



ITALY

ECONOMIC STIMULUS PACKAGE IN RESPONSE TO COVID 19

The government adopted a €25 billion (1.4 percent of GDP) emergency package on stimulus measures to shield the economy from Europe's worst outbreak of the corona virus.

Fiscal Measures

It includes:

- a) funds to strengthen the Italian health care system and civil protection (€3.2 billion);
- b) measures to preserve jobs and support income of laid-off workers and self-employed (€10.3 billion);
- c) other measures to support businesses, including tax deferrals and postponement of utility bill payments in most affected municipalities (€6.4 billion); as well as
- d) measures to support credit supply (€5.1 billion) aimed to unlock about €350 billion (20 percent of GDP) of liquidity for businesses and households (see below). The authorities indicated that additional steps could be taken if needed.

Monetary & Macro-Financial

- The ECB decided to provide monetary policy support through
 - a) additional asset purchases of €120 billion until end-2020 under the existing program (APP), and
 - b) providing temporarily additional auctions of the full-allotment, fixed rate temporary liquidity facility at the deposit facility rate and more favorable terms on existing targeted longer-term refinancing operations (TLTRO-III) starting between June 2020 and June 2021.

Further measures included an additional €750 billion asset purchase program of private and public sector securities (Pandemic Emergency Purchase Program, PEPP) until end-2020, an expanded range of eligible assets under the corporate sector purchase program (CSPP), and relaxation of collateral standards for Eurosystem refinancing operations (MROs, LTROs, TLTROs).

Key Measures adopted:

Key measures adopted in the government's emergency package include:

- a moratorium on loan repayments for some households and SMEs, including on mortgages and overdrafts;
- state guarantees on loans to SMEs;



- incentives for financial and non-financial companies in the form of Deferred Tax Activities;
- state guarantee of €0.5 billion to the state development bank—Cassa Depositi e Prestiti—to support lending and
- liquidity to banks to enable them to finance medium- and large-sized companies.

Commissione Nazionale per le Società e la Borsa (CONSOB), Italian Companies and Exchange Commission, called a three-month ban on shorting of all shares and lowered a minimum threshold beyond which it is required to communicate the participation in a listed company. These measures are aimed to contain the volatility of the financial markets and to strengthen the transparency of the holdings in the Italian companies listed on the Stock Exchange.

Date of announcement: 17 March 2020, Ministry of Economics and Finance

✚ Immediate fiscal impulse (€16 billion):

1. €2.4 reduced taxes and contributions for all firms in severely affected sectors (severely affected sectors include tourism and leisure, transport, restaurants and bars, culture, sports, education, events) and all firms below €2 million, which include
 - a) suspension of VAT payments and contributions in March,
 - b) 60% tax break of on commercial rents,
 - c) 50% tax break for sanitization costs,
 - d) deductibility of donations for Covid19,
 - e) suspension of expiring tax payments demands and tax declarations
2. €10.4 billion for keeping people employed and supporting the unemployed, which include the following measures:
 - a) All workers: Freezing of layoffs for all workers for two months, independently on the type of contract, where the layoff was opened after February 23rd, including layoffs for economic reasons;
 - b) All workers: Extension of (various) unemployment insurance mechanisms for all sectors, regions, and employees (9 weeks);
 - c) Self-employed: €600 bonus for self-employed and autonomous workers;
 - d) All workers not-working-from-home: €100 salary bonus in March to all workers not in smart working, cap of income of €40000;
 - e) Working parents: €600 bonus
3. €3.2 billion additional healthcare related spending, which includes:
 - a) €1.65 billion in the National Emergency Fund,
 - b) cost of 20,000 additional staff in the sanitary sector,
 - c) €150 million for extra-hour payroll costs of NHS personnel;
 - d) €400 million increase of intensive care units, €50 million subsidies to firms producing protective equipment;



- e) €150 million for requisition from private sector for public health purposes of sanitary equipment and facilities (including hotels);
- f) €68 million additional medical and nursing personnel in the military; (g) the cost of the possibility to postpone retirement of medical personnel.

+ Deferrals (€230.7 billion):

- 1. € 10.7 billion deferred taxes and contributions for all firms in severely affected sectors and all firms below €2 million, which include; see the measures in the first point above at immediate fiscal response
- 2. €220 billion moratorium on all loans and mortgages payable in instalments until 30 September of all micro, small, and medium sized firms (SMEs)

+ Other liquidity and guarantee measures (€130 billion):

- 1. €100 billion new loans Central Guarantee Fund for SMEs access to credit
- 2. €10 billion state guarantee for banks financing big and medium enterprises not in SMEs support fund (500 million guarantees with a multiplier of 20)
- 3. €10 billion for incentives for liquidity unlocking for banks and enterprises
- 4. €10 billion in other measures
