S&P Global
Ratings

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Research Update:

Italy Outlook Revised To Positive From Stable On Commitment To Pro-Growth Reforms; 'BBB/A-2' Ratings Affirmed

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Overview

- In our view, the Draghi government's large bicameral majorities should ensure the end 2021 implementation of the 51 milestones and targets included in its ambitious reform program, Piano Nazionale di Ripresa e Resilienza.
- We project a strong investment-led recovery in 2021 and 2022, putting Italian GDP above 2019 levels one year earlier than we had expected.
- We forecast a 2021 budgetary deficit of 8.8% of GDP versus the government's 9.4% target, as revenue continues to exceed budgetary assumptions.
- As a result of the clear strengthening of commitment to pro-growth reforms, and the positive consequences that higher growth will have on public finances, we have revised our outlook on Italy to positive from stable and affirmed our 'BBB/A-2' ratings on the sovereign.

Rating Action

On Oct. 22, 2021, S&P Global Ratings revised the outlook on Italy to positive from stable. At the same time, we affirmed our unsolicited 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Italy.

Outlook

The positive outlook reflects our view that Italian authorities' progress in implementing reforms in the Piano Nazionale di Ripresa e Resilienza (PNRR) will boost economic growth, benefiting fiscal consolidation. Steps by the European Central Bank (ECB) since the pandemic's start to ensure a unified monetary policy within the euro area have also supported Italy's investment-led recovery.

Downside scenario

We could revise the outlook to stable if our projections of an economic recovery followed by a back-loaded fiscal consolidation fail to materialize, or if rising contingent liabilities from the central government's extensive guarantees crystallize on its balance sheet on a large scale.

Upside scenario

We could raise the ratings if we see Italy's economy performing better than our prognosis. Under such a scenario, the country's debt-to-GDP ratio would likely shift to a steeper downward path versus our baseline projections.

Rationale

With 80% of its adult population fully vaccinated, and the first tranche of an expected 10.8% of GDP in Recovery and Resilience Funds (RRF) already disbursed, Italy is set to post a resounding economic recovery in 2021 and 2022, putting GDP above 2019 levels one year earlier than we had expected. For 2021, real GDP growth is set to recover by 6%, followed by 4.4% growth in 2022. Drivers of Italy's buoyant growth include high vaccination rates, elevated private savings, improving business and household confidence, generous EU funds, and rebounding tourism.

In contrast to the 2007-2013 global financial crisis, during which fixed investment in Italy contracted by a cumulative 21% and fiscal tightening exacerbated a prolonged downturn in private spending, the postpandemic economic recovery has arrived early and features accelerating capital spending. We consider that:

- Over the next six years, in exchange for the implementation of pro-growth structural reforms in the PNRR, Italy is set to receive as much as 10.8% of GDP in loans and transfers from the EU's RRF; the government targets spending as much as 40% of this during 2021 and 2022.
- Last year, the ECB scaled up its policy response to COVID-19 by increasing the envelope of its Pandemic Emergency Purchase Program to €1.85 trillion, or 16.4% of euro area GDP, on top of purchases this year of an estimated €360 billion (3.0%) under the ECB's Asset Purchase Program (APP; introduced in 2014). The resulting decline in real interest rates is boosting private investment.
- Nominal public spending on investment increased by 20% last year, and is projected to increase by 16% in 2021. Investment in Italy's export capacity continues to grow, given notable gains in the country's global export market share, particularly in extra-EU markets.

Italy's Reform Program (the PNRR) aims at a comprehensive modernization of the Italian state and economy. Targeted reforms include those to tax administration, public administration, spending reviews, special economic zones, judicial, competition law, energy, educational and vocational systems, and research and development spending, as well as the introduction of incentives to promote faster economic development in the south. In our opinion, the government's comfortable majorities in both houses of parliament should ensure that most of the 51 milestones and targets linked to the second RRF disbursement will be implemented by end-2021.

If the PNRR is fully implemented, there is increasing likelihood of potential GDP growth above our current forecast for headline GDP growth of 0.9% in 2024 (versus our projection of 2.3% in the same year for Spain).

