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The Sicilian economy: actual situation and future prospects.

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Introduction

Why a thesis on Sicily?

In October 1943, Enrico La Loggia published one of his most important works with the significant title "Ricostruire" ("Reconstruct"). In that title, much of the aspirations, desires, and hopes of many Sicilians were summarized. Around it, visions, consensus, and conflicts of a significant part of the political and entrepreneurial class in the region moved for at least the subsequent three decades. During these thirty years, while the goal of reconstruction

and overcoming the social and economic backwardness of Sicily remained, the recipes, answers, and solutions offered were complex and diversified. A title that, after those thirty years and eighty years later, still seems incredibly relevant—a situation that alone suggests an answer to some fundamental questions: social and economic encrustations, bureaucratic delays, malpractices, and the political and civil degeneration of Sicily, today, as in the past, have not found an adequate solution.

It is stimulating to analyze many contrasting and somewhat incomprehensible aspects. On one side, a beautiful land, potentially endowed with all the main riches that nature and history can bestow upon a territory: sea, sun, mountains, fishing, agriculture, historical and archaeological heritage, oil fields, an extremely favorable position for sun and wind, a powerful reservoir of geothermal energy—resources that, in many cases, constitute a national primacy. However, each of these enormous potentials has, for a long time, failed to be exploited, unable to generate the desired process of sustainable development for this region, create an economy that can determine real social well-being, and ensure lasting and satisfying employment. This is due to structural, infrastructural, cultural, and political gaps that, like a constant hatchet, annihilate the efforts and sacrifices of a hardworking people.

This is why I chose this thesis, intended for those interested in the history of Sicily, those who want to understand more and have wondered at least once why such a beautiful land is not fully utilized, and those who have thought at least once that *“if things were done differently it would be a whole different story”*. I speak of Sicily because it saddens me to see many young people like me leaving their homeland due to a lack of prospects, aspirations, or employment—a departure marked by very high numbers that until a few years ago seemed almost normal, an obligatory stage of the educational or professional path, in some cases as an attempt to offer one's education contributing to a healthy development of regional activities, despite the numerous difficulties encountered in all productive sectors, especially logistics.

Leonardo Sciascia, speaking of Sicily, writes: *“My land, my Sicily, has no rivers, and from the sea, it is distant as if it were in the center of a continent”*. A phrase as current as ever when we think of a region devoid of true highways, true railways, and true commercial ports. These factors strongly penalize the entire Sicilian economy and must be resolved quickly.

The thesis, providing reference data from official statistics, offers a framework for interpreting the main socio-economic transformations of the island. Therefore, it was decided to structure the thesis into two main sections:

- An initial historical introduction that also provides interesting insights to understand the productive fabric of the island and the contradictions that have always seemed to run through it. Special attention is paid to the period from the unification of Italy to the 1980s.
- A second part that includes a more detailed analysis of some key economic indicators to understand the macro-trends that have influenced the island's development in the last 30 years, comparing it to the rest of Italy and some Italian regions. Each paragraph describes changes in the analyzed economic variables, and in some, attention is shifted 'beyond census data' to provide elements of reflection (although partial and not exhaustive) to complement the information produced by censuses with the dynamics studied by other sources (economic accounts, balances, official ISTAT data, articles, etc.).

With the hope that, by knowing the strengths and weaknesses, we can contribute to restoring dignity and prosperity to this land.

The Geography of Sicily



Figure 1 – Topographic map of Sicily.

Sicily, with an area of approximately 25,700 square kilometers, is the largest island in the Mediterranean sea, and together with the smaller islands of Ustica, Pantelleria, and the archipelagos of the Aeolian, Egadi, and Pelagie, it constitutes the Italian region with the largest dimensions. Geographically positioned off the southern extremity of the Italian peninsula, it is separated from Calabria by the Strait of Messina, which is just 3 km wide. Thanks to its central position in the Mediterranean (3 kilometers from the European continent and 130 kilometers from the African coast), it has played a fundamental role in shaping the history and culture of the Mediterranean, serving as a crossroads for many civilizations over the millennia (50% of the national cataloged cultural heritage falls within the regional territory).

The island of Sicily is roughly triangular and is bordered by three seas: the Tyrrhenian Sea to the north, the Mediterranean Sea to the south, and the Ionian Sea to the east. Its coastline,

extending over 1,400 kilometers, features a diverse array of geographical formations, including extensive sandy beaches, small bays, and imposing limestone cliffs.

Often described as a '*miniature continent*,' Sicily is well-known for its geographical and landscape diversity. Its topography is the culmination of intense geological activities that have occurred over millennia, encompassing volcanic eruptions, earthquakes, and erosive processes, all of which have uniquely sculpted its landscape. This diversity is also mirrored in the island's biodiversity. Sicilian parks and nature reserves are home to a wide range of flora and fauna, some of which are endemic to the island. Notable examples include the Nebrodi Park and the Zingaro Nature Reserve, which preserve nearly untouched ecosystems.

In addition to the main island, Sicily encompasses several smaller islands and islets. To the north lie the Aeolian Islands, with the renowned Stromboli and Vulcano, famous for their volcanic activity. To the northwest, the Egadi Islands feature the crystal-clear waters of Favignana. To the southwest, the Pelagie Islands include Lampedusa and Linosa, closer to Africa than to Italy. Finally, to the southeast, the volcanic islands of Pantelleria and Ustica. Owing to its latitude, between 36° and 38° degrees north, Sicily benefits from high levels of solar radiation. The sun's rays strike the island at an optimal angle, contributing to its warm and sunny climate, particularly conducive to the cultivation of citrus fruits, olives, and grapes.

Sicily is characterized by a typical Mediterranean climate: mild and humid winters, and hot, dry summers. The average annual temperature hovers around 18°C, but varies depending on altitude and proximity to the sea.

Despite its iconic image as a maritime island, the interior landscape of Sicily is a mosaic of mountains, hills, and valleys: it is predominantly hilly, covering about 62% of the territory, while 24% is mountainous, and the remaining 14% is flat (with the Catania plain being the most extensive). Mount Etna, towering at 3,357 meters, dominates the eastern horizon and is the tallest and most active volcano in Europe. However, the main mountain range in Sicily is the Sicilian Apennines, a subdivision of the Southern Apennines separated from the rest of the peninsula by the Strait of Messina. This range includes the Peloritani, Nebrodi, Iblei, and Madonie mountains, with peaks reaching nearly 2,000 meters.

Sicilian rivers are generally short and of limited flow, often torrential in nature. The only watercourses of significant size are the Imera Meridionale, the island's longest river, and the Simeto, with the largest hydrographic basin, crucial for industrial and civil uses.

As for natural lakes, Sicily is largely lacking in them, with the exception of Lake Pergusa, which is of paleo volcanic origin. This scarcity is also due to the draining of the Natural Lake of Lentini occurred around the 1930, that was reconstructed as a reservoir for agricultural and industrial water use with funding from the Fund for the south (*“Cassa per il mezzogiorno”*).

Sicily is also renowned for its salt pans, particularly those in Trapani and Marsala, where salt is still extracted using traditional methods, creating picturesque landscapes with windmills and salt mountains.

Lastly, discussing Sicily's geography is incomplete without mentioning its geothermal wealth. Due to volcanic activity, the island is home to numerous thermal springs, which have been exploited since antiquity for their healing properties, such as the thermal baths of Vulcano, Segestane, and the volcanic ones in Sciacca.

A Brief History of Sicily

The history of the Island has been influenced both by its indigenous inhabitants (the Sicani and Siculi) and by the many peoples and ethnic groups that have passed through its territory over the centuries. The earliest settlements date back to between the end of the Copper Age and the beginning of the Bronze Age (2200-1900 BC). Subsequently, in prehistoric times, the Sicani were joined by the Elymians, and soon after by the Phoenicians, who established various depots across the Island for the storage and sale of goods, making Sicily well-known and desirable due to the prosperous trade throughout the Mediterranean basin. Palermo, the current Sicilian capital, was founded as a port city by the Phoenicians around 734 BC.

Then came the Carthaginians, but Sicily experienced its greatest period of splendor following the colonization by the Greeks, which began in the middle of the 8th century BC and lasted for nearly five hundred years. It was during this period that Syracuse, Naxos, Akragas, Catania, Gela, Segesta, and many other cities were founded, and in each of them, works and monuments were created that today attract tourists from all over the world.

Sicily became a major center of Greek culture, influencing all sectors. This is exemplified by figures such as Archimedes, Charondas, Empedocles, Epicharmus, Gorgias, Sophron, and many others. However, even more remarkable was the splendid artistic flourishing, which between the end of the 7th century and the beginning of the 8th century saw the rise of the ancient theaters of Syracuse and Taormina, the temples of Agrigento, Syracuse, and Segesta, now declared World Heritage Sites.

During the Greek period, there was also a strong economic impulse; intensive cultivation of wheat and vines began, and the production of the first famous Sicilian wines such as Moscato, Marsala, Malvasia, Zibibbo, Pollio of Syracuse, and Mamertino of Messina started, along with a thriving production of olive oil. Sicilian products became among the most important and sought-after for trade exchanges of that era and were exported throughout the Latin world.

Following the First Punic War (264-241 BC), the island was subjected to Rome, becoming its first Roman province. In this period, the Sicilian territory was extensively cultivated with wheat to supply Rome, to the extent that Sicily itself was called the '*granary of Rome*'. The Roman period was characterized by continuous confiscations of goods and territories, leading to the development of large estates and a stagnation of the island's population, largely made up of slaves, who gave rise to continuous servile wars.

The features of latifundism (landlordism) and feudalism carried forward throughout the entire history of Sicily and were hard to eradicate even in the post-unification era, managing to even withstand during the fascist regime, which made vain attempts to dismantle the latifundium system. Only the introduction of the universal suffrage, following World War II, and the agrarian reform of 1950 (which, as Francesco Renda wrote, 'changed the face of the Sicilian countryside and definitively defeated latifundism'), managed to eradicate landlordism but failed to impact the "clientelistic" mentality of the Sicilians, which fed organized crime that, despite the battles waged by the judiciary, managed to infiltrate the economic structure of the Island.

Around the middle of the 5th century A.D., the Vandals led by Genseric arrived, who, after having already settled in Africa, took control of the island. After the fall of the Western Roman Empire, the island remained under Byzantine domination, directly dependent on Constantinople, for three centuries. The subsequent disintegration of the Byzantine Empire

and its weakness fueled strong discontent in Sicily. Thus, between 663 and 668, the Eastern Emperor moved the capital of the empire from Constantinople to Syracuse. However, this move, rather than benefiting Sicily and the Empire, caused a long war between the two cities.

In the 7th century A.D., Sicily was subject to many incursions by the Muslims of Africa, who saw Sicily as a strategic point from which the entire Mediterranean Sea could be controlled. Towards the end of the 7th century, after various attempts, in 828 A.D., the Muslims invaded Sicily, marking the beginning of Arab domination. Various factors ensured the Arab dominance in Sicily for nearly two centuries: the efficiency of their administrative, fiscal, and economic system (with the dissolution of the latifundism and ease of trade relations with the nearby Muslim world), the strength of military structures, and the political division of peninsular Italy. Trade flourished exponentially, and Sicily became a crossroads for exchanges between North Africa, the Italian Peninsula, continental Europe, and between the Iberian Peninsula and the Middle East.

The Normans succeeded the Arabs, focusing their efforts on expelling the Muslims from the island before conquering the mainland. Roger I of Hauteville began the campaign in 1060 and completed it in 1091. He was succeeded by Roger II, who united Southern Italy with Sicily and founded the Kingdom of Sicily with Palermo as its capital. He also chose the town of Cefalù as the royal seat, where he erected the Cathedral Basilica in 1131 as his mausoleum.

From the first half of the 12th century, under the good governance of Frederick II, Sicily became one of the richest and most powerful states in Europe, encompassing Abruzzo and some territories in Africa. After the reign of Frederick II and his sons, the crown of the island passed to the Angevins who, behaving as tyrants and oppressors also from a fiscal perspective, moved the kingdom's center from Sicily to Naples. However, in 1282, following the Sicilian "*Vespers*" revolt, the island detached from the mainland part of the kingdom, becoming an independent insular state under the Aragonese Dynasty.

Between the 13th and 15th centuries, Sicily continued to maintain its independence and have its own kings, the greatest among them, the architect of a long and intense phase of power and development for the Island, was certainly Frederick III of Sicily, who reigned

from 1291 to 1337 and gave Sicily a form of monarchical, parliamentary, and constitutional state (a true unique feature in the political landscape of the Mediterranean countries) by virtue of the "*Constitutiones*" of 1296, which remained in force until the Constitution of 1812.

It is evident that the succession of multiple civilizations contributed to enriching Sicily with urban settlements, monuments, and vestiges belonging to different cultures, creating an immense intangible heritage of traditions and cultures, further enriched by the presence of the minor islands and archipelagos connected to it: the Aeolian, Egadi, Pelagie Islands, Pantelleria, and Ustica.

Sicily experienced other dominations, the Angevin and the Bourbon, and was enclosed in the state entity of the '*Kingdom of Sicily*' until 1816, date after which the '*Kingdom of the Two Sicilies*' was established, before arriving at 1860, when following Garibaldi's expedition, Sicily was annexed to the Kingdom of Italy.

From the very beginning of its existence, the Kingdom of Italy faced major problems, with a worrying economic situation, and a very evident gap between the North and the South, which remains a constant even today.

From an occupational standpoint, the national statistical average of that period reported around 60% of the population employed in agriculture and 18% in industry.

The products were mainly intended for internal consumption; only in the extractive field did the products find a destination towards the foreign market. Capital was scarce and industry did not take off, also due to the poor road network.

In Northern Italy, the success of the agro-industrial activities was due to the policies pursued by the Piedmontese and Lombard governments, which envisaged the development of railway and road networks. Four northern regions, Piedmont, Liguria, Lombardy, and Veneto, with a third of the national population, accounted for three-quarters of the total income and five-sixths of the industrial income.

Conversely, Southern Italy struggled with backwardness, the aristocracy lived off rents and did not bother to invest.

The Administration of Sicily

Sicily is one of the five regions in Italy with special autonomy status. Since 1946, Sicily has become an autonomous region with special status (Article 1 of the Statute approved by Royal Legislative Decree on May 15, 1946, No. 455), and since 1947, it has had its own parliament and the Sicilian Regional Assembly (ARS).

Thanks to its autonomous statute, the region has exclusive competence (meaning that national Laws do not apply within the region) over a range of matters, including cultural heritage, agriculture, fishing, local authorities, environment, tourism, forestry, and local police. Consequently, personnel fall under regional roles rather than state roles, and the workforce is more substantial than in other regions with ordinary statutes.

