

# LUISS



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of Economics and Finance

Chair of Principles of Civil Law

The COVID-19 pandemic: was Italy really prepared  
under a bureaucratic and economic point of view?

Professor

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## **Introduction**

The advent of the epidemic from COVID-19 has shocked the whole globe, mainly those who had to eradicate it first. Italy was the first country in Europe to adopt the Chinese model of lockdown, and to experience all its consequences.

The rest of Europe has also gradually aligned itself with the Italian situation, bringing an even greater economic shock, which had to be faced together with the other Member States.

The health emergency has caught unprepared a department with many gaps in our country, which has strengthened in some respects thanks to the various measures implemented by the State, and also a people accustomed to its freedom and a recovering economy.

The advent of COVID-19 was therefore a challenge for the Italian Government, which responded immediately, given the epidemiological situation and uncertain, sometimes intervening too severely.

The two-year period characterized by the pandemic immediately sees a collapse of every economic indicator, starting from GDP to consumption, even worldwide, a boom of recovery in both years due to the lowering of infections with the summer season, and then a gradual recovery in the two winters of 2020 and 2021/2022. The economic recovery has also been pushed with some European Plans and with the various Decrees of the Government (used given the urgency of the situation), acts above all to protect the categories more at risk and more hit by the restrictive measures. These will then be converted into law only after the Government crisis, which characterized 2021 with a new *modus operandi* and an economic recovery above estimates, thanks to the vaccination campaign and the introduction of the Green Pass.

The final estimates report an economy in slow recovery, also given the post-pandemic inflation, with a difference between countries not indifferent, and also within Italy itself, having the health emergency accentuated the disparities between North and South.

We can therefore say that the challenge posed to the Commission by the epidemic is, in fact, not only a health challenge, but also a territorial and economic one, as well as a unitary one from a European point of view as well.

In the light of scientific novelties, increased awareness and the end of the state of emergency, can we say that this challenge has been won?

# 1 First wave

## 1.1 Public Health Emergency

The 30th of January 2020, the World Health Organization (WHO), declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern<sup>1</sup> due to the enormous increase of coronavirus cases and deaths and the strict lockdown by the Chinese Government in Wuhan, where the story started. The successive day, the Italian Government, also considering the emerging disease and the pressure that it put on the already suffering Italian sanitary system, under President of the Council of Ministers Giuseppe Conte, and after some precautionary measures dropped since January 22th, declared the State of Emergency<sup>2</sup>: *“it is declared, for 6 months from the date of this provision, the status of emergency as a consequence of the related health risk the onset of pathologies deriving from transmissible viral agents”*<sup>3</sup>. This gave the *“ready, steady, go”* to a more and more increasing necessity of an easier way to maintain under control, not only medically talking but also bureaucratically, what was the initial phase of a unmanageable and dangerous pandemic.

The special regime under the new Legislative Decree 1 January 2018, which modified Law 225 February 1992, gives the power to the Council of Ministers, on a proposal from President of the Council of Ministers, also formulated at the request of the interested President of the Region or Autonomous Province, to deliberate the state of emergency<sup>4</sup> whenever the requirements are met. Those requirements are emergencies connected with *“calamitous events of natural origin or arising from human activity which can be tackled through actionable actions or which can involve the coordinated intervention of several authorities or administrations, and must be faced with extraordinary means and powers to be used during limited and predefined periods of time or emergencies of national relevance that need to, related to their intensity or extension, be faced with extraordinary means and powers to be used during limited and predefined periods of time”* in accordance with Article 24.<sup>5</sup>

The state of emergency is a judicial instrument used to "bypass" some laws and thus ensuring a quick response of the Government to protect citizens (D.P.C.M. for example). It is necessarily provisional, since it is likely to change the ordinary powers and competences, although it is always declared by the Executive<sup>6</sup>. The first ordinances were adopted by Ministry of Health

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<sup>1</sup> COVID-19 Public Health Emergency of International Concern (PHEIC) Global research and innovation forum, World Health Organization, 12/02/2020.

<sup>2</sup> <https://www.governo.it/it/coronavirus>

<sup>3</sup> Deliberation of the Council of Ministers 31 gennaio 2020

<sup>4</sup> Art. 24 comma 1 Code of the Civil Defense Law Decree n.1

<sup>5</sup> Art. 7 comma 1 Code of the Civil Defense Law Decree n. 1

<sup>6</sup> Sénat, étude de législation comparée n° 156- Janvier 2006- L'État d'urgence”.

upon art. 32 of Law 833/1978, which states that the “*Ministry of Health may issue contingible and urgent decrees regarding hygiene and public health [...] with effectiveness extended to the entire national territory*”<sup>7</sup>, relying on the powers conferred on the health authority in the field of “*health surveillance and pursuit of the aim of containing the spread of infectious diseases*”<sup>8</sup>, but the real state of emergency was declared with the Deliberation of the Council of Ministers of 31 January 2020, but it has not a real characterization of sanitary emergencies so worked upon the art. 24 and 25 of Legislative Decree 1/2018.

Also the Constitution states that there could be “*restrictions which are generally laid down by law for health or safety reasons*”.<sup>9</sup>

Since the Government relied upon the letter c, as stated before, it also had to rely upon the art. 44 of Legislative Decree 1/2018, because “*events that the Council of Ministers decided to declare as a state of emergency of national relevance, shall be provided by the use of the resources of the National Emergency Fund*”<sup>10</sup> which in this case was made of a “*limit of €5.000.000,00*”<sup>11</sup> after modified with an “*increment of €1.500 million [...] as a result of the continuing extraordinary needs related to the state of emergency resolved by the Council of Ministers on 31 January 2020*”<sup>12</sup>. With this National Emergency Fund (refinanced by the subsequent Law Decree cd. Rilancio)<sup>13</sup> the Government funded the purchase of facilities (medical and personal protective equipment, ventilation systems) and equipment specifically aimed at the care of patients COVID-19 and the resources were used by the Civil Protection Department and the Special Commissioner to acquire as necessary to counter and address the epidemiological crisis<sup>14</sup> (resources distributed through the various decrees).

In particular, speaking of the extraordinary nature of the event, not only has the Fund financed at national level, but it has also ensured that the regions could best cope with the situation through “*the strengthening and reorganization of the territorial assistance network, as well as the strengthening of the hospital network*”.<sup>15</sup> In addition, to ensure autonomous intervention and rapid “*release of appropriate insurance cover for the purchase of assets related to the management of the epidemiological crisis*”.<sup>16</sup>

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<sup>7</sup> Art. 32 Law 23 december 1978, n. 833

<sup>8</sup> Deliberation of the Minister of Health 25 january 2020.

<sup>9</sup> Art. 16 Constitution

<sup>10</sup> Art. 44 Law Decree 1/2018

<sup>11</sup> Deliberation of the Council of Ministers 31 january 2020

<sup>12</sup> Law Decree N. 34, 19 MAGGIO 2020

<sup>13</sup> THEME 15 March 2022 Studie - Social affairs - Welfare - Health measures to cope with the coronavirus emergency

<sup>14</sup> THEME 15 March 2022 Studie - Social affairs - Welfare - Health measures to cope with the coronavirus emergency

<sup>15</sup> THEME 15 March 2022 Studie - Social affairs - Welfare - Health measures to cope with the coronavirus emergency

<sup>16</sup> THEME 15 March 2022 Studie - Social affairs - Welfare - Health measures to cope with the coronavirus emergency

## 1.2 The First Law Decrees for the Containment of COVID-19: Ordinance 21 February 2020

The first ordinance containing the dissemination of COVID-19 was issued on 21 February 2020 by the Minister of Health, which was taking into account the already initiated State of Emergency, the indications of the Institute of Health and previous ordinances (including the order of 25 January 2020 where it was expected that “*all passengers disembarking in Italy [...] are subjected to health checks*”<sup>17</sup> and the order of the Head of the Civil Protection Department n. 630 of 3 February 2020 that provided for “*First interventions urgent civil protection in relation to the health risk emergency*”<sup>18</sup>). This ordinance has started what would have been a slow escalation towards the quarantine and the containment system known and still used today. The main novelty was the obligation “*to apply the measure of quarantine with surveillance active, for fourteen days, to individuals who have had close contact with confirmed cases of COVID-19*”<sup>19</sup>.

Another important ordinance is the one signed on February 21<sup>st</sup> by the Minister of Health Speranza and the President of the Lombardy Region (which was, as we can see in figure 1, the most affected by the virus) Fontana stating "very precise measures that concern the area in which they live and move people who have been identified as positive" following the detection of an increase in cases in the Lombardy Region. This ordinance has ordered the suspension of all public demonstrations (including religious ones), of work activities (except essential services), the suspension of school attendance and participation in any activity within and outside the following municipalities: Codogno, Castiglione d'Adda, Casalpusterlengo, Fombio, Maleo, Somaglia, Bertonico, Terranova dei Passerini, Castelgerundo and San Fiorano, as a result of the spreading cases all over those areas.

The day after "isolating" what were the outbreaks of the pandemic, the Council of Ministers made a new Law Decree that provided "*in municipalities or areas where at least one person is positive [...] the competent authorities' are required to take any measure of adequate containment and management*"<sup>20</sup>.

Between these measures was provided not only the prohibition of removal from the municipalities in which a person physically was and the prohibition of entry to those who had remained outside, but also, to name a few: "*closure of all commercial activities, excluding commercial establishments for the purchase of essential goods*", "*access to essential public services and to shops for the purchase of essential goods is conditional on the use of personal*

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<sup>17</sup> Ordinance 25 January 2020

<sup>18</sup> Ordinance of Head of Civil Defense Department 3 February 2020 n. 630

<sup>19</sup> Ordinance 21 febbraio 2020

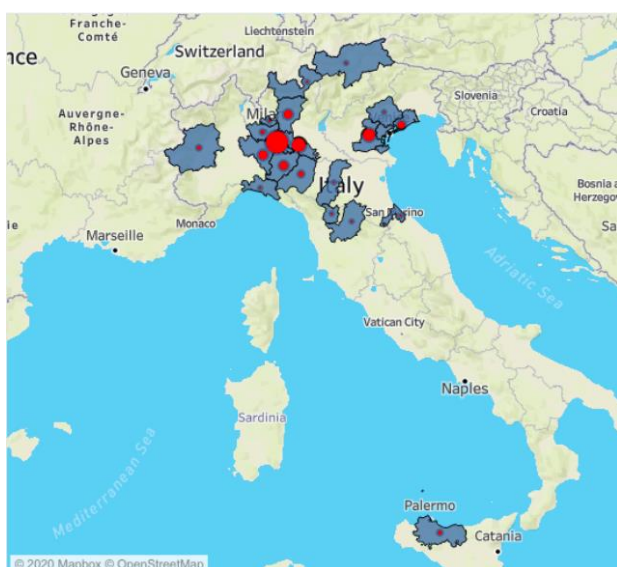
<sup>20</sup> Law Decree 23 February 2020, n. 6

*protective equipment*", "suspension of working activities for businesses, to exclusion of those who provide essential services and public utilities and those that can be carried out at home" and especially "suspension of educational services of children and schools of all kinds and grades"<sup>21</sup>.

This progressive shutdown and the increase in virus containment systems have meant that anyone who was in the most affected territory, namely the Lombardy, escaped as soon as possible. It is with the decree of 23 February (converted into law the 5<sup>th</sup> of March) that begins a real exodus to the south, even if the railway services for the most affected places had been suspended (Codogno for example), where "from Milan went away in 9149, four thousand more than the average".

The decree provided an extension of the measures, previously only indicated to certain municipalities in Lombardy, to the entire regional territory, explaining the exodus.

This contributed to the spread of the virus, in fact two days later, with a decree of the President of the Council of Ministers, the neighbouring regions were also subjected to the same measures, more precisely "all the municipalities of the regions of Emilia Romagna, Friuli Venezia Giulia, Veneto, Liguria and Piemonte"<sup>22</sup> (which, as we can see in Figure 1, were the second ones to be hit by the virus).



(Figure 1)  
The spread of COVID-19 in Italy  
Source: Gimbe - data of 25 February 2020  
In blue the territories concerned, in red the numbers of the contagion

More vague measures were then adopted for all other regions of Italy until March 8, where a decree of the President of the Council provided, for the first time, the ban on moving "*within the same territories, except for movements motivated by proven work needs or situations of need or travel for health reasons*" restricted to some territories (Lombardy and the provinces of Modena, Parma, Piacenza, Reggio Emilia, Rimini, Pesaro and Urbino, Alessandria, Asti,

<sup>21</sup> Law Decree 23 February 2020, n. 6

<sup>22</sup> Decree of the President of the Council of Ministers 25 February 2020

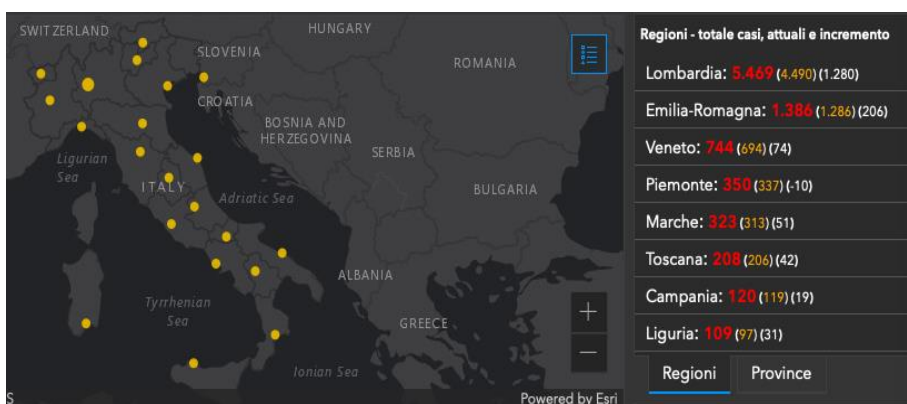


Novara, Verbanò-Cusio-Ossola, Vercelli, Padua, Treviso and Venice), which would have been the prelude to the upcoming national lockdown.

### 1.3 Lockdown: Decree of the President of the Council of Ministers 9 March 2020

In fact, the day after, due to an excessive increase in COVID-19 cases (as we can see in Figure 2) and so to a dangerous pressure on health system (actually, was prepared by the Head of Civil Protection and Commissioner for emergency, Borrelli, “*the delivery of 325 fans for intensive and sub-intensive therapies*”<sup>23</sup> the same evening and starting from the most affected region, Lombardy), it was “*considered necessary to extend to the entire national territory the measures already provided for by art. 1 of the decree of the President of the Council of Ministers 9 March 2020*”<sup>24</sup> with a new decree, presented by the then President of the Council of Ministers in a press conference on live national television. This decree had been called “*I stay at home*” which no longer divided “*zone 1 and zone 2 of the peninsula; there will be an Italy protected zone*”<sup>25</sup>, citing the speech. In this conference, the president Giuseppe Conte announced in prime time and live on all the main national television channels what would later be called lockdown. This meant the closure of all non-essential activities, namely the majority of small and medium-sized enterprises (those most economically affected by the pandemic, for example the bars that, as extrapolated from the Business Register by Unioncamere, of 169,839 at the end of 2019, remained 162,964 at the end of 2021, that is to say 6,875 less<sup>26</sup>), but also the saving of many lives and the health system almost to collapse.

With the decree of the President of the Council of Ministers of the day 11 March were also closed retail stores, bars and restaurants (until then only open from 6 in the morning to 6 in the



evening) and also shops for services to the person.

Figure 2  
COVID-19 Civil Protection Bulletin  
09/03/2020 18:00

<sup>23</sup> COVID-19 Civil Protection Bulletin 09/03/2020 18:00

<sup>24</sup> Decree of the President of the Council of Ministers 9 March 2020 - Further implementing provisions of Law Decree 23 February 2020, n. 6, on urgent measures regarding containment and management of the epidemiological emergency by COVID-19, applicable throughout the national territory.

<sup>25</sup> Palazzo Chigi, 09/03/2020 - Statements to the press by the Prime Minister, Giuseppe Conte.

<sup>26</sup> Unioncamere-Infocamere

As a result of this decision, 45.0% of companies with 3 or more employees have ceased operations. For the 38.3% (390 thousand enterprises) the decision has been taken as a result of the decree of the Government while 6.7% (68 thousand) has made it of own initiative. We will see only at the end of the year the real economic consequences of the choices of Government.

