

**SUPPORTING SMEs IN A TIME
OF CRISIS:
HOW TO CHOOSE THE RIGHT
ACTIONS**

**CASE STUDY: THE RECOVERY
PLAN OF THE PROVINCE OF
TRENTO**

OECD Trento, 12-15 October 2009

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1. The economic crisis and the economy of the Trentino Province
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THE ECONOMIC CRISIS AND THE ECONOMY OF THE TRENTINO PROVINCE

- Two phases of the crisis:
 - Immediate financial effects (liquidity shortage and credit crunch)
 - Real effect: slow down of world demand first on stocks, than on revenues and private demand
- Both effects were expected to be lower in Trentino than in the rest of Italy:
 - Role of cooperative banks, less prone to invest in risky assets, and deeply rooted in the region
 - Structural characteristics of the local economy



Structural characteristics of the local economy

- Sectoral composition of the economy: large role of services and the public sector
- Industrial Diversification
- Lower role of exports than in the Northern Regions of Italy
- Role of tourism
- Traditional smoother cycle in the region



NEUTRAL FORECAST (AUTUMN 2008)

- Lower impact of the crisis on the regional product and employment, but lower path of recovery
- Higher impact on industries with higher propensity to export (mechanics)
- Strong impact on the building sector, due to liquidity restriction and the withdrawal of private investments
- Uncertainty about the reaction of tourism
- Short term stability of employment, but medium term uncertainty



GNP: NEUTRAL FORECASTS (BASELINE SCENARIO)

Variazioni percentuali del PIL reale

Anno	Trento (luglio 2009)	Italia (settembre 2009)
2008	-0,4	-1,0
2009	-2,7	-4,8
2010	0,2	0,7

Trento: OPES, PAT, Servizio Statistica - Modello econometrico multisetoriale

Italia: DPEF 2010/2013 e finanziaria 2010



LOCAL MEASURES TO CONTRAST THE CRISIS

- The measures: phases and numbers
- The rationale and the process



THE MEASURES: PHASES AND NUMBERS

- Two phases:
 - Autumn 2008: Emergency measures aimed at contrasting the risk of liquidity crunch
 - Firms: public support to guarantee the access to the credit system; incentives to transform short term on medium and long term debts; acceleration of public payments to contractors
 - Families: support to families to support the payment of interests on housing loans
 - 2009-10 budgetary plan



The 2009-10 budgetary measures to contrast the crisis (M€)

	2009	2010	Total
Welfare	92	43	135
Direct support to firms	237	94	331
System actions to support productivity	52	26	78
Public Investment	579	120	699
Total	960	283	1243



THE RATIONALES

- Link cyclical actions to structural needs
 - Welfare and social policy measures were designed in order to update the welfare system to the most advanced systems in Europe: from the support of workers to the support of citizens
 - Investments in sectors having not only more impact on the local economy, but also more impact on long term growth: impact on long term productivity slowdown
 - Direct help to firms: temporary measures
 - Actions on the administration aimed at reducing the lead time between decisions and actions



THE PROCESS

- Systematic communication and presentation of states of advancements to local society
- Evaluation of the impact of measureable policies (in particular, welfare and social policies) through advanced scientific methods: policies were designed in order to permit evaluation



THE ESTIMATED IMPACT ON GRP

Year	Baseline Scenario		Alternative scenario		Cumulative Net impact	
	pr. cost.	var. %	pr. cost.	var. %	pr. cost.	valore %
2008	12844		12844			
2009	12498	-2.7	12731	-0.9	233	1.9
2010	12467	-0.2	12671	-0.5	204	1.6
2011	12560	0.7	12756	0.7	196	1.6
2012	12740	1.4	12908	1.2	168	1.3
					801	



WHERE WE ARE?

- The state of advancement
- The present state of the Trentino economy



PUBLIC WORKS

January-August 2009

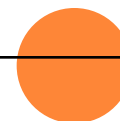
	Amount X 000 euros	Composition	Variation on the same period 2008
Public works awarded	496.841	100,0	16,4
> 150.000 euro	429.660	86,5	16,5
< 150.000 euro	67.181	13,5	15,8



