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PRESS RELEASE

LOW PRODUCTIVITY AND LIMITED R&D COST ITALY 5 POINTS OF GDP
HIGH FISCAL PRESSURE AND FAILURE TO IMPLEMENT CONTRACTS ALSO WEIGH HEAVILY ON THE ECONOMY

Italian companies are losing competitiveness and their share of exports on the world economy has remained stationary. If we had earned the figures of the German model, which is similar to our own, we would have expanded our share of world exports by 1% in 2008, for an increase of 78 bn in assets.

Sectors like basic metals, processed metals, manufacturing machinery, petroleum, foods and pharmaceuticals are in countertendency, towing Italian exports.

Siena, 2 February 2010. **The loss of competitiveness** that affected Italian goods in 2000 is due not only to "disloyal competition" on the part of some emerging countries, but also to the **lack of growth in productivity, the lack of innovation and the unfavourable conditions, which make Italy unattractive in the eyes of foreign investors who want to start an enterprise.** In this decade, in fact, Italy has lost competitiveness precisely with respect to its main competitors, which belong to the same area of currency – Germany *in primis.* **If Italy had witnessed an increase in productivity between 2000 and 2008, as did Germany, its share of world exports would have grown by over 1% during the same period, instead of remaining stationary, with an increase in exports of $78 bn (about 5% of the GDP).**

Nevertheless there are manufacturing sectors that are in countertendency. Between 2000 and 2008, **the basic metals and metal products industry** recorded an increase in its share of exports (especially the micro-sectors of iron, iron alloys and iron products, tubes, copper products, precious metals and semi-finished products), as did the **machinery and equipment** sector (especially metal forming and other special purpose machinery, including machinery for quarries, mines and worksites), **refined petroleum products, foodstuffs** (especially meat and pasta products) **and pharmaceuticals** (medicines and other preparations, in particular).

A study conducted by the GMPS **Research & Intelligence Area** brought out how **Italy's loss of competitiveness can be attributed to the failure to increase productivity.** The analysis of the cost of labour per unit of product (CLUP) brings this to light, not only for the economy as a whole but also for individual sectors. While the **increases in remunerations** in the manufacturing and financial services sectors **have made up for a delay that Italy has experienced with respect to the rest of Europe, gross remunerations in the non-financial services sector are about 15% higher than the European average.** In the years analysed (2000-2008), the gap has remained large, even though it is gradually being reduced.

In some manufacturing sectors the competition in some emerging areas is particularly strong due to the inherent traits of the sector. Italy historically exports goods in sectors with a low technological content (i.e. textiles and clothing) and is being impacted by Chinese competition. **Interestingly enough, however, Italian exports have shown negligible increases even in industries with a higher content of technology (such as the automotive and chemical sectors, for example). In recent years, unfortunately, the country has not succeeded in increasing its investment in technology and R&D and the delay with respect to the OECD average has become even more evident.** The Italian gap has remained quite wide with respect to the

OECD average, in innovation, research, use of the Internet, etc. **Italy experienced a reduction in its share of manufacturing exports between 2000 and 2008, while the 27-member EU increased its share, despite Chinese competition.**

In addition to having lost competitiveness in manufacturing, Italy is at a disadvantage with respect to other European countries when it comes to its ability to attract direct investments from abroad. Italy's delays with respect to countries like France and Germany, which emerged in data published by *Doing Business* of the World Bank, are quite evident: **Italy has experienced great delays in implementing contracts and in the fiscal pressure experienced by enterprises. The incidence of taxes for a company is very high with respect to Italy's most important competitors** (68% of profits before taxes, as compared to the European average of 44.5%) **The excessive taxation of labour, which accounts for 43% of the total, weighs heavily on this figure.**

Banca Monte dei Paschi di Siena SpA

Media Relations
Tel: +39 0577.299927
Fax: +39 0577.294148
ufficio.stampa@banca.mps.it

Area Research & Investor Relations
Tel: +39 0577.296477
Fax: +39 0577.296757
investor.relations@banca.mps.it