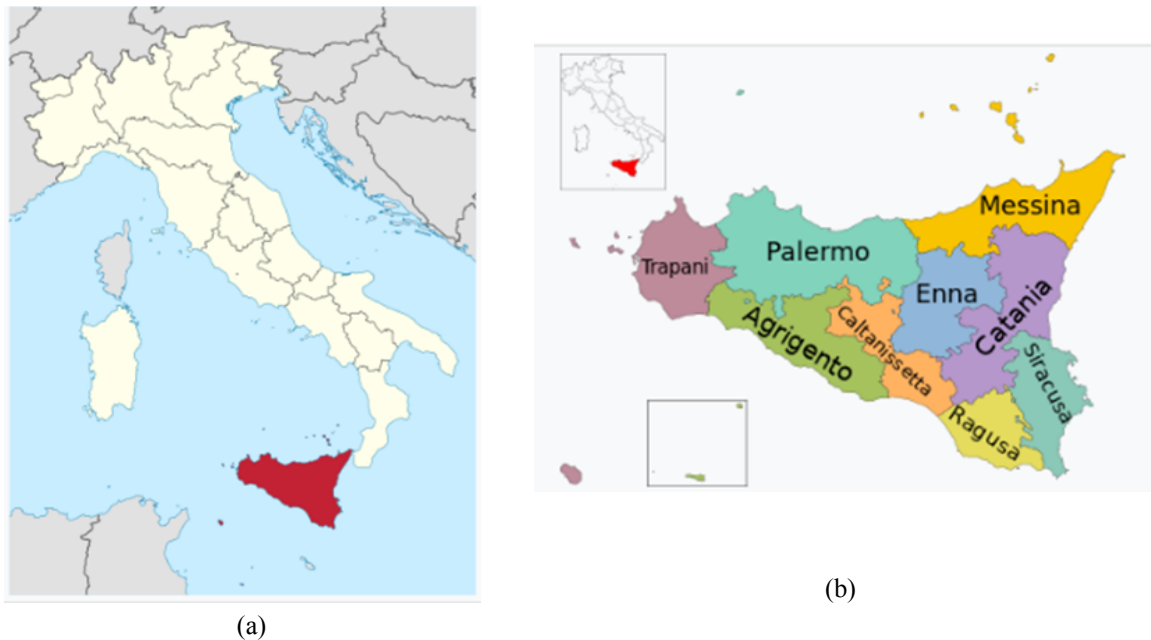


Figure 2 – Maps of the Region (a) and its Provinces (b).

The Sicilian special statute consists of 46 articles, enacted by Umberto II of Savoy on May 15, 1946, and incorporated by Constitutional Law No. 2 of 1948. This statute gave rise to the Region of Sicily even before the birth of the Italian Republic, making it a unique feature within the Italian constitutional system. Starting with the appellation "Regione Siciliana" rather than "Regione Sicilia," as is the case for all other regions, both special and ordinary, the distinctiveness of the regional statute of the historic *Trinacria* finds its roots in a well-defined historical-legal context.

With its 4,800,000 inhabitants (approximately 8% of the national population), where women constitute 51.3% of the resident population, surpassing men by over 125,000 units, predominantly due to greater female longevity, Sicily ranks as the fifth most populous region after Lombardy, Lazio, Campania, and Veneto. Its territory is divided into 9 provinces and 391 municipalities, organized into three metropolitan cities—Palermo, also the regional capital, Catania, and Messina.

The state of being recognized as a special statute region gives Sicily a degree of financial autonomy that stands out within the Italian administrative context. This autonomy is protected by regional statutes and the respective implementation rules, which delineate the boundaries of the region's tax, fiscal, financial, and accounting authority. There exists the capability to independently manage the public domain and regional assets, and to directly collect substantial portions of national taxes, including VAT, which would otherwise flow to the state budget.

The legislative and administrative powers of Sicily allow for the specific regulation of the financial order of local entities, enabling an immediate influence on the methods of collection and allocation of financial resources. This highlights the region's ability to tailor fiscal and tax policies in response to the unique characteristics of the territory, fostering targeted and contextualized economic development.

Sicily's contribution to the national budget is defined through bilateral agreements between the region and the State. These agreements determine not only the regional contribution to public finance objectives but also the allocation of new functions and the potential variation of tax-sharing rates. These agreement instruments are essential to ensure that financial responsibilities can be appropriately adapted to changing economic conditions. Budget Laws play a decisive role in this framework, as they can establish new conditions for Sicily's contribution to public finance, thus influencing the use and distribution of resources. In extraordinary circumstances, such as those imposed by global health crises, specific measures have been observed, such as the reduction of contributions, intended to offset losses in tax revenue.

In summary, the special statute is affirmed as a foundation of Sicilian autonomy and identity, allowing it to face economic challenges with tools calibrated to regional needs and to participate effectively in maintaining the country's financial equilibrium.

The regional organs include:

- The Sicilian Regional Assembly, the focal point of the autonomous system, exercising legislative power and related functions
- The President of the Region.
- The Regional Executive Board, exercising executive power.

The Board constitutes the Region's government and is composed of the Regional President and twelve Regional Assessors. The Regional departments (assessorati) include:

- Department for productive activities.
- Department for cultural heritage and Sicilian identity.
- Department for the economy.
- Department for energy and public utility services.
- Department for family, social policies, and labor.
- Department for local autonomies and public function.
- Department for infrastructure and mobility.
- Department for education and vocational training.
- Department for agriculture, rural development, and Mediterranean fishing.
- Department for health.
- Department for territory and environment.
- Department for tourism, sports, and entertainment.

The Assessorates are the departments or divisions within the regional government that manage specific sectors or areas of competence. The role of the Assessorates is to plan, coordinate, implement regional policies and initiatives in their respective sectors and allocate resources for different areas of competence.

From Independence to Integration: Sicily's Economy from the 1861 until the 1980s

The Italian State at the time of unification

At the time of entering the national unification process, Sicily became part of the extensive transformation that was affecting the entire Europe. By 1861, the more dynamic regions of Europe were already fully engaged in the industrial revolution—England, France, Belgium, the Netherlands, Germany. However, Italy struggled to keep pace with these states, at least until 1880, after more than twenty years of unified state policies aimed at modernizing production structures.

Industrialization allowed for an exponential and previously unthinkable increase in the capacity to produce goods and income, enabling millions of people to access levels of wealth that had previously been reserved for very small groups of individuals. Industrialization led to significant differences between industrialized and non-industrialized societies, differences that were staggering compared to those existing between rich and poor countries in the pre-industrial era.

At the time of unification, neither Sicily nor the Southern and Northern regions had initiated a true process of industrialization comparable to that of the more advanced European countries. Although there was an economic gap between Northern and Southern Italy, it was relatively contained when viewed through the lens of industrialization.

Italy, as a whole, at the time of unification, could be described as a backward country, primarily based on an almost exclusively agrarian-commercial economy (**around 60% of the national and Sicilian economy consisted of agriculture**). Some of the more widely accepted theories attribute great importance to political and economic changes that occurred after unification.

To assess the level of backwardness, we could use statistical data related to the two leading sectors of the English industrial revolution: iron and cotton.

At the time of unification, Italy produced about 30,000 tons of iron per year (of which only 1,500 were produced in the South), while England reached nearly 4 million tons. This marked a productive gap of 99% between Italy and England in 1861.

Table 1 – Steel and Cotton production in Italy and England in 1861

Steel production 1861		Cotton production 1861	
	tonnes		Spindle benches
Italy	30.000,00	Italy	450.000,00
North	16.500,00	North	250.000,00
Center	12.000,00	Center	130.000,00
South	1.500,00	South	70.000,00
<hr/>		<hr/>	
England	3.700.000,00	England	30.000.000,00

The cotton industry presented a similar scenario: a production disparity exceeding 98% existed between Italy and England. Italy boasted 450,000 spinning spindles, with the South contributing 70,000 (a ratio of 3 to 1), yet England could boast an impressive 30,000,000. As previously indicated, at the time of unification, Italy derived 60% of its national income from agriculture, 20% from tertiary activities, and another 20% from secondary activities, with only a small fraction qualifying as "industrial" — predominantly characterized by artisanal endeavors rich in tradition but of considerably lesser significance compared to true industrial pursuits.

The backwardness and weakness of both Sicilian and Italian industries become apparent when considering the gap in the supply of the nineteenth century's primary energy source: coal. The English industrial revolution commenced when it became possible to substitute the use of wood-derived coal in blast furnaces with coal mined from pits. However, a ton of English coal imported to the center of Sicily cost eight times more than it did at the mines in England. Studies and calculations¹ delve into the quantitative inferiority of Italy, in comparison to England, in the production of various processes due to this disadvantage.

¹ Springer paper "The Italian coal shortage: the price of import and distribution, 1861–1911

Sicily from Unification to the Eve of the First World War

At the time of Unification, Sicily presented an economic and social context with typically pre-industrial characteristics: a widespread prevalence of agricultural activities, both in terms of employment and generated income, an average life expectancy of about thirty years, and high rates of both birth and mortality.

Employment in Sicily by areas of economic activity - 1861		
Area	Percentage	
Agriculture	47,20%	
Mining industry	1,60%	
Manufacturing industry	32,40%	
Commercial industry	6,90%	
Liberal professions	3,20%	
Cult	2,10%	
Public Administration	1,20%	
Security (internal and external)	1,40%	
Domesticity	4,10%	
* Source: Istat		

Table 2 - Employment in Sicily by Areas of economic activity (1861)

The categories of economic activities outlined in the 1861 reference table, although atypical compared to modern classifications, such as worship and domesticity, are of such importance as to justify their specific categorization. It is interesting to note how these two categories, in particular, have assumed a significant weight in the economy of the time.

In the first half of the 19th century, Sicily witnessed considerable development in viticulture and citrus cultivation, at the expense of silkworm farming and silk production. The latter, along with grain production, had been for centuries a fundamental pillar of the island's economy and a key element of foreign trade. Despite the abolition of feudalism in 1812 and attempts at legal modernization, **the establishment of bourgeois and capitalist economic structures faced significant obstacles in Sicily.** The persistence of an archaic system of social relations and production, distant from that typical of a capitalist society, contributed to maintaining a level of backwardness in the southern countryside, not so much in terms of per capita productivity levels, but because of the socio-economic structure. This 'stagnant culture' in Sicily greatly hindered the possibilities for future

processes of transformation and development.

The manufacturing and industrial sector was more backward and weaker compared to the modest levels of Northern Italy, but as already mentioned, the disadvantage in terms of industrialization was still contained. There were few genuinely industrial activities in Sicily at the time of unification: the Oretea foundry in Palermo, which employed about 200 workers, the Ruggeri cotton mill in Messina with 500 employees, the Jager silk mill in Messina with 200 employees, and the Woodhouse, Beniamino Ingham, and Florio wine establishments (who also founded the Sicilian Steamship Company in 1840), each with over 100 employees. These were exceptions in a context where the average business size was 5-10 employees. Among these, **only the wine industry was able to penetrate international markets**, while silk was in an unstoppable retreat compared to the rest of Italy. The only secondary activity for which Sicily could claim a dominant position not only on the peninsula but also at the European and global level was the **extraction of sulfur ore** (holding the global monopoly of sulfur deposits until the end of the 20th century), which until 1840 accounted for 20% of Sicilian exports. **However, both the extraction and marketing of the mineral were entirely in the hands of English capitalists who never considered it convenient to process the mineral in Sicily**, thus creating a chemical industry (in this regard, it is worth remembering that there was an attempt by a French company, *Taix & Ayrcard*, to offer the Bourbon government the opportunity to escape the English monopoly and create a chemical industry in Sicily, which, however, was unsuccessful due to English threats of a naval blockade of the port of Naples as a pressure tactic, leaving the mineral in English hands).

In conclusion, the delay of the Sicilian industry at the time of unification was quite contained compared to the rest of Italy only because of the modest size of the national industrial apparatus, but it was abyssal compared to Europe, despite the presence of a considerable wine industry and the sulfur industry.

Where backwardness was particularly marked, both compared to Northern Italy and the rest of the South, was in the area of **infrastructure**, communication means, and more generally, in civil development. In 1862, the ordinary road network in Sicily was in an almost primitive state: out of 358 municipalities, 182 were still without carriage roads, railways were completely absent, and the value of Sicily's per capita foreign trade on the eve of

Unification was only 10 ducats per year, compared to 31 in Tuscany, 40 in Piedmont, 71 in England, and 139 in the Netherlands. The composition of foreign trade reflected that typical of a predominantly agricultural-commercial economy: exports consisted of unprocessed raw materials (sulfur, sea salt), fine agricultural products (wine, citrus fruits, oil, sumac, licorice), and decreasing quantities of wheat and silk.

In the first 30 years after Unification, the sector that developed most significantly was still agriculture, which drove the island's gross domestic product at a pace almost comparable to that of the North, helping to keep the per capita income gap stable between 1861 and 1887. However, the gap began to widen more markedly from the late 1880s and consolidated especially during the Giolittian era. Meanwhile, the problem of industrialization remained largely unresolved in Sicily.

The growth of national agricultural production was also stimulated by a strong expansion of demand from European areas undergoing industrialization. Sicilian agriculture significantly contributed to this national productive growth, with an increase in national income from 47 to 58 billion lire, and the gross agricultural product of Italy from 19 to 28 billion lire between 1861 and 1880, calculated at the constant values of 1938.

- Sicilian viticulture experienced extraordinary development until the 1880s. The vineyard area increased from 146,000 hectares in 1853 to 211,000 in 1870, and to 304,000 in 1880. Concurrently, wine production grew from over 4 million hectoliters in 1870 to 7.6 million in 1880, and to 8.3 million in 1886. Wine exports from Sicily, which were 100,000 hectoliters in 1870, reached 760,000 hectoliters in 1880, accounting for 35% of the entire national wine export.
- Sicilian citrus cultivation also saw significant growth, with the citrus-planted area increasing from 7,695 hectares in 1853 to 26,840 in 1880. The average profitability of citrus groves in Messina and Palermo was comparable to the highest unit yields of the best lands in the North, ranging between 2,500 and 3,600 lire per hectare. Citrus exports grew from 250,000 quintals in 1850 to 950,000 in 1885.

However, in the following years, due to the trade war with France and the spread of the vine pest phylloxera, which destroyed about 140,000 hectares of vineyards, as well as the growing competitiveness of Mediterranean competitors, the pillars of the Sicilian economy

suffered severe setbacks. In particular, viticulture failed to regain its primary role at the national level. Citrus cultivation, on the other hand, reached its peak in 1914, providing 73% of the national production in the first decade of the 20th century.

On the eve of the first World War, **agriculture still maintained a dominant role in the Sicilian economy, even increased compared to 1861**. This was due to both the modesty of the industrialization process and advances in specialized crops.

The significant widening of the per capita income gap between the North and Sicily between 1887 and the eve of World War I was not due to the lack of agricultural development in Sicily, but to the greater speed of modernization processes in Northern agriculture and the emergence of an industrial and infrastructural apparatus in the North that became competitive at the European level and consolidated in the following years.

