

## COUNTRY PROFILE



## Italy

GLOBAL RANK: 25th of 104



Strong capital investment and high average incomes ensure that Italy is in the top 25 countries, ranking 25th overall. The country ranks slightly higher for Comparative Liveability (23rd) than for Economic Competitiveness (29th).

## BACKGROUND

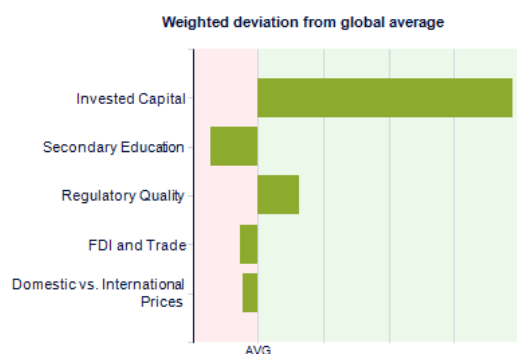
Italy is one of the four major Western European powers, and is globally renowned for its food, culture, and history. While the tourism sector continues to expand, and Italy's clothing, food, and automobiles continue to find an international market, the overall economic picture is more sobering. Consumer spending is weak, and Italy's many small family-owned firms have struggled against global competition. The divide between the prosperous north and the rural and underemployed south has widened. Public finances are weak and corruption is high by European standards. Italy's immigrant population has recently faced increasing public hostility, fuelled by anxiety about crime.

## FAST FACTS

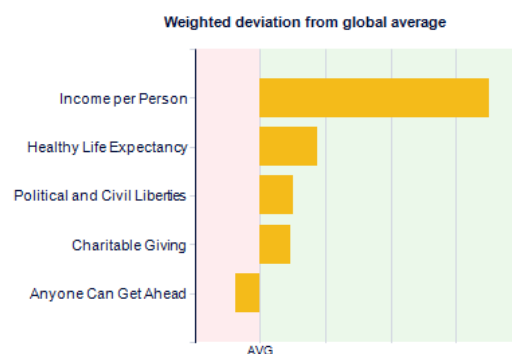
<b>Population:</b>	58.1 million (2008 est.)	<b>FDI (net inflow):</b>	1.59% (2006 est.)
<b>Life Today</b>	6.7 (2007 est.)	<b>Exports</b>	22.48% (2006 est.)
<b>GDP (PPP)</b>	\$1.8 trillion (2007 est.)	<b>Imports</b>	23.80% (2006 est.)
<b>GDP (Growth)</b>	1.5% (2007 est.)	<b>Unemployment:</b>	6% (2007 est.)
<b>GDP (per Capita)</b>	\$30,400 (2007 est.)	<b>Life Expectancy</b>	80.07 years (2008 est.)
<b>Political System:</b>	Republic		
<b>Foreign Aid:</b>	No data		

## KEY SCORE DRIVERS

## ECONOMIC COMPETITIVENESS



## COMPARATIVE LIVEABILITY



Ranked by both the World Bank and the IMF as the world's sixth-largest economy, Italy provides a good but not exceptional level of Economic Competitiveness for its citizens, when judged by the high standards of Western Europe. Average salaries are a few thousand dollars less than its northern neighbours such as Germany, Switzerland and Austria, but higher than in Spain. Levels of capital investment remain high, and Italy scores well in the World Bank's compilation of indicators on the country's regulatory quality, although government effectiveness lags well behind the best in Europe.

The Italian economy has changed dramatically in the last 50 years. Once an economy based on agriculture, Italy has developed industrial strength. Yet growth has faltered in recent years, and there

Despite high incomes, the Italians come across as pessimists in many of the subjective wellbeing indicators recorded by the World Values Survey and Gallup World Poll. This perhaps may be attributed to a combination of a relatively high unemployment rate (6.8%), scepticism towards government, and the economic divide between north and south. Whatever the cause, Italians are the least satisfied people in Europe in terms of the freedom they have to choose the course of their lives, a factor that tends to correlate strongly with life satisfaction.

