



Camera dei Deputati

Gruppo Parlamentare

Forza Italia

Il Popolo della Libertà - Berlusconi Presidente

Il Presidente

Rome, November 14th 2014

Mr. Jean-Claude Juncker
President of the
European Commission

Mr. Jyrki Katainen
Vice-President

Bruxelles

Dear President, Dear Vice-President,

thank you for your attention to the Italian Draft Budgetary Plan (DBP) for 2015. We really appreciate it, as required by Article 7(2) of Regulation (EU) N.° 473/2013 of 21 May 2013.

As you know, Italy's DBP does not comply with budgetary policy obligations laid down in the Stability and Growth Pact (SGP).

In particular, there are 3 reasons why Italian government budgetary measures do not respect the preventive arm:

1. Even after the budget correction for 2015, provided on 27 October 2014 by Minister Pier Carlo Padoa-Schioppa, our country does not have a safety margin against breaching the 3% deficit limit.

The situation is even worse if we consider economic outlook, on the basis of the recalculation by the Commission services using the commonly agreed methodology: a Gross Domestic Product (GDP)

growth smaller than government estimates will have as a logical consequence a significant deviation even behind nominal 3%.

In addition to this, the Italian government does not even respect the Council Country-specific Recommendations of 8 July 2014 in terms of structural balance. In fact, the Council asked our country to reach the Medium Term Objective (MTO) in 2015 instead of 2016. But the response has been the opposite: in the DBP for 2015 Italy further postpones the achievement of the MTO to 2017.

2. There is significant uncertainty around the Spending review, which is expected to finance the biggest part of the government budgetary measures. If expected savings will not materialize, safeguard clauses will operate, and Italy's fiscal pressure will reach its historic maximum, even further 45% in relation with GDP.

Such a situation would not be sustainable for Italian citizens, after 6 years of economic and financial crisis; neither Italian companies will be able to tolerate such a fiscal burden. This means that unemployment will continue its rise even in 2015 and 2016.

Such a critical situation worsens if we consider that several ambitious reform packages that could represent a step-change in Italian economy still await full adoption or further implementing decrees, and outcomes thus remain uncertain.

3. Finally, with regard to the Italian debt position, it results unsustainable not only because of its high "stock" level (133.8% in relation with GDP in 2015), that is an important burden for the economy and a serious source of vulnerability, in particular in the current low growth and inflation context; but also because its reduction path is incurring deep implementation delays.

Besides the announcement of proceeds amounting to 0.7% of GDP per year over the period 2014-2017, the path did not even start, and limited concrete information is available on the government strategy.

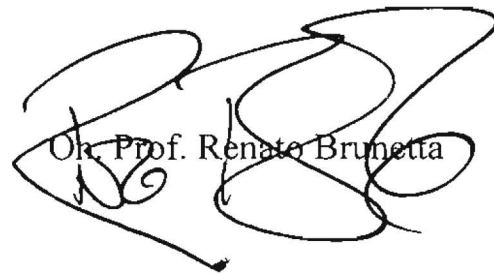
In conclusion, measures contained in the government DBP slow the Italian growth, instead of stimulating it. And it will become more and more

difficult for our country to meet SGP requirements not only in 2015, but even in the forthcoming years.

This has been clearly stated also by the most authoritative bodies – such as the Italian Fiscal Council; Banca d'Italia; Corte dei Conti; Istat – in their hearings in Parliament on 4 November 2014. And the government majority is out of breath in enacting the DBP within the end of the year.

Hope that your constructive dialogue with the Italian government can avoid further destruction of our country, our economy and our public finance.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'V. Fazio'.A handwritten signature in black ink, appearing to be 'R. Brunetta'.

On Prof. Renato Brunetta