There was also a clear reduction in turnover of at least 70% of companies in the two-month period March-April 2020 compared to the year before (in almost half of cases it has even halved). We can even speak of a “heavy impact on the economic fabric that has experienced, in a few months, the worst fall in the gross domestic product of republican history”<sup>27</sup>, and this fall in economic activity due to the new measures of distancing and the closures of the productive sectors from mid-March to May, adding also that the expansion of the virus has affected the entire globe equally, scarring international trade, has caused “GDP to fall by 5.5% in the first quarter”<sup>28</sup> (as we can see in Figure 3).

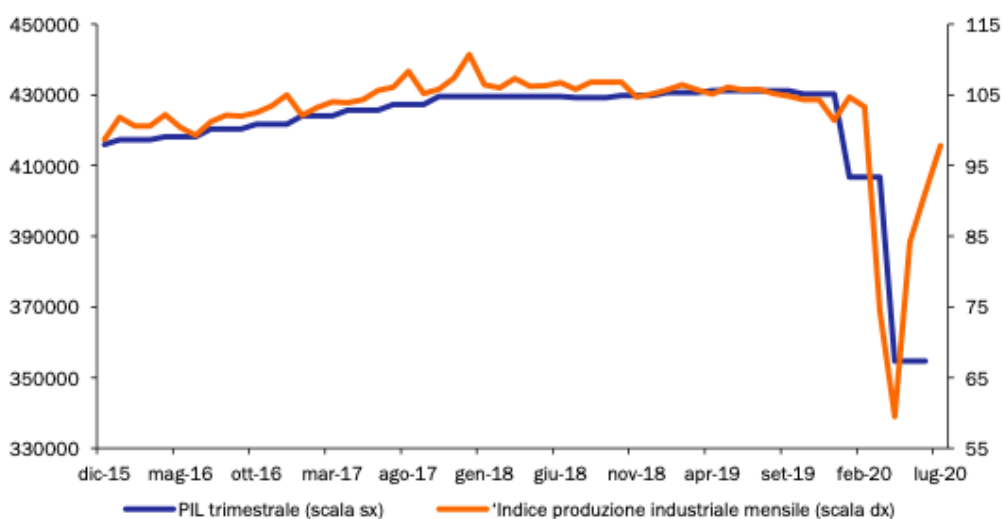


Figure 3 PIL and industrial production

Fonte: Istat.

However, in the immediate, given the real "operational and sustainability risks of its business, 42.8% businesses required support for liquidity and credit"<sup>29</sup> (which began with the Italy Cure Decree of 17 March).

The so-called decree "Cura Italia" (Law Decree 17 March 2020, n. 18 containing measures to strengthen the National Health Service and economic support for families, workers and businesses related to the epidemiological emergency by COVID-19) has implemented measures aimed at addressing the effects of the health emergency, with particular emphasis on work, support for businesses (Title II) and their funding to strengthen the health system (Title I).

<sup>27</sup> Update note of DEF 2020

<sup>28</sup> Update note of DEF 2020

<sup>29</sup> Situation and prospects of enterprises in the COVID-19-19 health emergency - ISTAT

Among the measures that most affect this thesis we find the suspension of payments of withholding taxes, contributions and premiums (initially only for the tourism-hotel sector, then extended to all other sectors) and the payment of VAT (extended until 16 April without penalty or interest) as well as payments for small VAT holders. A bonus of 100 euros was also provided for employees, public and private with an income of no more than 40,000 euros.

Other important facilities have been provided to address the health emergency (incentives for intervention).

Those who were already in Cassa Integrazione Straordinaria or any other special situation since February 23 (therefore, especially the northern regions) had access to various facilities.

Another worthy measure is the payment of 600 euros, on a monthly basis and not taxable, to freelancers, craftsmen, traders, agricultural and entertainment work and other small categories of entrepreneurs. This also included support measures such as leave, permits and vouchers to families and workers for the inconvenience of the suppression of educational activities (babysitter bonus for example).

Most of the contributions, withholding taxes, insurance and other bureaucratic procedures that were due were postponed.

In favour of companies we find the guarantee fund for SMEs first only for the territories initially affected by the COVID, then extended and refinanced. Those territories are well defined also thanks to a survey made by Confindustria on 11<sup>th</sup> March 2020, which reports more than 4,000 answers from some industries (however not sufficiently well distributed or different to provide a real picture of the situation). This survey shows if, according directly to the firms, COVID-19 impacted on their businesses: we can see how in some regions (Lombardy especially) the restrictive measures were perceived more (Figure 4).

Tabella 5 - percezione d'impatto del Covid-19 a livello regionale				
Regione	Hanno percepito un impatto	Non hanno percepito un impatto	Totale	Hanno percepito un impatto, %
Abruzzo	39	17	56	69,64%
Basilicata	8	5	13	61,54%
Calabria	36	12	48	75,00%
Campania	72	46	118	61,02%
Emilia Romagna	158	64	222	71,17%
Friuli Venezia Giulia	169	133	302	55,96%
Lazio	44	16	60	73,33%
Liguria	68	38	106	64,15%
Lombardia	1058	419	1477	71,63%
Marche	95	40	135	70,37%
Molise	1	2	3	33,33%
Piemonte	415	276	691	60,06%
Puglia	61	45	106	57,55%
Sardegna	16	9	25	64,00%
Sicilia	40	25	65	61,54%
Toscana	175	75	250	70,00%
Trentino Alto Adige	19	8	27	70,37%
Umbria	43	24	67	64,18%
Val D'Aosta	4	8	12	33,33%
Veneto	418	170	588	71,09%
<b>Totale</b>	<b>2939</b>	<b>1432</b>	<b>4371</b>	<b>67,24%</b>

Domanda: Ritieni che la diffusione in Italia del Covid-19 abbia già avuto un impatto sulla tua azienda?

Figure 4  
 “Table 5 - Perception of the impact of COVID-19 at regional level”  
 Results of the covid effects survey for italian companies  
 Source: Confindustria Study Centre and Confindustria International Business Area

Not only the Cura Italia Decree, but in support of the serious economic situation, the zero demand and the stop to the Italian economic system (and soon, not only) the PEPP (Pandemic emergency purchase programme) intervened. A purchase program for the pandemic emergency *"to counter the impact of the pandemic on the euro area economies"*.

This, in addition to other monetary policies, ensures that the crisis is managed and that the direct victims (such as businesses and families) have the necessary funds at an appropriate cost.

the key features of the PEPP are its flexibility on purchases according to need, regulability and temporary (it serves only to counteract the impact of the crisis of COVID-19).

*"With the PEPP, the ECB can purchase various types of assets on the financial markets. The prices of those assets rise and, as a result, market interest rates fall. All this supports the economy because it reduces the cost of debt for people, businesses and Governments"*<sup>30</sup>.

A few days later, on 21 March, the President of the Council of Ministers Conte closed all the activities not necessary for the Italian production chain and drew up a list of those that were necessary (first until 23 March, then until 3 April and finally 3 May). Some of these businesses included, beyond those strictly fundamental to daily life, wholesale and distribution of books and newspapers, hotels and the like, repair of landlines and mobile phones<sup>31</sup>.

The consequences of the decisions taken by Parliament to protect public health have therefore had repercussions on every aspect of our lives, and of course on the economy. With the drafting of the DEF (Documento di Economia e Finanza - Economic and Financial Document) on 24<sup>th</sup> of April, a contraction of 8.0 percentage points of GDP is expected, and the measures adopted represent 4.5% of GDP (considering the Cura Italia Decree), and *"net balance to be financed from the State budget, in terms of competence and cash, the effects of the Decree amount to 155 billion euros in 2020 [...] to which are added the 25 billion of the Cura Italia Decree"*<sup>32</sup>, defining the initial economic situation of Italy before the so-called "phase 2".

In fact, from an ISTAT report we derive that between March and April we have 50% less turnover for 4 out of 10 companies (which among other things provides for liquidity and operational risks and sustainability). 45% of Italian companies were suspended until May 4, and only 22% reopened earlier. Micro-enterprises are the most affected by the operating block (among other things those with higher shares in employment and economic performance) with

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<sup>30</sup> European central bank "What is the Pandemic Emergency Purchase Program (PEPP)?" 07/28/2021

<sup>31</sup> Decree of the President of the Council of Ministers 22 March 2020 Further implementing provisions of Law Decree 23 February 2020, n. 6, on urgent measures regarding containment and management of the epidemiological emergency by COVID-19-19, applicable throughout national territory

<sup>32</sup> Document of Economy and Finance 2020 - Ministry of Economy and Finance

48.7% compared to a decreasing percentage in proportion to increasing the size of the company (as we can see in Figure 5).

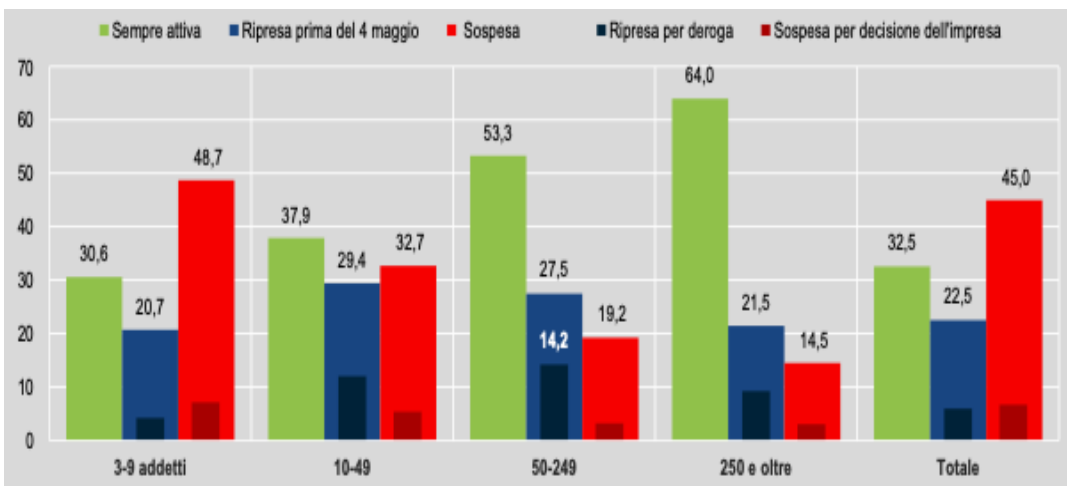


Figure 5

Companies on the basis of the impact of the covid-19 emergency on the activity of the company during lockdown (until 4 may), by employee class

Obviously another distinction must be made for macro-sector of economic activity, not being the most necessary and fundamental ones suspended (Figure 6). Despite this, more than 70% of companies (73.7% of employment) "declares a reduction in turnover in the two months of March-April 2020 compared to the same period of 2019: in 41.4% of cases the turnover has more than halved, in 27.1% it has decreased between 10% and 50% and in 3% of cases less than 10%"<sup>33</sup>.

This results in a significant loss of turnover for at least one in two companies, which must be reintegrated with various Government measures, which we will see in Phase 2.

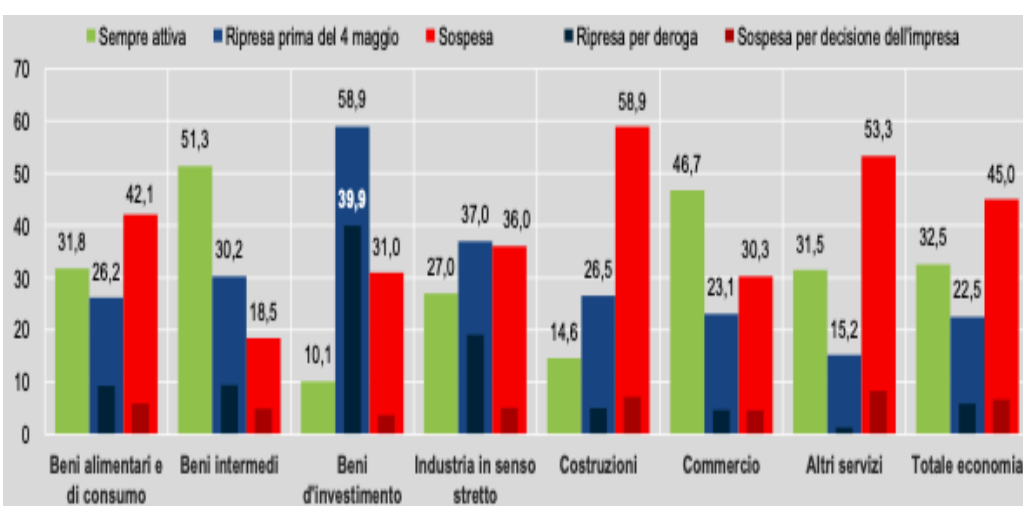


Figure 6

Consequences of the emergency from covid-19 on the activity of the enterprise until 4 may, for the macro-sector of economic activity

Source: "situation and prospects of enterprises in the covid-19 health emergency" ISTAT

<sup>33</sup> "Situation and prospects of enterprises in the COVID-19 health emergency" ISTAT 15 June 2020

## 1.4 Phase 2: reopenings 4 May 2020

With the continuous decline of cases “*where extraordinary control and mitigation measures have been maintained, the integrated surveillance system COVID-19 coordinated by the ISS started to stabilize and then decrease new cases of COVID-19 diagnosed*”<sup>34</sup>, the President of the Council of Ministers Conte has issued a new , in force since May 4, from which began the so-called "phase 2" (gradual relaxation of preventive measures previously imposed). From this stage, in the third quarter, economic growth and revival is expected (even higher than expected in the DEF), with an increase in demand in the first months (then May and June) and a slow stabilization to follow.

This gradual reopening first provided for the possibility of visiting the spouses, the reopening of certain activities (bookshops, takeaway in catering) then resumed examinations in the presence and reopening of exhibitions, museums and gyms (with a particular regard for the Lombardy region). Now that life was gradually returning to normal, there was a need to ensure that the national economic fabric was restored, resuming consumption interrupted by lockdown through bonuses, incentives and facilities. Hence the necessity (and the name) of the so-called Decree Relaunch, Law Decree No. 34 19 May 2020.

The decree provided for EUR 155 billion in support of urgent measures to support businesses and the economy, workers and the family (allowances of EUR 600 per month for April and May for employed and self-employed persons who have ceased, reduced or exhausted their activity or increased their parental leave to 30 days in private employment), as well as tax measures (for example, eco-bonuses, investment incentives, suspension of investigations and foreclosures, extensions of time limits) but also for agriculture, the environment, publishing, education and research. Among the measures of the Raise Decree we also find much discussed and criticized Bonus Caregivers of 500 euros and the doubling of the Babysitter Bonus, or the Holiday Bonus. All these Bonuses have been introduced to increase demand and thus support the national economy, as well as extending tax deadlines and reducing bills.

But another fundamental introduction (among those that will be extended even in the years before) is the Emergency Income, also as a measure of economic support for families in difficulty. In the period between May and August 2020 alone, applications were almost 600,000. This income, granted only to those who meet certain requirements (for example, an

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<sup>34</sup> Prevention and response to COVID-19: evolution of strategy and planning in the transition phase for the autumn-winter period

ISEE of less than 1,500 euros) provides for a minimum of 400 to a maximum of 800 euros as a subsidy for the economic difficulty caused by the pandemic.

In this second phase we see the actual results of the measures taken to reduce the contagion: decrease in cases, strengthening of the health system, but also the economic effects on businesses, which almost half complained of a lack of liquidity (more marked in central and southern Italy, where there were, inter alia, more requests for access "*to at least one of the liquidity and credit support measures contained in DL 18/2020 and DL 23/2020*"<sup>35</sup>) stressing the need for support to meet expenses also as a result of "*a decrease in turnover due to the reduction in local and national demand (respectively 32.1% and 30.3%)*".<sup>36</sup>

A solution to corporate illiquidity, and that mainly used (from survey ISTAT 4 enterprises out of 10) is an external financing, in this case, a bank financing. The national situation obviously did not allow other usually effective moves (such as the settlement of claims or assets), and with the decline in demand it was not even questionable a differentiation of payment strategies. Small companies have therefore decided to expand their sales channels, making a digital conversion for example, in addition to various state subsidies and bonuses, to adapt to the situation (see for example the growing reliance of restaurateurs on delivery apps during phase 2).

