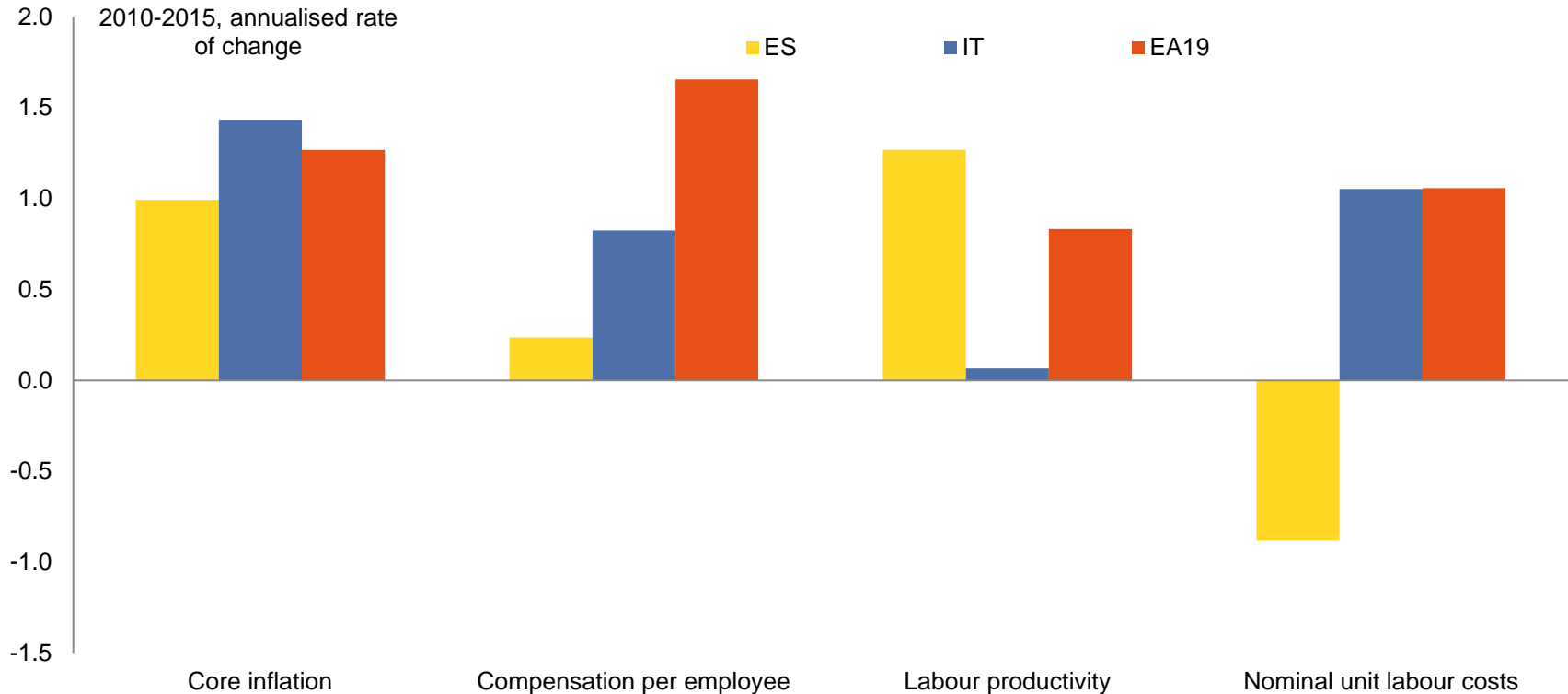
Source: Ameco, own calculations

7 years later: investment has plunged

Gross fixed capital formation (GFCF)

