

Economics

As Italians Wait for Cash, Banks and Government Blame Each Other

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- ▶ Finance minister says bank bureaucracy is slowing delivery
 - ▶ Government aid slow to arrive for struggling borrowers
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Italian businesses struggling to survive the coronavirus crisis need cash now. What they're getting instead is finger-pointing as the government and banks blame each other for the slow delivery of desperately needed economic relief.

Two months after the government promised to unlock as much as 740 billion euros (\$800 billion) to mitigate the economic damage, just a fraction of that sum has been received by firms and families. Of some 300,000 companies that asked for emergency unemployment benefits for their workers, less than one in ten has received them. Just six larger companies had been granted a state-backed loan as of May 12, according to the Bank of Italy.

Deputy Finance Minister Antonio Misiani is leading the criticism of the country's banks, which are the main vehicle to deliver the government-backed support. He said some lenders are "unacceptably slow" due to too much bureaucracy and need to do more to get cash to borrowers more quickly.

"There are banks that provide loans in 72 hours, others that, because of their internal processes and multiple checks, take much longer," Misiani told Radio24 on Monday. "Is this a fault of the legislator? Taking responsibility is a duty for everyone."

Slow Relief

Italy has freed up EU740b for the economy but its deployment is complex

Date	Amount	Measure
March 17	EU220b	Moratorium on loans
—	EU100b	Guarantees through SME fund
—	EU20b	DTA conversions, other guarantees
April 8	EU200b	Additional loan guarantees for domestic firms, including via SME fund
—	EU200b	Loan guarantees for exports

Source: Finance Ministry, Bloomberg

Banks Blame Rules

The Italian Banking Association has pushed back, saying the rules are too complicated and urging the government “to evaluate legal and technology changes to simplify, speed up and make more efficient the measures to spur liquidity.”

Lenders have requested state backing for some 155,000 loans worth over 7.8 billion euros, the finance ministry said on May 12.

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[Intesa Sanpaolo SpA](#), Italy’s biggest bank by market value, has initiated procedures for suspending payments on loans and mortgages, and committed as much as 50 billion euros in new credit lines for companies and families, Chief Executive Officer Carlo Messina said earlier this month.

“The government is trying to fend off criticism by shifting the blame to banks,” said Fabrizio Bernardi, an analyst at Fidentiis Equities. “There is a certain degree of confusion regarding the way the liquidity is granted, with bureaucracy being the main issue. That said, smaller banks historically have lower efficiency and it’s likely that they are taking more time to deal with client requests.”

Money Maker

Some bank workers tell a different story, according to Lando Maria Sileoni, secretary general of bank employees union Fabi.

“Some banks believe they can make a little money” from the 25,000-euro state-backed loans that the government introduced, Sileoni said on Rai 1 radio, according to news agency Ansa. “Externally, they say one thing, while internally they give indications of going in the opposite direction.”

Prime Minister Giuseppe Conte, who asked lenders for “an act of love” in getting money to firms quickly, conceded that there have been shortcomings. On May 1 he apologized to Italians for bureaucratic delays of pledged assistance to workers and small businesses adding that new measures in the pipeline and will be “stronger, faster, more direct.”

Two weeks later, Italians are still waiting for those measures, as a new stimulus package promised for early April is still being discussed by coalition parties.

Italy High Frequency Data Dashboard

Italy																	
		31-Jan	07-Feb	14-Feb	21-Feb	28-Feb	06-Mar	13-Mar	20-Mar	27-Mar	03-Apr	10-Apr	17-Apr	24-Apr	01-May	08-May	
Virus	New Covid-19 Cases ¹	0	1	0	14	871	3,748	13,024	29,361	39,477	33,329	27,750	24,857	20,560	14,434	9,757	
	Lockdown Index ²	19.4	19.4	19.4	27.4	64.4	70.8	87.4	93.3	93.3	93.3	90.6	94.6	94.6	94.6	94.6	
Real Economy	Job Postings ³		0	0	-6	-7	-7	-10	-14	-23	-31	-36	-36	-39	-38		
	Public Transport Usage ⁴	0.3	-3.5	-0.1	2.2	0.1	-12.6	-51.9	-85.7	-89.3	-89.5	-88.9	-89	-87.7	-86.2	-79.1	
	Congestion Index ⁵	67	63	70	69	60	49	16	14	16	15	16	16	16	16	21	
	Electricity Demand ⁶	2.6	1.8	1.7	-0.3	-0.6	0.0	-6.8	-19.1	-28.9	-30.3	-27.9	-25.0	-21.2	-20.8		
Financial Markets	Italy/Germany 10Y Yield Spread ⁷	136.9	132.9	132.2	134.2	170.9	178.3	232.9	195.2	180.0	199.2	193.8	226.5	231.2	234.9	238.2	
	Italy 5Y Credit Default Swap ⁸	106.2	97.7	97.8	99.2	151.3	163.5	232.7	185.6	157.8	190.3	192.6	240.4	234.7	221.5	237.1	

Notes: 1. Weekly new Covid-19 cases, compiled by Bloomberg News and Johns Hopkins. 2. Oxford Covid-19 Government Response Tracker, zero to 100 scale {CGRTSITA Index<GO>}. 3. New job postings on Indeed.com (%YoY). 4. Public transport use in Rome (%YoY) from Moovit App Global Ltd, https://moovitapp.com/insights/en/Moovit-Insights-Public-Transit-Index-countries. 5. Rome peak traffic index from location technology company TomTom. 6. Weekly electricity demand relative to weather and calendar adjusted forecast using data from ENTSO-E, % difference. 7. Italy/Germany 10Y Bond Yield Spread (bps) from Bloomberg. 8. Italy 5Y Credit Default Swap Rate (bps) from CMAQ, Bloomberg.

(Updates with Finance Ministry data on requests for state support)