Certainly this could have been avoidable, but the uncertainty of the new disease, the condition of health systems and the news from China did not immediately make it possible to know precisely how to proceed, and public health has placed first place in the economy of the country. What would surely have made the difference would have been to apply immediately the provisions of the of 21 March (that is, the reopening of necessary and strategic activities for the national productive fabric). However, it remains at the discretion of the individual company to adapt to what has been a real national and soon international health emergency (despite, as we will then see, with the experience of the first wave, the following could have been managed better).

### 1.5 Phase 3: cohabitation with COVID-19 11 June

On 11 June a new Decree of the President of the Council is made that provides for a further relaxation of measures: reopen cinemas, cultural centers and bathing establishments. The

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<sup>35</sup> "Situation and prospects of enterprises in the COVID-19-19 health emergency" ISTAT 15 June 2020

<sup>36</sup> "Situation and prospects of enterprises in the COVID-19-19 health emergency" ISTAT 15 June 2020

regions are given the opportunity to narrow them further, and these have gradually reopened dance halls and nightclubs (one of the sectors mainly affected by the pandemic, have closed 1/5 since the beginning of 2020).

This third quarter sees a growing rise in GDP (even beyond estimates), with strong demand in May and June and a brief halt in July. Business confidence is increasing and "*the synthetic index of business confidence in August reached a level of 81.4, still well below 98.2 in January, but well above the May low, 53.8*"<sup>37</sup> (Figure 7). Also from the update note of the DEF and the ISTAT surveys we note that in August have risen "production and consumption of electricity, road traffic and car registrations"<sup>38</sup>.

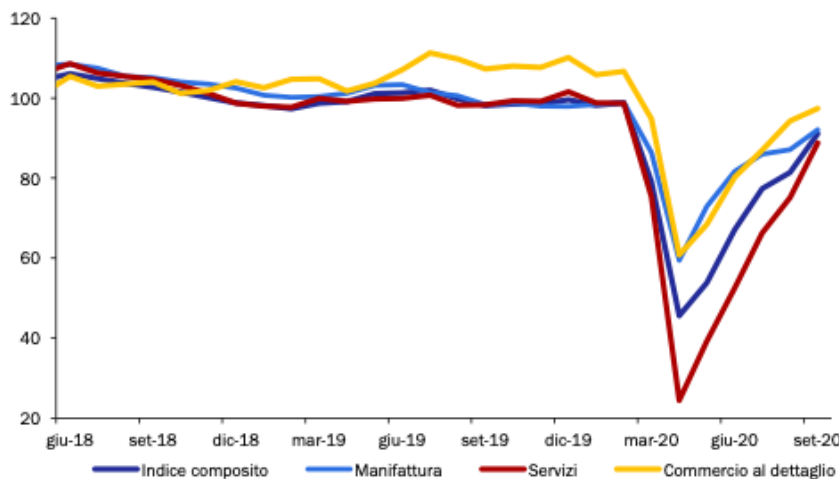


Figure 7  
Climate of confidence of Italian companies -  
Source: ISTAT and MEF estimates

There is a relaxed atmosphere as if the worst had passed, but the more freedom is granted, the more infections increased with a "*a slight but constant increase of Rt that exceeded the threshold of 1 in its average value around 16 August 2020*"<sup>39</sup>.

After being stormed the discos and not having complied with the rules imposed by the Government, are closed again on August 16 given also a dangerous increase in infections. The Government also introduces other measures to prevent a second wave, but much less drastic ("*it is mandatory from 18.00 to 06.00 hours on the entire national territory to use respiratory protection even outdoors*"<sup>40</sup>) so as not to hit the national economy again, which had finally started to breathe again. In any case, as evidenced in the update note of the DEF 2020, "*after the rebound of the summer period, GDP would suffer a new fall in the fourth quarter*" (Figure 7). However, as a second wave is already forecast in the fourth quarter, GDP continued to fall.

<sup>37</sup> Note Updating The 2020 Economic And Financial Document

<sup>38</sup> Note Updating The 2020 Economic And Financial Document

<sup>39</sup> Prevention and response to COVID-19-19: evolution of strategy and planning in the transition phase for the autumn-winter period - ISS

<sup>40</sup> Ordinance of 16 August 2020



Being still in anticipation of a second wave, the same month came into force the so-called August Decree, or Law Decree No. 104/2020. This has allocated 25 billion euros for the relaunch of the economy and the support of families, businesses and workers. About half are allocated for work (bonuses for seasonal workers, extension to Emergency Income).

Another important introduction is the contribution calculated on the basis of the turnover of the applicant company for the first half of 2020 compared to 2019 with direct access to the COVID-19 cash depending on the losses.

Among the other important measures of the decree we find also the stop to the lay-offs (and exclusion for cessation of activity, bankruptcies) and the bonus of thousand euros for seasonal, home sales, entertainment or sports workers.

In the last month of the first wave, we face an increasing number of COVID-19 cases, and people start to be scared with potential implications for consumption. In any case, the confidence, always from ISTAT report and as reported in the DEF update note, indicates a continuous growth in the confidence of the production and tourism sectors.

Meanwhile, between 17 and 21 July, the Extraordinary European Council determined a recovery package on the Next Generation EU (Figure 8) programme of 2,018 billion, so that the Commission could borrow up to 806 billion on the markets. In Italy will be implemented only with the Law Decree of 31 December n. 183.

In conclusion, in this third quarter, with the hoped-for return to normality and after an entire stopped and closed country, the first consequences of both the restrictive measures (also global, which have led to lower prices) and Government interventions (increase in employment as we can see in ISTAT survey in Figure 8) and the European Union ones (appreciation of the euro exchange rate).

QUARTERLY TIME SERIES							
Table 1. Main labour market indicators by sex - not seasonally adjusted (percentage values)		Activity rate		Employment rate		Unemployment rate	
Period		15-64 y.o.	15-24 y.o.	15-64 y.o.	15-24 y.o.	Total	15-24 y.o.
		Men and women					
2017	III Quarter	65,4	26,8	58,4	18,1	10,6	32,3
	IV Quarter	65,7	26,5	58,2	17,2	11,2	35,2
2018	I Quarter	65,4	26,1	57,6	17,3	11,6	33,8
	II Quarter	66,3	25,9	59,1	17,7	10,7	31,6
	III Quarter	65,1	25,7	58,9	18,2	9,3	29,2
	IV Quarter	65,8	26,6	58,5	17,5	10,8	34,1
2019	I Quarter	65,6	26,2	58,2	17,5	11,1	33,2
	II Quarter	66,0	26,0	59,4	18,6	9,8	28,4
	III Quarter	65,4	26,1	59,4	19,4	9,1	25,7
	IV Quarter	65,8	26,0	59,2	18,4	9,9	29,4
2020	I Quarter	64,7	25,1	58,4	17,5	9,4	30,2
	II Quarter	62,4	21,3	57,5	16,1	7,7	24,7
	III Quarter	64,6	25,3	58,0	17,5	10,0	30,9

Figure 8  
Press release  
“The labour market  
reference  
period: third  
quarter 2020”  
Source:  
ISTAT

In any case, as noted also in the "Prevention and response to COVID-19: evolution of strategy and planning in the transition phase for the autumn-winter period" at this stage the progression of the virus is still uncertain, and the Government on September 7 adopts another Decree of the President of the Council of Ministers that "*in order to combat and contain the spread of the virus COVID-19 throughout the national territory, the measures referred to the decree of the President of the Council of Ministers 7 August 2020 are extended until 7 October 2020*"<sup>41</sup> and extending to the same date the provisions contained in the Ordinance of 16 August.

This Decree also provided for a maximum capacity in public transports of 80%, given the start of schools and normal life.

<sup>41</sup> Decree of the President of the Council of Ministers 7 September 2020

## 2 Second wave

### 2.1 The re-ascent of infections

Despite various forecasts regarding the second wave of infections in the autumn-winter period (to quote Walter Ricciardi, consultant to the Minister of Health Roberto Speranza, who on 17 April 2020 said "*a second wave of epidemic in autumn more than a hypothesis is a certainty*") the relaxed climate and mentality that the worst had passed, have made us unprepared (although certainly stronger) to an event already certain.

The 7 October 2020 in Italy there were recorded 3.700 cases, that is the presage of an imminent increase. The Government responds, even if it is late, with a Law Decree the same day. This decree provided, in addition to the confirmation of the measures previously adopted, also the extension of the state of emergency until 31 January 2021.

On 12 October 2020 the plan of "Prevention and response to COVID-19: evolution of the strategy and planning in the transition phase for the autumn-winter period" is published in collaboration with the Ministry of Health, the Higher Institute of Health, the Department of Civil Protection and other relevant entities in the national pandemic. This is presented as the "*document, based on the 8 WHO Strategic Pillars of COVID- 19 response, as a "tool box" for Public Health Authorities Responding to the SARS-cov-2 outbreak in Italy*"<sup>42</sup>. This should provide an approach to the escalation of the autumn-winter season new wave.

This tool box is represented by 8 pillars, and the most important were (national coordination, planning, monitoring, surveillance, Rapid Response Team, Case Investigation, Infection prevention and control (IPC).

The document also provided 4 (of which the first two almost idyllic) possible scenarios for the fourth quarter of the year: one that confirmed the summer trend (and that aimed at the 8 pillars), a second that provided a "*sustained and widespread transmissibility but manageable by the health system in the short to medium term*"<sup>43</sup> with an RT index below 1.25, an intermediate scenario (according to estimates, if the use of the pillars had been continuous and assiduous) with a maximum Rt of 1,5 but still with difficulty for the health system. And then the last, what would have been impossible to achieve, but that eventually occurred: a "*situation of uncontrolled transmissibility with criticality in the tightness of the health system in the short term, with regional Rt values systematically and significantly higher than 1.5*"<sup>44</sup>. The slow and

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<sup>42</sup> Prevention and response to COVID-19-19: evolution of the strategy and planning in the transition phase for the autumn-winter period

<sup>43</sup> Prevention and response to COVID-19-19: evolution of the strategy and planning in the transition phase for the autumn-winter period

<sup>44</sup> Prevention and response to COVID-19-19: evolution of the strategy and planning in the transition phase for the autumn-winter period

"sudden" escalation of the virus has practically reversed the entire nation, with consequences also and obviously on the economy.

On 14 October 2020, however, the DEF update note was approved, textually reporting "*the recovery of infections observed from August would worsen slightly in the final months of 2020, also leading to a sensitive increase in hospital admissions. This would lead the Government to reintroduce precautionary measures, which were less drastic than last spring. After the rebound in the summer, GDP would fall again in the fourth quarter. Assuming the continuation of some restrictive measures in the first months of next year, GDP would continue to fall, albeit to a much lesser extent than in the first half of 2020*".<sup>45</sup>

I would like to underline the words used to describe the situation: "infections would worsen *slightly*" and a "*sensitive increase*": this refers to a relaxed approach to what was soon a catastrophe and slow escalation to least expected scenario 4 within a month.

A few days later, on October 13, there was another serious increase in infections: almost 6000. Against this, the fact that "*the virus circulates throughout the country*"<sup>46</sup> and that "*there is an acceleration of the progressive worsening of the epidemic of SARS-cov-2 reported for eleven weeks that is reflected in a workload no longer sustainable on territorial health services*"<sup>47</sup> (as shown in Figure 9), it is evident that the prevention plan of the Higher Institute of Health and the efforts made during the second quarter of 2020 have been useless.

The same October 13 enters into force a new Decree of the President of the Council of Ministers, which in addition to confirming the measures already in force, adopts new, more restrictive (restaurants only until 21 and no consumption at the table and until 24 with, limits the number of participants in shows, concerts and prohibits amateur contact sports, just to name a few). This new decree marks the beginning of a new hard period for one of the sectors most affected by the pandemic: tourism and catering. In fact, as per studies of Confcommercio Milano, bars, pubs and restaurants in Milan will lose about 150 million euros in a month.

But this will only be the prelude to a catastrophe.

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<sup>45</sup> Document of Economy and Finance 2020 Note of Update

<sup>46</sup> COVID-19 EPIDEMIC - National update -13 October 2020 - 11:00 - ISS

<sup>47</sup> COVID-19 EPIDEMIC - National update -13 October 2020 - 11:00 - ISS

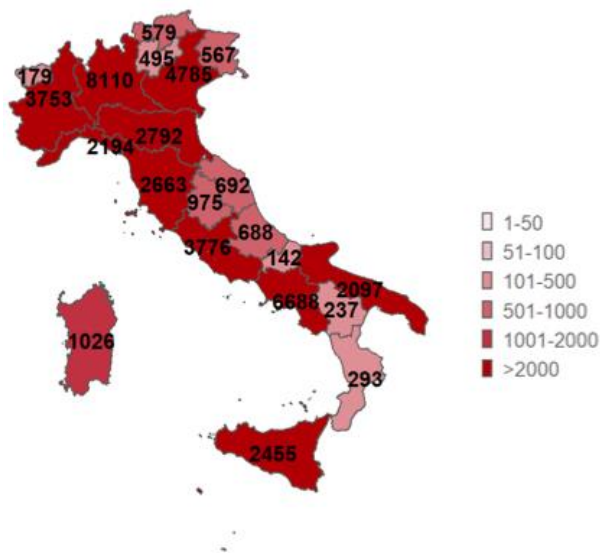


Figure 9  
 Covid-19 cases diagnosed in Italy by region/pa of notification. Period: 28 september - 11 October 2020 - covid-19 epidemic - ISS national update

The situation worsens continuously, and referring to the period between 12 and 18 October the Ministry of Health declares a “*worsening framework, compatible with a scenario of type 3*”. It’s a signal that the tracking system is down and the outbreak is out of control.

On 18 October there were twice as many cases as the previous week: almost 12,000. With this continuous and rapid increase in infections and the consequent inability of our health system to support what is now the second wave, Premier Giuseppe Conte makes another where it allows the closure of streets and squares subject to gathering from 21, prohibiting also all the occasions that increase the probability of it (congresses, fairs).

Despite the new measures, the race is now unstoppable. The cases are increasing dramatically and no means are able to stop them except politics. On October 22 begins what would have been a long chapter of the war at COVID-19: the Lombardy Region (one of those with multiple cases) imposes a curfew from 11 pm to 5 am, set as a real curfew, and from there also other regions followed the trail (the day after Lazio and Campania, Sicily on 25 October and immediately after Piedmont).

This decision, as reported by the Studies Office of Confcommercio Milano, will have economic consequences for 9 thousand companies in the Lombard capital alone for a figure of 41 million. The growing and increasingly stringent measures are not enough: on 24 October the President of the Conte Council signs another that provides for the closure “*gyms, pools, centers swimmers, spas [...] cultural centers, social centers and recreation centers*” and still “*suspended the activities' of playrooms, betting rooms, rooms bingo and casino*” and still “*suspended shows open to the public in halls theatrical, concert halls, cinemas and other spaces*”

*also outdoors*"<sup>48</sup>. But one of the most relevant measures (especially for the economy already hard to test) is the suspension of catering services from 6 pm to 5 am and the maximum capacity of 4 people at the table.

But it's only the beginning.

## 2.2 D.P.C.M. curfew 3 November and colored regions D.P.C.M. 4 November 2020

The bulletin of COVID-19 cases on November 3 reports that we are in the middle of the second wave (figure 10), forcing the Government to take new measures to prevent saturation and a consequent exhaustion of the health system already, albeit strengthened, close to collapse.

On 3 November a new Decree of the President of the Council of Ministers was signed that extended the curfew to the whole national territory, and that therefore "*from 22.00 to 5.00 the following day are allowed only trips motivated by proven work needs, situations of need or for health reasons*", are also "*suspended the activities of theme parks and entertainment*"<sup>49</sup> as well as exhibitions, museums and libraries. Distance learning, the closing of shopping centres and the capacity of public transport are reduced by 50%. Measures are even narrower for regions in more advanced and severe scenarios (Scenario 3 and Scenario 4, described in the document "Prevention and response to COVID-19: evolution of the strategy and planning in the transition phase for the winter autumn period", Annex 25, 3 November 2020).

