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1. Mitigating the effects of Covid-19

Over the past fortnight, there has been no let-up by Italy's banking industry in adopting measures aimed at limiting the pandemic's impact on staff and customers. On 16 March, **ABI** (the banking association) and trade unions representing bank staff agreed a protocol that seeks to combat and contain the spread of the virus in the banking sector, with maximum attention being given to safeguarding the health of staff and customers. A key factor, said a statement from ABI on 17 March, is the use by customers of internet, mobile banking and external ATMs, and of cutting the need to visit branches themselves. Among measures aimed at helping customers through this difficult period, banks are applying loan and mortgage moratoriums, and ABI and business associations are seeking relaxation of supervisory regulations regarding forbearance. On 23 March, ABI noted that 99 per cent of banks in Italy are willing to offer such moratoriums to SMEs. Meanwhile, there was reassuring news in the monthly report that ABI published on 17 March. NPL's continue to decline and at the end of January stood at €25.9 billion, against €33.6 billion a year earlier, and were equivalent to 1.52 per cent of total lending, against 1.93 per cent at the end of January 2019. Italy's banks seem in decent shape to face the crisis. A Task Force formed by the Ministry of Finance, the Bank of Italy, the Italian Banking Association (ABI) and Mediocredito Centrale (MCC) has been set up to ensure a rapid and efficient use of all the measures adopted by the government in its latest decree which aims to provide liquidity support to economic activities affected by the Covid-19 crisis, such as the widening of the operational scope and the strengthening of the financial fire-power of the government-operated and MCC-managed “SME Guarantee Fund”. An agreement between Abi and trade unions will facilitate the redundancy funds procedure settled by the “Cura Italia” maxi-decree.

ANIA, the insurers' association, and its members continue to play their part in mitigating the impact of the pandemic. On 20 March, the association announced that, through its ANIA Cares project and in conjunction with Rome's La Sapienza university, its Foundation will be providing psychological support to doctors and nurses in the front-line of the fight against the virus. And through the national civil defence organisation, ANIA is making a donation of €2 million to help obtain goods and services needed to counteract the disease's spread and to provide treatment for the sick.

On 25 March **the Bank of Italy** announced the start of a programme of extraordinary contributions to boost efforts in combatting the pandemic. A first tranche of €20.9 million will go to front-line bodies. Those benefiting include Rome's Spallanzani infectious diseases hospital for 40 intensive care beds, the Campania region for 48 intensive care beds and the provinces of Milan, Bergamo, Brescia and Cremona for support to people badly affected.

2. Big players needed for Italy's private capital market

“A large operator is needed that is able to utilise the savings which continue to be abundant in Italy,” said Innocenzo Cipolletta, chairman of AIFI, the private equity, venture capital and private debt association. He was presenting AIFI's annual report on 23 March. Although the government-controlled Cassa Depositi e Prestiti is moving in the right direction, noted Mr Cipolletta, Italy lacks the major operators and national fund of funds needed to grow the sector. “The only fund of funds operating in Italy in 2019 were international, and these had difficulty in finding investment conditions appropriate to their targets,” he said. The figures in AIFI's report for 2019 provide the evidence for Mr Cipolletta's description of the market as characterised by “erratic evolution”. Leaving aside infrastructure investment of €510 million, private venture and venture capital investment amounted to €6,713 million in 2019, against €3,041 million and €6,747 respectively the previous year. The figures in the three years 2015 to 2017 highlight the roller-coaster nature of the sector: €4,093 million, €7,249 million and €4,279 million respectively in private equity and venture capital, and €527 million, €942 million and €659 million in infrastructure. There were sharp movements year-to-year in terms of funds raised on the market (€1,566 million in 2019 against €3,415 million in 2018) and the number of operators who tapped the market (22 last year against 32 in 2018). Even so, the number of investments and disinvestments were similar in both years, 370 and 132 respectively last year, and 359 and 135 in 2018. AIFI's 50-page report provides statistical detail and analysis of the businesses in which its members operate. Among the investments last year were 168 operations in early stage last year, for total investment of €270 million, 48 operations in expansion for a total of €896 million, and 123 buy-outs for a total of €5,096 million. The sectors attracting most investment were industrial goods and services (€1,424 million from 57 operations) and medical (€1,153 million from 49 operations). Not surprisingly, with 262 investments, Italy's northern industrial and business heartland was the main beneficiary. Regarding disinvestments, of the total of €2,216 million raised from 132 operations last year, €908 million came from sale to other private equity operators (27 operations), €724 million from trade sales (59 operations) and €456 from IPOs and post-IPO sales (9 operations).

3. Property and third party insurance markets

A recent report on property and general third party insurance in Italy gives a detailed picture of a market that grew from €7.795 million of premiums in 2013 to €8,428 million in 2018. From representing 14.7 per cent of total non-life business in 2013, the weighting of the two segments increased steadily to 16.3 per cent in 2018. (Insurance against fire and natural events accounted for €2,469 million of premiums in 2018, other property risks for €2,938 million and general third party for €3,021 million.) Among the trends that are easily discerned in the 31-page report, published on 16 March by IVASS, the insurance regulator, is the decline in the number of insurers underwriting business in these sectors, with 56 offering cover against fire in 2018 against 69 in 2013.

There was a similar decline in the number of insurers providing cover against other property risks. When publishing its report, IVASS highlighted some of the results of 2018: a profit of €36 million from fire and natural event risks, a loss of €156 million from other property risks and a profit of €1 billion from general third party risks. However, the value of the report may lie in the many indicators that it offers over the five-year period covered, including expense ratios, operating costs (including commissions and administration costs), numbers of claims, speed of claims-liquidation and costs per claim.

4. No country is an island

No country is an island: for a coordinated response to Covid-19 is the title of a report (in Italian) issued on 24 March by five members of the research department of the Bank of Italy who are part of the bank's Covid-19 emergency monitoring group. In looking at issues of data, uncertainty and policy options and their possible results, the 5-page report provides a clear summary of numerous epidemiological studies and studies of the current pandemic. As to the future, the authors note that our societies have sufficient resources to pay for avoiding another Covid-19, and that this is the time to devise a coordinated strategy to face the long-term threat that pandemics pose.

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