A key determinant of Italy's future fiscal and growth paths will also be the labor market, which has performed comparatively well since the introduction of the Jobs Act in 2015 (which was subsequently modified by the Dignity Decree of 2018). The Act increased employers' flexibility to hire on temporary contracts while easing protection for employees on permanent contracts. From 2015-2019, participation in Italy's labor market increased, particularly among women, leading to 4% growth of total employment. Despite the pandemic-induced drop visible since 2020, we expect labor participation to rebound from 2022-2024 as the situation normalizes, schools reopen, wages (modestly) increase, and worker- and employer-matching eventually occurs. In some sectors, including tourism, employment is already at 2019 levels.

Italy's aging population represents a risk to the economy's growth performance and long-term public finances. Since 2015, the country's population has declined by 0.4% per year on average; recent downward revisions to Italy's population data reflect the results from the 2019 permanent census, which highlighted both an increase in Italian emigration since 2015, and a new historical low for the country's already-low birth rate.

Institutional and economic profile: Increasing potential growth is key to Italy's creditworthiness

- Business and household confidence, investment, and electronic payments are all close to multiyear highs on elevated vaccination rates and optimism on the boost to potential growth from the €191 billion PNRR.
- Over the next three years, Italy's economic recovery will, under our projections, be investment-led and job-rich (in sharp contrast to the years following the global financial crisis).
- Risks to the economy include rising energy costs, supply bottlenecks, and a possible slowdown of capital spending in key Asian export markets, including China.

We forecast that Italian GDP will recover by 6.0% this year and 4.4% next year, as powerful base effects, pent-up consumer demand, improving credit conditions, tax incentives supporting buoyant construction, and external demand combine to lift annual growth rates to figures not seen since 1973. The outlook for growth has also been boosted by projected RRF grants and loans totaling 10.8% of GDP over the next six years (excluding other EU budgetary transfers), with 40% of these targeted for disbursing in 2021 and 2022. Depending upon assumptions on growth multipliers from RRF spending, these transfers could push up Italian GDP by at least 1.9 percentage points (ppts) over the medium term (for more information, see "Next Generation EU Will Shift European Growth Into A Higher Gear," published April 27, 2021, on RatingsDirect).

Compared to our prepandemic baseline, we have assumed an increase to government investment of 3.8 ppts and a rise of government consumption of 2.5 ppts of Italy's 2020 GDP over 2021-2024. We reflect most of the boost in 2021 and 2022, given the EU's Next Generation Fund pledge to spend the money early. Our forecast does not include the impact any structural reforms could have on long-term growth (in comparison, the Banca d'Italia's estimate is that the full implementation of the PNRR would boost Italian GDP by 4% by 2023 primarily on the positive demand effects). Compared to the latest Update of the Economy and Financial Document (NADEF) from the Italian government, we have penciled in a more moderate rise in investment, to account for the fact that Italy might not be able to absorb all the funds. Historically, the country's absorption rate of EU Multiannual Financial Framework (MFF) funds has been below 40% (although, in contrast to the RRF, the MFF required cofinancing). On the other hand, should the absorption of the RRF approach 100%, there is notable upside potential to our GDP projections if the latest government plans materialize.

The PNRR lays out ambitious measures to reform the Italian state and the Italian economy. For the end of 2021 alone, Italy is committed to implementing reforms to:

- Its civil and criminal justice systems
- Public administration including hiring practices
- A competition law to open up bidding for local public services concessions
- Public procurement reform
- Revisions to the spending review framework
- Reduction in tax evasion
- Tax administration
- Tax credits for research and development
- Supply chains, with a focus on Italy's specialized small and midsize enterprises (SMEs)
- Waste and water management,
- Railway investment protocols
- Public transit
- The extension of a five-year tax deduction (the superbonus) on investments in energy efficiency and earthquake proofing of residential construction
- Vocational training and higher education
- Simplification of special economic zones with a focus on the South

After Germany, Italy is the most open economy in the G-7, with exports totaling 32% of Italian GDP. Italy remains the seventh-largest exporter in the world and is a diversified and wealthy economy, with no single export category exceeding 4.5% of the total. The economy's openness and its sizable current account surplus make it sensitive to global developments, including the recent strong growth recovery in key Asian trading partners, particularly China.

Prime Minister Mario Draghi heads a national unity government supported by six of Italy's largest political parties, including two formerly euroskeptic groupings, Movimento Cinque Stelle and Lega. The new government is not required to call elections until March 2023.