Despite the lack of industrialization, Sicily's integration into the Italian state meant considerable agricultural development and attachment to a path of modernization that seemed to proceed at a faster pace than the Bourbon period. However, this progress shook the Sicilian social balances more vigorously, leading to unprecedented progress between 1861 and 1887 and up to the eve of World War I.

Together with the productive sectors, it is also important to analyze the evolution of the transport and education sectors:

- The carriage roads in Sicily, measuring 2,468 km in 1863, reached 7,781 km in 1910.
- In fifty years, Sicily recovered the railway infrastructure disadvantage existing at the time of unification: from zero railways in 1861 to 893 km of tracks in 1886, and to 1,563 km in 1912. In 1886 Italy had 42 km of railway every 100km² while Sicily didn't have any, while in 1912 Italy had 60.7 and Sicily had the same amount.
- Illiteracy among the school-age population dropped from 89% in 1861 to 58% in 1911, still a high level, but representing a significant improvement from the initial levels.

From the 1920s to the 1980s

In general terms, agriculture remained the dominant employment sector in Sicily: starting from 1901, over half of the workforce was employed in this sector. The peak was reached in the 1921 census, with 56.9% of the employed population. However, this figure was not uniform across the territory, as shown by the data from the 1931 census, the last before World War II and the first to present the current division of the territory into nine provinces.

Employment in Agriculture by province - 1911	
Province	Percentage
Enna	64,25%
Caltanissetta	60,63%
Ragusa	60,50%
Agrigento	58,18%
Trapani	57,29%
Siracu	55,46%
Messina	49,17%
Catania	43,75%
Palermo	40,96%
Sicilia	50,96%
* Source: Istat	

Table 3 - Employment in Agriculture by province (Sicily, 1911)

During the period in question, the industrial sector underwent structural changes that impacted employment. Regionally, industrial employment remained between 25% and 30%, with a relatively uniform distribution across the provinces: Catania was the most industrialized province with 28%, while Ragusa, at 22%, had the lowest rate. Thanks to the 1911 census, we have a detailed view of employment across various industrial sectors, which collectively employed about 340,000 people.

Employment in industrial sectors in Sicily - 1911		
Areas of Industry	Employees	Percentages
Underground extraction industries	36.679	0,1087117
Industries working with and utilizing products from agriculture, hunting, and fishing	119.439	0,35400137
Metalworking industries	26.229	0,07773928
Industries processing minerals and involved in building, road, and hydraulic constructions	85.853	0,25445692
Textile fiber industries	57.079	0,16917459
Chemical industries	8.275	0,024526
Industries and services corresponding to collective needs	3.843	0,01139014
Total	337.397	

* Source: Istat

Table 4 - Employment by industrial sector (Sicily 1911)

The most significant industry in early 20th century Sicily was food processing, accounting for 35.4% of the total, aligning with the predominance of the agricultural sector.

The service sector, mainly composed of trade, transport, and communications, showed a fluctuating trend. Except for 1921, when it employed 13.8% of the workforce, this sector generally employed around 20% of the workforce, reaching 22.7% in 1931, with a total of 303,208 employed individuals, including about 60,000 women. Public administration, a significant component of the service sector, had a greater impact in the province of Palermo (the regional capital), where in 1931 it accounted for 30.5% of the employment in the sector.

The economic policy after the second world war

In Sicily, the primary mechanism characterizing economic intervention between 1940 and 1980 was the direct or indirect participation of the Region in territorial development programs, which positioned itself as a supporter of industrial development and later as an entrepreneurial entity.

Article 14 of the Sicilian Special Statute facilitated the creation of regional public bodies capable of intervening in various sectors: education, vocational training, tourism, transportation, cultural heritage, and industry.

Key entities during the post-war period, which played a crucial role in exercising the regional institutions' autonomous prerogatives in the economic field, include: Azienda

Asfalti Siciliani (AzASi), Ente Minerario Siciliano (EMS), Azienda Siciliana Trasporti (AST), Ente Acquedotti Siciliani (EAS), Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS), Cassa Regionale per il Credito alle Imprese Artigiane Siciliane (CRIAS), Ente per lo Sviluppo Agricolo (ESA), and notably, Ente Siciliano per la Promozione Industriale (ESPI). During this period, Sicilian legislation identified various tools to promote and facilitate the establishment of new production sites and the technological modernization of existing ones. This was reinforced by the *Law of March 20, 1950, No. 29*, which established a special fund for purchasing shareholdings in industrial companies, marking the Region's first participation in the capital of new enterprises. Through these minority shareholdings, the Region aimed to channel financial resources to the joint-stock companies. *Law No. 29/1950*, governing the development of the Region's industries, was significant, offering tax incentives and wealth tax exemptions for new industrial plants for up to ten years from their activation, extending the same benefits to facilities established in the Region since July 1, 1947. It also regulated the exploration and cultivation of liquid and gaseous hydrocarbons in its territory. Many economists, including Pietro Frasca Polara, supported this approach of synergy between private and public intervention, aiming to resolve Sicily's severe and perennial economic problems, such as unemployment, lack of productive activities, energy resource insufficiency, and inadequate infrastructure for economic development.

Concurrently, one of the most significant achievements of regional policy in the 1950s was the *agrarian reform*, which structurally altered the island's base economy. As Francesco Renda wrote, it "transformed the face of the Sicilian countryside and definitively defeated the latifundium." Besides being a reparative response to the post-war agrarian struggles, the reform had profound economic and social consequences. It initiated a capitalist modernization of significant portions of the southern latifundium through interventions aimed at transforming the agricultural production system via land redistribution. The agrarian reform in Sicily primarily focused on dismantling the latifundia and land allocations, coupled with technical assistance to farmers, managed by the Ente per la Colonizzazione del Latifondo Siciliano and existing land reclamation consortia.

Law No. 29/1950, with its fiscal incentives and tax exemptions for new industrial plants and similar benefits for facilities established in the Region since July 1, 1947, led to the

desired "industrialist turn" in the early 1950s. The discovery of oil and potash deposits between 1953 and 1956 attracted the interest of major Italian and foreign private groups and the public enterprise to invest in Sicily to exploit these raw materials. The conference organized in Palermo by *CEPES* (*European Committee for Economic and Social Progress*) in 1955 highlighted "the need for cooperation between private and public initiatives without confusing their respective roles" and proposed "the establishment of a technical committee representing private economic forces to work alongside the Cassa per il Mezzogiorno to monitor and influence its activities."

The *RASIOM* company, later becoming *ESSO*, marked the first establishment for processing petrochemical resources in the southeastern part of Sicily. However, within a few years, two other major American companies, *CELENE* and Union Carbide, initiated the *Sincat* (*Società Industriale Catanese*), propelling the entire southeastern Sicilian area to become one of the major industrial hubs in Southern Italy. This development was notable for the production of potash salts, among other things, using minerals sourced from within Sicily.

Concurrently, the mining sector saw Montecatini establishing the Campofranco plant in the province of Agrigento, directly supplied by the mines of San Cataldo in the province of Caltanissetta. Around these central and eastern areas of Sicily, numerous enterprises, particularly in the chemical and extraction industries, emerged. The hazardous profiles and risks associated with activities related to landscape protection and the flourishing touristic-cultural valorization in these areas were completely overlooked. At that time, the environmental sustainability of the new plants was a value still foreign to the country's culture and particularly incompatible with the necessary pace and demands of development in the underdeveloped areas of Southern Italy and Sicily, which were experiencing a stark break from the past.

The discovery of additional oil fields near Gela from 1960 onwards led to the conception of the petrochemical project. The Gela plant, which from the beginning was an entity entirely separate and geographically distant from the town, provided material for historians, economists, and sociologists. Since the late 1960s, they have produced texts delving into the origins and industrial scale of the project.

The year 1957 marked a turning point in the industrialization saga of Southern Italy with the enactment of *Law No. 634*. This Law provided for the refinancing of extraordinary interventions, this time including measures such as: non-repayable contributions, subsidized credit, tax exemption on reinvested profits, creation of *industrial development areas (ASI)*, increased investments, and planning for training. This model of industrialization, first experimented in Sicily and from 1957 spread throughout Southern Italy, was based on facilitated financing provided by the Industrial Credit Section of the Banco di Sicilia and especially by *IRFIS*, through which the *Fund for the south* (Cassa del Mezzogiorno) also operated. However, these funds were predominantly absorbed by large private groups, often to the detriment of small and medium-sized local enterprises.

The Fund for the south

Another fundamental tool, which between the years 1950 and 1960 constituted an additional engine for the development of Southern Italy and Sicily, was the Fund for the South (“*Cassa per il Mezzogiorno*”), more properly *Fund for Extraordinary Public Interest Projects in Southern Italy*, (“*Cassa per opere straordinarie di pubblico interesse nell'Italia Meridionale*”), and in abbreviated form “Casmez”. The Fund for the South was an Italian public entity, established by Law on August 10, 1950, no. 646, endowed with public legal personality, created by the De Gasperi Government to prepare programs and finance industrial initiatives and extraordinary works aimed at the economic development of Southern Italy, with the purpose of bridging the gap with Northern Italy.

The need to create an autonomous entity was justified by the necessity to concentrate in a single body the competence fragmented among various ministries, in order to allow, with agility and speed of action, the coordinated execution of public works through the secure availability of funds necessary for the complete realization of the Plan for the elimination of the depression in the South. All this, with the awareness that strengthening the southern economy would also benefit the North of the country, following the subsequent intensification of economic and commercial exchanges between the two areas, generating an increase in productivity, income, and employment throughout the country. To make possible the reduction of the gap in the industrialization process, which started late in the South compared to the rest of the country, it was necessary to respect at least three

conditions. First, it was essential to establish procedures more rapid than those proposed by the Ordinary Administration; then, it appeared crucial that the allocation of funds exceeded the annual period regulated by the State Budget; finally, it was appropriate to carry out activities in different fields in a coordinated manner following precise programs.

Originally, the Law envisaged the implementation of the programs within a period of 10 years (1950-1960), but the intervention was extended several times with subsequent legislative measures. In the intentions of the legislator, the entity aimed to emulate the local development agencies initiated in the United States of America during the *New Deal*². One of the most important planning tools used for the finalization of the interventions was the ASI plan (plan for the creation of Industrial Development Areas), currently still active in the Regional territory, which envisaged the establishment of consortia, promoted by Municipalities, Provinces, and Chambers of Commerce for the initiation of industrial development and the realization of basic infrastructures in the areas involved in the action of the Fund for the south.

The funding of the plan was set at 100 billion lire per year for the ten exercises from 1951 to 1960: in total one thousand billion lire, immediately increased in 1952 to 1,280 billion to be used in the twelve-year period 1951-1962. The Fund for the South was abolished and put into liquidation with *D.P.R. August 6, 1984*, and was replaced, two years later, for the same objectives by the *Agency for the Promotion and Development of the South* (briefly AgenSud) established by *Law on March 1, 1986, no. 64*. AgenSud, in turn, was abolished by *Law on December 19, 1992, no. 488, and as of May 1, 1993*, the Ministry of Economy and Finance took over, which had the task of coordinating and planning public intervention action in the economically depressed areas of the national territory.

During the period of operation, from 1951 to 1991, the Fund for the south first and in continuity AgenSud, financed the regions of the South with annual total expenses corresponding to about 0.70% of the GDP of the reference years. Initially, the relationship

² The "New Deal" was a series of programs, reforms, and regulations implemented in the United States between 1933 and 1939, under the presidency of Franklin D. Roosevelt, in response to the Great Depression. This initiative aimed to provide immediate relief to people affected by the economic crisis, promote economic recovery, and reform the financial system to prevent future depressions.

The "Three Rs" of the New Deal: The New Deal was based on three fundamental principles: Relief, Recovery, and Reform. Relief was intended for those most severely affected by the depression, recovery aimed to revive the economy, and reforms were intended to prevent future economic crises.

between the results obtained and the use of public capital caused satisfaction, considering that in 1950 the state of backwardness of the South compared to Northern Italy was very evident, both in terms of infrastructural resources and per capita income. However, over the years, in the face of truly meritorious interventions, often proliferated were gigantic contracts and infrastructures alien or oversized compared to the economic realities of the South, some of these initiatives also remained unfinished or took many years before reaching conclusion, determining a very critical focus by public opinion, being state initiatives financed with public money, which were often defined with the expression '*cathedrals in the desert*'. However, there is no doubt that today, with hindsight, the realization of some infrastructures at the time defined as oversized, has allowed to partially bridge the gap with Northern Italy, allowing the improvement of transport, greater mobility, and a more modern lifestyle.

The trend of spending for the development of the South from 1951 to 1998 in millions of 2008 euros (constant values) is shown in the following Table:

Expenditure for extraordinary intervention in the Southern Italy (a) and for interventions in depressed areas (b) from 1951 to 1998 - Incidence on the national GDP.

Periods	Extraordinary intervention and intervention in the depressed areas (in million € 2008 (d))	Incidence % on the national GDP	contributions reductions (c) in millions € (d)	Incidence % on the national GDP	Total	Incidence % on the national GDP
1951-1957	1.518,800	0,73			1.518,800	0,73
1958-1965	2.329,600	0,74			2.329,600	0,74
1966-1970	2.328,900	0,7	361,1	0,13	2.690,000	0,8
1971-1975	5.807,700	0,9	1969,5	0,33	7.777,200	1,27
1976-1980	7.119,100	0,9	3642,9	0,46	10.762,000	1,32
1981-1986	5.973,800	0,65	5089,3	0,55	11.063,100	1,19
1987-1993	6.305,300	0,57	6215,2	0,55	12.520,500	1,1
1994-1998	6.081,300	0,49	3330,8	0,26	9.412,100	0,74
1951-1998	4.592,900	0,7	2308,9	0,43	6.901,800	0,99

- (a) Until 1993, expenditure of the Southern Italy fund and the Southern Italy agency, and payments made by the state for interventions not managed by the agency (the data includes interventions carried out by these entities with the provided funding)
- (b) From 1994 to 1998, payments from the state for interventions in depressed areas, excluding expenses for interventions financed with community resources and charges for mortgage amortization and interest payments
- (c) recognized strating from 1968
- (d) The conversion to euro in 2008 was carried out based on the currency adjustment coefficients developed by ISTAT, dividing the values obtained by 1,936.27 (exchange rate lire/euro).

Table 5 - Expenditure for the interventions of the Fund for the South for the period 1951-1998³

³Source: A.Lepore, *Cassa per il mezzogiorno e politiche per lo sviluppo*, in “Istituzioni ed Economia” - *Proceedings of the study conference held in Trento, November 12-13, 2010*, Bari, Cacucci Publisher, 2011, p.154.

