



The Stock Exchange during 2001

The year 2001 was a year of pronounced economic slowdown: the world output halved its annual growth rates, from +4.7% in 2000 to +2.4% in 2001, while world trade recorded a moderate improvement of 1.0%, compared to the previous year's +12.4%. After almost a decade of virtuous growth, the United States experienced a downturn in the business cycle which, while at the beginning of the year it could have been considered a soft landing, later proved to be more severe following the terrorist attacks on September 11th. The lowering pace was set above all by company investment demand, revealing a situation of over-investment during the two-year period 1999-2000 when the exceptional upswings in productivity and favourable trend in share prices gave rise to extremely positive growth forecasts and brought down the cost of capital. In this contest, the United States adopted a clearly expansive economic policy, quickly and significantly reacting to events that were promising to become more and more critical. The Federal Reserve - with eleven consecutive interventions - cut the reference interest rates by 4.75 percentage points (from 6.50% to 1.75%), while fiscal policy was supported by a substantial public spending plan. The USA's GDP increased by 1.2% in 2001 (4.1% in 2000).

In 2001, in the wake of the slowdown in the US economy, the growth in the Euroland economy reached 1.5% (+3.4% in 2000)

The European economy, which at the beginning of 2001 had seemed capable of surpassing the trends in the United States, was however soon affected by the falloff in international demand that failed to be replaced by an independent internal demand. The monetary policy of the European Central Bank (ECB) showed little inclination to intervene, cutting the reference interest rate (REFI) by just 150 basis points (from 4.75% to 3.25%). At the same time, the fiscal policies of the EMU member Countries reflected the restrictions imposed by observance of the Stability Pact. The growth rate of the Euroland domestic product fell to 1.5%, from +3.4% in 2000. Of the Countries, it was Germany where the repercussions of the recession were felt most strongly (GDP increased by +0.7% instead of +3.0% in 2000). Italy remained in keeping with the international trend; the growth in domestic product of 1.8%, although below the 2.9% of 2000, closes the growth gap with respect to the average for the European partners. This was supported by the construction (+4.5%) and the service (+2.5%) sectors, while the industrial sector recorded a modest +0.5%. For the sixth consecutive year total occupation has increased (+1.6%) especially for subordinate employment (+2.1%; +0.3% for self-employment).

At the end of 2001, the first signs of an upturn in the US cycle began to show themselves. The United States economy must however still allow for imbalances that could hinder recovery; the private sector continues to be heavily in debt, as regards both households and

companies, and the recovery of the balance of payments deficit is not helped by a dollar that, even during this phase of economic slowdown, is still a strong currency and continues to play the role of shelter currency at world level. In Europe the new year was celebrated with the changeover to the single currency in twelve Euroland Countries. However, the debate is still open with regard to many issues such as the timing and procedures for extending European Union to new member States, the necessity for a greater incisiveness of the European role within the international context, the need for joint policies to reduce the structural restrictions on growth which also in 2001 continued to hold back the European economy.

Within this situation, all the international financial markets suffered and recorded negative performances, at least as far as equities are concerned.

The Stock Exchange indices closed the year on much lower levels compared to the end of 2000: Nyse -12.1%, Nasdaq -19.6%, Great Britain -15.8%, France -22.0%, Germany -19.8%, Italy -25.1%, Japan -23.5%. The 2001 year-end aggregate data were the result of an erratic

The rally during the last quarter was not enough and all stock indices closed 2001 with significant adjustments with respect to 2000 year-end; better the “old economy” than the technological indices and the US indices compared to the European markets

market performance during the year. The beginning of 2001, with consecutive reports concerning the worsening of the US business cycle, had been characterised by a sudden adjustment of share prices which had then stabilised during the central months owing to the price-control action implemented by the Federal Reserve. A further drop in prices, and simultaneous closure of US Exchanges, came after the terrorist attacks of September 11th; following the lows reached on September 21th, there was a period of sharp jumps in share prices and high volatility and at the end of 2001 the main markets closed having recovered from September, although remaining well below the levels for the end of 2000. As evidence of the high level of correlation between the trends of the European and US markets, the falloff in share prices and the timing of the fluctuations were generalised and synchronous on the leading stock markets of the two continents. On average, however, the European stock exchanges were more decided in their adjustment compared to the American markets while, from a sector standpoint, the indices of the “old economy” resisted better than the same of the “new economy” (Nuovo Mercato -45.6%, Nouveau Marché -62.7%, Neuer Markt -60.2%).