Flexibility and performance profile: Only gradual fiscal consolidation

- We expect the Italian government to outperform its headline general government deficit target this year by about 0.6 ppts of GDP, as revenue exceeds projections and measures to reduce tax evasion pay off.
- We do not project the general government budget returning to a surplus (excluding interest expenditure) until 2025.
- Italy's external creditor position is a credit strength: The 2020 current account surplus was the highest posted so far this century.
- Inflation touched 3% in September, but is so far driven primarily by rising energy costs (wage growth remains sub 1%).

A resurgence of growth in the second quarter of this year--combined with further progress on reducing tax evasion--should boost 2021 tax revenue above target. As a consequence, we project that Italy's general government deficit will narrow to 8.8% of GDP in 2021 versus the official 9.4% target, and a deficit of 9.6% in 2020. We believe the deficit will narrow to 5.8% of GDP during 2022 as extraordinary COVID-19-related expenditure expires. For example, as of June 30, 2021, roughly 1 million Italian workers remained in the Cassa Integrazione Short Term Work Scheme. They should leave the scheme by early 2022. Depending upon EU decisions regarding the reactivation of the Stability and Growth Pact Rules sometime in 2023, the pace of fiscal consolidation could accelerate over the outer years of our forecast horizon.

We expect net general government debt to end 2021 at 144.8% of GDP (excluding EFSF guarantees). We do not project that Italy's budgetary position excluding interest costs will return to surplus until 2025. The key to decreasing elevated levels of debt to GDP is growth, although we expect a component of pro-growth reforms to include tax and other fiscal measures. Despite the government-debt-to-GDP ratio rising, interest expenditure to GDP continues to decline. Reflecting the ECB's extraordinary policy interventions, we estimate 2021 interest payments at 3.2% of GDP, compared with more than 5.0% in 2012. Given that the Italian Treasury continues to refinance maturing debt at about 0.1%, which is well below the average rate paid on total debt of 2.35%, we think interest expenditure to GDP will decline below 3.0% by 2022.

Since the ECB launched its quantitative easing (QE) in March 2015, the Italian Treasury has improved the government debt profile in several ways:

- Lengthening the average maturity of debt to about seven years to slow the growth in gross expected refinancing needs
- Locking in lower average financing costs
- Tapping into substantial retail demand in light of surging household savings

Italy's creditworthiness benefits from its membership in the Economic and Monetary Union. As of July 31, 2021, the ECB held an estimated 27.6% of Italian central government debt, and 23.4% of general government debt. While the ECB is likely to stop net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) by the end of March 2022, we expect it will step up net purchases under its traditional QE program (APP), and possibly redefine it. As a result, we don't expect the ECB to stop total net asset purchases before the end of 2023 and therefore expect no rate hikes until the end of 2024. The ECB has also committed to refinance its extensive holdings of BTPs acquired under the PEPP through end 2023.

The Italian government is providing indirect stimulus by underwriting credit to firms and households. Of this, only about 0.2% of GDP represents so-called "below the line" transactions that require upfront financing. We consider the remainder--whether guarantees or other liquidity measures--contingent liabilities. These total a maximum of about €600 billion, or 33% of GDP, and have so far not been fully used.

Since 2016, the Italian economy has been operating current account surpluses averaging 2.6%-3.6% of GDP. Last year, in dollar terms, Italy's external surplus was the seventh-highest in the world, equivalent to 3.6% of GDP. This reflects an improvement in its merchandise surplus to €68.3 billion, the highest in Italy's history. That is the case despite the tourism-related deterioration in the services deficit, which ended 2020 in a €7.3 billion deficit (or 0.4% of GDP). For 2021, we project a current account surplus of just under 4% of GDP, as tourism receipts recover, merchandise exports remain strong, and RRF grants will narrow Italy's deficit in external transfers. Offsetting these factors, rising energy prices will deteriorate the country's terms of trade and push up its import bill by an estimated 0.4% of GDP. Recurrent external surpluses have shifted Italy's international investment position into a net creditor figure, forecast to end 2021 at

6% of GDP.

Levels of private debt (household plus corporate) are the lowest in the G-7 and in advanced Europe, at about 122% of GDP at end-2020 (Banca d'Italia) or less than half the 252% in the Netherlands. We estimate that, including financial sector debt, overall private debt levels in Italy have declined by 59 ppts of GDP--even more than public debt has increased (46 ppts)--since the peak levels at the end of 2012.

