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1. FeBAF looks south: financing investments in the Euro-Mediterranean

A short summer break over, FeBAF got back to business on 1 September with an online meeting EuroMed: financing investments, the first of a series of webinars that it will hold this autumn. For Paolo Garonna, FeBAF's secretary-general, the development of the Euro-Mediterranean region cannot be other than a priority mission for Italy, and it must be accompanied by greater financial integration, with private-sector operators placed enabled to create jobs and guarantee sustainable and durable growth. The region's investment potential was a focus for the webinar. Massimo Castaldo, vice-president of the European Parliament and member of its delegation for the Mediterranean, drew attention to how the Euro-Mediterranean region has taken on greater geopolitical and economic relevance in recent years. He pointed to its strategic position, large energy resources, major infrastructure projects and China's lively interest. Dante Campioni of Intesa Sanpaolo group highlighted how Europe, Italy in particular, is Egypt's largest partner. Mr Castaldo noted that “it's up to us to decide if we want to make it a motor for European growth and development or increasingly transform it into a buffer zone of structural problems.” Although the webinar looked to the future, it couldn't ignore the present and the pandemic. According to Luca Colussa of Generali group, debt in Middle Eastern and North African countries could rise by 20 to 25 percentage points in coming years. The priority must be to manage the spread of the virus and avoid further lockdowns.

2. AIFI annual meeting: focus on human capital

While the impact of the Covid-19 pandemic inevitably came under discussion at its annual meeting in Milan on 7 September, AIFI (the private equity, venture capital and private debt association) also looked at human capital and at ESG (environmental social and governance) policies in firms in which its members are invested. Pointing to how family firms account for 70 per cent of jobs in Italy, Innocenzo Cipolletta, AIFI's chairman, noted how their growth is tied to growth in human resources, both in terms of numbers and skills. And a survey undertaken by AIFI showed how its members are doing their part to help that growth. In her presentation of the research, Anna Gervasoni, AIFI's director-general, gave details of how the average size of payrolls had increased between the time of investment and the time of disinvestment (or 31 December 2019). Increases amounted to 111 per cent in the case of buyouts, 58 per cent in early stage investments, and 54 per cent in replacement investments. Unsurprisingly, payrolls declined at firms where AIFI's members made turnaround investments, albeit they fell only by 9 per cent on average. As for

ESG, while only one third of firms had ESG policies, the research revealed that 60 per cent of them had adopted or were in the process of adopting ethical codes. Ms Gervasoni closed her presentation on an optimistic note. Despite the shock of the pandemic and lockdown in the spring, the number of operations undertaken by AIFI's members has held up well. A sharp fall in March has subsequently been compensated by a strong recovery, and there were 175 operations in the first seven months of the year, which was not far short of the 189 recorded in the same period of 2019. However, disinvestments are expected to take longer, by between two and three years according to 40 per cent of private equity and venture capital firms. And there are marked differences in business focus. Over coming months, 76 per cent of private equity firms will be searching for new investments (against 47 per cent of private debt operators), while fund-raising will be the focus for 68 per cent of private debt operators (against 30 per cent of private equity firms). According to Mr Cipolletta, the numbers show that the Covid-19 emergency can be seen as an opportunity for consolidation by AIFI's members. On a broader front, he said that Italy's economy could be given a major stimulus by channelling public capital through funds of funds and by deploying a relevant part of the country's €250 billion of pensions savings and €4,000 billion of private banking assets into private equity and venture capital. This would certainly be a boost for AIFI's members.

3. Understanding mobile and internet banking users

Tech-savvy customers are happy with the range of services that Italian banks offer. Such is a key finding of a recent survey of digital banking users by ABI-Lab, the research and innovation arm of ABI (the Italian banking association), which was announced in a note from the association on 29 August. The survey found that customers make approximately equal use of PCs and smartphones when dealing with their banks, the mode of use being determined principally by the type of operation. Tapping into smartphones is the main way that users obtain appointments at branches, while filling out tax returns and paying taxes, where proper keyboards are best, is done predominantly at PCs. However, smartphones and PCs are used equally often for checking payment card transactions and account statements. Unsurprisingly, by far the greater part of customers prefer making their own bank transfers digitally rather than going to branches. And, equally unsurprisingly, once digitally hooked customers are open to new services.

4. Bank of Italy highlights opportunities in Next Generation EU

Addressing a parliamentary commission on 7 September, Fabrizio Balassone, head of the central bank's economic structure department, said that funding agreed by the EU on 21 July “could contribute to re-launching economic growth in our economy, thereby also reducing the weight of debt on GDP. Next Generation EU offers an important, not-to-be wasted opportunity.” After explaining the characteristics of the EU's scheme, Mr Balassone examined the possible macroeconomic impact of using resources that will be available. Depending on the amount mobilised, the nature of projects financed and the efficiency of execution, the impact on GDP could be as much three percentage points by 2025, he said. (In making its projection, the Bank of Italy assumed that Italy will benefit from €120 billion of loans and €87 billion of transfers.) Mr Balassone underlined how the need for the economy to recover ground lost over the past 30 years has been a constant theme of the Bank of Italy, the principal problem being low growth, reflected by low productivity. As well as catching up with infrastructure, Mr Balassone pointed to three areas in which action is urgent: improving the public administration; boosting innovation through investment (digitalisation and green transition); and safeguarding and exploiting Italy's natural and cultural heritage. Precise estimates of the benefits Next Generation EU finance are not possible, said Mr Balassone. “However one can say with reasonable certainty that the benefits could be very significant for our country,” he added.

In Brief

Savings. The total value of financial assets distributed by members of Assoreti (the association of investment advisory firms with networks of tied agents) rose sharply in the second quarter, from €570.7 billion at the end of March to €614.6 billion at the end of June, which was not far short of the €619.8 billion maximum at year-end 2019. On 27 August, noting the strong relationships between advisers and savers, Assoreti's chairman Paolo Molesini said “Investment diversification has helped risk-control and the possibility to benefit from market-bounce in the second quarter.”

Capital Markets Union. In a recent letter to the European Commission, AIPB (the private banking association) asked that four main topics that it has identified as essential in discussions on the creation of a capital markets union be taken into consideration in the EU's evaluation process. The topics are: the introduction of harmonized definitions of (1) “semi-professional investors”, (2) “insurance-based investment products” and (3) alternative investment funds (together with simplification of the related passporting regime), as well as (4) proposals of amendments to the ELTIF Regulation.

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