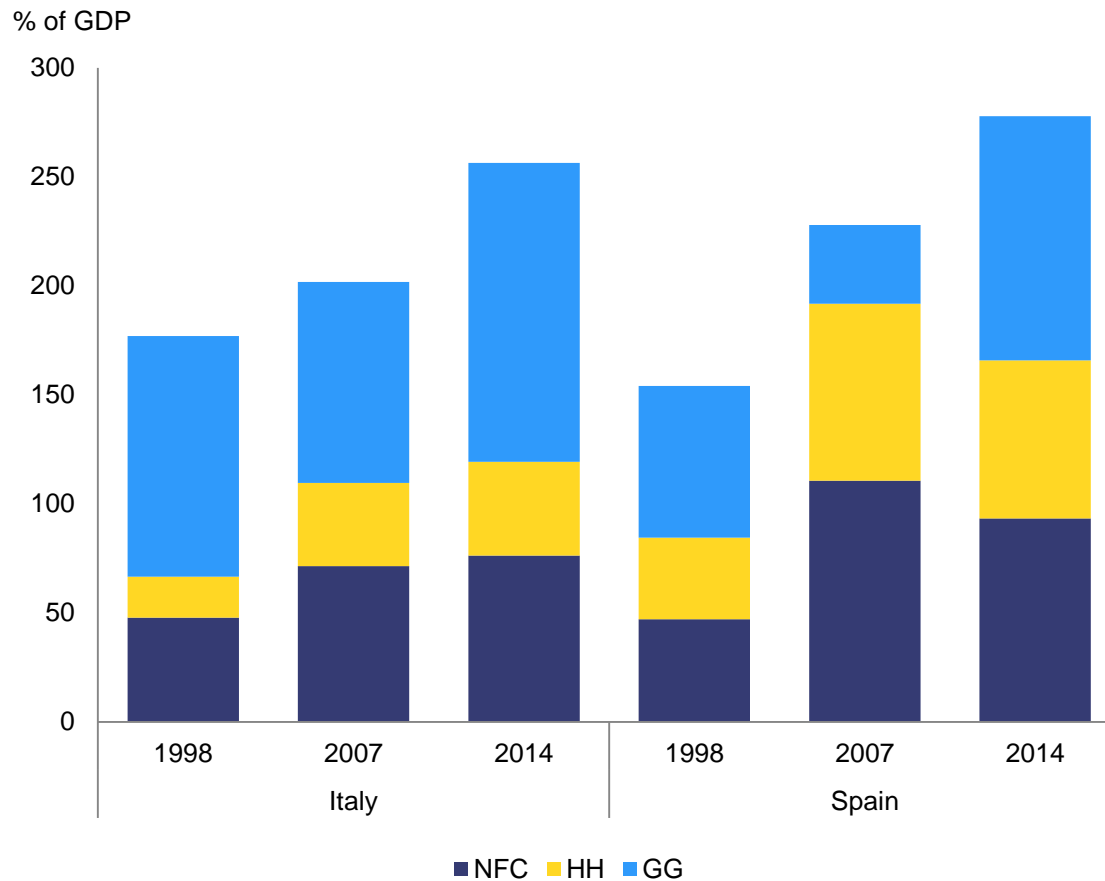


7 years later: Spain regains cost competitiveness faster



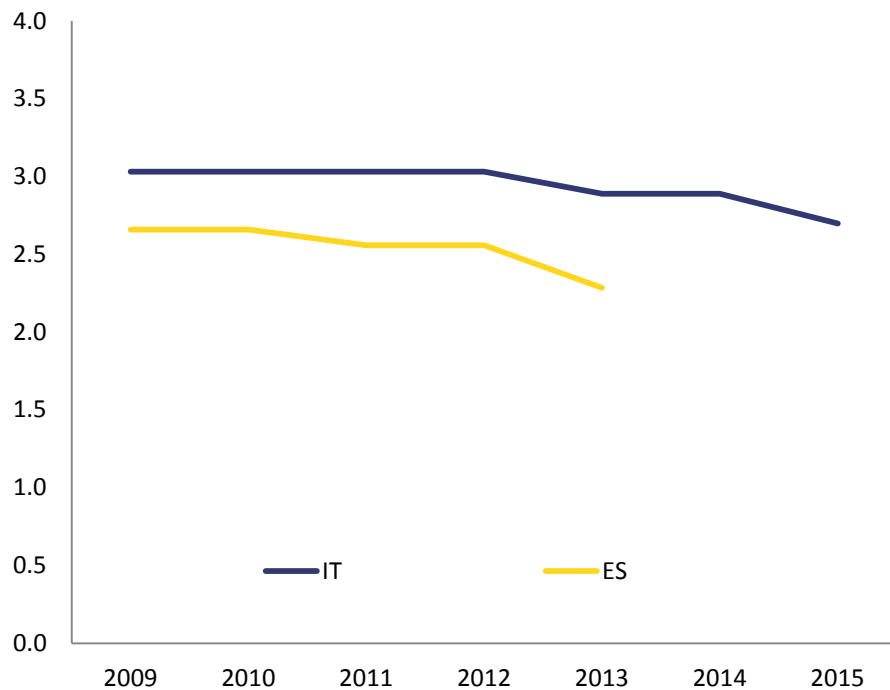
7 years later: high debt is a source of vulnerability for the economy...