As the situation worsened, Italy was slowly entering the two worst-case scenarios that needed new measures, scenario 3, characterized by an RT index<sup>50</sup> between 1.25 and 1.5 and a difficulty in containing transmission, and scenario 4, with an RT index higher than 1.5 and a consequent "*overload of care services, without the possibility of tracing the origin of new cases*" which in any case provides adequate and very stringent measures. The entry into these categories of scenario is nothing more than confirmation that a second wave is underway, whether the containment systems provided for in early September were blown and not effective.

The measures for these types of scenario are issued by order of the Minister of Health, in agreement with the President of the Region and the Technical-Scientific Committee<sup>51</sup>.

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<sup>48</sup> Decree of the President of the Council of Ministers 24 October 2020

<sup>49</sup> Decree of the President of the Council of Ministers 3 November 2020

<sup>50</sup> Average number of people who are able to infect another person infected at the time. It is directly estimated by the trend of the number of infected  $I_t$ , estimated by the number of positive daily, assuming you know the probability distribution  $W_s$ . A statistical procedure is used based on the probability that two infected  $i$  and  $j$ , and with symptoms at times  $t_i > t_j$ , are a possible infected-infected pair, normalized by the probability that case  $i$  has been infected by any other case  $k$  - COVID-19Stat INFN

<sup>51</sup> By Decree of the Head of the Civil Protection Department n. 371 of 5 February 2020, the Scientific Technical Committee (CTS) was established with expertise in consulting and supporting coordination activities to overcome the epidemiological emergency

Article 2 of the same , reporting "*further containment measures on some areas of the national territory characterized by a scenario of high severity and a high level of risk*", provides that in these two types of scenario are "suspended the activities of the catering services" and prohibited all travel except for work, study, health or need.

The next day (and with effect from 6 November and for at least 15 days), Count announces the division by "colors" of the Italian regions: the red zone, or a scenario 4, where Lombardy, Piedmont, Valle d'Aosta and Calabria were immediately placed, having regard to their data on infections (Figure 10). In these regions is expected to close retail stores, catering only at home until 22 and absolute prohibition of movement (lockdown mode). The same day are placed in the orange area, or in scenario 3 (so always bars and restaurants closed and no movement but only between municipalities) only Puglia and Sicily. The rest, in the yellow area (so with the possibility of moving within the region and with bars and restaurants open until 18), so a scenario 2.

The color of the regions does not depend solely on the  $R_t$  index, but on its range of credibility (being derived from a Bayesian model). In fact, the range must be within or above the thresholds to fit the scenario (for example, if the range is between 1.20 and 1.55, a scenario 2 will occur and not 3, the lower end being below 1.25).



Figure 10  
Covid-19, in the Official Gazette - Risk areas -  
Ministry of Health section COVID-19

Having been only some regions, at least in the last weeks of 2020, in the red zone, we can speak of a partial lockdown with "*ethereogenic effects in the productive sectors*"<sup>52</sup>. In fact, as reported in the "monthly note on the performance of the Italian economy November-December 2020" Istat retail sales fell by 6.1% (more for textiles, clothing and footwear). As a result of the

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caused by the spread of Coronavirus. The Committee is composed of experts and qualified representatives of State Authorities - Ministry of Health

<sup>52</sup> monthly note on the performance of the Italian economy November-December 2020 - ISTAT

new increasingly restrictive measures, and therefore a reduction in activity in general, "*the index of industrial production has recorded a cyclical decline (-1.4%)*"<sup>53</sup>. In the same month, however, expenditure on food increased (+1%).

In support of this situation and of all the companies closed both initially from the curfew and after from the orange and red zones, the Ristori decree n. 137 intervened the 26<sup>th</sup> of October, then replaced by "Ristori-bis" of the 3 november.

In the first part, the decree provides for measures to support businesses and the economy: the main novelty is the non-repayable contribution for VAT operators in the economic sectors affected by the restrictive measures (hotels, bar and similar) for an amount of 50 million euros. The contribution "*is made on the condition that the amount of turnover and fees for the month of April 2020 is less than two thirds of the amount of turnover and fees for the month of April 2019*"<sup>54</sup>. In the same way, a fund is guaranteed for the support of amateur sports associations and clubs and other measures in support of tourism and culture operators and agricultural, fisheries or agriculture sectors. The decree for the same month of November and for the following one recognizes, to who already entitled, the quota of the emergency Income, let alone indemnity for the workers of the enterprises previously cited. It concludes with other health and safety provisions (including the introduction of rapid antigen buffers also for general practitioners and paediatricians). The first decree included 300,000 companies, with the next 75,000 added, which included tourist buses, photojournalists, museums, etc.

Already with the first, 211,488 have benefited from the decree, first of all bars, pastry shops, restaurants and ice cream shops (which counted an amount of over 726 million euros). Only 9 thousand in sports, entertainment or transport (Figure 11). The majority of companies to make request (without surprise) are located in Lombardy and Lazio (Figure 12).

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<sup>53</sup> monthly note on the performance of the Italian economy November-December 2020 - ISTAT

<sup>54</sup> LAW DECREE 28 October 2020, n. 137



Regions	# of subjects	Contribution amount (EUR million)
Abruzzo	5.314	21,9
Basilicata	1.947	7,8
Calabria	5.506	19,4
Campania	17.055	72,6
Emilia Romagna	17.154	80,6
Friuli Venezia Giulia	4.612	20,7
Lazio	20.571	99,6
Liguria	7.901	37,5
Lombardia	32.345	154,9
Marche	5.514	26,6
Molise	1.157	4,1
Piemonte	14.294	64,8
Puglia	13.064	52,3
Sardegna	6.239	25,0
Sicilia	12.908	53,5
Toscana	16.637	83,1
Trentino Alto Adige	6.926	31,3
Umbria	3.262	16,3
Valle d'Aosta	1.134	5,2
Veneto	17.947	87,6
<b>TOTALE</b>	<b>211.488</b>	<b>964,8</b>

Figure 11  
different types of activities that  
have received aid - Corriere della  
Sera, L'Economia

Type of firm (ATECO code)	# of subjects	Contribution amount (EUR million)
Activities of the catering services	154.762	726,4
Hotels and accommodations	25.109	106,6
Sports, entertainment and entertainment activities	8.839	48,1
Creative, artistic and entertainment activities	2.935	14,2
Transport	9.042	13,3
Support activities for office functions and other firm support services	1.482	9,5
Support activities for people	1.993	8,8
Activities of travel agency, tour operator and booking services and related activities	1.614	8,6
Activities of associative organisations	1.532	7,6
Activities of lotteries, betting and casinos	1.478	7,4
Professional, scientific and technical activities	1.206	5,7
Rental activities and operating leasing	661	3,7
Production of films, videos and television programmes, music and sound recordings	549	3,5
Education	286	1,4
<b>TOTALE</b>	<b>211.488</b>	<b>964,8</b>

Figure 12  
Regional  
distribution of  
grants -  
Corriere della  
Sera,  
L'Economia

The following two weeks, as per mandatory monitoring, began to see the first effects of the new restrictions. Although at national level the transmissibility is comparable to a scenario 2 and a reduction of the latter from week to week, the impossibility of keeping track of the transmission chains is confirmed and that *"the incidence of new diagnoses remains very high and still*

*increasing*"<sup>55</sup> and the need to maintain the measures taken. In fact, by order of the Ministry of Health of 13 November, pass in the red zone Tuscany and Campania (being their situation in sharp deterioration, as we can see in figure 13) and in the orange zone Friuli, Veneto and Marche.

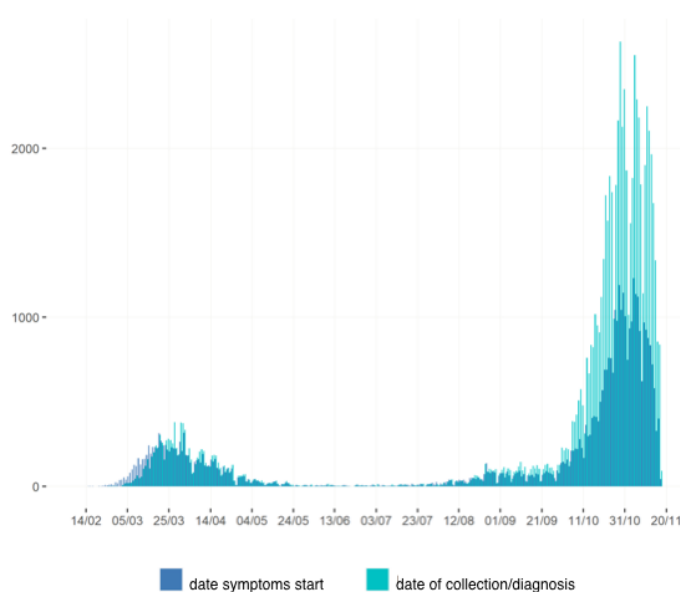


Figure 13  
epidemic curve - Toscana  
Aggiornamento epidemiologico -  
Ministero della Salute, Istituto Superiore  
di Sanità Cabina di Regia pursuant to  
the DM Salute 30 April 2020 -  
Monitoring Phase 2 Weekly report -  
Report 27/Sintesi  
Monitoring Phase 2 (DM Health 30  
April 2020) Data for the week 9-15  
November 2020 (updated to 18  
November 2020)

At the same time, the "Monitoring Phase 2 Weekly Report" of the Ministry of Health and Higher Institute of Health reports that "18 regions at 17/11/2020 had exceeded at least one critical threshold in the medical area or IT. If the current transmissibility is maintained, almost all Regions/PA have a 50% higher probability of exceeding at least one of these thresholds by next month", which had worried the Government for the Christmas holidays.

For the last week of November, the report reports still high pressure on health services (despite an improvement in the epidemic), but management is not yet sustainable (especially due to the high incidence on hospitals), still requiring caution.

### 2.3 Christmas closures, Christmas Decree and Budget Act 2021

On December 2 a new Law Decree was promulgated containing various measures aimed at discouraging the festivities and therefore, any dangerous behavior. These measures provide that "From 21 December 2020 to 6 January 2021 is prohibited, within the national territory, any movement in and out between the territories of different regions or autonomous provinces, and

<sup>55</sup> Ministry of Health, Istituto Superiore di Sanità Cabina di Regia pursuant to the DM Salute 30 April 2020  
Monitoring Step 2 Weekly Report -Report 27 National Summary -Data source: Phase 2 Monitoring (DM Health 30 April 2020).  
Data for the week 9-15 November 2020 (as of 18 November 2020)

*on 25 and 26 December 2020 and 1 January 2021 any movement between municipalities is also prohibited, except for movements motivated by proven work needs or situations of need*<sup>56</sup>, in a nutshell, the whole of Italy in the red zone.

The next day, by Decree of the President of the Council of Ministers, other measures for the Christmas period are integrated, such as: the obligation to mask outdoors and indoors, "from 22.00 to 5.00 the following day, and

from 22.00 on 31 December 2020 to 7.00 on 1 January 2021 only movements motivated by proven work needs, situations of need or health reasons are allowed", the same way is prohibited *"each movement in and out between the territories of different regions or autonomous provinces, and on 25 and 26 December 2020 and 1 January 2021 is also prohibited any movement between municipalities"*, in any case the shops can remain operational until 21.00, catering services always until 18 and with a maximum of 4 people at the table.

This has not been that another hard blow for an economy already to the exhaustion: the Codacons has estimated a contraction of the consumptions, that they will come down of the 14,5%, with real losses of 1,5 billion euros;

Fipe-Confcommercio has estimated a decrease in turnover for restaurants, without Christmas and New Year dinners or lunches, of 720 million. Another hard hit sector results in ski lifts, closed by various decrees from the beginning of the season depending on the color of the region, with losses estimated at 2.4 billion between December and March. As a result of the decision, over 17 million holidays were cancelled, for an amount estimated by Confcommercio and Coldiretti of 4 billion. The same Confcommercio restates as *"the Government must support the tourist row adopting social shock absorbers, access to the credit, but also fiscal participations and contributions to lost fund"*.

The Government's response is not long in coming, also as a result of weekly monitoring, which, despite signs of stabilization of the epidemic curve, still requires great caution and the maintenance of restrictive measures, also given the high incidence, and issues the Christmas Decree.

The Christmas Decree (Law Decree of 18 December 2020 n. 172) supplements and specifies the previous decrees of 2 and 3 December: this provides that "on public holidays and pre-summer days between 24 December 2020 and 6 January 2021, the measures referred to in Article 3 (Scenario 4) of the of 3 December apply throughout Italy; on 28, 29, December 30,

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<sup>56</sup> Law Decree 18 December 2020, n. 172

2020 and January 4, 2021 the measures of Article 2 of the same decree (scenario 3) shall apply"<sup>57</sup> (figure 14).



Figure 14  
“Calendar of the Christmas Decree”

There was also created a non-repayable contribution to be allocated to the most affected businesses with 455 million in 2020 and 190 million in 2021 in favour of certain entities (ice cream parlors, catering, canteens, bars) that have already benefited previously, with the same amount. We must also specify that *"for the immediate implementation of the [...] provisions, the Ministry of Economy and Finance may order cash advances, regularized by issuing payment orders"*<sup>58</sup> on the relevant expenditure items"<sup>59</sup>.

At the end of the year, with Law No. 178 of 30 December 2020, the Budget Act 2021 was approved. The law introduced, mainly, tax relief for the recruitment of young people (with a 100% tax exemption for a maximum of 36 months, or 48 depending on the region) and women (for 12 months). Another important novelty is the fund for self-employed and professionals for contributions of self-employed and professionals (*"who have received in the 2019 tax period a total income not exceeding 50,000 euros and have suffered a decrease in turnover or fees in the year 2020 not less than 33% compared to those of the year 2019"*<sup>60</sup>) doctors and nurses and another type of contribution fund for young farmers and farmers (which exempts 100% from the payment of the disability and old age contribution for 24 months). The partial contribution exemption for private individuals in the regions of the Mezzogiorno (Decontribution Sud) provides for a percentage less of the social security contributions to be paid until 2029. The

<sup>57</sup> Law Decree 18 December 2020, n. 172

<sup>58</sup> Set of instructions that the account holder provides to his financial institution so that he can send funds from his account to a person, company or institution.

<sup>59</sup> Law Decree 18 December 2020, n. 172

<sup>60</sup> Law No. 178 of 30 December 2020, the Budget Act 2021

compulsory duration of paternity leave is increased and redundancies are blocked until 31 March. VAT is reduced to 10% for take-away food and home delivery and vaccines for COVID-19 are exempted from the latter.

Another important measure is the 2021 exemption from the first instalment of the IMU for the sectors most affected by the pandemic: bathing establishments, farmhouses, holiday villages, holiday homes, hotels, structures for fairs or conferences, discos and dance halls. The sugar (surcharge on sugary drinks to reduce consumption) and the plastic tax (fixed value tax of 0.45 euro cents per kilo of disposable plastic products sold) are postponed and the building bonuses extended until 31 December 2021 (including the ecobonus for energy redevelopment and the green bonus for restoration of open areas and gardens).

It is also important to mention the changes of the 110% superbonus (introduced on 19 May by the Decree Rilancio), including the inclusion among the beneficiaries of natural persons and the extension until 30 June 2022 and other interventions aimed at the rehabilitation of buildings (including the addition of columns for charging electric vehicles). Other important measures are the incentives for low-emission cars, new goods vehicles and new electric or hybrid motor vehicles and the Transition Bonus 4.0 which extends and strengthens tax credits for investment in capital goods, in research and development and training. As for the family is increased the Universal Allowance Fund and services to the family of 3 million euros, is given an incentive of 30% on the purchase of electric cars to those who have ISEE less than 30,000 euros, is extended the baby bonus (80 to 160 per month for one year) for 2021, the culture card 18 years and the digitization kit is introduced (granting to families with less than 20,000 euros and with at least one student an internet connection and a telephone for the purpose).

All the measures, as we can see, have been introduced to facilitate both businesses and families in difficulty, in anticipation of a year of not only economic recovery but also of recovery from the pandemic.

At the end of this year we can consult the report of the general state account of 2020, published on 23 June 2021. From the Report of the Court of Auditors we can study the macroeconomic context and analyse the results of management. From this we then deduce the "results achieved with the use of the resources of the State budget"<sup>61</sup> taking into account the outcomes. Taking into account the particular situation due to the pandemic, we can note a "evident impact on the size of expenditure and its budgetary allocation, having a substantial impact on missions and

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<sup>61</sup> Report On The General State Report 2020 - Court Of Auditors

programmes, as well as on the structure of the main objectives of the Government action"<sup>62</sup>. Obviously, taking into account the provisions of emergency legislation and the attention to environmental sustainability, the report brings to light a report focused on the containment of COVID-19 and the implementation of eco-sustainable systems.