As regards the indices of the Borsa Italiana markets, the MIB general index closed the year at 22,232, down by 25.1% with respect to the end of 2000, having recovered 30.7% compared to the year’s low of September 21st. The NUMEX index of the Nuovo Mercato at year-end reached the level of 2,633 index points (-45.7% compared to 2000 close). The MIB STAR index, which reflects the performances of the STAR segment securities, limited the losses to -9.1%, showing a better trend compared to the general index. Volatility levels for the MIB index of the Stock Exchange’s Mercato Telematico Azionario (Electronic Share Market) rose to 21.9%, from 19.3% in 2000, above all in relation to the acceleration in the month of September, while price trends during the early part of the year had been more stable trends. On the other hand, the average level of volatility was down as regards the Numex, 44.3% from 68.2% in 2000, and the MIB STAR index showed a 16.2% volatility on an annual basis, settling



at levels below the MIB index. In the breakdown by sector, only the Industrial macro-sector recorded better performances with respect to the MIB index (-15.0% compared to -25.1%), although with very differentiated situations: the Minerals-Metals-Petroleum sector was the only one to maintain the previous year's levels, recording a small positive performance (+0.8%); on the other hand, there was a net drop as regards the following sectors: Chemicals (-37.8%), Auto (-30.6%), Paper (-29.7%) and Electronics (-32.6%); results for the remaining Industrial sectors were negative, but more contained with respect to the MIB. The Services and Financials macro sectors experienced trends worse than the general index, -26.0% and -28.9% respectively.

In 2001 Borsa Italiana knew diversified performances: all-time highs were achieved in terms of turnover on the IDEM and of new admissions on the Covered Warrants Market, while it suffered because of the stock market, despite confirming its fourth position for capitalisation and turnover after London, Paris and Frankfurt.

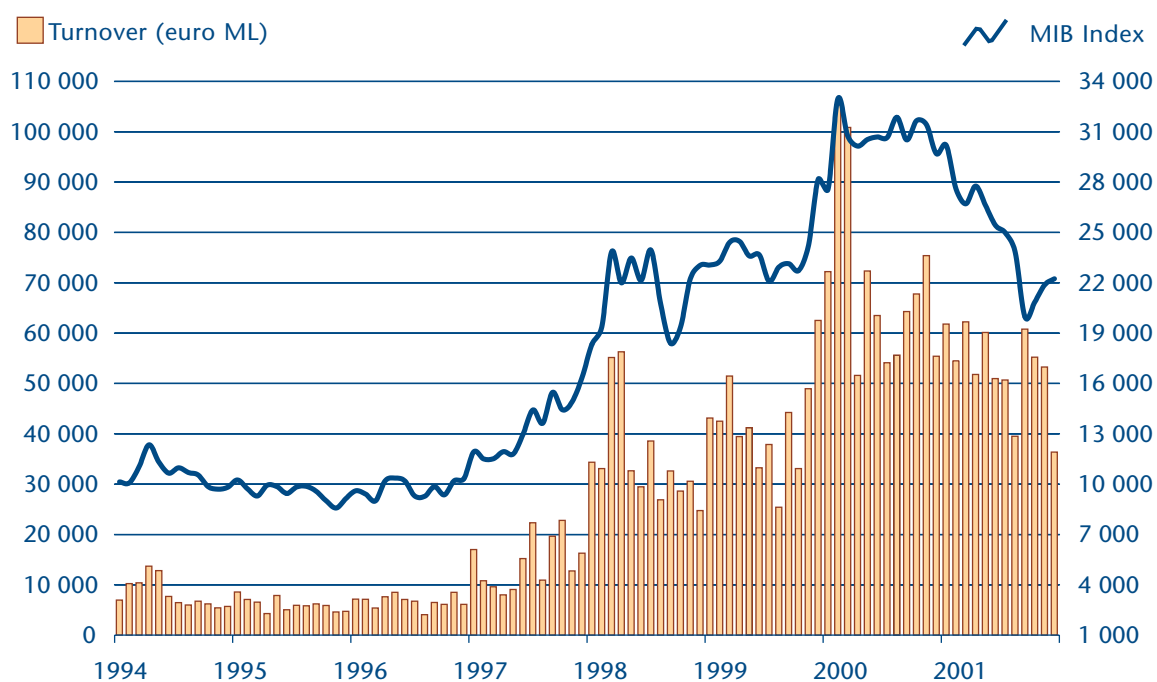
- At the end of 2001, overall capitalisation of the listed domestic companies amounted to 592.3 billion euro (818.4 at the end of 2000, 726.6 at the end of 1999 and 458.2 at the end of 1998), equal to 48.7% of GDP (below the level of 70.3% at 2000 year-end but still above the 45.2% of 1998). 97.1% of capitalisation came from the Stock Exchange (575.0 billion euro), 2.1% from the Nuovo Mercato (12.5 billion euro) and 0.8% from the Mercato Ristretto (4.9 billion euro). The distribution of Stock Exchange capitalisation by sector showed the predominance of the Financials macro-sector (38.9%), followed closely by Services (38.5%) and by Industrials (22.6%).
- Through the electronic system, during the daily market, 42.9 million trades were executed (-26.0% with respect to 2000) for a total turnover of 652.9 billion euro (-24.6%). As regards the Stock Exchange (chart 1), after a gradual slowdown in the earlier part of the year, during the September-November period the level of activity picked up: September was the most liquid month with 203,000 average daily trades and 3.0 billion euro in turnover. Nuovo Mercato on the other hand, has recorded average daily trading of 27,000 contracts and 76.7 million euro in turnover (respectively down by 8.3% and 33.1% with respect to the average figure for 2000). The most liquid month for the Nuovo Mercato was January, with 58,500 contracts and a turnover of 190.4 million euro.
- The Covered Warrants Market, during the daytime phase, recorded a total of 6 million trades (-22.0% from 2000) amounting to a turnover of 20.0 billion euro (-34.1%). The daily average amounted to 24,000 trades and 79.3 million euro in turnover. However, the Covered Warrants Market experienced a definite growth trend in terms of instruments listed: after a record number of 7,420 listed instruments achieved at the end of August (prior to the seasonal flow of delistings), at the end of 2001, following 8,194 admissions and 5,435 delistings, the number of covered warrants listed amounted to 5,866.
- Activity as regards the After Hours Market was much more intense than in 2000. The average daily number of contracts was up by 36.0%, from 5,781 to 7,865 (3,069 for the shares of the Stock Exchange, 2,376 for those of the Nuovo Mercato and 2,401 for the