Loans and debt securities, non-financial corporations, households, general government

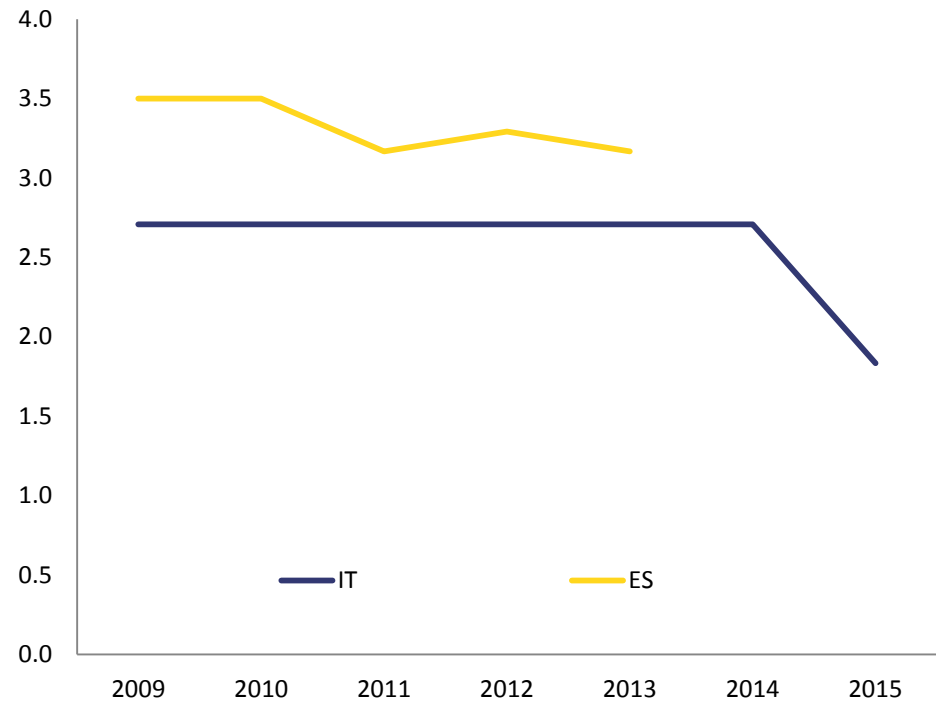


Taking stock of reforms: labour market reforms relax EPL

Permanent workers

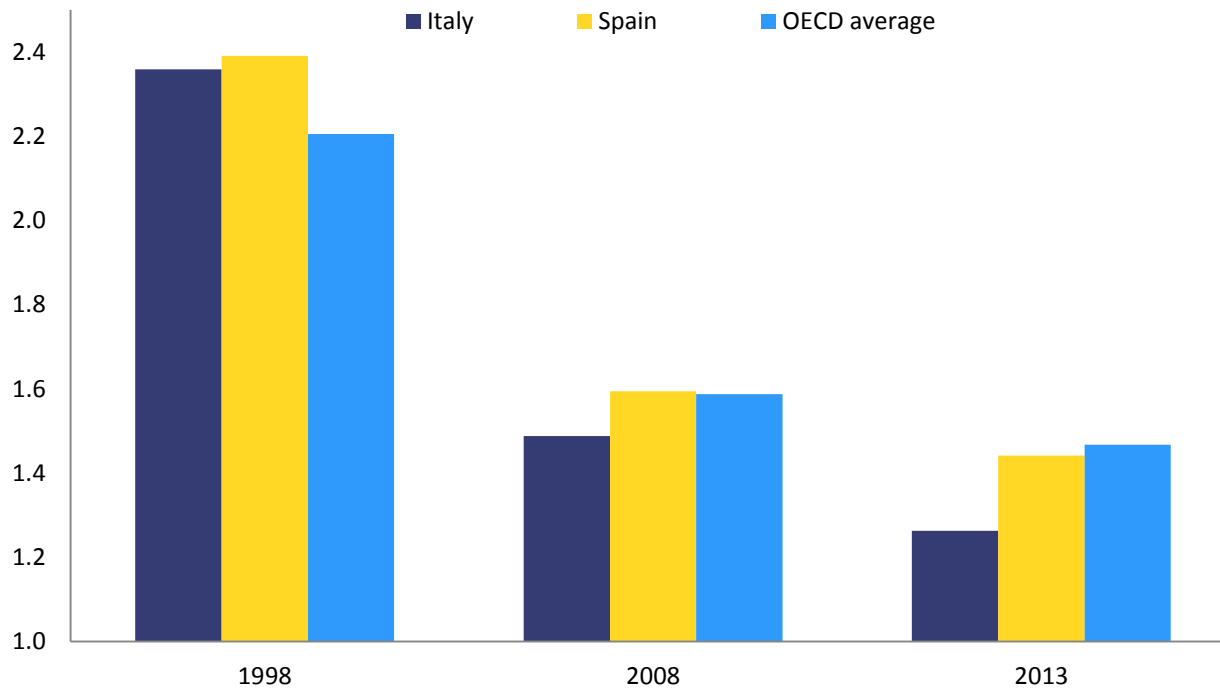


Temporary workers