What is immediately evident is the difference in net debt, below 2% of GDP in 2019 and 9% in 2020 and expenditure, which has reduced public consumption to benefit economic operators and citizens affected by the crisis (Figure 15).

voices	in millions		
	financial statement of the state		account of the
	competence	fund	
final revenues (*)	569.208	518.823	454.072
current revenues	565.447	515.074	452.256
fiscal revenues	480.774	454.197	412.258
capital revenue	493	492	1.816
final expenditures (**)	743.326	704.425	605.214
current expenditure	670.870	646.529	545.273
interest expenses	66.644	66.627	56.543
primary current expenditure	604.226	579.902	488.730
capital expenditure	169.204	98.006	59.941
primary final expenditure	773.430	677.908	548.671
net indebtedness	-177.386	-188.859	-151.142

(\*) verifications and payments, net of financial items  
(\*\*) gross commitments and total payments, net of financial items  
(\*\*\*) Istat provisional figures

Figure 15

2020 State Statement and Accounts - Source: Court of Auditors elaboration on RGS data

State spending has also increased, finding itself directly managing the health and economic crisis with support interventions. One of the major contributions to the increase in expenditure is emergency legislative measures (the d.l. "Cura Italia" n. 18/2020, the d.l. "Liquidity" n. 23/2020, the d.l. "Rilancio" n. 34/2020, the d.l. "Agosto" n. 104/2020, the d.l. "Ristori" n. 137/2020), to which is reconnected about 85 percent (205 billion).

The Report also highlights the growing importance that some ministries have had during the year of the pandemic: the Ministry for Cultural Heritage and Activities has had more funds considering that the pandemic *"has conditioned the activity of the Administration, forced to modify the actions in relation to the sudden interruption of the tourist flows, to the unexpected closure of the places of cultural fruition"*, with a consequent increase of the resources in order

<sup>62</sup> Report On The General State Report 2020 - Court of Auditors

to protect above all the workers of the field and the cultural assets. In 2021, the Ministry is expected to participate in the PNRR (National Recovery and Resilience Plan).

Another important ministry, of course, is health, which has seen an increase in the funds available mainly to combat the effects of the pandemic.

Not only the expenditure (that, regarding the forecasts of 2019 has grown of 30.7%, for an amount of 1.139 billion), but also the revenues have been devastated from the sanitary emergency, also like effect of the contraction of the economic activity. In fact, these count -6% of 2019.

For example, gaming revenue (one of the sectors most affected) has fallen sharply, with a reduction of 22 billion (-20%) since the previous year. A stable income was the tax revenue of tobacco, which recorded only a slight (-0.7%).

All the measures previously reported are aimed at recovering what was lost during the pandemic. It's obviously unlikely to go back to the pre-pandemia levels, but it's important to (re)build, albeit gradually, the devastated economy of a slowly recovering country like Italy.

To give hope for a better year, besides economic indicators recovery, there is also the beginning of the vaccination campaign on 31 December 2020 that will define the whole *modus operandi* for the following year. However, the same day, given the worrying situation about the pandemic, *"a state of emergency has been declared for 6 months from the date of this measure as a consequence of the health risk linked to the occurrence of diseases resulting from transmissible viral agents"*.<sup>63</sup>

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<sup>63</sup> Deliberation of the Council of Ministers 31 January 2020

## 3 2021: the year of change

### 3.1 The White Zone and the Government & Easter Crisis

With the reduction in cases due to closures and Christmas holidays, with the opening of schools and a consequent resumption in normal life, a new wave is feared. In fact, Law Decree No. 1 of 5 January 2021 is issued, which extended the ban on travel between regions until 15 January and provides for teaching in presence for at least 50% of students. The same decree modifies the criteria for switching from one type of scenario to another (lowering the  $R_t$  index necessary to enter the red zone, from 1.5 to 1.25).

On 11 January the usual division by color between regions returns and resumes the teaching activity. The next day, however, the Minister of Agriculture Bellanova and the Minister for the family Bonetti resigned following disputes over the Recovery Fund. Thus opens the crisis of Government.

However, the Conte Government does not stop, issuing Law Decree No. 2 on 14 January 2021, which extends the state of emergency until 30 April 2021 and the ban on movement between regions until 15 February. The "white zone" is also established, that is, the location in a scenario of type 1 and with a low risk level [...] where there is a weekly incidence of infections of less than 50 cases per 100,000 inhabitants, within which they cease to apply "the measures envisaged for the yellow zone. It also begins to give legislature to the vaccination campaign.

Given the inability in the following days of the Government to gather as much consensus and confidence as possible, on January 26 Premier Giuseppe Conte goes up to the Quirinale and resigns. The President of the Republic thus summons the President of the Fico Chamber and entrusts him with the consultations to reform the Government, which is followed by Mario Draghi, former President of the ECB, who on 3 February 2021 agrees to form a new institutional Government, with reservation, which is dissolved on 12 February and 13 the executive takes the oath, officially taking office.

On 17 and 18 February, the new Government gained the confidence of the Senate and the House, becoming effectively operational.

The market, in any case, after the collapse with the Government crisis, voted Draghi as prime minister scoring a 3% at Ftse Mib and a drop to 105 basis points the spread between Btp and Bund (peaked at 120).



While the recovery is a certainty in the hands of Draghi according to the markets, the epidemic continues to run and it is necessary to take new measures, including the extension of the ban on movement between regions by the Law Decree of 23 February. The same decree names the national territory in zones, defining them one by one and defining when and how it is possible to move within the regional territory.

Five days later the news and the results of the containment measures give an outcome: the Sardinia region passes, with the new ordinance n. 4 of 28 February 2021, from yellow to white zone (figure 16).

As a white area, it has less restrictions than the rest of Italy: in fact, restaurants can remain open until 23, bars and even until 21 and curfew from 22 is moved to 23. Gyms, shopping malls on weekends and museums also reopen. However, masks must be worn outdoors and indoors. However, despite the reopenings, "for about three weeks the region has experienced - unique in Italy - the minor restrictions provided for the "white" area"<sup>64</sup>, however, not enough to recover being "*the regional economy remained weak, suffering from a still complex epidemiological framework*"<sup>65</sup>, and being a region that works mainly with the tourism sector.



Figure 16

<sup>64</sup> Regional economies - The economy of Sardinia Annual Report 4 2021 - Banca d'Italia

<sup>65</sup> Regional economies - The economy of Sardinia Annual Report 4 2021 - Banca d'Italia

As we can see on the map, the Lombardy region is a darker orange than the others, given its infectious situation. From 5 to 14 March 2021, by an order of the President of the Fontana Region, it imposed more restrictive measures than the orange zone but less than the red zone: it suspended teaching in the presence of primary and secondary schools, prohibits travel within the Region if not for need or work and "*access to retail businesses, in order to limit the concentration of persons to a maximum, is allowed only one member per household, except for the need to bring minors, disabled or elderly*"<sup>66</sup>.

A few days later the new Prime Minister Draghi issued one of his first Decrees aimed at containing the epidemic. The new Prime Minister rectifies and outlines some provisions (as regards individual protective equipment and containment measures area by area), and extends others (including until 27 March the ban on movement between regions). It allows, in the yellow area, "*public events in static form and respecting the distance*"<sup>67</sup>, opens museums and places for culture only from Monday to Friday and by reservation, but remain closed ski resorts and discos, as playrooms and amusement parks. Similarly, on public holidays and pre-summer days, businesses remain closed within markets and shopping centers, with the exception of certain essential service stores. The restaurants (bars, pubs, ice cream parlors, pastry shops) can be open from 5 am until 6 pm and can serve for a maximum of 4 at the table (take away until 10 pm). On the other hand, food and drink delivery exercises are open at full capacity in the service and supply areas on motorways, hospitals and airports.

Instead, the provisions for the orange zone and the red zone are confirmed.

Given the increase in cases (figure 17) and the discovery of the so-called "English variant", given the fear of an almost certain third wave (due to increased contagiousness of the new variant) and in preventing Easter holidays' probability of contagiousness, the Government promulgates on March 12 the first real law, and no longer a decree, which marks the change of the method of the Draghi Government. The main difference is that Parliament is now also involved, allowing also citizens to have control. This law converts the decree of January 14, and is voted for the first time with 220 votes in favor of 245.

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<sup>66</sup> Region of Lombardy Ordinance 04/03/2021

<sup>67</sup> DECREE OF THE PRESIDENT OF THE COUNCIL OF MINISTERS 2 March 2021

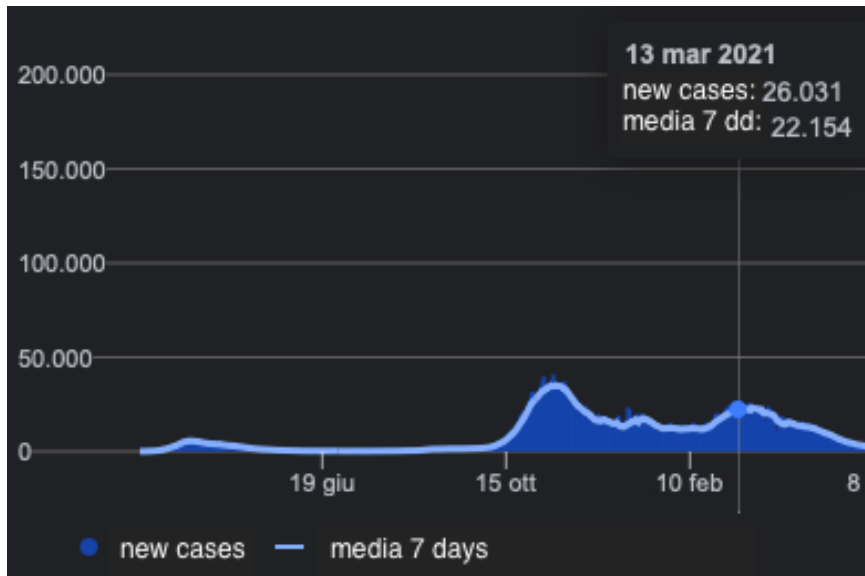


Figure (17)  
Source: JHU CSSE  
COVID-19 Data

The same day, the strategic plan for the national vaccination campaign made by the Higher Institute of Health and the Ministry of Health is published. This foresees, given the emergency situation and the limited availability of vaccines, a priority for which "*this phase will focus on the direct reduction of morbidity and morbidity, as well as the maintenance of the most critical essential services*"<sup>68</sup>. The priority categories are identified in health and social workers, residents and staff of residential care for the elderly as well as older people and fragile people. Ten days later, "*8,257,565 people received at least one dose of vaccine*"<sup>69</sup>, despite this, as reported by the national update on the epidemic by COVID-19 of the Institute of Health, the number of cases is constantly increasing (Figure 18).

But given the urgency of the epidemiological situation and the advance of the new variants, it has become necessary to resort further to other legislative decrees, being the passage of a normal law too long. In fact, with the Law Decree of 13 March n.30 are prepared the containment measures for the second half of March and for the Easter holidays of the first days of April.

The decree provides that "*on days 3, 4 and 5 April 2021 on the entire national territory, with the exception of the white zone, apply measures established [...] for the red zone*"<sup>70</sup>, but also leave for parents with children under 14 years under quarantine by COVID-19 with

<sup>68</sup> Vaccination anit-SARS-cov-2/COVID-19-19 STRATEGIC PLAN - Official Journal of the Italian Republic 24/03/2021

<sup>69</sup> Vaccination anit-SARS-cov-2/COVID-19-19 STRATEGIC PLAN - Official Journal of the Italian Republic 24/03/2021

<sup>70</sup> LAW DECREE 13 March 2021 n. 30

50% bonus and baby-sitter bonus for a limit of 100 euros per week set only for "INPS separately managed workers, the self-employed, security personnel, public defence and rescue, employed for epidemiological emergency needs by COVID-19, healthcare employees, public and private accredited, belonging to the category of doctors, nurses, laboratory technicians biomedical, medical radiology technicians and health workers"<sup>71</sup>.

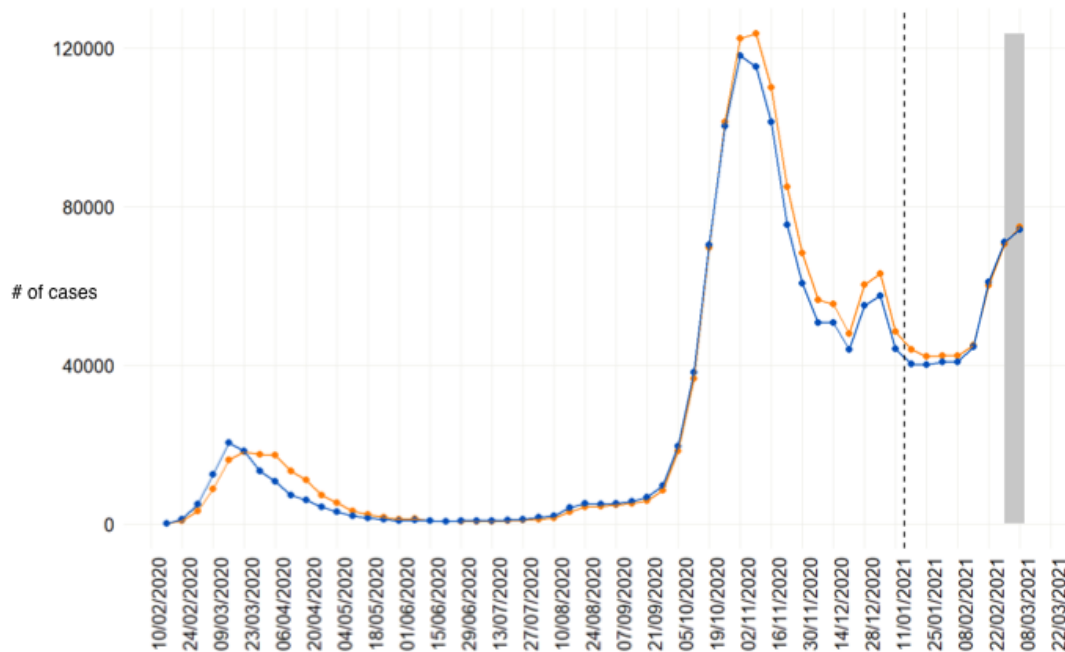


Figure 18  
Number of covid-19 cases diagnosed in Italy - National update 17 March at 12:00  
Epidemic COVID-19 – Source: Istituto Superiore di Sanità

Given the continuing restrictions, despite the color system, in the first two months of 2021 "the consumption indicator developed by Confcommercio continued to record lower levels than a year earlier, in particular in expenditure on services related to tourism and catering"<sup>72</sup>. The bulletin also shows an increase in industrial production in the first two months of the year, but they fall in March, with the regrowth of infections. "in the first quarter as a whole, growth would have been slightly below 1 percent (-0.4 in the fourth quarter of 2020)"<sup>73</sup>. Another important determinant in the first quarter of the year is the recovery of consumption by households, which "according to the Confcommercio indicator,

<sup>71</sup> LAW DECREE 13 March 2021 n. 30

<sup>72</sup> Economic Bulletin no. 3 - 2021 - Banca d'Italia

<sup>73</sup> Economic Bulletin no. 3 - 2021 - Banca d'Italia

*in the two months of January-February, purchases of goods and services recovered slightly from the previous period, partly thanks to the relaxation of some restrictions*"<sup>74</sup>, but which then tends to fall in March, for various reasons: from the fear of the pandemic, or due to less financial resources.

The new restrictive measures for the Easter period and the growing infections have made it necessary another intervention of the State to help companies and workers. The Law Decree No. 41 of 22 March 2021 established a non-repayable contribution "In order to support economic operators affected by the epidemiological emergency «Covid-19»"<sup>75</sup> provided that the average monthly amount compared to 2020 was at least 30% lower and in any case not more than 150 thousand euros. Another important fund is for self-employed and professionals. The costs of electricity bills for the months of April, May and June are also reduced (following an increase in non-regulated energy prices +3.2%<sup>76</sup>) with an authorized expenditure of 600 million euros for 2021, and the subscription fee for radio auditions for "*accommodation facilities as well as for the administration and consumption of drinks in public or open to the public*"<sup>77</sup> is also reduced.