Borsa Italiana closed 2001 with record results as regards derivatives instruments and covered warrants and, despite the slump that has hit the stock markets and thanks also to the 18 new companies listed, it has maintained its fourth position for capitalisation on the list of European Stock Exchanges

covered warrants). The 4.3% drop in turnover, from a daily average of 25.5 million euro to 24.4, is attributable to the negative trend in share prices.

- In fixed-income markets there was a strong upswing in activity on the EuroMOT: turnover increased from 245 to 964 million euro, due largely to an acceleration in the months of November and December. On the other hand, there was a falloff in turnover on Government securities (daily average down by 10.5%, from 558.6 to 500.1 million euro) and bonds (-16.5%, i.e. from daily average of 47.6 million euro to 39.7 million euro).
- 2001 was a record year for IDEM, with 17.1 million standard contracts (+28.1% compared to 2000) achieved above all owing to the good performances of the miniFIB and stock options. In particular, the miniFIB, launched on 3 July 2000, showed a rapid growth trend achieving on average 5,600 standard contracts per day (+96.9%). Stock options reached 48.8% of total contracts traded on the Italian derivatives market and the number of average daily contracts, at quota 33,000, was up by 43.0%.
- At the end of 2001 there were 294 companies listed: 237 on the Stock Exchange, 45 on the Nuovo Mercato and 12 on the Mercato Ristretto. There were 18 new admissions (13 on the Stock Exchange and 5 on the Nuovo Mercato). Delistings during the year were 21, giving rise to the marginal reduction in the overall number of companies listed compared to 297 at the end of 2000. April saw the launch of the STAR segment, which has been created specially for small and medium companies, with the participation of 37 companies, including 4 newly listed.
- In the course of 2001, through the Borsa Italiana stock markets, Italian companies raised 14.6 billion euro. There were twenty placement operations, as a result of which a total 7.0 billion euro was raised, of which 6.9 billion was on the Stock Exchange and 0.1 billion on the Nuovo Mercato. The percentage acquired by retail investors amounted to 17.5%,

CHART 1 - PERFORMANCE OF THE EQUITY MARKET - MONTHLY DATA





82.2% was subscribed by domestic and foreign institutional investors and 0.3% was reserved for employees and other parties. An important part of the capital raised during admission flowed directly to the companies: 56.6% on average for the Stock Exchange reaching up to 95.0% for the Nuovo Mercato. The remainder went to the shareholders who had sold their interests. There were 18 capital increase operations, raising a total of 7.6 billion euro, double the figure for 2000. Twenty public take-over bids were carried out during the year, returning to the market 5.9 billion euro.