Source: OECD; for Italy, own estimation for 2014 and 2015

Taking stock of reforms: significant improvements in PMR

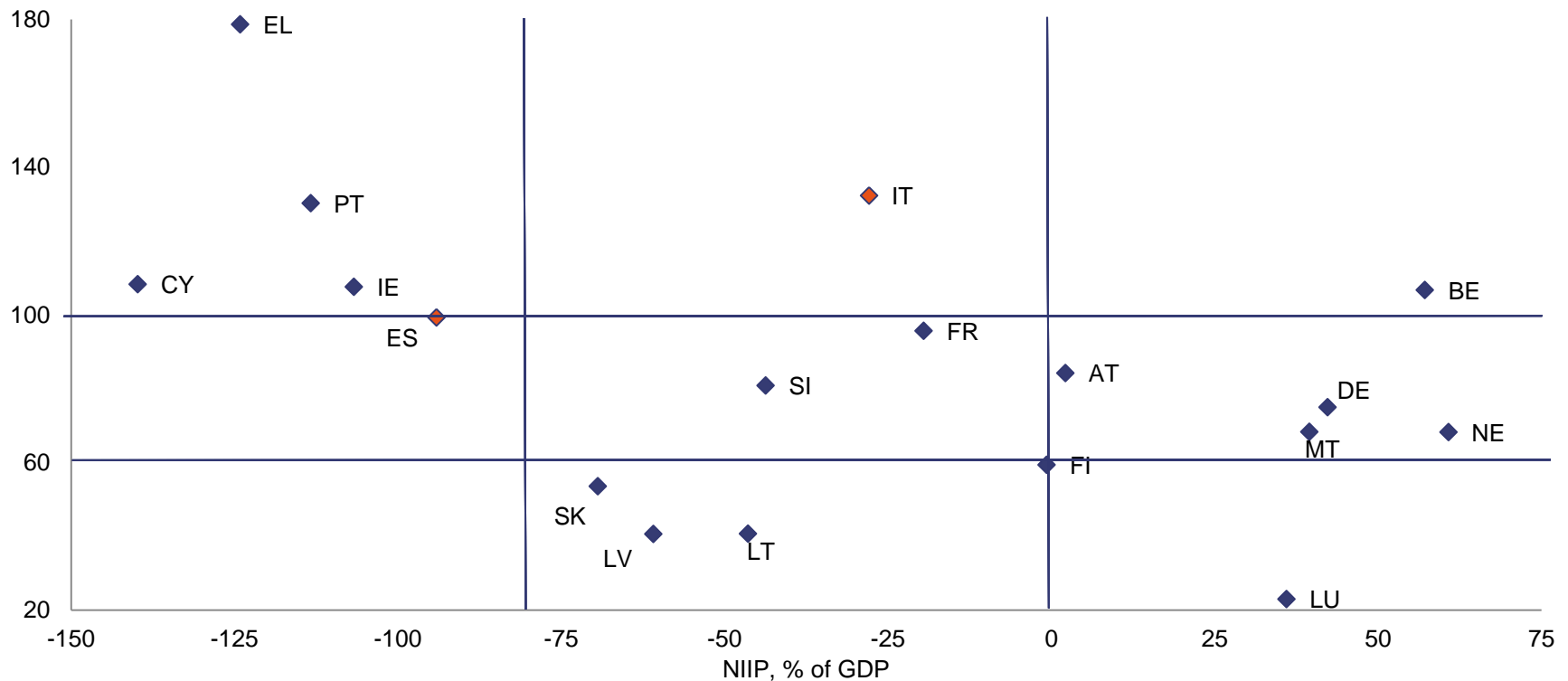


Source: OECD

The challenges ahead: need to correct the large stock of imbalances

General government debt and net international investment position, 2014