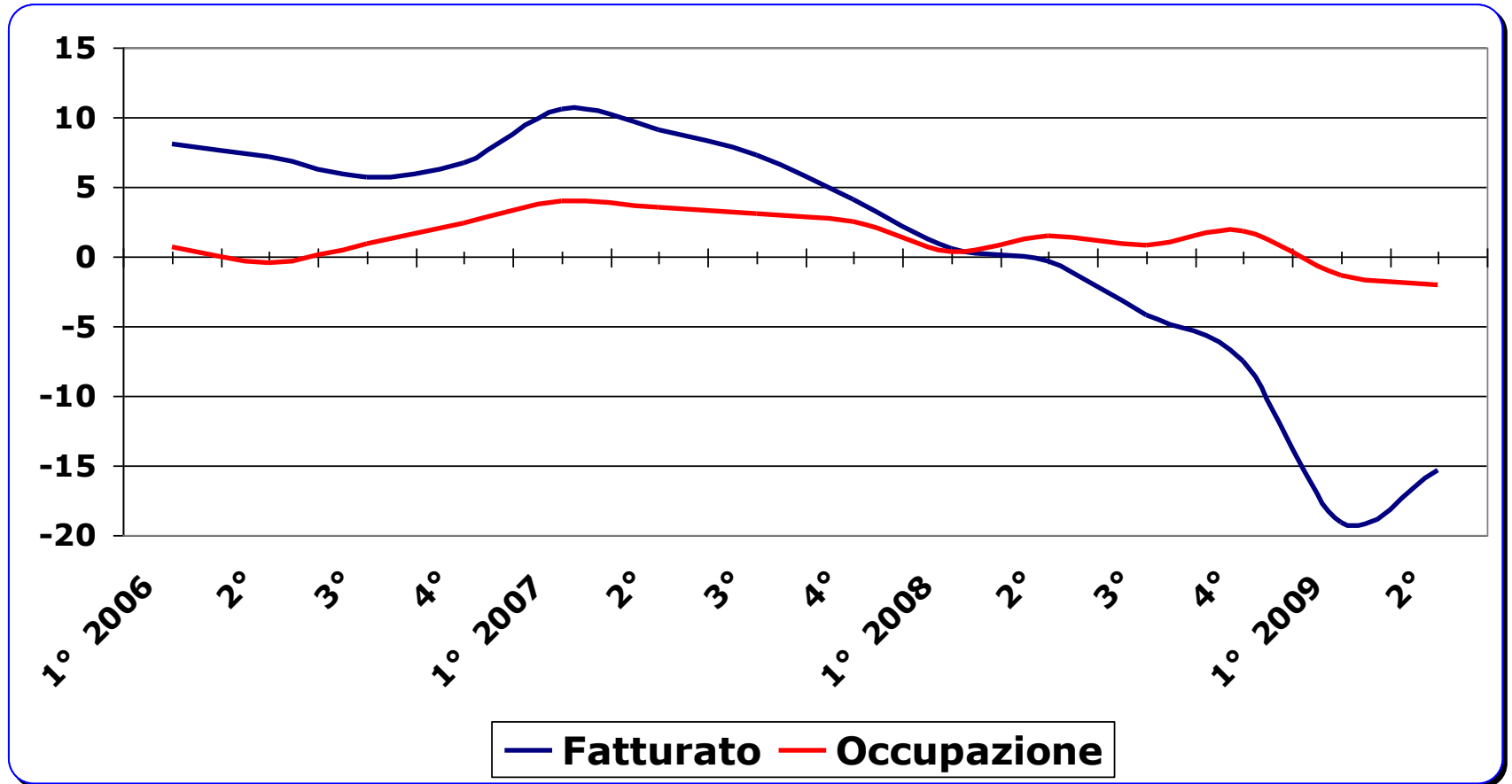
PRIVATE BUILDINGS

January-June

	2008 SQMT.	2009 SQMT.	Variation (over the same period)
New buildings	231.530	162.293	-29,9
Renovated buildings	164.560	209.775	+27,5
Share renovated	41,5	56,4	



TURNOVER AND EMPLOYMENT



Variazione percentuale rispetto allo stesso trimestre dell'anno precedente



LABOUR FORCES

April-June

	Trento		Italy	
	2° trim. 2008	2° trim. 2009	2° trim. 2008	2° trim. 2009
Activity level	69,3	69,4	63,5	62,6
Rate of employment	67,2	67,3	59,2	57,9
Rate of unemployment	3,0	2,9	6,7	7,4

Dati ISTAT e PAT - Servizio Statistica, 22 settembre 2009



INDUSTRIAL PRODUCTION: TURNOVER AND ORDERS

April - June

	Trento		Italia	
	Short term Variation	Yearly Variation	Short term Variation	Yearly Variation
Industrial product	3,4	-15,7	-3,5	-22,6
Turnover	5,3	-15,4	-2,7	-23,5
<i>export</i>	-1,4	-21,6	-3,3	-28,1
Orders	4,3	-14,0	-4,0	-6,4

Variazione congiunturale: variazione sul trimestre immediatamente precedente

Variazione tendenziale: variazione sullo stesso trimestre dell'anno precedente



EXPORT

April - June

towards:	Trento		Italia	
	Short term Variation	Yearly Variation	Short term Variation	Yearly Variation
Germany	2,1	-24,6	-5,6	-30,2
US	15,2	-0,1	15,4	-18,2
France	-7,0	-38,4	0,1	-26,8
Total	3,8	-24,1	5,4	-25,6

Variazione congiunturale: variazione sul trimestre immediatamente precedente

Variazione tendenziale: variazione sullo stesso trimestre dell'anno precedente



TOURISM AND INTERNAL CONSUMPTION

Yearly variations

	Periodo 2009	Variazione
Retail sales (*)	July	1,2
N. of tourists	August	9,9

(*) *cooperazione trentina*

Variazione tendenziale: variazione sullo stesso periodo dell'anno precedente

