



Bloomberg Television – Bloomberg News

Interview with the Economy and Finance Minister
Tommaso Padoa-Schioppa

Ministero dell'Economia e delle Finanze

Bruxelles, July 11 2006

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Lorenzo Totaro

European Commissioner Almunia welcomed Italy's deficit-cutting measures, stressing it would require political will to see them through. How confident are you that Italy will be able to translate its budgetary commitments into actions?

Padoa-Schioppa

I think these first two months have shown me that there is reason for confidence. When Italians are told in a simple way what is needed to adjust the public accounts they understand. Of course, that is difficult and I hope that the encouraging beginning of this work will be followed by further success.

Lorenzo Totaro

The economic plan of government, called in Italy "DPEF", is based on specific growth forecasts. Are you concerned there is a risk that outside factors such as global imbalances, oil prices could affect these targets and more broadly growth in the Euro region, putting pressure on deficits?

Padoa-Schioppa

The plan spans over 5 years and it shows that, except for the first year in which the impact on adjustment may have some marginal downward effect, growth will be higher if the adjustment of the accounts is made every year than it would otherwise be. Like all growth forecasts, it is subject to uncertainty. Things could go better, things could go less well: there can be factors such energy prices which may worsen the scenario but there are factors such confidence building and optimism due to the adjustment that may improve the scenario.

Lorenzo Totaro

The DPEF does not specifically lists the privatizations the government plans to do. However would you say that the government could use the privatization to accelerate in the path of correction of the public accounts?

Padoa-Schioppa

The document states explicitly that the policy of privatization will continue. It does not give a specific indication of what will be privatized because this is never done and because we did not inherit a precise plan. Privatization, however, are not meant to reduce the deficit: they are meant to reduce the debt. The deficit must be reduced by current measures and not by one off measures such privatizations.

Lorenzo Totaro

Would you say that in the life of this Parliament, in the next 5 years further privatizations will take place?

Padoa-Schioppa

I think there will be further privatizations. Of course, much has been done: there is much less to privatize today than in the past, but of course the concept and the commitment to this policy are still there.

Lorenzo Totaro

Is the possibility of further interest rate hikes a risk in the present scenario of the Italian economy?

Padoa-Schioppa

Yes, it is a risk and the document a knowledge this. We have to be prepared to that and that is a further reason to proceed with the adjustment.