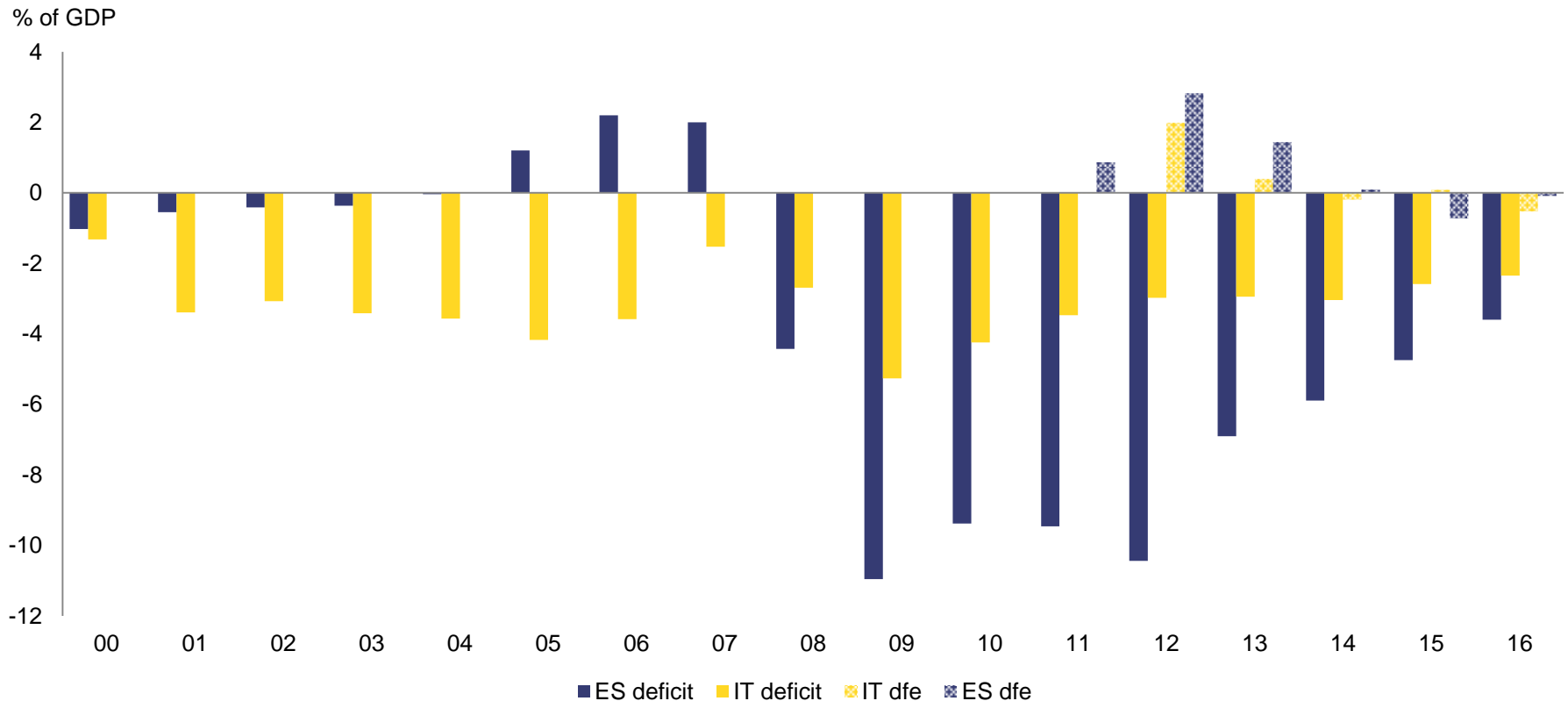
GG Debt, % of GDP



Source: Eurostat, own calculations

The challenges ahead: completing the fiscal adjustment

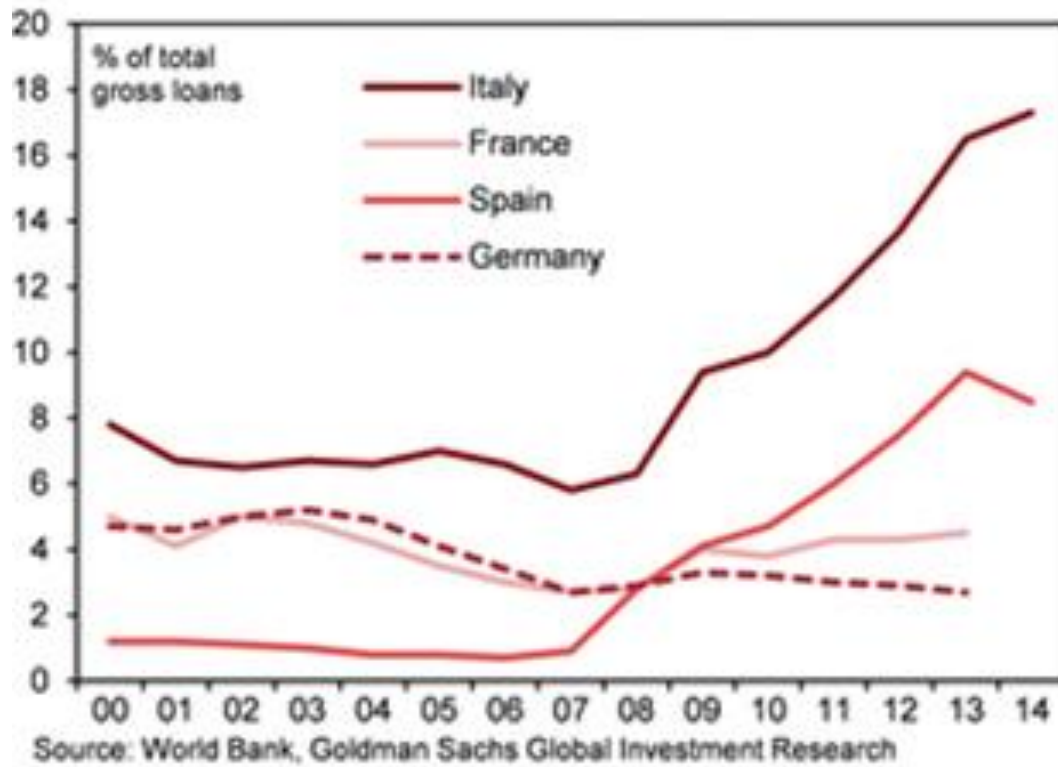
General government net lending/borrowing and discretionary fiscal effort (dfe)