We believe that the decline in nonperforming loan levels so far this year, together with the ECB's monetary policy measures, including with respect to the banking sector, have supported monetary transmission in Italy. The Italian government is supportive of further consolidation within the financial sector. We understand that complex discussions to enable an acquisition of Monte dei Paschi di Siena by another major Italian bank are in progress; an agreement would almost certainly require a significant capital contribution by the Italian state, representing a contingent fiscal risk.

Key Statistics

Table 1

Italy--Selected Indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Economic indicators (%)										
Nominal GDP (bil. €)	1,655	1,696	1,737	1,772	1,791	1,652	1,768	1,868	1,923	1,964
Nominal GDP (bil. $)	1,837	1,877	1,962	2,092	2,005	1,886	2,114	2,255	2,327	2,376
GDP per capita (000s $)	30.3	31.0	32.4	35.0	33.6	31.8	35.7	38.2	39.5	40.4
Real GDP growth	0.8	1.3	1.7	0.9	0.3	(8.9)	6.0	4.4	1.8	0.9
Real GDP per capita growth	1.0	1.4	1.8	2.1	0.6	(8.3)	6.2	4.6	2.0	1.1
Real investment growth	1.8	4.0	3.2	3.1	1.1	(9.1)	15.0	5.1	2.6	1.0
Investment/GDP	17.1	17.6	18.1	18.5	18.0	17.5	18.9	18.9	19.0	18.8
Savings/GDP	18.5	20.2	20.6	21.0	21.2	21.0	22.8	22.8	22.6	22.5
Exports/GDP	29.7	29.3	30.7	31.4	31.7	29.5	31.8	33.2	34.0	34.9
Real exports growth	4.3	1.9	5.4	2.1	1.6	(13.8)	12.8	7.5	3.1	2.3
Unemployment rate	11.9	11.7	11.2	10.6	10.0	9.2	10.0	9.3	8.9	8.7
External indicators (%)										
Current account balance/GDP	1.4	2.6	2.6	2.5	3.2	3.5	3.9	3.9	3.7	3.6
Current account balance/CARs	4.2	7.6	7.2	6.8	8.7	10.2	10.5	10.2	9.4	9.1
CARs/GDP	33.9	34.0	35.9	36.8	36.9	34.7	37.1	38.2	39.1	40.0
Trade balance/GDP	3.3	3.5	3.1	2.6	3.4	4.1	4.5	4.8	4.7	5.0

Table 1

Italy--Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net FDI/GDP	(0.1)	0.7	(0.0)	0.2	(0.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Net portfolio equity inflow/GDP	0.3	0.4	0.5	(0.8)	0.7	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)
Gross external financing needs/CARs plus usable reserves	219.0	205.7	210.3	224.4	228.9	224.6	222.4	220.8	220.8	221.7
Narrow net external debt/CARs	255.9	239.7	255.3	218.7	225.1	287.2	257.1	239.9	233.6	227.6
Narrow net external debt/CAPs	267.1	259.4	275.1	234.8	246.5	319.9	287.2	267.2	257.9	250.4
Net external liabilities/CARs	47.6	27.5	21.4	12.1	(0.8)	(12.9)	(21.4)	(28.9)	(36.6)	(45.8)
Net external liabilities/CAPs	49.6	29.8	23.1	13.0	(0.9)	(14.4)	(23.9)	(32.1)	(40.5)	(50.4)
Short-term external debt by remaining maturity/CARs	173.2	155.3	157.9	175.5	184.7	194.9	192.8	183.1	175.9	170.9
Usable reserves/CAPs (months)	2.9	2.7	2.5	2.5	2.7	3.6	3.6	3.2	2.7	2.4
Usable reserves (mil. $)	130,679	135,259	151,617	152,428	174,946	211,260	203,506	187,740	171,974	171,974
Fiscal indicators (general government; %)										
Balance/GDP	(2.6)	(2.4)	(2.4)	(2.2)	(1.6)	(9.6)	(8.8)	(5.8)	(4.4)	(3.6)
Change in net debt/GDP	2.7	1.8	3.0	2.4	1.7	8.2	8.8	5.8	4.4	3.6
Primary balance/GDP	1.6	1.5	1.4	1.5	1.8	(6.0)	(5.7)	(2.9)	(1.5)	(0.7)
Revenue/GDP	47.8	46.7	46.3	46.2	47.1	47.8	48.0	47.8	47.5	46.8
Expenditures/GDP	50.3	49.1	48.8	48.4	48.6	57.3	56.8	53.6	51.9	50.4
Interest/revenues	8.6	8.4	8.1	7.9	7.2	7.3	6.5	6.0	6.1	6.3
Debt/GDP	133.1	132.7	131.9	132.2	132.4	153.5	152.2	149.9	150.0	150.5
Debt/revenues	278.7	284.3	284.7	286.2	281.3	321.2	317.1	313.6	315.7	321.5
Net debt/GDP	127.6	126.3	126.3	126.3	126.6	145.6	144.8	142.9	143.1	143.8
Liquid assets/GDP	5.6	6.4	5.6	5.9	5.8	7.9	7.4	7.0	6.8	6.7
Monetary indicators (%)										
CPI growth	0.1	(0.1)	1.4	1.2	0.7	(0.2)	1.6	1.4	1.3	1.5
GDP deflator growth	0.9	1.1	0.7	1.1	0.8	1.2	1.0	1.2	1.2	1.2
Exchange rate, year-end (€/$)	0.92	0.95	0.83	0.87	0.89	0.81	0.84	0.83	0.83	0.83