As far as companies are concerned, private employers who have had to suspend their activities because of the pandemic will be able to apply for the redundancy fund. Provision is also made for the compensation for seasonal workers in closed activities for the pandemic (tourism, sport, entertainment) and reconfirmed emergency income and the special fund for the third sector.

Another important news concerns the vaccination campaign, because the decree allocates 2 billion for the purchase of vaccines and 700 million for other anti-covid drugs and predisposes the involvement in the vaccination campaign of pharmacies and military medical personnel.

With all these new measures and its appropriations worth 32 billion to restart the country, the decree will then be called the "Support" Decree.

Despite the support to the vaccination campaign and the continuous restrictive measures, on April 1 another Law Decree confirms the semi-lockdown: Law Decree No. 44 keeps the yellow zones as orange zones until April 30, therefore an extension of the provisions of the

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<sup>74</sup> Economic Bulletin no. 3 - 2021 - Banca d'Italia

<sup>75</sup> Law Decree 22 March 2021, n. 41

<sup>76</sup> Press Release - Consumer Prices. MARCH 2021- ISTAT

<sup>77</sup> Law Decree 22 March 2021, n. 41

of 2 March 2021. The National Red Zone is therefore re-confirmed for days 3, 4 and 5 April 2021. Obviously, with not insignificant economic consequences. Only these 3 days and only as for the 360 thousand restaurants, bars, pizzerias and farmhouses there is a cost of 1.7 billion.

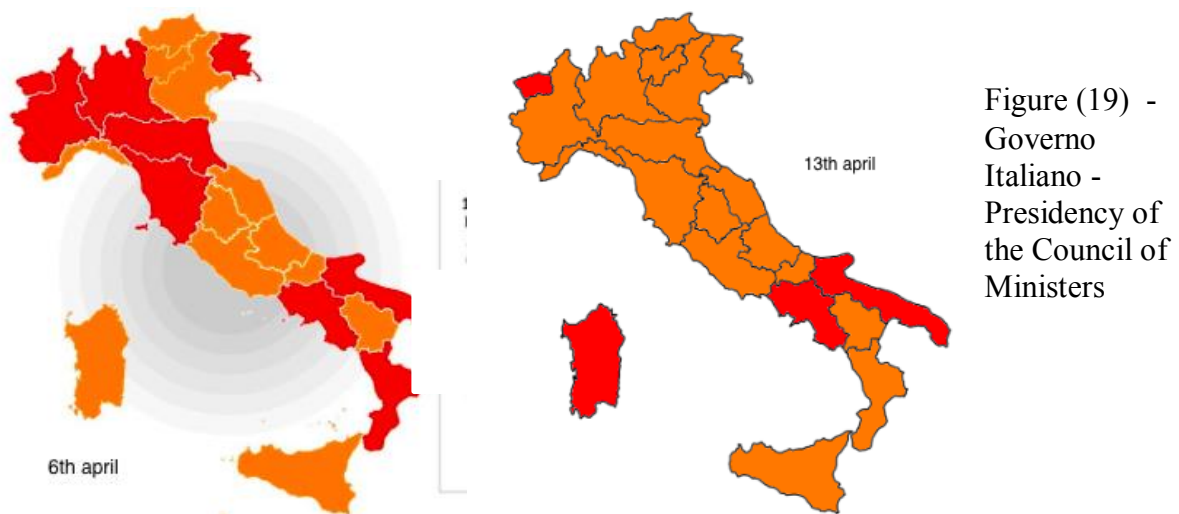
On the same day, the first and only white zone passes directly into the orange zone, just before the Easter holidays that would have allowed the region to escape the restrictive measures of the Easter decree.

These losses, as Coldiretti emphasizes, must be added to the entire tourist system, than second Confcommercio they are estimated to 470 million euros only in Lombardy. Confcommercio itself also points out that *"the impact of the restrictions will be particularly serious for catering (-80%), for recreational services (-75%), for retail (-70%)"*<sup>78</sup>.

Despite the real second lockdown for the most affected companies, the hope of the arrival of the summer and the advance of the vaccination campaign remains alight.

### 3.2 Second semester of 2021: recovery and green pass

After the Easter holidays and throughout the month of April there is a continuous decrease in cases, also because the measures taken previously were maintained despite the peak of infection had already been reached (Figure 19).



<sup>78</sup> Confcommercio Lombardy- Press Office Concommercio

The restrictive measures have also been extended in view of the holidays of 25 April, as confirmed by the Law Decree of 22 April 2021 n.52, which similarly extends the state of emergency until 31 July 2021. The same decree from 26 April reintegrates the yellow areas and reopens the regional boundaries between these, and municipal in orange areas.

Schools are reopened throughout the country until the end of the school year, even in red areas alternating with distance teaching.

The same April 26 can reopen all catering activities at curfew times, with consumption at the table exclusively outdoors, and then loosen the measures from June 1, giving the opportunity to consume indoors until 18. Theatres, cinemas and concerts with a capacity of 50% and sports with regular reopenings depending on the type of activity are also reopened. In the same way, spas, theme parks and conferences reopen from July 1.

Apart from the easing of measures, but which nevertheless "*helped to support the recovery of the Italian economy*"<sup>79</sup>, and which meant that "*industrial production increased by [...] by 1.5% compared to the previous month*"<sup>80</sup> like consumption, which according to the consumption indicator (ICC) of Confcommercio in April marked grew of 45%, but compared with the levels pre covid we can observe a collapse in demand of 70%, was introduced a novelty that will revolutionize the so far known modus operandi of the Government: the green certification COVID-19, commonly called green pass.

The green pass is, quoting the Decree, "*the certifying certifications the state of vaccination against SARS-cov-2*"<sup>81</sup> *or recovery from SARS-cov-2 infection, or the carrying out of a rapid molecular or antigenic test with a negative result for SARS-cov-2 virus*".

The decree specifies the duration of the certification, which depends on the method of issuance: as regards the release from vaccination or healing, the duration is 6 months; as regards the release from rapid<sup>82</sup> or molecular antigen test<sup>83</sup> the duration is 48 hours.

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<sup>79</sup> Economic Bulletin No 3 - Bank of Italy

<sup>80</sup> Economic Bulletin No 3 - Bank of Italy

<sup>81</sup> the anti-sars-cov-2 vaccinations carried out under the National Strategic Plan of vaccines for the prevention of infections by SARS-cov-2 - LAW DECREE 22 April 2021, n. 52

<sup>82</sup> test based on the detection of viral proteins (antigens) by side-flow immunoassay, recognised by the health authorities and carried out by health professionals - LAW DECREE 22 April 2021, n. 52

<sup>83</sup> molecular nucleic acid amplification (NAAT) tests, such as reverse polymerase-transcriptase chain reaction (RT-PCR), loop-mediated isothermal amplification (LAMP) and transcription-mediated amplification (TMA) techniques, used to detect the presence of ribonucleic acid (RNA) of SARS-cov-2, recognized by the health authority and carried out by health professionals - LAW DECREE 22 April 2021, n. 52

The same will be important with the advance of the vaccination campaign, which on 22 April counts only a small portion of the population (Figure 20).

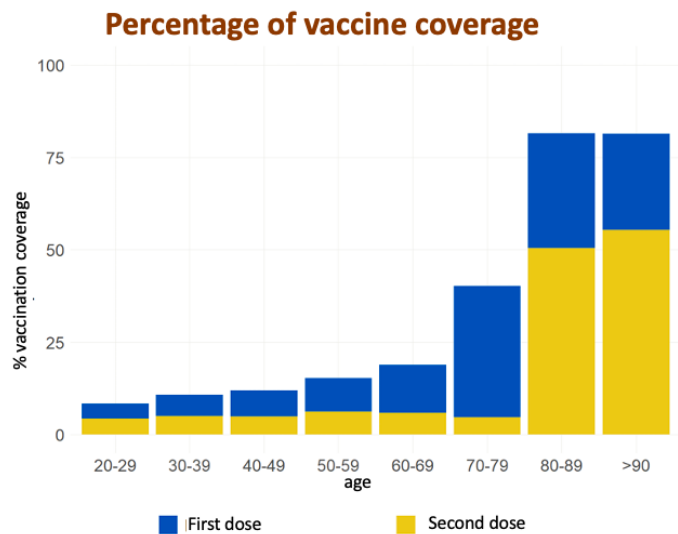


Figure 20  
 COVID-19 epidemic, risk monitoring, 23 April 2021- Istituto Superiore di Sanità

Other provisions following the extension of the state of emergency and the advance of the vaccination campaign (also slowed down following unforeseen delays in the delivery of doses purchased by the European Union<sup>84</sup>), have foreseen the necessity of a new decree that extended important measures adopted in order to face the sanitary crisis. Not surprisingly, Decree No. 56 of 30 April was called Decree Extensions. First of all, the period of validity of identity documents expiring on 31 January 2021 is extended until 30 September 2021, and until 31 July residence permits. It is also extended the deadline to carry out the theoretical test of the test for the driving license administrative simplifications for interventions, including construction, necessary to address the health emergency on 31 December 2021.

All the measures adopted by the decree are nothing more than implementing and bureaucratic to maintain the system of containment of the epidemic as it is, at least until there is a return to normality.

Despite the vaccines, the lowering of infections and the zone system that prevented a new lockdown, *"in May there are 735 thousand less occupied than before the emergency"*<sup>85</sup>,

<sup>84</sup> "production of a vaccine in a timely manner, the Commission will conclude agreements with individual vaccine producers on behalf of the Member States. In exchange for the right to purchase a certain number of doses of vaccine over a given period, the Commission will finance part of the initial costs incurred by vaccine manufacturers. All this will take the form of preliminary purchase agreements. [...] The related funding will largely come from the EUR 2,7 billion of the Emergency Support Facility." - Coronavirus: Commission presents EU strategy on vaccines - Brussels, 17 June 2020 - European Commission - Press release

<sup>85</sup> Annual report 2021 - ISTAT



given also that "the measures of closure of activities and travel restrictions have discouraged, and in some cases made impossible, looking for a work and the same willingness to work"<sup>86</sup>, such as single parents with children under age constrained to do distance teaching.

Also consumption, from the beginning of the color zones (therefore of widespread closures especially in the areas most affected by the epidemic) also in April does not grow (Figure 21), also because of the continuous extensions of the restrictive measures, as also reiterated by the vice president of Confcommercio Milano on how to "move the curfew to 23 would allow, in fact, a limited increase in revenues: 18.6 million euros. A little better the postponement of the curfew to 24 with a recovery of 33.6 million euros" and on how "reopening of indoor activities, the growth of revenues on a monthly basis would rise to about 109 million euros (108.8) and with the curfew at 24 the increase would reach 184 million euros".

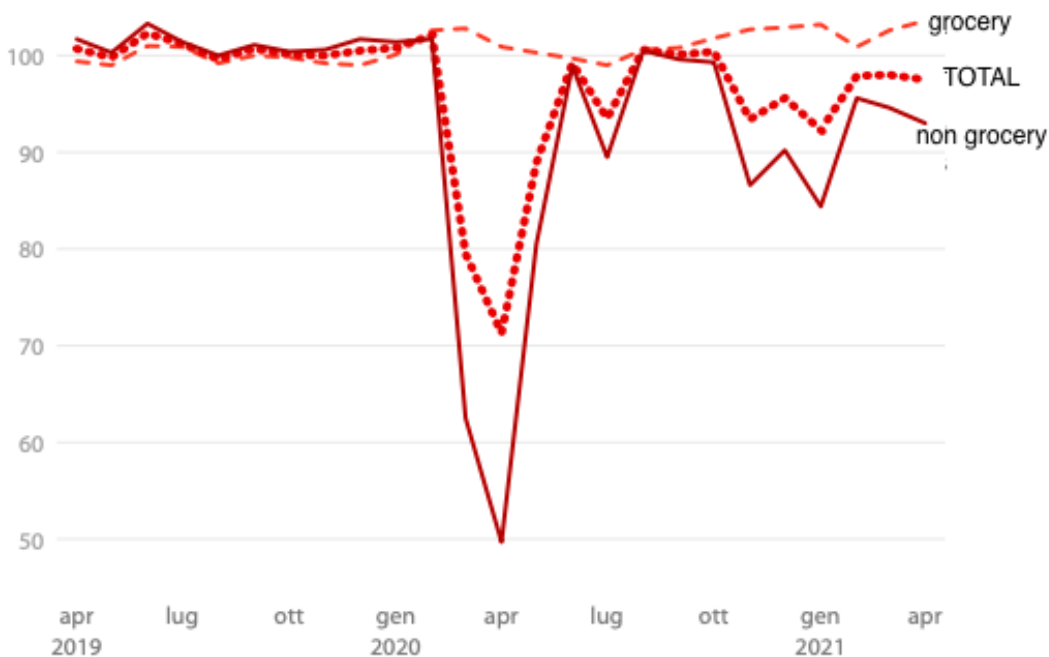


Figure 21  
The trend of consumption during the pandemic - Istat, the difficult restart of consumption: in April retail sales fell - La Repubblica

<sup>86</sup> Annual report 2021 - ISTAT

Following the obvious discomfort caused by the curfew and the continuous decrease in infections, the so-called Decree Reopening arrived on May 18. In the yellow areas the curfew is moved to 23 until June 6, 2021, to 24 on June 7 and from 21 completely ceases to exist.

From June 1 and in the yellow area, catering services are also allowed indoors, while from May 22 reopen all shopping malls even on holidays and pre-summer.

Also in the yellow area, from May 24 reopen the gyms, from July 1 also swimming pools, spas and playrooms.

In addition to the relaxation of the measures, which allow the full recovery of some activities that have never ceased while others, completely closed, have faced some difficulties, the Government launches a Decree Support bis for this second disadvantaged category.

In fact, the new decree of 25 May quotes verbatim that "In order to support the economic operators most affected by the epidemiological emergency "Covid-19"<sup>87</sup>, is recognized a non-repayable contribution in favor of all those who carry out business activity, art or profession or producing agricultural income, VAT registered holders resident or established in the territory of the State" but also to "*promote the continuation of economic activities for which, as a result of the measures taken [...] arranged [...] the closure for a period at least four months in the estimates of the Ministry of Economic "Fund to support closed economic activities", with a budget of € 100 million for the year 2021*"<sup>88</sup> including restaurants, hotels, entertainment etc. Among the measures to support businesses there is also a reduction in the charges of electricity bills for businesses and facilitations.

Emergency income is also granted for June, July, August and September 2021.

To encourage the re-hire of workers in layoffs or fired during the health emergency, the decree provides for a new contract of re-employment.

Not only the recovery of companies in bad shape, but also the restore of the entire economy: as the Bank of Italy's National Economic Bulletin n.2 also specifies, with the reference period the second quarter of 2021, "*the growth in Italy [...] has increased, favored by the acceleration of the vaccination campaign and the gradual relaxation of restrictions*". The recovery is accentuated by various indicators: starting from the expansion of GDP (which

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<sup>87</sup> Law Decree 25 May 2021, n. 73

<sup>88</sup> Law Decree 25 May 2021, n. 73

is above 1%) to industrial production, which is "in the second quarter would have grown by 1.3 percent".

Demand has also improved, even "*by over 40 in the services sector, where it is again positive for the first time since the start of the pandemic (30 points)*"<sup>89</sup>.

With the advance of the vaccination campaign and the need not to repeat the mistakes of summer 2020, the Government begins to define what would have been the pass for everyday life: the Green pass.

The of 17 June 2021 defines the bureaucracy, terminology and modus operandi of "*Regulation (EU) 2021/953 of the European Parliament and of the Council of 14 June 2021 on a framework for the release, the verification and acceptance of interoperable vaccination, testing and healing certificates in relation to COVID-19 (EU digital VOCS certificate) to facilitate the free movement of persons during the COVID-19 pandemic*", aimed at no longer having to use the old restrictive measures.

This decree establishes the methods of data retention on the "*National Digital Green Certified Platform, for the issuance and validation of green certifications COVID-19 [...] through a barcode*" and verification of the Green Pass, through the app C-19.

Moreover, beyond the movements between orange and red regions, the reasons for use have not been defined, which will be clarified only on July 23, with Law Decree No. 105.