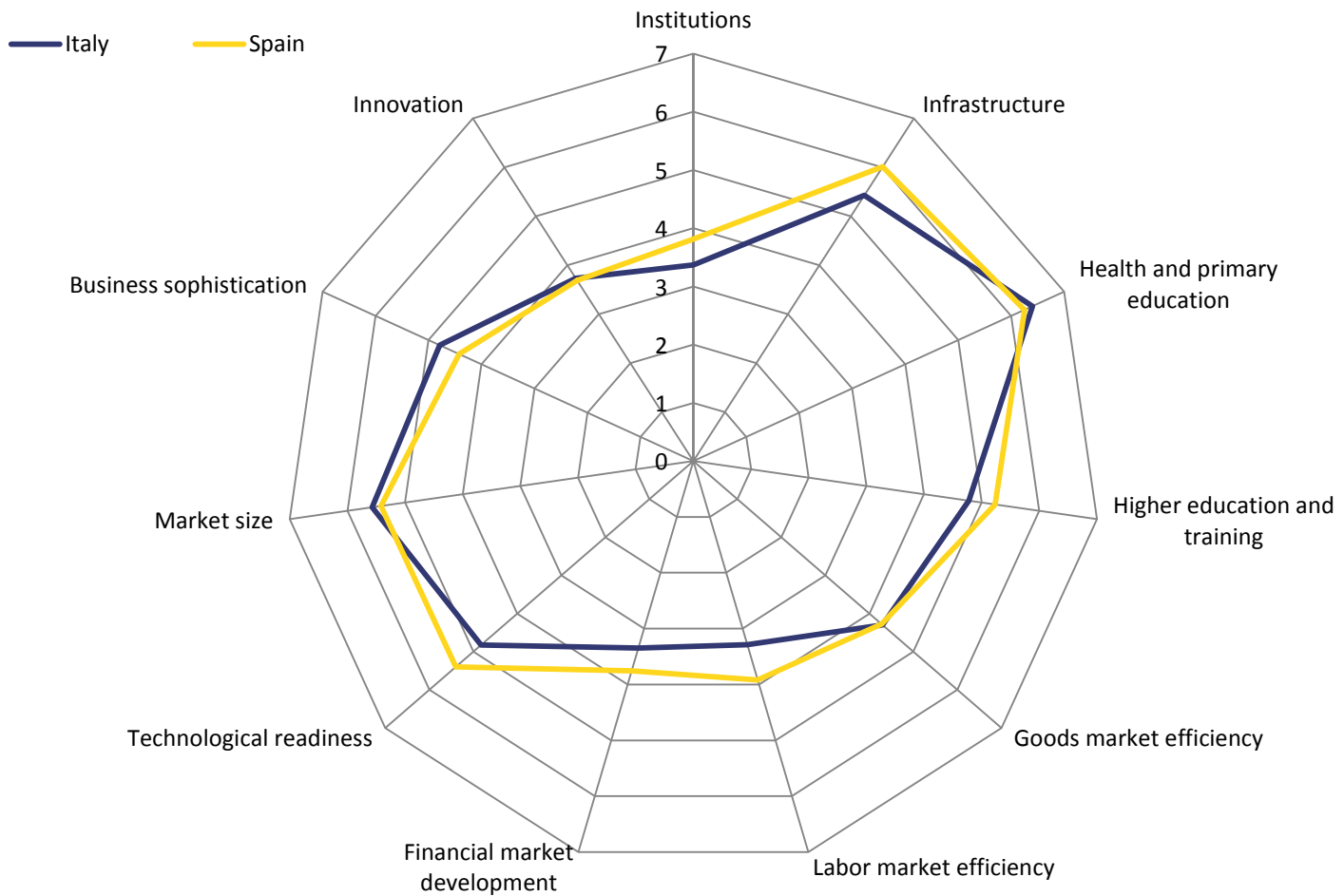
Source: Ameco, own calculations

The challenges ahead: addressing the high share of NPLs