In Sicily, particularly in the 1960s and 1970s, there was a rapid phase of growth. However, the production structure that developed was centered around a few industrial hubs in the petrochemical sector, predominantly resulting from public intervention. These hubs had limited expansive effects on the rest of the economy and on a wide area of traditional, small-scale, and less competitive activities, mainly in agriculture and construction. In this scenario, the added value of services, particularly those not intended for sale, became increasingly significant. The relative weakness of the production fabric resulting from this development model had repercussions on the performance in subsequent periods. The Fordist development model of the 1980s only marginally affected Southern Italy and Sicily, which primarily relied on CASMEZ for infrastructural interventions. Sicily experienced a high rate of business mortality, especially among smaller units, leading to a progressive loss of the secondary sector in the 1980s. However, until the early 1990s, the Sicilian economy did not fall behind the national economy, as the renewed effort in infrastructure investments by extraordinary public intervention ensured the maintenance of the gross domestic product.

The economical development from the 1947 to the industrial reconstruction of the 1970

The productive structure of Sicily at the end of World War II was typical of areas with delayed development. Statistically, Sicily's economy was fundamentally agricultural, with 51% of the workforce employed in the primary sector, contributing 49% of the region's total added value. Industry accounted for 23% of employment and 16% of regional added value, while for the first time since Italy's unification, the service sector surpassed industry, employing 26% of the workforce, about 384,000 people (1951 census).

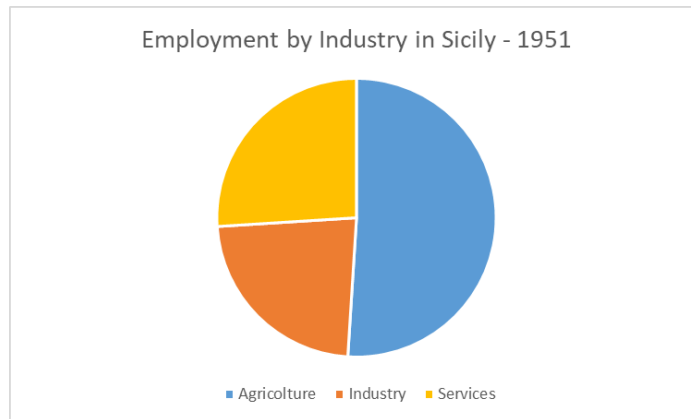


Figure 3 - Employment by Industry in Sicily 1951 [source:ISTAT]

In the first two decades post-war, the modernization of agriculture led to a surplus of labor, resulting in an exodus of approximately 400,000 workers from rural areas. This triggered migration flows in the 1950s and 1960s, mainly towards Northern Italy and major Sicilian cities. The immediate post-war Sicilian productive fabric was characterized by numerous small, predominantly artisanal units, especially in food, wood, and leather sectors, employing 45% of the workforce. The Sicilian industry, hindered by wartime destructions affecting about 20% of industrial and electrical equipment, focused mainly on mining resource exploration and cultivation. As previously discussed, from the 1950s, the discovery of hydrocarbon deposits in the island's southeastern area led to a development model centered on large enterprises and resource exploitation industries. This sparked a race among major Italian and foreign private groups for Sicilian mineral resources, laying the groundwork for future petrochemical hubs.

In a significant reflection, Paolo Sylos Labini, one of the most important scholars of the Sicilian economy in the post-war period, during a major conference on politics and economy in the era of Milazzism in Sicily, which he attended in 1980, identified “a great dynamism of the Sicilian economy in the 1950s, which in his opinion lasted at least until 1958, followed by a “stagnation”, which persisted until the last data available to him relating to 1977”. He distinguished a first twenty-year period of growth, followed by a second twenty-year period of stagnation, 'corresponding respectively to the decrease of the gap for the first and the increase for the second'. Another scholar of the subject and supporter of this interpretation, Carlo Trigilia, on one hand identifies in the period 1950-1990 unequivocal signs of a “development without autonomy” and a clear distinction

between the two previously mentioned periods, on the other hand, he goes further to quantify “the capture by politics of the process of investing resources for development, certifying the increase in the government vote of Southern Italy in the second twenty-year period”. In relation to Trigilia's approach, a further subdivision could be defined between the first decade, from 1947 to 1957, and the second decade, from 1958 to 1968; the first decade, as in the reading of Sylos Labini, corresponds substantially to the period defined as the 'pre-industrialization' of Sicily during the 1950s, years of political battles that culminated with the industrialization Law of 1957 (the previously mentioned *Law n.634*); the second decade, which was characterized, always based on Sylos Labini's analysis, by a development 'without autonomy' ('if by development we mean a greater capacity for endogenous production, therefore of greater industrialization, we can define the southern situation as development with little autonomy' Trigilia, 1992).

Sylos Labini himself, in a testimony given in 1980, reiterated that 'for a correct analysis of the data as a guide to reflection on economic and social transformations, it was advisable to consider the distribution of employment in different periods: immediately after the war, at the end of the fifties, at the beginning of the seventies, and in 1977 in thousands of units'. The table below illustrates the distribution of employment in the mentioned periods:

	agriculture		Industry		Services		(Of which belonging to the Public Administration)
	Number of employees	% out of the total	Number employees	% out of the total	Number of employees	% out of the total	
1951	750.000	48,4%	330.000	21,3%	370.000	25,5%	100.000
1958	620.000	37,8%	430.000	26,2%	475.000	31,1%	115.000
1973	380.000	23,2%	450.000	27,4%	600.000	42,0%	210.000
1977	340.000	20,4%	450.000	27,0%	650.000	45,1%	225.000

Table 6 – Number of employs in the productive sectors⁴.

The data presented highlight the gradual reduction in employment in the agricultural sector (the agricultural exodus mentioned previously), the surge in the number of workers in the industrial sector from 1951 to 1958 (years of the 'dynamism' mentioned by Sylos Labini) with the data almost stabilizing until 1977, and the gradual shift towards a service-oriented production system.

⁴ Source: MIRABELLA, Giuseppe, *Changes in the Sicilian economy between 1947 and 1957*, in BUTERA, Salvatore (ed.), *Sicilian regionalism and the issue of the Mezzogiorno*, Milan, Giuffr  publisher, 1981.

The table below further illustrates the evolution of employment in the industrial sector during the period 1951-1973:

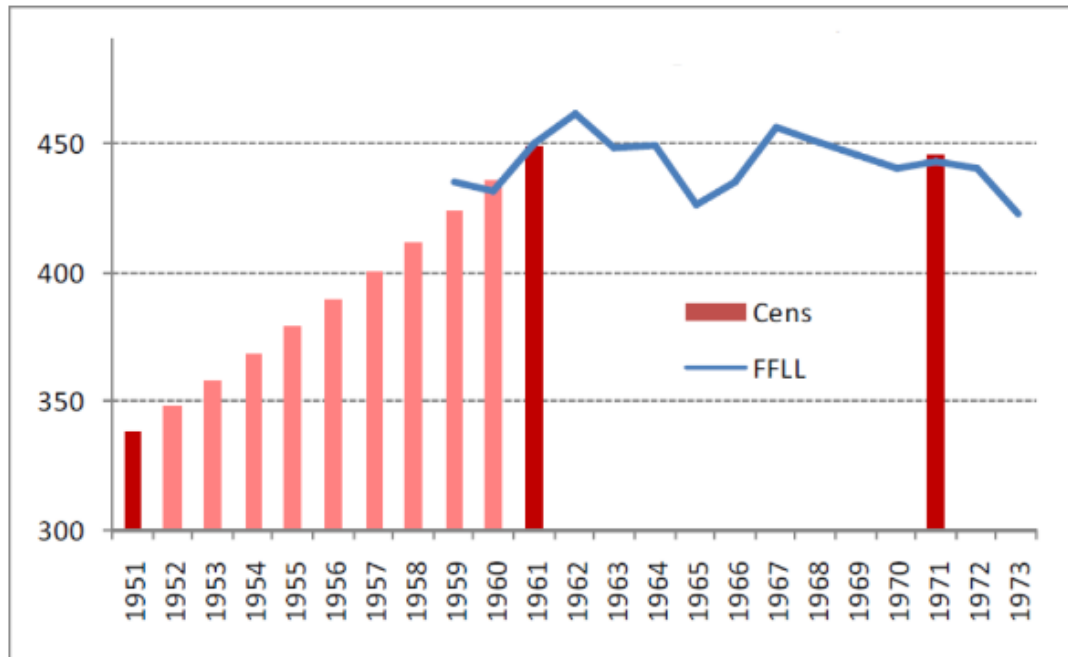


Figure 4 – Employment in the Industrial sector in Sicily⁵

Figure 4 represents data from the labor force survey with a line, darker vertical bars show data from population censuses, while lighter vertical bars provide an estimate of employment trends from 1952 to 1960. With only the 1951 and 1961 censuses available, data between 1951 and 1961 were interpolated assuming a linear trend.

If the trend of employment in the industrial sector serves as an indicator of autonomous development in the region, reflecting the region's capacity to utilize its workforce, then one can lean towards the hypothesis of a period of 'autonomous development.' This period is characterized by a reduction in the per capita GDP gap compared to the national average. In the decade between 1947 and 1957, the Sicilian gross domestic product increased from 366 billion lire in 1947 to 740 billion in 1957. In relation to the total gross domestic product, the Sicilian share remained essentially unchanged at 5.4%.

⁵ Source: elaborations on ISTAT data, in TULUMELLO, Alberto, FODERÀ, Roberto, *The years of the "autonomous development" of the Mezzogiorno and Sicily*, in LA SPINA, Antonio, RIOLO, Claudio (eds.), *The Mezzogiorno in the Italian political system. Elite classes, organized crime, public policies*, Milan, Franco Angeli, 2012.

The second period, spanning from the 1960s to the late 1970s, seems to confirm Trigilia's analysis of “development without autonomy”. Despite the gap not seeing an increase during those years, the labor market underwent a drastic transformation, hindering the growth of industrial employment and shifting resources towards the tertiary sector.

However, the data that exemplifies even more the condition of backwardness of the entire regional economy was that related to the inactive population, which had decreased only slightly, going from 68% in 1950 to 66% in 1957. Contributing negatively to this scenario were the low level of exploitation of environmental resources, the scarcity of initial capital (as evidenced by the comparison between the monetary dimension per employed person⁶ of gross investments⁷ made respectively in Sicily and in Italy both in 1952, 72,000 lire against 125,000 lire, and in 1957, 111,000 lire against 187,000 lire), the limited professional preparation of the workforce and local management, the financial weakness of local entrepreneurship, and low productivity. It is illusory to think and argue that, in a decade, challenges so profound and limiting could be overcome. Certainly, in this regard, public interventions played a fundamental role, as we have seen.

However, the industrial promotion policy conducted in those years did not produce the long-awaited 'industrial takeoff of Sicily.' The comparison between the economic censuses of 1957-58 and 1972-73 is emblematic, revealing an increase in employees in the industry of just 32,000 units, equivalent to 19.4%. This figure is not only lower than the values recorded in the Central-Northern regions, representing an increase in industry employees of 60%, but even less than what was simultaneously recorded in the average of the continental Mezzogiorno, which marks an increase of 32.7%.

The rate of industrialization, therefore, grew negligibly, marking a slight increase from 3.7% to 4.2%, while the increase in employment in large-scale industry, the one that responded to the model adopted for the promotion of the island's industrial development, did not go beyond 16,000 units over the two decades described. This figure was offset and negatively exacerbated by the simultaneous decrease in employees in the artisanal sectors. Thus, the slight increase in employment observed in small and medium-sized industrial

⁶ This sentence refers to the amount of money invested per person employed in a sector or geographic area. It is a way to measure the intensity of investment in relation to the number of workers. Essentially, it indicates how much money is invested per worker.

⁷ Gross Investments: 'Gross investments' refer to the total amount of money invested in a region or economic sector without subtracting depreciation. This includes investments in assets such as machinery, buildings, equipment, etc.

activities proved entirely insufficient to sustain and drive, on its own, the overall development of Sicily and its productive fabric.

The years from the Milazzismo crisis (1960) until 1973 were characterized by the promotion of '*another industrialization*,' as they termed it at the time, defining a second phase of Sicilian economic development. To understand the path taken by the Sicilian economy in the 1970s, it is useful to provide a comparison of data changes among three territorial areas: Sicily, continental Southern Italy (Mezzogiorno), and Italy, by introducing an additional division of the industrial system into three major and significant production branches: energy products, industrial transformations, and construction which together constitute 216.000 employees out of the total 380.000 recorded in the 1981 census for the entire industrial sector .

The analysis of the following table⁸ reveals that, in the three main industrial sectors of 1971, which together employed about 42% of the total industry workforce (187,546 out of 447,000 workers), the Southern Italian regions, in the decade from 1971 to 1981, showed an increase in production units lower than the national average. However, regarding the number of employees, an opposite trend was observed, with a greater growth compared to the rest of the country (+18% for Southern local units, against +42.7% for Italy; and +30% for employees in the South, against 14.4% for the Italian average; it is noteworthy that the increase figures for Sicily are nearly halved compared to the rest of the Mezzogiorno).

⁸ In *SERVICE STUDIES OF THE BANK OF SICILY, Structural Changes and Productive Restructuring of the Sicilian Industry in the Seventies*, Palermo, Service Studies Center of the Bank of Sicily, 1984, p. 11.

Local units and employees in the industry in Sicily in the 1981 and 1971 censuses.

	1981	1971	Δ absolute 81/71	Δ % 81 /71	Δ % 81/71 Rest of the Mezzogiorno	Δ % 81/71 Rest of Italy
Local units						
Energy products	772	573	+ 199	+ 34,7	+ 3,8	-0,04
Industrial transformation products	30.038	33.538	- 3.500	- 10,4	- 4,5	+ 21,3
Constructions	11.740	4.369	+ 7.371	+ 168,7	+ 125,8	+ 119,3
Total Industry	42.550	38.480	+ 4.070	+ 10,6	+ 18	+ 42,7
Employees						
Energy products	19.210	15.177	+4.033	+ 26,6	+20,3	+ 12,7
Industrial transformation products	139.855	130.165	+ 9.690	+7,4	+29,2	+ 12,0
Constructions	57.098	42.204	+14.894	+35,3	+34,6	+27,8
Total Industry	216.163	187.546	+ 28.617	+ 15,3	+30,0	+ 14,4

Table 7 - Local units and employees by Industry 1971-1981.

In the regions of continental Southern Italy, in the face of an increase in local units for the overall industrial sector (+18%), there was a 'business mortality' in the industrial transformation branch (-4.5%), a decrease offset by an increase in establishments in the construction and energy product sectors. This phenomenon was very pronounced in Sicily, where the rate of decrease in local units in the industrial transformation branch hovered around 10%, compensated by an increase in local units exceeding 150% in the construction sector.