Just 68%<sup>9</sup> of Italians feel they can get ahead through hard work, which is the lowest score in Europe, apart from Slovenia and the Czech Republic, according to Gallup. This could be a symptom of a

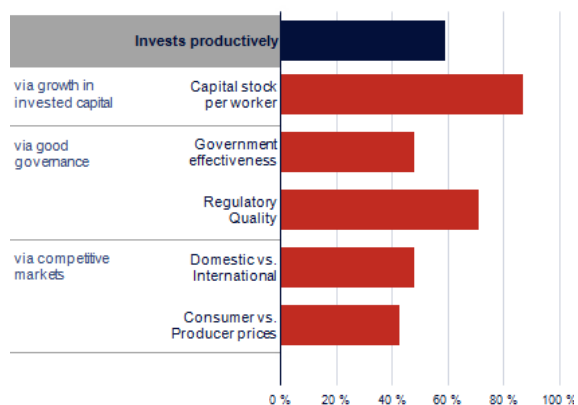
have been frequent recessions. The service sector, and tourism in particular, is vital to the country's broadly-based economic performance, providing the third largest source of foreign income after machinery, textiles and clothing. Italy's northern regions are amongst the richest in Europe, yet the agricultural south has relatively low income levels per capita. In terms of mass education and innovation indicators, Italy lags well behind most of Western Europe, ranking on a par with Spain. Overall scores for trade and investment are poor.

Despite this, Italy is noticeably entrepreneurial: business ownership is nearly double the rate of most Western European countries. The country's economy is famous for the high-skilled labour concentrated in small- and medium-sized family-owned firms.

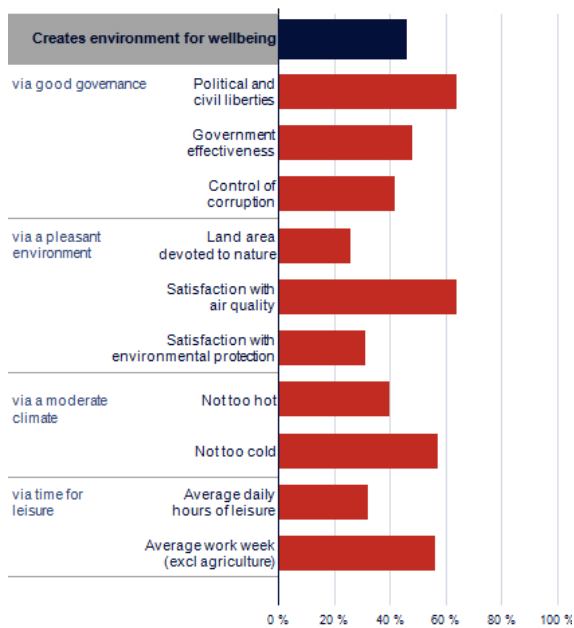
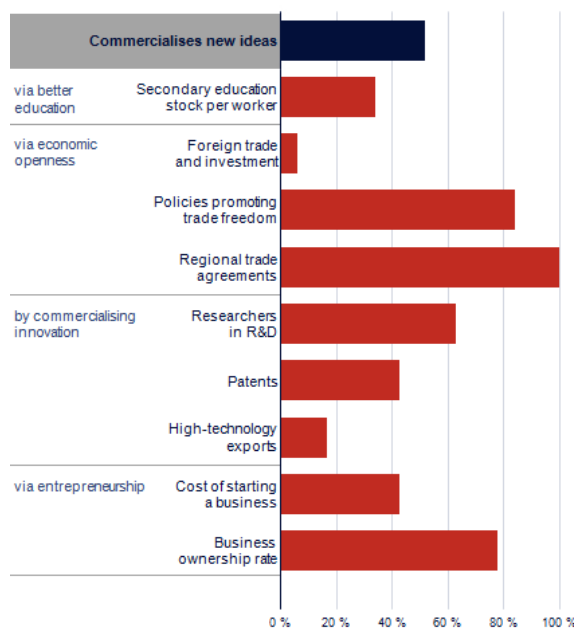
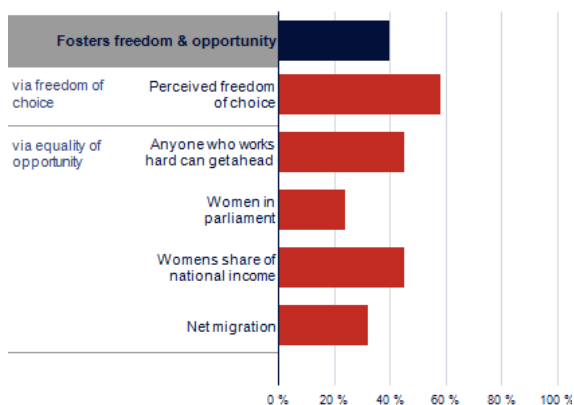
country still grappling with organised crime and a significant underground economy, especially in the south where substantial numbers of people work for low wages and without standard social benefits and protections. The influence of the Mafia may also be reflected in low scores, by European standards, for control of corruption and government effectiveness. However, the quality of political life is in general reported to be high, particularly the protection of political rights and civil liberties.