Table 1

Italy--Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Banks' claims on resident non-gov't sector growth	(1.0)	(0.6)	(2.5)	(2.6)	(0.6)	0.6	2.0	2.0	2.0	2.0
Banks' claims on resident non-gov't sector/GDP	106.1	103.0	98.1	93.6	92.1	100.4	95.7	92.4	91.5	91.4
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	(3.3)	(0.5)	0.8	0.7	(1.4)	(0.0)	N/A	N/A	N/A	N/A

Sources: Eurostat (Economic Indicators), Bank of Italy (External Indicators), Eurostat (Fiscal Indicators), and Bank of Italy, International Monetary Fund (Monetary Indicators).
Adjustments: Government debt adjusted by excluding guarantees on debt issued by EFSF.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Italy--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	3	Generally effective policymaking in recent years. Institutional bottlenecks, including an ineffective judicial system, are major obstacles to the reform effort. Timely and reliable data and statistical information.
Economic assessment	3	Based on GDP per capita ($) as per the Selected Indicators table above.
		Weighted-average real GDP per capita trend growth over a 10-year period is at 0.9%, which is below the threshold for sovereigns with an initial economic score of 2.
External assessment	3	Based on narrow net external debt and gross external financing needs as per the Selected Indicators table above.
		Italy continues to benefit from recurrent current account surpluses, recently having averaged over 3% of GDP, with the goods and services surplus now on par with levels last seen pre-euro area entry, although this is partly a result of weak domestic demand. Italy is the seventh-largest exporter in the world in absolute terms.

Table 2

Italy--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
		In the context of our external assessment, we treat Italy, a member of the Economic and Monetary Union, as if the currency was actively traded. Italy's external short-term debt by remaining maturity represents more than 100% of current account receipts.
		Italy's net international investment position is more favorable than the economy's narrow net external debt position by more than 200% of current account receipts. We include the short-term current and deposits liability of Italy's national central bank, the Banca d'Italia, in our estimates of Italy´s financial sector external short-term debt. At end-2019, that figure was €455 billion, or 62% of current account receipts.
Fiscal assessment: flexibility and performance	4	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1, excluding the exceptional deviation stemming from the one-off COVID-19 expenditure measures in 2021.
Fiscal assessment: debt burden	6	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1.
Monetary assessment	2	In the context of our monetary assessment, we consider the euro as a reserve currency. The European Central Bank has an established track record in monetary authority independence with clear objectives and a wide array of policy instruments, including nonconventional tools. The CPI is low and in line with that of its trading partners.
		Italy is a member of the Economic and Monetary Union.
Indicative rating	bbb+	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	-1	Government debt in Italy is one of the highest among all the rated sovereigns. Therefore, a downward adjustment to the indicative rating.
Final rating		
Foreign currency	BBB	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	BBB	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status::

- Governance

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, Oct. 12, 2021
- Sovereign Ratings List, Oct. 12, 2021
- Banking Industry Country Risk Assessment: Italy, July 14, 2021
- Default, Transition, and Recovery: 2020 Annual Sovereign Default And Rating Transition Study, April 12, 2021

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Italy		
Sovereign Credit Rating |U~	BBB/Positive/A-2	BBB/Stable/A-2
Italy		
Transfer & Convertibility Assessment |U~	AAA	

|U~ Unsolicited ratings with no issuer participation, and/or no access to internal documents, and/or no access to management.

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