In terms of employment, while other southern regions recorded more or less homogeneous growth rates in the three industrial branches, Sicily reported uneven growth rates for employees in the three branches. There was a much lower level of growth in the transformation branch, once again offset by increases in the energy and construction industries.

So, even during this decade, the internal structure of the Sicilian economy was undergoing changes to the detriment of the most productive sector, the one of industrial transformation. The construction sector emerged as the one with the highest increase in terms of the number of employed, accounting for 27% of the total, significantly higher than the national figure, as well as that of the southern regions. On the contrary, the industrial transformation

sector showed a significant weakening of workforce absorption capacity, with a pronounced increase in the rates of employee decline, further widening the gap between the Sicilian industrial structure and that of the rest of Italy.

The high “business mortality” in the industrial transformation sector was a clear sign of the initiation of a broad deindustrialization process, clearly captured and recorded by the censuses of 1971 and 1981. It was evident that the high ratio of employees in services to those in the industrial transformation sector and the labor-absorbing function of the construction industry represented a worrying signal, indicating the action of the deindustrialization process. This should have drawn the attention of the ruling classes, as exemplified in the table⁹ reporting changes in local units and employees in the manufacturing sector.

Percentage variations in local units and employees in the manufacturing sector in some intercensus periods.						
	Local Units			Employees		
	1961 / 51	1971 / 61	1981 / 71	1961 / 51	1971 / 61	1981 / 71
Sicily	- 15,7	- 0,6	- 10,9	+ 11,3	+ 5,1	+ 9,5
South (Mezzogiorno)	- 18,4	- 7,4	- 5,0	+ 11,3	+ 19,4	+ 30,1
Italy	- 3,6	+ 3,3	+ 21,3	+ 28,4	+ 17,7	+ 12,2

Table 8 - Local units and employees by Area 1971-1981.

So, we notice that, while in the initial period the manufacturing sector of the Sicilian industry adapted to the trends recorded in other southern regions, during the same period, central-northern regions show signs of a much more substantial employment development. This was achieved with slight variations in the number of establishments (+3.3% between 1961 and 1971) and can be mainly attributed to restructuring processes directed toward a more advanced industrial model, initiated towards the end of the 1950s. During the decade between 1961 and 1971, there was already a further strengthening of the manufacturing industry in the central-northern regions of the country, corresponding to a consolidation of growth rates and the constant creation of new industrial activities. At the same time, there was a decisive slowdown in the decrease of local units in the southern regions, along with a moderate development in employment rates.

⁹ In *SERVICE STUDIES OF THE BANK OF SICILY, Structural Changes and Productive Restructuring of the Sicilian Industry in the Seventies*, Palermo, Service Studies Center of the Bank of Sicily, 1984, p. 15.

On the contrary, in Sicily, phenomena of contraction in the manufacturing industry were evident within a relatively contained rate of business mortality, accompanied by a substantial resurgence in the increase of unemployment. In this case, one can speak of a **true stagnation of the Sicilian manufacturing industry**, which experienced, during this period, the crisis resulting from the failure to complete the necessary transformation from a typically artisanal model to a more properly industrial one that had characterized the sector's dynamics in the previous decade.

A Comprehensive look

year	Sicilian Population	Total census of employees	Number of employees - Agriculture	Number of employees - Industry	Number of employees - Services	% of employees in Agriculture	% of employees in Industry	% of employees in Services and other activities
1861	2.408.521,00	1.195.241	564.149	405.777	225.315	47,2%	33,9%	18,9%
1871	2.590.165,00	1.239.096	524.490	335.535	379.071	42,3%	27,1%	30,6%
1881	2.933.154,00	1.415.760	680.354	491.887	243.519	48,1%	34,7%	17,2%
1891		-	-	-	-	-	-	-
1901	3.568.124,00	1.421.807	767.967	373.726	280.114	54,0%	26,3%	19,7%
1911	3.811.755,00	1.383.880	744.658	337.397	301.825	53,8%	24,4%	21,8%
1921	4.223.160,00	1.552.705	883.775	454.306	214.624	56,9%	29,3%	13,8%
1931	3.905.967,00	1.336.931	681.252	352.471	303.208	51,0%	26,4%	22,7%
1941		-	-	-	-	-	-	-
1951	4.486.749,00	1.482.904	760.080	338.084	384.740	51,3%	22,8%	25,9%
1961	4.721.001,00	1.478.460	610.333	447.965	420.162	41,3%	30,3%	28,4%
1971	4.680.715,00	1.324.099	377.644	446.279	500.176	28,5%	33,7%	37,8%
1981	4.906.878,00	1.341.129	267.350	384.443	689.336	19,9%	28,7%	51,4%
1991	4.966.386,00	1.181.830	154.558	263.606	763.666	13,1%	22,3%	64,6%
2001	4.968.991,00	1.531.900	136.100	280.600	1.115.200	8,9%	18,3%	72,8%
2007	4.967.981,00	1.677.300	140.500	327.700	1.209.100	8,4%	19,5%	72,1%
2011	4.999.854,00	1.572.000	120.300	253.000	1.198.700	7,7%	16,1%	76,3%
2021	4.833.329,00	1.496.200	117.200	236.000	1.143.000	7,8%	15,8%	76,4%

Table 9 - Historical Overview of Labor Composition in Sicily by Economic Sector (1861-2021).

The analysis of employment in the Table 9¹⁰ in various productive sectors highlights how a region primarily focused on agriculture has transformed into a society where the majority of the workforce is not involved in the harvesting and processing of food and raw materials. Agriculture, which was the predominant source of employment in 1951, steadily decreases, falling below the 10% threshold in the 2001 census. Meanwhile, the industrial sector, having reached its peak with a 33% employment rate, returns to around 20% in 2001, similar to post-war levels, despite a substantial change in industrial structure. The true boom is recorded in the tertiary sector: in the 50 years following 1951, those employed in the services sector steadily increased, bringing the employment share to 69% in 2001—an unprecedented value in any productive sector.

While employment data may not be exhaustive for economic and social analysis, it is certainly an important indicator that clearly explains how the Sicilian system has shifted from agriculture to a service-based economy.

It is interesting to note that, when examining the evolution in different provinces, Ragusa is the province that has seen the least decline in the share of agricultural employment. However, it still transitioned from 54% in 1951 to 20% in 2001. Even today, it boasts the ability to maintain high-value-added agriculture, recognized both nationally and internationally.

Returning to the analysis of GDP per capita, it is evident that the 1950s and the second half of the 1990s were the two periods during which Southern Italy and Sicily experienced a GDP increase greater than that of Italy and the Center-North in particular. This increase resulted in a decrease in the gap, accompanied by dynamic industrial employment and marked by significant processes of productivity and autonomy in the production system. In contrast, the 1960s saw an increase in GDP and a decrease in the gap that did not align with signs of autonomous economic dynamism. Using Trigilia's definition, these years were characterized by a *development without autonomy*.

¹⁰ The table was constructed merging data from ISTAT and the document "Social and Demographic Changes in Sicily Over 150 Years of History", ISTAT 2014

Sicily, Central-Northern Italy, and the South: Demographic trends, GDP, and GDP per capita in relation to the corresponding values of Italy.

	1951	1961	1971	1981	1991
<i>Quota on the National GDP (Italy = 100)</i>					
Center - North	77,5	75,7	75,7	75,7	75,0
South (Mezzogiorno)	22,4	24,3	24,4	24,2	24,9
Sicily	5,4	5,7	5,8	6,2	6,2
<i>GDP per capita (Italy = 1,00)</i>					
Center - North	1,23	1,18	1,15	1,16	1,17
South (Mezzogiorno)	0,61	0,68	0,71	0,69	0,70
Sicily	0,58	0,61	0,69	0,72	0,72
GDP of Italy (million €) *	205.647	371.508	645.141	927.949	1.185.172
GDP per capita (thousand €)	4,348	7,375	11,956	16,430	20,886
<i>Quota on the population (Italy = 100)</i>					
Center - North	62,8	64,0	65,0	65,7	64,3
South (Mezzogiorno)	37,2	36,0	35,0	34,3	35,7
Sicily	9,4	9,1	8,9	8,7	8,7

* Chain linked values with prices 2005

Table 10 - GDP and values per capita for economic Areas.

The share of Sicily in the national GDP reaches 6.2% in 1981 (and in 1991), surpassing the 5.4% recorded in 1951 (values chained to 2005 prices). However, the turning point occurs when the expansive phase of the southern and Sicilian share of the country's produced wealth is halted, and the relative level of GDP per capita in these areas enters a descending phase, mitigated by lower demographic dynamics. This trend asserts itself in 1992, coinciding with a tumultuous period of institutional changes and the end of extraordinary intervention when the liquidation of the Cassa per il Mezzogiorno and its operational structures proceeds from decree-Law no. 415 of 1992 to Law no. 488 of 1992 and legislative decree of implementation no. 96 of 1993.

This determination is reached based on increasingly widespread critical considerations about the unproductivity and waste of spending for the South (Cassa per il mezzogiorno),

as well as due to the rules introduced by the European Commission regarding the inapplicability of contribution relief and the fiscalization of social charges as public aids. These rules lead to an infringement procedure against Italy opened in 1992. The procedure concludes, after a complicated negotiation, with a clear abolition of previous forms of aid and without adequate compensatory measures.

The conducted analysis has highlighted how, over 140 years, the distribution of employment among different productive sectors has changed. The region, like all those in Western Europe, has witnessed stages of shifting employment from the primary sector to the tertiary sector, from labor linked to land and cultivation to the more transparent services. However, the intermediate stage, that of the secondary sector primarily linked to manufacturing, starts late in Sicily and never achieves primacy in the number of employed. With reference to productive processes, the region has seen almost a direct leap from an agricultural economy to a service-oriented one.

The economical situation of the last 30 years

Throughout the analysis of the economic history of Sicily, a comprehensive perspective spanning 150 years, from 1861 to 1990, has been explored. This journey can provide insights into the challenges and transformations that have shaped the economic identity of the region over time.

In this second paragraph, the focus will be on the analysis of key variables crucial to understanding the dynamics and development prospects of the Sicilian economy. Gross Domestic Product (GDP), the industrial fabric, import-export dynamics, the distribution of income, as well as tourism and the financial sector, have been selected as they offer a comprehensive view of contemporary Sicilian economy.

GDP will serve as a general measure of economic activities, while the analysis of the primary, secondary, and tertiary sectors will help identify driving trends and potential challenges in various productive areas.

The examination of import and export will also outline the profile of Sicily's economic openness to the international context, identifying trade relationships and the impacts of global dynamics on the regional economy. In addition, consideration will be given to the study of income distribution and inequalities, crucial elements in analyzing the economic health of a region, as Inequality is one of the greatest factors able to undermine development. This aspect is particularly relevant in light of the connections between developing countries and levels of income inequality. The analysis of inequities contributes to assessing social justice and identifying any misalignments that could impact sustainable development and the economic inclusivity of Sicily.

Through this targeted analysis, the aim is to portray an accurate and updated picture of the Sicilian economic situation, contributing to an informed discussion on future prospects and development opportunities for the region.

Throughout this analysis, a comprehensive approach has been adopted using both nominal and real variables to gain understanding of the Sicilian economy. “*Nominal* variables”, represented by current prices, reflect the actual prices at which goods and services are transacted in the current time period. These prices are not adjusted for inflation, so changes

in the value of economic variables over time may be influenced by both changes in real output and changes in prices.

On the other hand, real or constant variables, represented by “*chain-linked*” prices, have been used to adjust for the effect of inflation or deflation, allowing for a more accurate comparison of economic variables over time by holding the price level constant. The chain-linking method involves adjusting for changes in both quantity and price, using a reference year as the base.

The use of both nominal and real variables is crucial to ensuring a comprehensive understanding of Sicilian economic dynamics. While nominal variables capture the actual aspect of economic transactions, real variables allow for a more accurate comparison over time, taking into account inflationary and deflationary effects. This methodology provides a more complete and balanced perspective in evaluating economic trends and challenges faced by the region over the years.

The GDP - a measure of vitality of a system

The Gross Domestic Product (GDP) of a country is a measure of “vitality” of a system, being able to measure the production rate in a given time span, and it measures the total value of all final goods and services produced within its borders in a given period, typically a year. It is the most common measure of a nation's economic activity and an indicator of its economic size.

Despite it is an “imperfect measure” of the wealth of a country as it:

- Only includes the value of what is produced and sold
- It does not include unofficial transactions (black economy, illegal activities, fiscal evasion)
- It doesn't take into account quality of life and pollution (or the value of free time, crime and violence, and more variables contributing to the actual well being of a country)

It is still a great indicator to measure the economic importance of a country, and the well-being of its citizens.

Nominal GDP refers to the production value of goods and services calculated at current prices, without adjustments for inflation or deflation, and it can increase simply because prices rise, even if the quantity of goods and services produced remains the same.

Real GDP, on the other hand, is the value of goods and services produced, adjusted to account for changes in the general price level, i.e., inflation or deflation. This is done to enable comparisons between production levels in different periods in terms of purchasing power. Real GDP is, therefore, a measure that reflects the actual quantity of goods and services produced regardless of price changes over time.

It is important to consider that GDP is not the only indicator of economic well-being, and other factors such as employment, disposable income, and wealth distribution significantly impact the quality of life. However, it is useful to provide an initial overview of the economic situation in Sicily.

Additionally, when commenting on indicators, macro-trends at the national, European, and global levels (such as the 2007 financial crisis originating in the United States and spreading worldwide with a profound impact, second only to the Great Depression of 1929, or the more recent Covid epidemic) should be taken into account, as they can help to understand the trends and patterns happening in the macroeconomic subset of Sicily.

The historical-economic context starting from 1995 (the year for which the latest updated data are available from Istat) has witnessed global and national events, from the adoption of the euro to the dot-com bubble with an expansion period until 2007, followed by the recession (whose scars are still felt in the economic reality of both Sicily and Italy), to the recent pandemic. These events have completely changed the world we live in, imposing incredibly challenging issues at the local, national, and global levels.

Sicily, Central-Northern Italy, and the South: Demographic trends, GDP, and GDP per capita in relation to the corresponding values of Italy.						
	1995	2001	2007	2013	2018	2021
<i>Quota on the National GDP (Italy = 100)</i>						
Center - North	75,40%	75,45%	76,33%	77,17%	77,86%	76,76%
South (Mezzogiorno)	24,56%	24,50%	23,60%	22,75%	22,04%	21,62%
Sicily	5,84%	5,71%	5,54%	5,33%	4,98%	4,82%
<i>GDP per capita (Italy = 1,00)</i>						
Center - North	1,18	1,18	1,18	1,18	1,18	1,16
South (Mezzogiorno)	0,68	0,68	0,67	0,66	0,65	0,64
Sicily	0,66	0,65	0,65	0,64	0,60	0,59
GDP of Italy (million €) *	1.499.354,90 €	1.692.702,70 €	1.795.059,20 €	1.642.645,50 €	1.720.515,10 €	1.704.512,20 €
GDP of Sicily (million €) *	87.602,40 €	96.620,90 €	99.476,10 €	87.609,60 €	85.646,90 €	82.181,90 €
<i>Quota on the population (Italy = 100)</i>						
Sicilia	8,80%	8,72%	8,53%	8,38%	8,31%	8,16%

* chain linked 2015

Table 11 - GDP and values per capita for economic Areas.