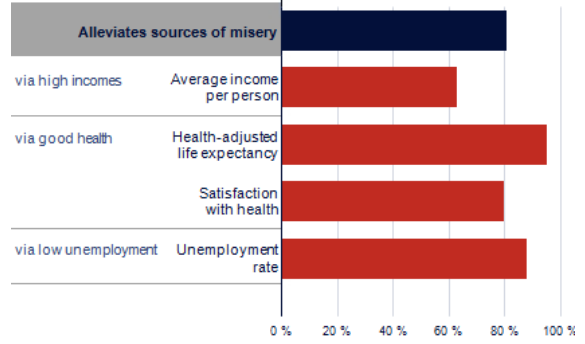
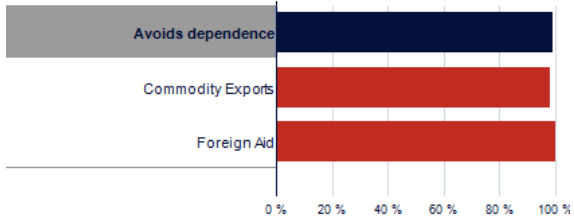
Gender inequality is relatively high for Western Europe: women are poorly represented in parliament (11%), and earn less than half of what men do, reducing Italy's score for opportunity. Health is good, both in terms of the 72.7 year life expectancy and in reported satisfaction with personal health. Charitable giving is also high, suggesting that community life is good. Italian formal-sector working hours are on a par with the rest of Europe at 40.5. However, this is not reflected in the amount of leisure time the Italians perceive they have: at just 4.62<sup>9</sup> hours per day, this is the lowest figure in Europe.

### ECONOMIC COMPETITIVENESS: SCORECARD

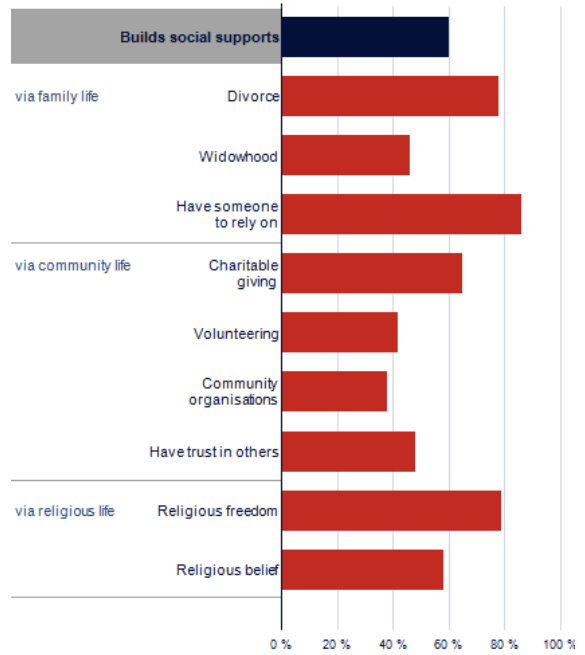


### COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.