Impaired loans



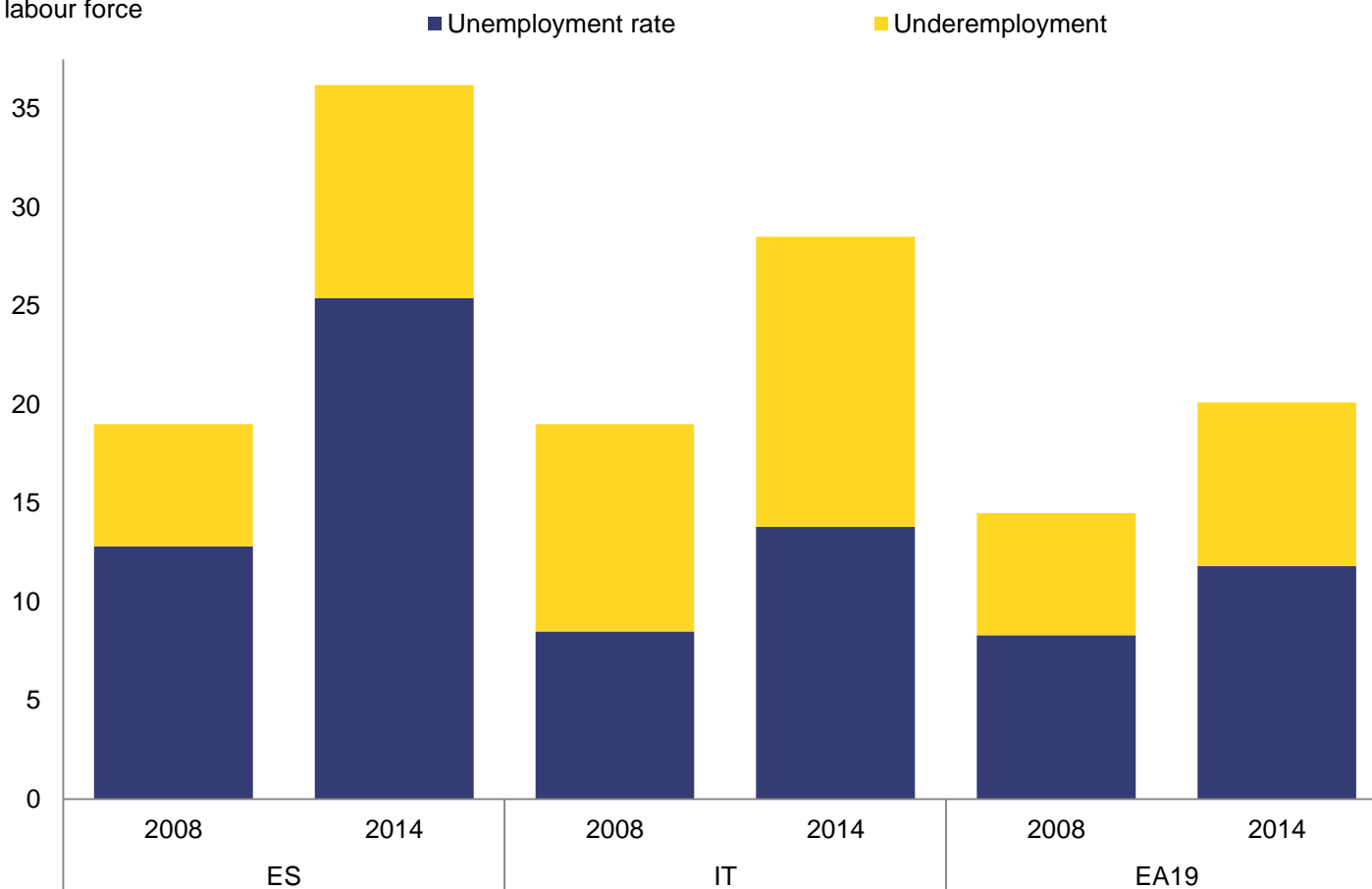
The challenges ahead: improving competitiveness