From the analysis of the data for the considered period, it emerges that while Sicily experienced less pronounced absolute GDP growth until 2007 compared to the rest of the country, even though increasing its GDP by 10.3% and reaching nearly 100 million, the share of Sicilian GDP relative to the total has decreased moderately, from 5.84% to 5.54%. This reduction signifies the greater growth experienced by other regions (especially the North, as the weight of the South also decreases in the considered decade) and the inability of Sicily to adapt to the growth rates of the country.

The impact of the 2007-2008 financial crisis on real GDP is evident, and in 2009 both the national and Sicilian economies felt the negative cyclical phase, with a significant decline in GDP, the highest since the post-war period. It is a crisis from which Italy and Sicily, in particular, have not yet fully recovered to this day.

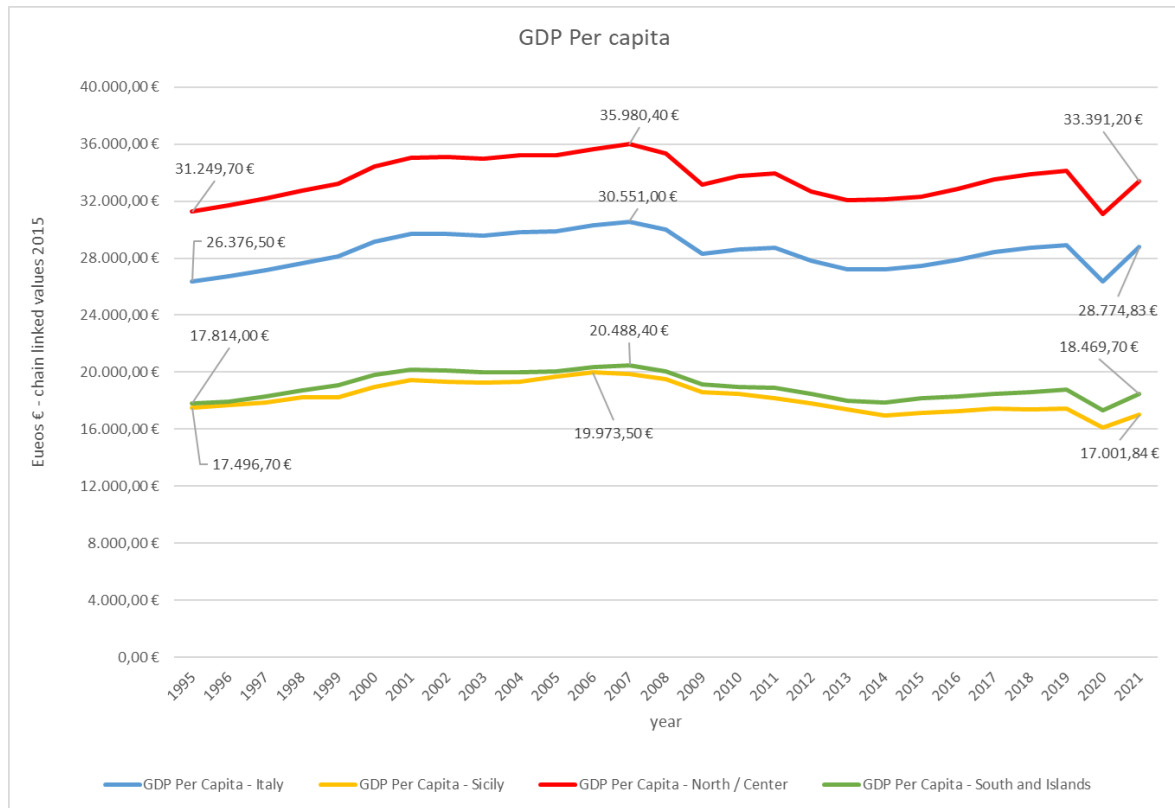


Figure 5 - GDP Per Capita in Italy by Macro areas (1995-2021).

The seven years following 2007 (2008-2014) hit Sicily with an economic crisis that still imposes a heavy burden on the possibilities of recovery. The significant reduction in GDP that globally manifested in 2009, originating from the burst of the speculative bubble fueled by *subprime* mortgage loans in the U.S. real estate market, soon transmitted to countries like Italy, where financialization processes of the economy and investors' risk propensity are more contained. Sicily and the South, less involved until 2011 in the declining confidence climate due to the relative resilience of the public sector, feel the impact of the new phase in the European economy that year, with the sovereign debt crisis, necessitating restrictive measures in budgetary policies. The austerity and reforms imposed to stabilize public finances in the Eurozone had repercussions at the regional level as well, with reductions in public spending and investments that may have slowed economic growth and increased unemployment in those years.

The data carry even more weight when noting not only that the Italian and Sicilian economies have not yet reached the levels of the distant 2007 but also how Sicilian GDP marked a level in 2021 even lower (in real terms, despite the meager consolation of

nominal growth) than that recorded in 1995, indicating **virtually zero growth over the three decades**, effectively a decline.

Despite a cyclical growth experienced by Sicily and Italy in 2021, solely attributed to the recovery of economic activity after the pandemic-induced standstill, this growth lost momentum and slowed down in the first part of 2022. This is also due to the prolonged geopolitical tensions and the conflict in Ukraine, allowing for the almost complete recovery of the productivity loss associated with the pandemic.

However, looking at the data in terms of Sicilian economy's contribution to the Italian economy and going back to 1951 (Table n.10), where Sicily accounted for about 5.4%, the current situation even worsened, recording a share of 4.8% on the Italian GDP in 2021.

Growth rates (chain linked values 2015) for Italy and a sample of South regions					
Periods	Italy	Puglia	Basilicata	Sicily	
2019-2021		-1,41%	-1,33%	-2,69%	-3,99%
2015- 2019		4,44%	2,45%	4,13%	-0,34%
2010-2015		-3,35%	-3,20%	8,25%	-8,11%
2005-2010		-1%	-4%	-8%	-5%
2000-2005		5%	-1%	-4%	4%
1995-2000		11%	13%	19%	8%
1995-2021		13,7%	4,8%	15,1%	-6,2%
2007-2021		-5,04%	-8,55%	-3,03%	-17,39%

Table 12 - GDP growth rates (chain linked 2015) by Areas.

Looking at the same data from a different perspective, in terms of growth rates, the situation takes on even more alarming characteristics, both for Italy and, especially, for Sicily. Starting from 2006 (the year of the highest recorded real GDP level), Sicily has systematically experienced a decline, registering an overall negative gap of 17.39%. This is a particularly concerning figure in terms of the well-being level and the potential social, demographic, and economic implications on the labor market, investments, and the loss of competitiveness for the Sicilian economy.

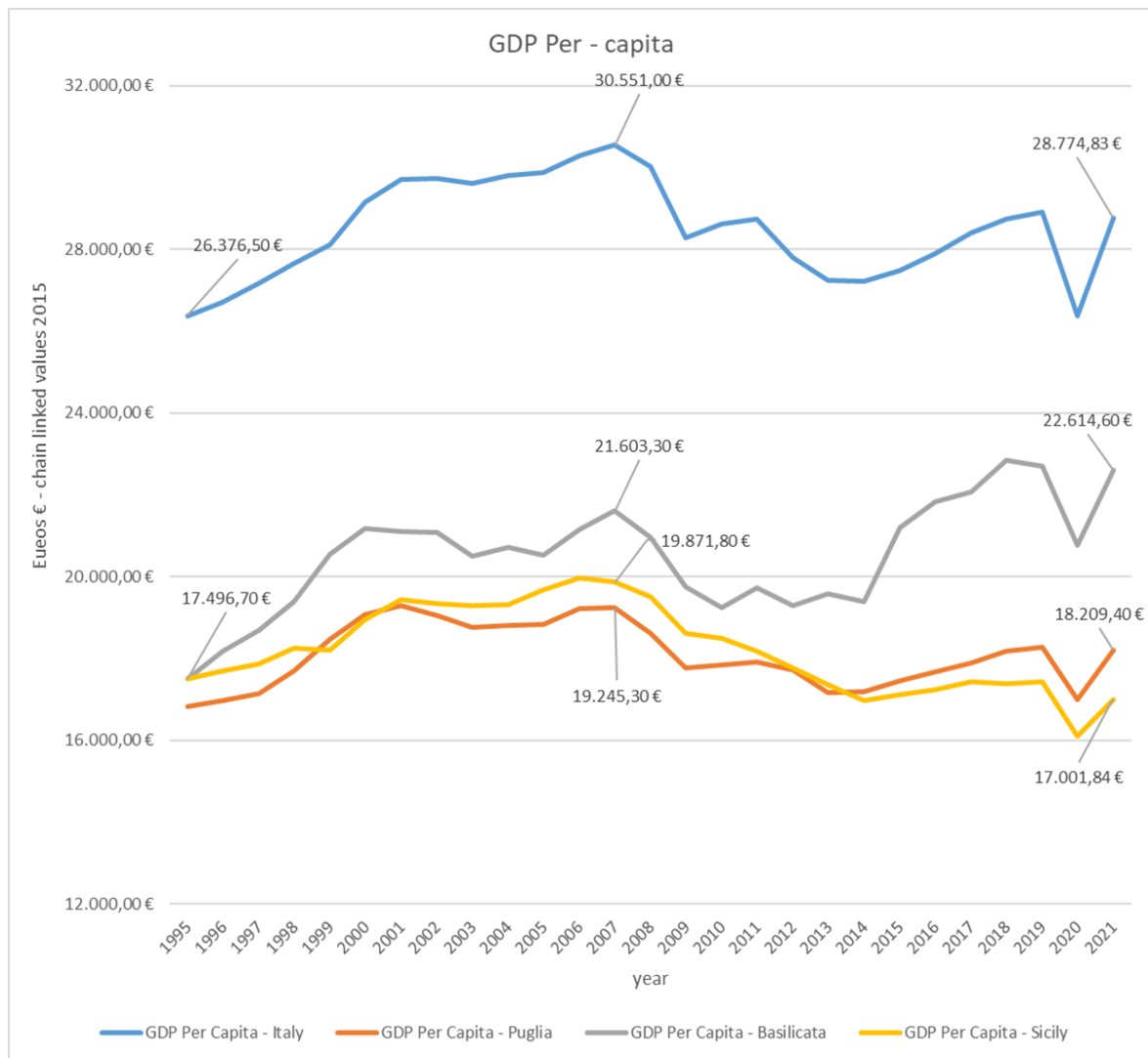


Figure 6 - GDP Per Capita in Italy and Southern Regions (1995-2021).

Analyzing Figure 6. alongside the GDP per capita graph for the Central North, South and Islands, and Sicily, (Figure 5) it is evident that Sicily not only lags behind Italy and the South but also trails behind Puglia and Basilicata. These two regions, while experiencing a similar trend to Sicily, have demonstrated improvement since 1995, greater resilience to the shock of the 2007 financial crisis, and a stronger capacity for growth—something that has not occurred in Sicily in the last 30 years in purely absolute terms.

All these considerations must be at least accompanied by an understanding of the geography and demography of Sicily. A raw, yet economically unsophisticated analysis, would place Sicily around its historical average (also considering Tables 10 and 11 showing its weight on the Italian GDP) at about 5%, equivalent to one-twentieth. However, this region holds much more significance: Despite unfavorable demographic dynamics resulting from lower birth rates and migration of Sicilians to more favorable work and study conditions, Sicily's population still constitutes 8% of the total Italian population (one-twelfth, not one-twentieth) and is one of the geographically largest regions. The substantial demographic weight and the modest weight on the Italian GDP (around 5%) explain why, in per capita terms, Sicily falls well below the average (64% of the South's average compared to the Italian average and 59% for Sicily, following table 11).

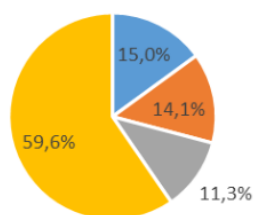
The productive activities

As analyzed in the previous chapter, following the post-war transformations that led to the reform of traditional large estates in rural areas and the activation of significant migration flows towards the Northern regions of the country and abroad, Sicily experienced a period of growth in the 1960s and '70s driven by household consumption and investments. Echoing Labini and Trigilia's thesis, these were years of 'development without autonomy,' where the productive structure emerging in Sicily was centered around certain industrial poles in the petrochemical sector, primarily resulting from public intervention. However, these poles had limited expansive effects on the rest of the economy and on a vast array of traditional, small-scale, and less competitive activities, mainly linked to agriculture and construction. Within this framework, the added value of services, especially those not intended for sale and public administration, gained increasing importance.

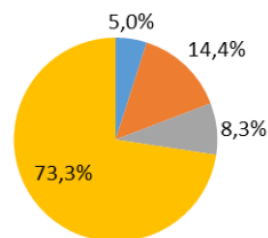
The relative weakness of the productive fabric resulting from this development model had repercussions on the performances of subsequent periods, creating an economy focused on services, unable to attract foreign investments, leverage its comparative advantage in agriculture, and with a stagnant and even contracting industry.

The graphs illustrate the evolution of the distribution of gross value added across the three macroeconomic sectors in Sicily in the years 1970, 1991, 2011, and 2021, revealing a significant transformation of the Sicilian economy over half a century.

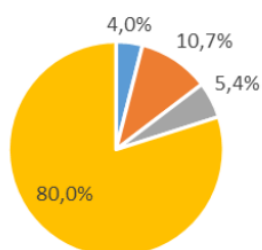
Gross added Value by industry 1970



Gross added Value by industry 1991



Gross added Value by industry 2011



Gross added Value by industry 2021

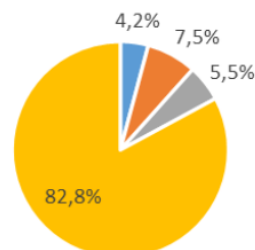


Figure 7 - evolution of the Gross added value by industry in Sicily (1970 - 2021).

Agriculture (including Agriculture, Forestry, and Fishing), which accounted for 15% of the Island's gross value added in 1970 (experiencing the most significant contraction from the 49% recorded in 1951), has always been a significant sector in the region. It has undergone the most substantial contraction, contributing to less than 5% since 1991, a figure double the national average and higher than the Southern Italy average (approximately 2.2% and 3.8%, respectively, for the period considered), but still not able to give credit to the potential of the Island. The slight fluctuations and variability in the value of this sector can be attributed to the influence of climatic events that typically characterize agricultural activities, rather than political actions to enhance it.