The use of the Green pass is established in Article 3 for catering services for indoor table consumption, for shows open to the public or sports competitions, museums or exhibitions, swimming pools, gyms, spas, hotels, fairs, conferences, theme parks, public competitions and game rooms. This arrangement applies equally to the color of the area.

The parameters for the coloring of the region are also changed, which is no longer based only on the incidence of cases per 100,000 inhabitants, but also on the occupancy rate of beds in the medical area and in intensive care.

In order to gradually resume the entertainment sector, different measures are planned depending on the color of the region, the same goes for sports competitions and dance halls.

The decree then allocates a fund for the activities remaining closed for the restrictive measures, with a "*share equal to 20 million euros*"<sup>90</sup> and extends the state of emergency to 31 December 2021.

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<sup>89</sup> Economic Bulletin No. 2 - Banca d'Italia

<sup>90</sup> Law Decree 23 July 2021 n. 105

Meanwhile, on 13 July the National Plan for Recovery and Resilience (PNRR - Recovery and Resilience Plan), one of the most important measures of the Next Generation EU package (Figure 22). A 6-mission plan (digitisation, innovation, competitiveness, culture and tourism, green revolution and ecological transition, sustainable mobility, education and research, inclusion and cohesion, health) each covering a weak point in Italy (compared with other European countries - in 10 years, in Italy GDP grew by 7.9%, in France by 32.4%<sup>91</sup>).

NEXT GENERATION EU	
Dispositivo per la Crescita e la Resilienza ( Recovery and Resilience facility)	723,8
React-EU	50,6
Fondo per una transizione giusta ( Just Transition Fund)	10,9
Rural Development	8,1
Invest-Eu	6,1
Horizon Europe	5,4
Resc-Eu	2
Total other funds	83,1
<b>Totale</b>	<b>806,9</b>

Figure 22

State aid in the epidemic from COVID-19: the European framework - Chamber of Deputies Studies Service

Now in the middle of summer, with the vaccination campaign at its brightest (as of 29 July 2021, 67,011,954 were administered), "growth has definitely strengthened in the second quarter of 2021, driven mainly by national demand"<sup>92</sup>. This is visible from the expansion of more than 2% of GDP (Figure 23). It was not only the demand that grew, but also the industry, continuing to expand by about 1%.

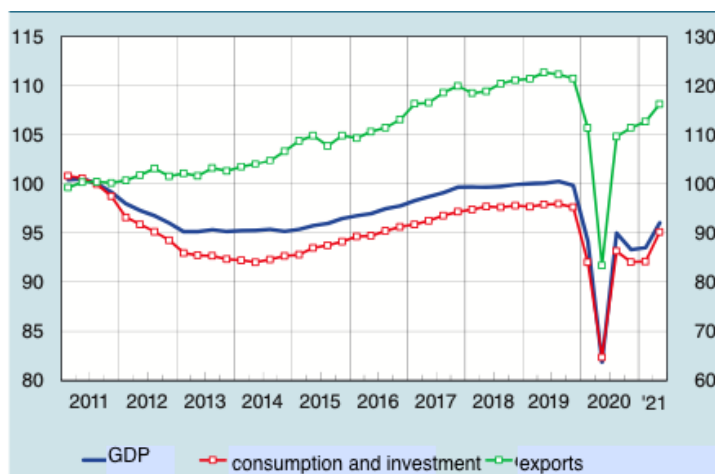


Figure 23

GDP and main components of demand - Economic Bulletin n.4 Banca d'Italia - Source: Istat

<sup>91</sup> Piano Nazionale di ripresa e resilienza – Italia Domani

<sup>92</sup> Economic Bulletin No. 3 - Banca d'Italia

### 3.3 The last months of 2021 and of the state of emergency

Towards the end of the summer the fear of a rise in infections returns (which despite the reopening, was not as worrying as that of the previous year in August), and then the Government launches a decree with the appropriate measures, this time focused only on school system and transport systems.

This decree provides for the use of the Green pass also on transport, with obligation from 1 September to 31 December.

Only after, with the Law Decree of 21 September n. 127, the green pass becomes mandatory not only for recreational activities, but also in the workplace, including for public administrations, magistrates and the private sector, leaving in this second case the burden on employers to monitor compliance with the provisions (then supplemented by D.P.C.M. 12 October 2021).

If the employee is not in possession of the green pass, this is considered unjustified until the presentation of the certification, at least until 31 December 2021.

The same decree changes the duration of the green pass depending on how it was obtained. This has triggered several reactions, since there is no real vaccine obligation, and the various protests. The procedure for obtaining the green pass (excluding those who do not want to get vaccinated) is long, and in the period of 15 days for obtaining the green pass remain out at least 20 million people, which amounts to an economic loss of 1.5 billion in revenue for tourism and public sector activities. At the same time, the forecasts also include an increase in demand following an increase in safety.

With the increase of the cases (figure 24), in order to avoid new lockdowns or red zones, the Government issues a new decree with new provisions, very important for the recovery of normality and the economy of the country.

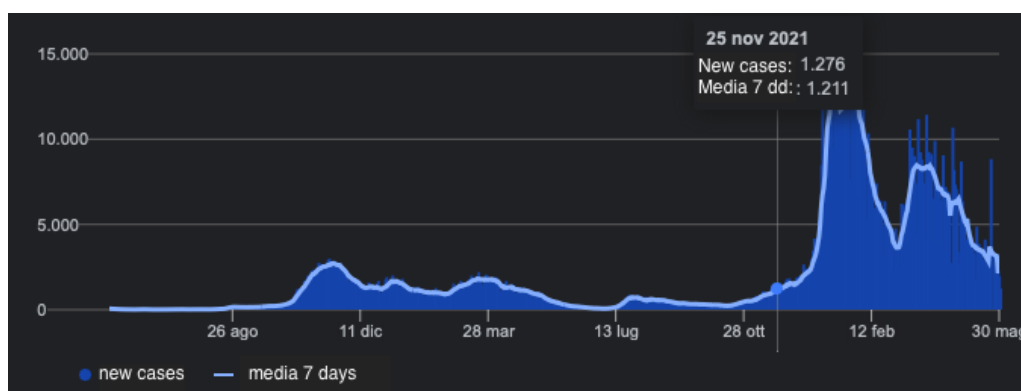


Figure (24)  
Source: JHU CSSE COVID-19 Data

With the Law Decree of 26 November 2021, the Government provides that "the fulfilment of the obligation to vaccinate is now accomplished, from December, with the administration of the booster dose, to be carried out within the prescribed time"*It also provides for the obligation to vaccinate health staff and school staff, the defense, rescue and local police that otherwise will be suspended, without compensation or remuneration*"<sup>93</sup>.

With the recall there will be no longer only the basic green pass, but also the "strengthened" one that becomes, from 6 December to 15 January 2022 for the white and yellow areas, mandatory for restaurants, hotels, spas, museums, etc.

With the entry into force of this green pass strengthened, according to Coldiretti, it "*also saves 14.1 billion family spending on leisure, gifts, tourism and food.*"

Considering that the vaccine drastically reduces hospitalization, the gain is also in terms of health spending.

The timing of adopting it before the Christmas holidays (which last year there were no, with a loss for catering alone of 41 billion) will ensure that you can keep open all the services that failed the previous year, but at the same time, between abstainers and foreigners, according to Confesercenti the super green pass "*would exclude foreign demand, with a negative impact on the tourist economy, because it will prevent the arrival of millions of tourists who have not made one of the vaccines authorized in Italy*".

However, as we can see in Figure 24, cases continued to increase even if the Government adopted those measures.

Although the RT index is high in the pre-Christmas week (266 cases per 100 thousand inhabitants<sup>94</sup>), with a prevalence of unvaccinated, hospitalizations in the hospital and in the ICU remain at levels not worrisome. This indicates the effectiveness of vaccines and the need for the whole population to be vaccinated.

With the Law Decree of 24 December n. 221, the state of emergency is extended until 31 March 2022, reduced the duration of the green pass from vaccination or healing, extended the obligation of outdoor masks throughout January 2022 and introduced the obligation of FFP2 for certain indoor places.

Another important novelty is the possibility of consumption at the counter in catering services only with the green pass strengthened (the same for gyms, swimming pools,

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<sup>93</sup> LAW DECREE 26 November 2021, n. 172

<sup>94</sup> National Update 21 December 2021 - Istituto Superiore di Sanità

museums, spas and game rooms), introduced by the Law Decree of 30 December n. 229 also for hotels, festivals, congresses, outdoor catering, ski facilities and means of transport.

On December 24, the closure of discotheques until January 31, 2022 is also planned, one of the sectors most affected by the closures. In fact, in 2020 disco were almost 5200, and at least a thousand closed.

In light of the fact that it was the only sector completely affected by the pandemic, according to estimates by silb-fipe<sup>95</sup> Milano, "only the closure of New Year's Eve estimated losses of 120 million euros, out of the 800 total that it produces in 12 months".

Despite this, the sector remains one of the least worrying for the Italian economy: in fact in the fourth quarter of 2021, despite the surge in cases towards the end of December (and the consequent cancellations, according to Fipe Confcommercio estimated at 25-30%, which only in lazio causes, according to Fiepet-Confesercenti, a loss of 22 million) and the mandatory nature of the green pass now extended to any sector (which on 17 December counts 77.67% of the population<sup>96</sup>) GDP marks a +0.6%<sup>97</sup>, above forecasts, while 2021 closes with +6.5% of GDP<sup>98</sup>, the highest growth since 1976.

Demand is also slowly picking up towards the pre-Covid-19 levels (Figure 25), and generally the whole economy.

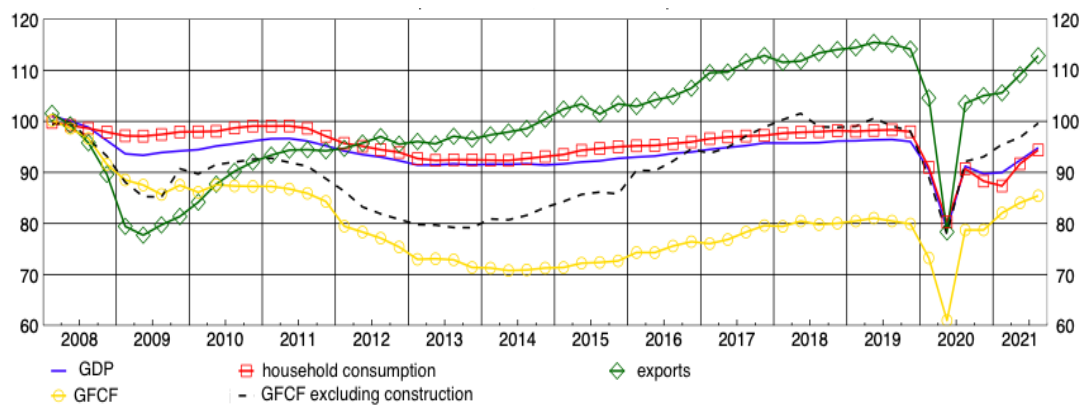


Figure 25

GDP and main components of demand

Italian Economy in brief - Dipartimento di economia e statistica - Banca d'Italia

Source: Istat

<sup>95</sup> Fipe, Federazione Italiana Pubblici Esercizi, is the leading association in the catering and entertainment sector, in which operate more than 297 thousand businesses including bars, restaurants, nightclubs, beach clubs and canteens

<sup>96</sup> National Update 21 December 2021 - Istituto Superiore di Sanità

<sup>97</sup> THE OUTLOOK FOR THE ITALIAN ECONOMY IN 2021-2022 - ISTAT

<sup>98</sup> THE OUTLOOK FOR THE ITALIAN ECONOMY IN 2021-2022 - ISTAT

Stable growth in gross domestic product is expected in 2022, with a particular contribution from demand and a reduction in inflationary pressures.

The recovery has been slowed down in recent months by the rise in prices (due to the return to consumption and normal life) especially of energy products.

In any case, in Italy there has been a widespread improvement, especially in services (trade, transport, accommodation, catering with a +8.6%<sup>99</sup>).

This expansion is also expected in 2022, with a +4.7% of GDP<sup>100</sup>.

We will see, with the absence of exogenous variables and with the expiration of the state of emergency, an account of the management of the pandemic and the future that is facing two years of economic and social collapse.

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<sup>99</sup> The outlook for the italian economy in 2021-2022 - ISTAT

<sup>100</sup> The outlook for the italian economy in 2021-2022 - ISTAT



#### 4: economic and management forecasts of endemic disease and conclusions

##### 4.1 The latest decrees and forecasts on the post-pandemic economy

2022 begins with the need to convince the remaining unvaccinated to provide, especially those with an age at risk. For this reason, the Government introduces the vaccine obligation until 15 June for Italian citizens and residents who have reached the 50th year of age, with the Law Decree 7 January n.1.

In the same way it extends the obligation to vaccinate the staff of universities and technical colleges. The green pass is now mandatory to access personal services, public offices, postal and banking services, and commercial activities except essential services (which will then be specified by the of 21 January, limiting the activities to those without green passes to the needs of justice, safety, health and pharmacies, food, optics and the like).

The need for green certification for any activity now excludes the remaining unvaccinated percentage of the population, which although small (20%<sup>101</sup>) is relevant for the economic recovery of a country in the collapse, especially for small businesses of non-essential goods.

The Sotegni-ter Decree, which leads to a refinancing of the fund for the support of closed economic activities (referred to in the Law Decree of 25 May 2021) "*amounting to 20 million euros for the year 2022 for activities that [...] are closed as a result of the prevention measures adopted by the Law Decree of 24 December 2021*"<sup>102</sup>.

The same decree provides for a fund for the relaunch of economic activities of retail "in order to contain the effects of prevention and containment" for 200 million euros in 2022.

Other funds are also being increased, such as for tourism and sport.

A novelty is the state aid for the containment of electricity costs, including reduction of charges, extraordinary contributions for energy-intensive enterprises, and the application of the PNRR to accelerate authorisations for renewable energy.

This will be one of the last (until now) of the state interventions for the containment and management of the health emergency, also because the state of emergency will no longer be extended.

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<sup>101</sup> eight the vaccination profile: 79.83% with primary vaccination cycle completed; 50.55% with third dose (c.d. booster) received. Data updated on 23 January 2022: The vaccine against COVID-19 in Italy in real time | Il Sole 24 ORE

<sup>102</sup> Law Decree 27 January 2022, n. 4

With the end of the state of emergency, of course, we cannot talk about the disappearance of covid and its consequences, but we can draw conclusions about the effects that a pandemic has had on the national economy and how it has been managed.

Since COVID-19 has not only affected Italy, we can say that the fall, being shared, was also less painful to deal with. The aid, both state and European Union, has ensured that the recovery was swift and adequate, so that the year after the outbreak of the pandemic saw a sustained growth.

In Italy, as we have seen, GDP grew by 6.5% in 2021<sup>103</sup>, and estimates for 2022 are more than 4 percentage points. Domestic demand will be decisive, but also the recovery of services such as trade, transport, accommodation and catering (which in 2021 marked a recovery of 71.2%<sup>104</sup>).

Despite forecasts, inflation (rising to 4.9% in 2022) *"is expected to remain high in the short term, but to decline over the year. Its rise mainly reflects the sharp increase in fuel, gas and electricity prices."*<sup>105</sup> This is because, returning to normal life, demand has increased. But this also leads to the return of the economy to full utilization of productive capacity, and therefore to *"improvements in the labor market should support faster wage growth"*<sup>106</sup>.

This obviously varies depending on the sector: while there are some that during the pandemic did not stop but even expanded, others still have to recover what was lost. In fact, according to the Purchasing Managers' Index (SME) we can speak of *"a two-speed recovery in the various sectors"*<sup>107</sup> (even if always a recovery), since we find weaker the *"manufacturing, while the service sector remained relatively vigorous, due to the gradual re-opening in the big economies."*<sup>108</sup>

In January 2022 *"GDP growth in Italy is estimated at 3.8 percent"*, and growth support would also derive *"from measures financed by the national budget and European funds, in particular those of the National Recovery and Resilience Plan (PNRR) [...] which would support economic activity by about 5 percentage points"*<sup>109</sup> over 4 years.