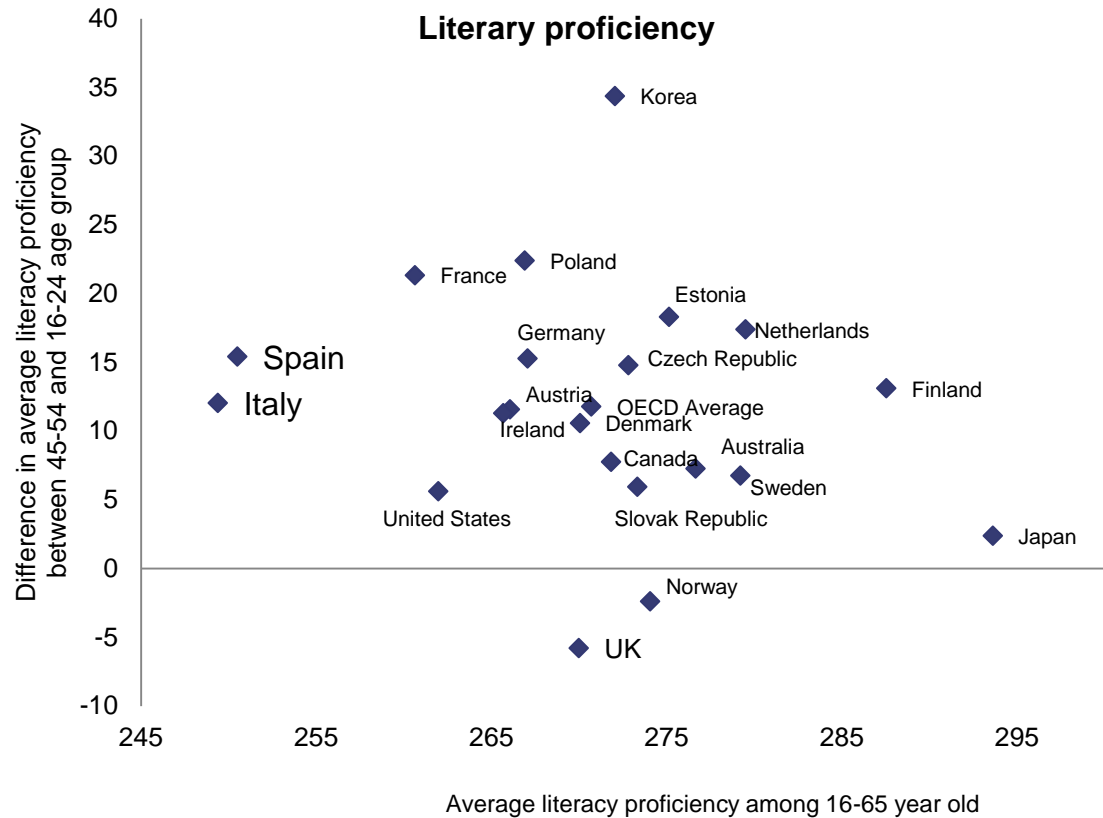
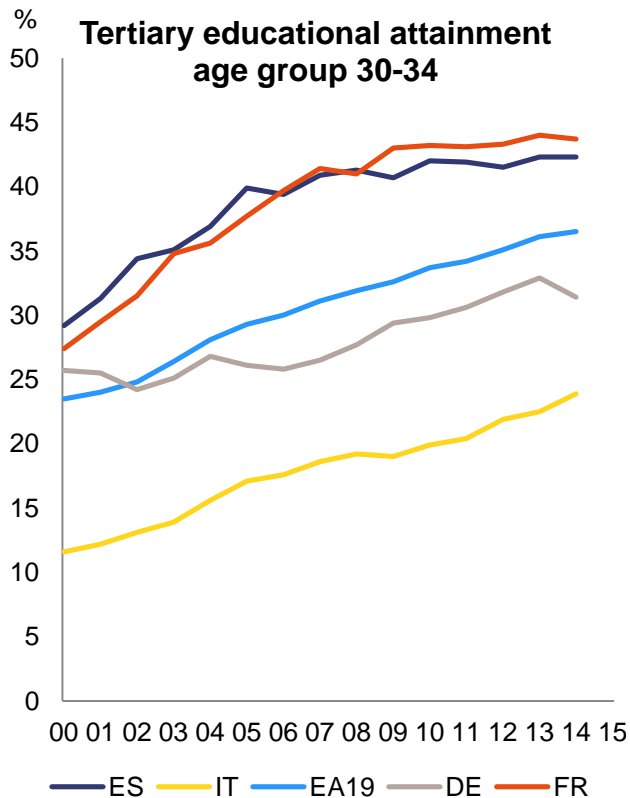
The challenges ahead: addressing labour market distress

Unemployment rate and underemployment of the 25-74 age class

% of labour force



The challenges ahead: improving human capital



Source: Eurostat, own calculations

Source: OECD, own calculations