Table 13 provides an overview in terms of Euros of the economic evolution of the three productive sectors, with agriculture and strict industry experiencing significant contractions both in relative and absolute terms in their ability to provide added value.

Gross value added by area of activity (million € and percentage values)						
Sector	1995		2011		2021	
	Gross value added	quota on the total %	Gross value added	quota on the total %	Gross value added	quota on the total %
Agriculture, Forestry, and Fishing	3.907,20 €	5,0%	3.274,60 €	4,0%	3.092,70 €	4,2%
Industry	17.744,70 €	22,7%	13.302,00 €	16,1%	9.645,30 €	13,0%
Industry in strict sense	11.264,50 €	14,4%	8.823,20 €	10,7%	5.575,10 €	7,5%
Constructions	6.480,20 €	8,3%	4.478,80 €	5,4%	4.070,20 €	5,5%
Services	57.386,80 €	73,3%	65.916,10 €	80,0%	61.673,50 €	82,8%
Public Administration	24.018,50 €	30,7%	26.754,40 €	32,5%	22.790,10 €	30,6%
Total Gross value added	78.324,80 €		82.386,00 €		74.473,20 €	
* chain linked valued - reference year 2015						

Table 13 - Gross value added by area of activity.

According to the results of the 6th and 7th general agriculture censuses, conducted in 2010 and 2020 respectively, by the end of 2020, Sicily had 142,000 active farms (approximately 12% of the national total), with a utilized agricultural area (UAA) of over 1.3 million hectares (about 11% of the Italian UAA). Similarly, to the national trend, between 1982 (the first census) and 2020, the number of farms decreased by about 64%, and the UAA decreased by approximately one-fifth.

The land-use pattern remains largely unchanged, with about half of the utilized agricultural area still dedicated to arable crops and cereals for seed and durum wheat production. This is followed by woody crops such as olives, vines, and citrus fruits, for which Sicily holds 55% of the national area, accounting for around 61,000 out of 112,000 hectares devoted to citrus cultivation. However, the cereal area has seen a slight expansion in recent years, especially at the expense of vines and citrus. This is a concerning trend considering the low added value of wheat and its low competitiveness due to the importation of grains from the rest of Europe at relatively lower prices, and the failure to leverage the comparative advantage of the wine sector.

During the health emergency, the agricultural sector was considered essential and, as such, was not subject to restrictive measures. The entire agri-food chain was at the forefront, proving particularly resilient in Sicily and Sardinia, where, according to the census, only 15% of companies reported damage from the pandemic (compared to 28% in the North).

However, the area dedicated to products with protected designation of origin or protected geographical indication was only 2% of the total (3.6% at the national level). It was mostly invested in the production of grapes for controlled designation of origin (DOC) and controlled and guaranteed designation of origin (DOCG) wines. Still, the incidence of DOC and DOCG productions on the area dedicated to vines in Sicily was 11.2%, well below the

national value of 48.3%. This is a sector that, as mentioned earlier, had achieved a leading role nationally in 1900 but has not experienced significant growth due to the absence of policies aimed at fostering growth and attractiveness.

The industrial sector, which in the 1970s constituted a significant aggregate of economic activity in the region, especially thanks to the presence of numerous refining plants and the weight of the oil refining industry, assumed a central role in the Sicilian economy (see subsequent paragraphs on the weight of the oil industry in the island's exports). Within manufacturing, the Sicilian industry specializes in refining, food processing, rubber and plastics manufacturing, electronics, and shipbuilding.

High business mortality, especially among smaller units, and the deindustrialization process that began in 1970 systematically continued in the decades that followed until 2021. The difficulties of large enterprises and the decline in initiatives from external sources combined with the inability to relaunch the industrialization process on different bases lead to a progressive loss of the secondary sector, both in terms of value added and employed individuals, almost halving over the 50 years considered (from 446,000 employees in 1971 to 236,000 in 2021), especially to the detriment of the more productive branch, the manufacturing sector and "In strict sense"¹¹ industry. Indeed, the value added from the construction sector, particularly supported by public works (often awarded to companies from outside the region due to the small size of local firms), assumes a significant weight.

In particular, the industrial sector was more significantly affected by the economic crisis of 2007 starting from 2009. Compared to the pre-crisis peak in 2007, the value added of the sector was about 34% lower in 2014 in nominal terms but 45.2% lower in real terms (going from a peak value added in 2007 of €17,709 million to just under €9,700 million in 2014, in chained values with a reference year of 2015). A figure expected to worsen, remaining at approximately the same level in real terms in 2021 (with a value added of about €9,645 million). Sicily is currently the most critical front of Italian desertification - as emphasized by the national secretary of the auto sector of Fiom Cgil, Samuele Lodi — the case of the former Fiat plant in Termini Imerese, dragging on for 12 years, is a symbol of a progressive

¹¹ It refers to the sector of the economy that involves the production, manufacturing, or transformation of TANGIBLE GOODS (material goods such as machinery, vehicles, electronics, food products, chemicals, clothing, furniture, and other items that can be touched or physically handled) or the PROVISION OF SERVICES THROUGH MECHANIZED OR AUTOMATED PROCESSES. Production processes take into account the transformation of raw materials or semi-finished goods into finished products through industrial operations.

disengagement of companies and national and regional governments from investments in industry¹².

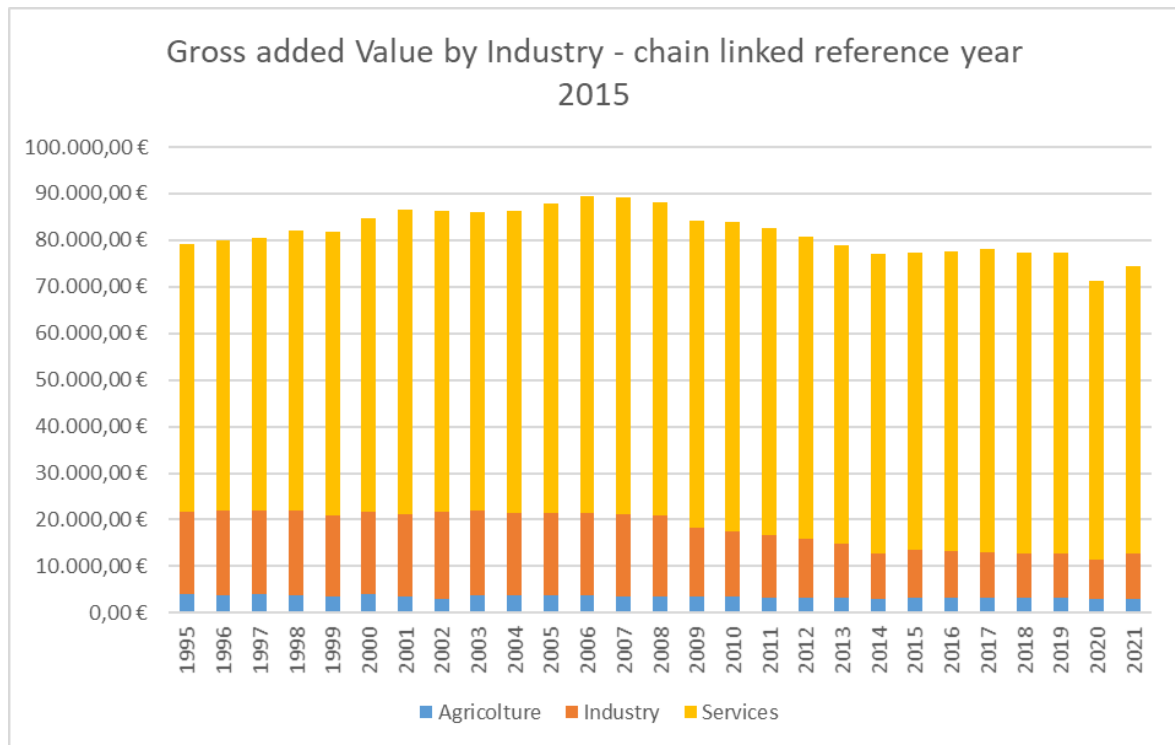


Figure 8 - evolution of the Gross added value by industry in Sicily (1995 - 2021).

As evident from the trend in the graphs, both Sicilian agriculture and industry have experienced a decline since 2007, both in absolute terms (both in real value added and the number of employees, see table 9 for the employment composition by economic sector) and in relative terms compared to the prominence gained by the tertiary sector. In addition to the financial crisis of 2007, a factor that may have significantly contributed to the contraction of these two sectors is the implementation of the *Legislative Decree dated October 3, 2006, n. 262*, and the *Internal Stability Pact*, aimed at financial interventions to rebalance public accounts, thereby reducing the possibility of indebtedness for public administrations (and consequently for Local administrations, provinces, and regions). In simplistic terms, public spending capacity was severely limited due to the two Laws mentioned, curtailing possible subsidies for agriculture and industry. These two sectors particularly require public spending to encourage development and growth, hindered by

¹² From the Italian Journal - La Repubblica- "From oil to hi-tech, the desertification of the Sicilian industrial dream.", Gioacchino Amato, 1 November 2023

natural competitiveness arising from entry into a global market—a public spending that was curtailed from 2007 onwards. All of this, coupled with the unresolved and worsening issue over time of workforce training and quality, as highlighted by the annual reports of the Bank of Italy on the Sicilian economy, which underscore "a shortage of qualified labor," reported by over 30% of the overall sample in 2006.

The year 2007 is arguably the most challenging year of the entire three decades under consideration due to a combination of regional, national, and European Union policy factors and the effects of the global economic crisis:

- Regional Internal Factors: In terms of Public Investments and Infrastructure the region's investment capacity has been limited by regulations such as the Internal Stability Pact, which imposed constraints on public investments, and the ineffective use of European funds, both due to a lack of regional co-financing and delays in project management and implementation.
- National Factors: Internal Stability Pact: This agreement between the Italian state and the European Union aimed to contain the public deficit but resulted in a reduction of local-level investments, negatively impacting spending on infrastructure and public services.

Effects of the Global Economic Crisis: beginning in 2007-2008, the global financial crisis directly affected the banking and financial system, limiting access to credit and reducing the demand for goods and services, with a significant impact on the industrial and construction sectors.

- Decline in International Trade: Sicily, with its main port in Palermo, was affected by the reduction in international trade, negatively impacting the logistics and transportation sector, crucial for the export of agricultural and industrial products.

On the other hand, services are much less affected by the region's lower spending capacity, as there is no degree of 'product substitutability' as in the agricultural and industrial sectors. Sicilian agriculture can be replaced by products from Morocco, Tunisia, and North Africa in general, which are more competitive in terms of lower costs. It is the responsibility of Sicily, as well as Italy and the European Union, to promote 'fair' competitiveness to prevent Sicilian agriculture from losing attractiveness. In contrast, services are more protected from

competition, and the non-substitutability of the product is evident. For example, banks (whether regional banks, or extra-regional banks, and this issue will be analyzed in the dedicated chapter of Banks and deposits) maintain their presence in the territory regardless of the region's economic capacity, and access to professional services continues to be prevalent in Sicily, maintaining a close connection with regional identity, although they may not be exempt from broader economic dynamics.

Despite the services sector including a component linked to the island's attractiveness, tourism, this contributes only partially to the value added produced in the region. There is a prevalent specialization of Sicily in public administration services (which, over the 30 years under consideration, continues to account for just over 30% of the total value added in services and employs almost 50% of the total service workforce, 560 thousand people out of a total of 1.1 million), followed by trade, real estate activities, rental, information technology, and research.

Part of the increase between 1995 and 2009, both in the value added of services (always in real terms, with 2015 as the reference year) and in the number of employed in the sector, was supported by the expansion of the banking sector, trade and retail, public administration, accommodation and food services, and the information and communication sector. These same variables have stabilized, maintaining almost the same levels as in 2009 until 2021, except for a modest decrease in public administration, trade and retail, and the banking sector (both in terms of employees and value added), a phenomenon justifiable by the digitization of both the banking and retail sectors.

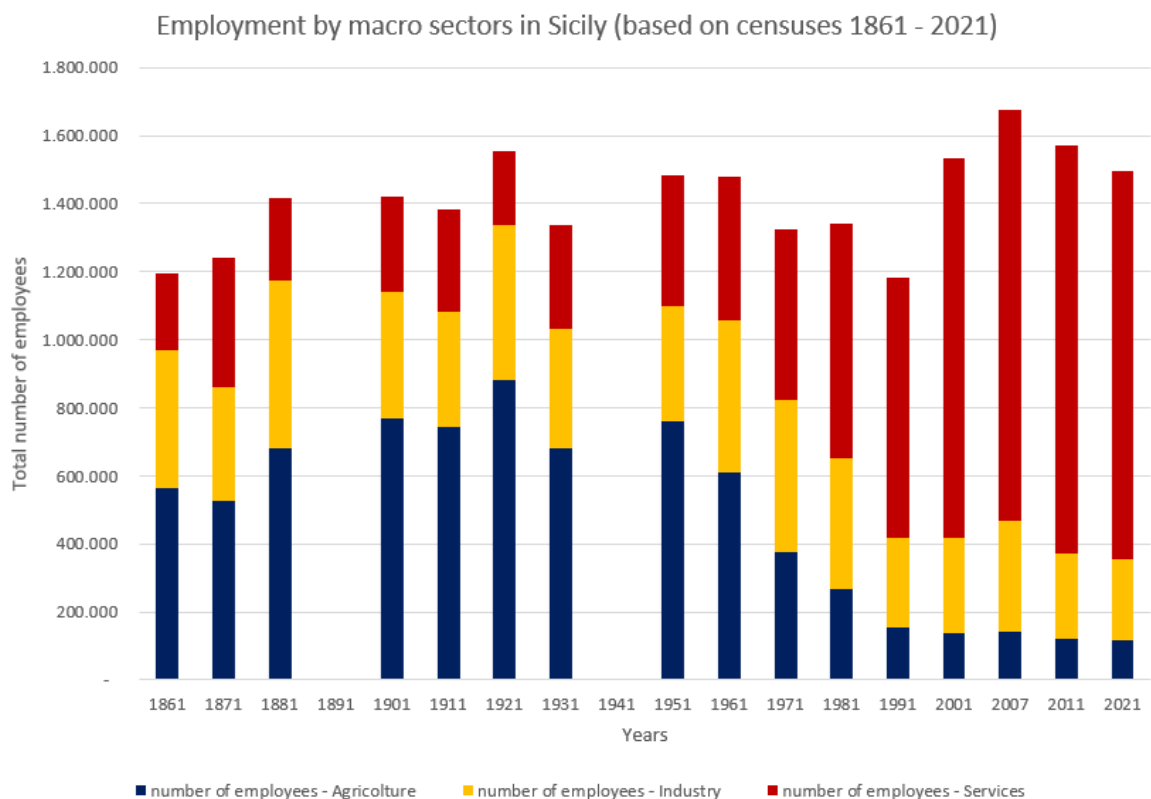


Figure 9 - evolution of the employment by sector in Sicily (1861 - 2021) - ISTAT data.