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<sup>103</sup> The outlook for the Italian economy in 2021-2022 - ISTAT

<sup>104</sup> The outlook for the Italian economy in 2021-2022 - ISTAT

<sup>105</sup> Economic Bulletin of the ECB, No. 8 - 2021 - Banca d'Italia

<sup>106</sup> Economic Bulletin of the ECB, No. 8 - 2021 - Banca d'Italia

<sup>107</sup> Economic Bulletin of the ECB, No. 8 - 2021 - Banca d'Italia

<sup>108</sup> Economic Bulletin of the ECB, No. 8 - 2021 - Banca d'Italia

<sup>109</sup> 2.10 THE OUTLOOK Projections for the Italian economy - Banca d'Italia

Important would also be the demand, with the resumption of consumption, which, however, is curbed both by inflation (which makes prices rise by 3.5%, but which should fall to 1.6% the following year<sup>110</sup>, Figure 26) and by the expensive energy (eased to encourage demand through various Government measures).

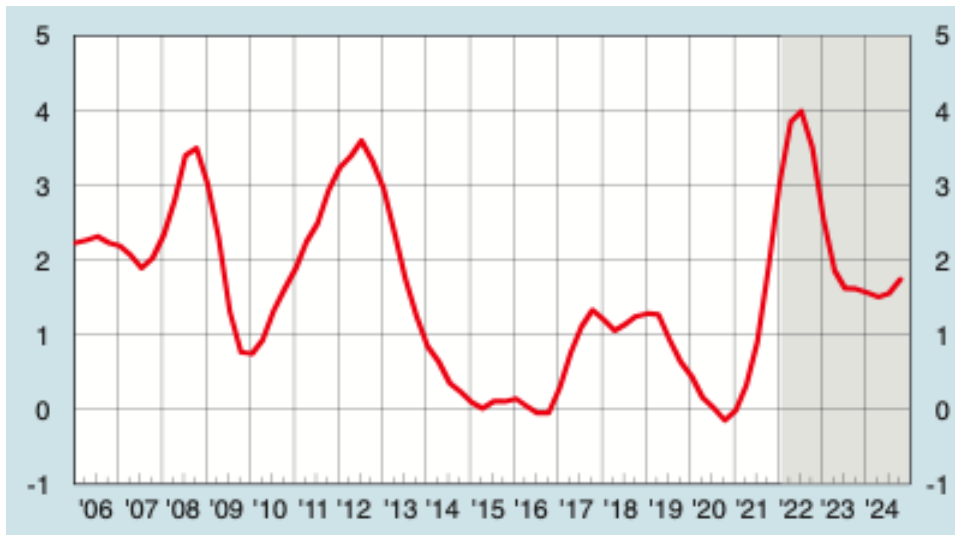


Figure 26  
Consumer inflation  
(quarterly data) -  
Source:  
Banca d'Italia  
e Istat

Demand is, of course, conditioned by business confidence and economic performance, which is still uncertain because it is not completely out of the pandemic and predisposes households to savings.

The economic recovery, therefore, could suffer a slowdown due to fear and therefore to the trend towards household savings, given the fear of a relapse into new restrictive measures or a post-pandemic crisis. Therefore, the Government should not stop intervening in support of the recovery, despite the end of the state of emergency, on the contrary, the subsequent period is even crucial to get the country back on track. Resources should be distributed throughout the period of return to normality and adapted to the needs that arise and will arise.

Another important factor is the awareness that there is no risk of going back, and that the measures taken previously (especially the more restrictive ones) were linked to an uncertain and highly deadly disease, not supported by the then known health system, which has emerged from the pandemic fortified, but also to an unforeseen situation and never faced by modern economies.

<sup>110</sup> 2.10 The outlook of projections for the Italian economy - Banca d'Italia

The uncertainty is great: the reaction of the markets, the recovery of businesses and a normal life. It is not even known how long the price of the restrictive measures will be paid, but it was a situation that involved everyone, no one excluded, and only a few have come out on top, reinforcing mutual support and shared help that will lead to a gradual recovery of all economies.

#### 4.2 A closer look at the Italian territories: the difference between restrictive measures and health crisis

It's obvious how the health crisis has affected some territories more than others (which in 2020 recorded a decrease in life expectancy in the most affected territories, then in Northern Italy, by at least 1.2 years, and among the most subjected provinces up to 4.5 years<sup>111</sup>), and this has also had an effect on other factors of life (including employment, which in the North declined more in 2020 than in the rest of the country, despite the fact that there is still a very high disadvantage of the Mezzogiorno, with an employment difference of 23.5%<sup>112</sup>).

We cannot therefore speak of a real levelling between North and South (whose disparity is well known), but a further underlining.

According to an OECD study, in the report "Regions and cities at a glance 2020", which studied the mortality rates in a country, the highest concentration and mortality in the North is also due to the health status of citizens, in direct correlation with the air breathed (among the worst in Europe is the Po Valley). The study also takes this into account and reports exactly what has been reported (Figure 27).

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<sup>111</sup> Oecd Regions And Cities In A Nutshell - Note By Country - Italy

<sup>112</sup> Oecd Regions And Cities In A Nutshell - Note By Country - Italy

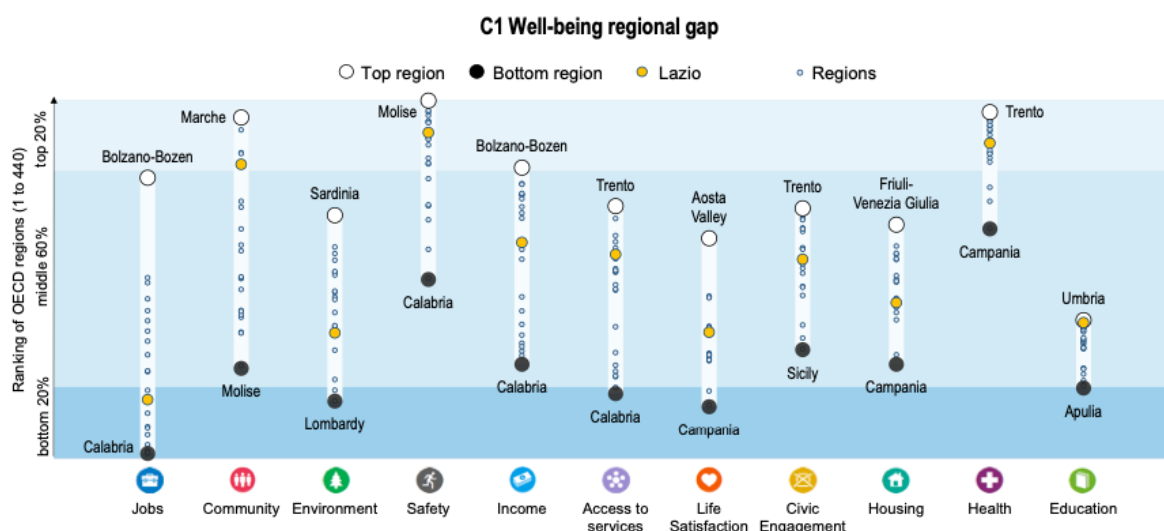


Figure 27 – Source: Oecd regions and cities in a nutshell - note by country - Italy

Economically speaking, the restrictive measures first affected the regions of the North, primarily impacting the economy, which has in fact recorded a decrease in turnover of at least "10% in the two months of March-April 2020 compared to the two months of March-April 2019 were 71.7% in the North-West, 68.2% in the North-East, 69.4% in the Center compared to the lowest percentage found in the South (64.4%)." <sup>113</sup>

Despite this, it should be noted that the North has recovered more quickly, as the center, to the South, which records a higher percentage of ceased businesses (3.8% South and 2% North) <sup>114</sup>, emphasizing the gap between the two territories (also due to the living conditions reported by the OECD study and the digital divide, demonstrating that in the South companies with a low or very low level of digitalization exceeds the 80%) <sup>115</sup>.

It is no coincidence that the Next Generation EU investment plan provides for inclusion and cohesion measures specifically aimed at redistributing wealth between territories (such as the digitalisation of the South).

It is also obvious how the health crisis has slowly been homogenizing throughout the territory, and the main differences in treatment had mainly characterized the first period, the most uncertain and sudden.

If we go to analyze the fragility of the enterprises, we notice an ulterior dichotomy between North and South, where obviously in the second the enterprises are exposed to a greater risk.

<sup>113</sup> The pandemic crisis in Italy and the effects on the North-South gap - Luiss Open - Valentina Meliciani

<sup>114</sup> The pandemic crisis in Italy and the effects on the North-South gap - Luiss Open - Valentina Meliciani

<sup>115</sup> The pandemic crisis in Italy and the effects on the North-South gap - Luiss Open - Valentina Meliciani

The greatest fragility is found in Sardinia (69.2%) and Sicily (43.7%)<sup>116</sup>. It is however necessary to specify that *"the vulnerability of a territory depends both on the degree of diffusion of the sectors most affected by the crisis, and on the degree of specialization of the local economy in these activities"*<sup>117</sup>.

It is therefore surprising how much this gap has affected regional realities: despite *"the decline in the quarterly indicator of the regional economy has been more marked in the North, consistent with the early onset of the pandemic in that geographical area"*<sup>118</sup>, this is the area that has recovered faster, also due to various characteristics reported in Figure 27.

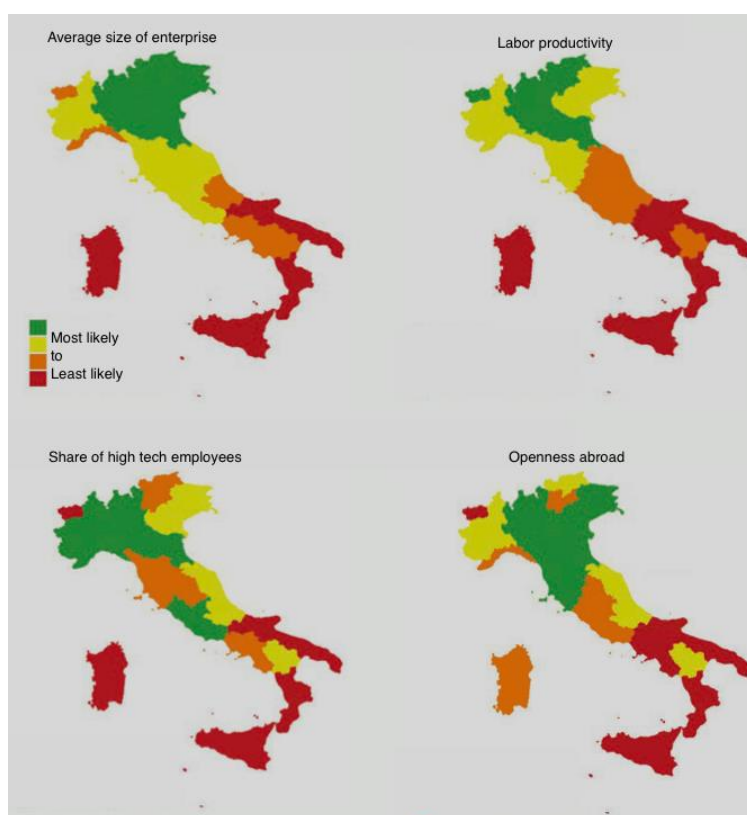


Figure 27  
Structural indicators 2018  
Source: 4. THE Territorial Effects Of The Economic Crisis –  
Source: ISTAT

The recovery will be more difficult for the Mezzogiorno, but it has nevertheless been able to see a sort of equalization during the biennium COVID-19: the recovery in the summer has meant that it was expected the recovery of the most tourist territories, and also the weakening of the foreign demand has hit more the North (being more involved in the globalization, as from figure 27, regarding the South).

<sup>116</sup> 4. The Territorial Effects Of The Economic Crisis - ISTAT

<sup>117</sup> 4. The Territorial Effects Of The Economic Crisis - ISTAT

<sup>118</sup> 4. The Territorial Effects Of The Economic Crisis - ISTAT

The forecasts for 2022, with the recovery concentrated on NGEU investments more concentrated, as we know, for the Mezzogiorno, and the energy crisis more important for Northern companies, see a stabilization of GDP (Figure 28), as opposed to 2021, which saw industrial and manufacturing growth, a type of enterprise characteristic of the North.

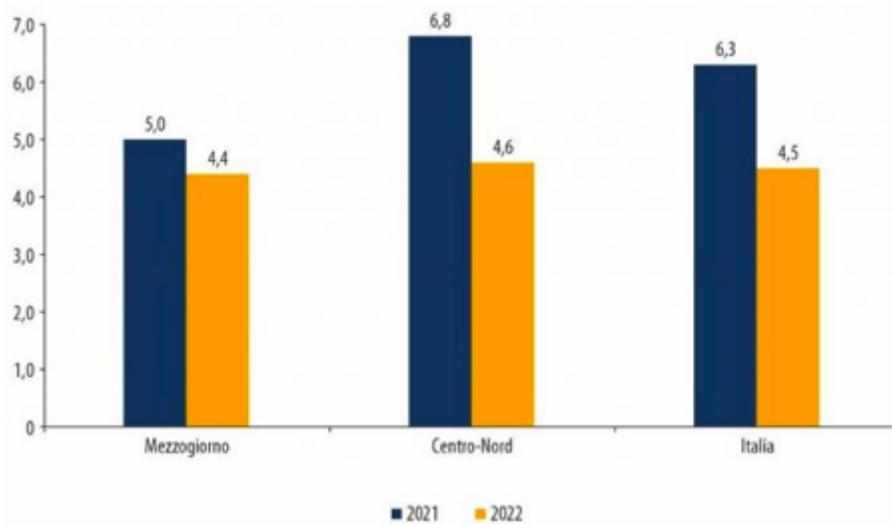


Figure 28  
GDP 2021-2022  
(Var. %) -  
Source:  
Confindustria  
and SRM  
calculations

This could be the start of a possible convergence between the two macro-areas, if investments are redistributed well.

As we can see, Regional inequality has had a major impact on both the consequences of the epidemic and on economic recovery across the territory, although the measures have been differentiated and sometimes stricter in the North. Although the latter have sometimes been excessive and with many gaps, due to the exceptional nature of the situation, they have proved fundamental for the protection of the health of the population and of the health system, which has emerged fortified without territorial distinctions, but also very severe in some cases, leading to protests and serious problems for some types of businesses (those most affected, catering, dance halls, in the field of sport, to name a few examples).

Since COVID-19 affected the entire globe, the reaction was common and the consequences homogeneous, thus not leading to too high a disparity, also in economic terms, but rather to a common need to face one of the most serious crises since the Second World War all together.

We can, however, conclude by saying that with today's awareness, both of the epidemic itself and of the economic and social consequences, the measures, at least in the first period, would certainly have been different.





## Conclusions

As we have seen, the outbreak of the epidemic has caught us unprepared. We were the first country in the European Union to manage what would later become a global crisis, not only health, but as we have seen, also economic.

The measures have often been excessive, due to uncertainty and ignorance about this deadly new disease, which has often led to excessive restrictions and has led to the weakening of a slow recovery of the system.

However, strong in the fact that we were not alone, and many other states, and even entire nations, have participated in the legislation of the pandemic, the post-pandemic crisis has been and will be mitigated by the collapse and the common help.

In the first year of the pandemic the world economy suffered a sudden shock, bringing the whole globe (more or less) on the same level, especially for Italy, the first European country to legislate the epidemic and to impose lockdown on imitation of China, where the outbreak began.

The economic recovery in the biennium of COVID-19 has followed the waves of infections: a great recovery in the less contagious periods of the year, and a more contained one during the winter, but always gradual.

In the second year of the pandemic the recovery was excellent and above expectations, as well as the advance of the vaccination campaign that determined the whole subsequent period, sometimes isolating citizens with the same rights as others with the fear of falling back into past mistakes, such as in August 2020, excited to have resumed normal life.

The provisional nature of the measures has not, however, prevented social and economic problems (such as the exclusion of 20% of the population with the reinforced green pass) from arising, which, medically speaking, have saved public expenditure, but have foreseen losses for economic years.

Government intervention remains crucial in restoring normality, both for individuals and businesses, even in the aftermath of the pandemic, as much as during it.

The pandemic has also highlighted the country's regional differences, including its resilience, which is more marked in the most affected territories because of its greater resources. In any case, thanks to the funds for the South of the European funds allocated to recover what was lost during the epidemic and a more homogenized recovery, also the famous gap between the North and the South of the country can be leveled, seeing in the pandemic by COVID-19 an opportunity for growth for the whole of Italy.



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