The only missing censuses correspond to 1891 and 1941: the high cost of the census operation and the economic difficulties following the financial crises that began in the late 1880s, as well as the onset of wartime activities during World War II, forced the government to postpone census surveys.

Even from the data on the number of employees in various sectors, it is evident that the structural transition of the Sicilian economy shows an economic profile that has progressively shifted from agriculture and industry towards the tertiary sector over the past decades. The increase in employment in the tertiary sector, both in relative and absolute terms, which has consolidated itself as the main economic sector, highlights the growing importance of services in a region traditionally linked to agriculture. This shift necessitates the updating of workforce skills and investment in higher education and vocational training to meet the demands of an evolving labor market.

In analyzing these data, the subdivision into two main periods is still valid: one of growth until 2007 (where the historical peak of census employees, 1,677,300, is recorded, reducing

by over 100,000 units already in 2012) and one of crisis that persists until the present, where the most affected sector has been industry (recording 236,000 employees in the industrial sector, just over 100,000 fewer than in 2007).

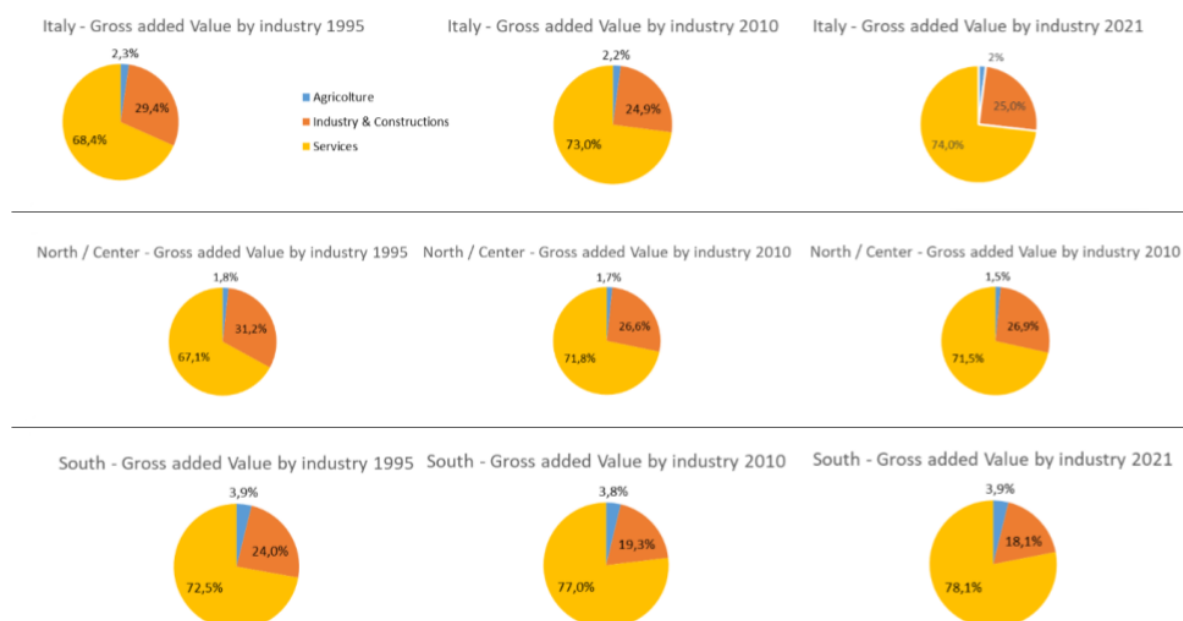


Figure 10 - evolution of the Gross added value by industry in italian Macro-Areas (1995 - 2021).

Comparing the data with Italy, the central-northern regions, and the southern regions, Sicily appears less industrialized than all averages and more focused on the tertiary sector even compared to the southern region's average. It is observed that the entire structure of Italy's production is converging towards the tertiary sector, but the character of advanced tertiarization, which has particularly compressed Sicilian industry, has resulted in a more sparse presence of business systems and a significant decline in productivity. The decline in productivity in the Sicilian industrial sector, parallel to increasing tertiarization, highlights a complex challenge: On one hand, it is imperative to restructure existing industry towards high-tech and sustainable sectors. On the other hand, it is essential to enhance the services sector, which includes not only tourism but also professional, financial, and IT services, which can contribute significantly to the regional economy and are taking on a primary role in recent developments. Furthermore, the tourism potential of Sicily could act as a catalyst for economic growth. In this context, adopting an innovative tourism marketing strategy

that enhances the region's cultural, historical, naturalistic, and gastronomic resources is crucial, strengthening infrastructure (from ports, airports, roads to residential facilities). Greater attention to the quality of the tourism offer and its positioning at the international level could help Sicily stand out as a destination for quality tourism, leveraging its comparative advantage. The goal is to transform tertiarization not into a simple phenomenon of occupational shift and low attractiveness for investments but into an effective engine for sustainable and inclusive development.

The Labor market - Employment and unemployment

The assessment of employment and unemployment trends requires caution, considering the methodological innovations introduced by ISTAT with the new labor force survey. The main indicators have been reconstructed from 2003 onwards to allow for a comparison with previous data (reports from the Bank of Italy reveal a 10% difference in indicators between 2002 and 2003, attributed to methodological differences in the surveys).

As analyzed earlier, the sectoral distribution of Sicilian employment is particularly skewed towards the tertiary sector, both compared to Italy and the southern regions. Since 1951, it has definitely surpassed the industrial sector and has remained at levels exceeding 70% since the mid-1990s, reaching 76.4% of total employment.

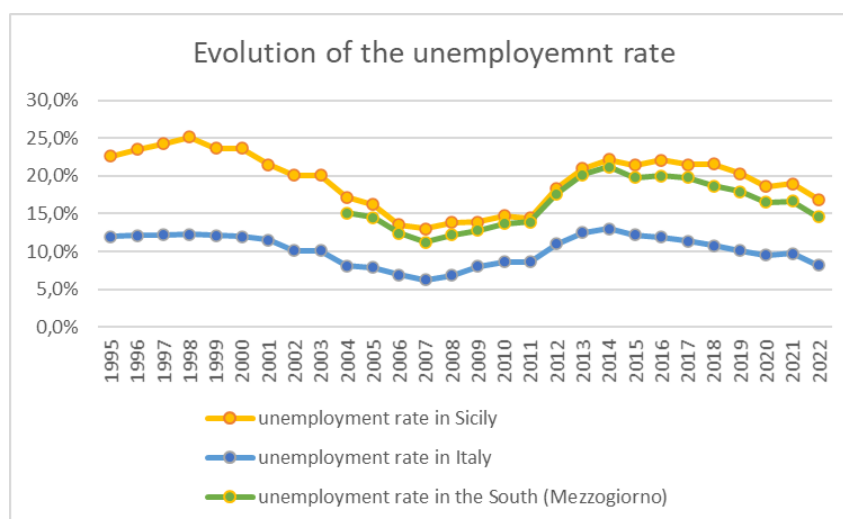


Figure 11 - evolution of the unemployment rate (1995 - 2022)

In the period under analysis, for which updated data are available, considering the new methodologies, both the employment and unemployment rates have consistently been respectively lower and higher in Sicily, both compared to the Italian average and that of the Mezzogiorno. Despite the positive trend in relative terms, the Sicilian employment rate remains the lowest among all Italian regions (42.6% for 2022, compared to a national and Mezzogiorno average of 60.1% and 46.7%, respectively), while the unemployment rate is second only to that of Campania, recording figures of 16.9% and 17.4%, both more than double the national average (8.2%). For the analysis of this indicator as well, we can consider dividing the period under examination into two: an initial period of improvement until 2007, and a subsequent period of decline until the present, where the indicators have not yet recovered to the levels of 2007. This trend reflects an economy struggling to create new job opportunities significantly, indicating the need for further measures.

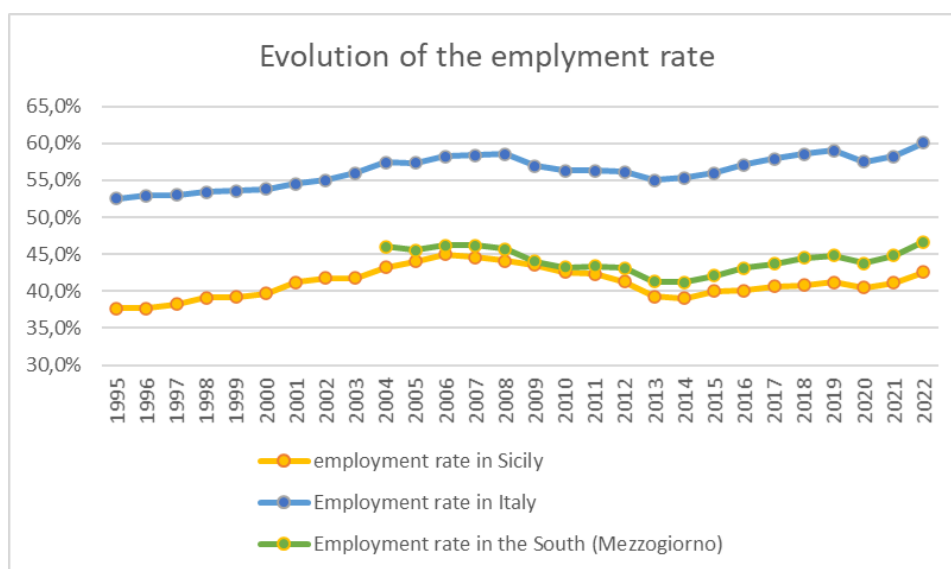


Figure 12 - evolution of the employment rate (1995 - 2022)

The data, in fact, worsens when considering the numerical reduction of individuals seeking employment: the declining trend of people looking for work has affected most southern regions, but the Sicilian figure has consistently been among the highest, reaching up to 57% of the overall reduction recorded throughout the South in 2004. Additionally, compared to the national average, Sicily is characterized by a lower proportion of households with only one potential worker and a higher percentage of families with three or more members

capable of working. In this regard, the considerations made for the GDP and productive activities (Sicily accounts for 1/12 but represents 1/20) serve as a critical premise to approach the data discussion.

The significant decrease in the unemployment rate, dropping from 22.6% to 16.9%, is almost exclusively due to the substantial reduction in the number of people seeking employment, resulting from Sicilians relocating to other regions (mainly in the central North, particularly Lombardy). Furthermore, the data assumes even greater significance when considering that the level of education among emigrants is continually increasing, especially for those with a university degree. In the period from 1988 to 2002, the migration balance in Sicily was negative, amounting to 195 thousand people (472 thousand outflows and 277 thousand inflows), and the outflow of individuals with a degree increased, reaching 6.7% of those who migrated in 2002.

Unfortunately, the improvement in these indicators can be attributed to the reduction of people seeking employment, especially until 2008 when, for five consecutive years, the number of job seekers decreased at an annual average rate of about -5%. In the six years leading up to 2014, regional employment was significantly affected by the effects of the economic crisis, and the expansion of the labor supply pushed the unemployment rate upward again, while the reduction of workers in the manufacturing and construction sectors continued.

Once again, the improvement in these indicators in recent years can be explained by the growth in the number of employed individuals in the context of a persistent reduction in the working-age population residing in the region, attributable to both natural balance (lower birth rates) and internal migration balance: in addition to a more intense regional demographic decline compared to the national average (respectively -4.8% and -1.9%), in Sicily, the proportion of graduates to the population has increased over the last decade but less than the national average. This is also influenced by the emigration of the region, which has been more pronounced for graduates with characteristics more favorable to entering the workforce. In the decade, the net outflow from Sicily amounted to cumulatively over 39,000 graduates.

In the presented context, *female participation* in the labor market assumes particular relevance, and the promotion of gender equality in the labor market becomes an objective

to pursue not only from a social standpoint to ensure equal opportunities among individuals but also to foster economic growth. The female labor force participation rate in Italy is among the lowest compared to the 27 European Union countries, with significant repercussions on the country's growth prospects¹³. In Sicily, according to Istat's RFL, the gender gap in labor market participation rates is significantly higher both compared to the Italian average (26.4 percentage points in 2020, 18.9 in Italy) and the euro area. Since 2004, the gap has reduced by 7.7 percentage points (-4.8 in Italy; -6.7 in the euro area) due to both an increase in the female activity rate and a reduction in the male rate¹⁴. Lower female participation may also result from difficulties in reconciling work and private life, as family caregiving responsibilities are not evenly distributed between genders. According to Istat's RFL, in the average of the years 2015-2020 in Sicily, 27.8% of inactive women stated that they were not working and not seeking employment due to family needs, compared to 2.2% among men (respectively 28.5% and 2.7% in Italy). The availability of early childhood services is among the tools that can contribute to balancing family and professional life, facilitating participation in the labor market. According to estimates from the Bank of Italy¹⁵, in Italian provinces where the availability of early childhood care services is higher, there is also a higher activity rate among mothers of children under three, and the gap in the participation rate of mothers compared to other women is more limited, considering age, education, and citizenship. In Sicily, where the participation of mothers with preschoolers is significantly lower than the national average, the availability of childcare services (daycare centers, kindergarten sections, and supplementary services, both public and private or privately affiliated with the municipality) is lower than in Italy.

In the described context of the regional labor market, population dynamics for recent years echo, although at significantly lower levels, the migrations of the economic boom years. However, two non-marginal distinctive elements seem to emerge compared to those times:

- a) the loss of human capital is qualitatively higher as the migrant is on average more educated, leading to greater losses in "breeding costs";

¹³ See M. De Philippis and S. Lo Bello, *The ins and outs of the gender employment gap: Assessing the role of motherhood*, Bank of Italy, Discussion Papers, forthcoming.

¹⁴ *Annual Report on the Regional Economy of Sicily - Bank of Italy*

¹⁵ *Annual report on the Regional Economy of Sicily 2021 - Bank of Italy*

b) the conjunctural moment is not one of economic boom but rather developmental difficulties even for the receiving areas, resulting in non-marginal limitations in the expectations of social mobility for migrants.

Sicily has undergone exceptional development over the last one hundred and fifty years, transforming its productive structure from agricultural to tertiary, substantially increasing production capacity and income. However, certain political and economic factors have conditioned these growth dynamics, making the internal economy less autonomous. Therefore, faced with an external crisis, the region struggles to find a path of endogenous development that can lift it out of recession, consequently enduring the described significant repercussions on the labor market.

The international Trade

In the dynamics of international trade, Sicily emerges as a region with minimal participation in the total Italian exports, contributing only marginally with a share hovering around 2%. However, excluding petroleum and its derivatives, the weight of both Sicilian imports and exports has remained essentially constant over the years, accounting for values between 0.9 and 1.0 percent of the national total.

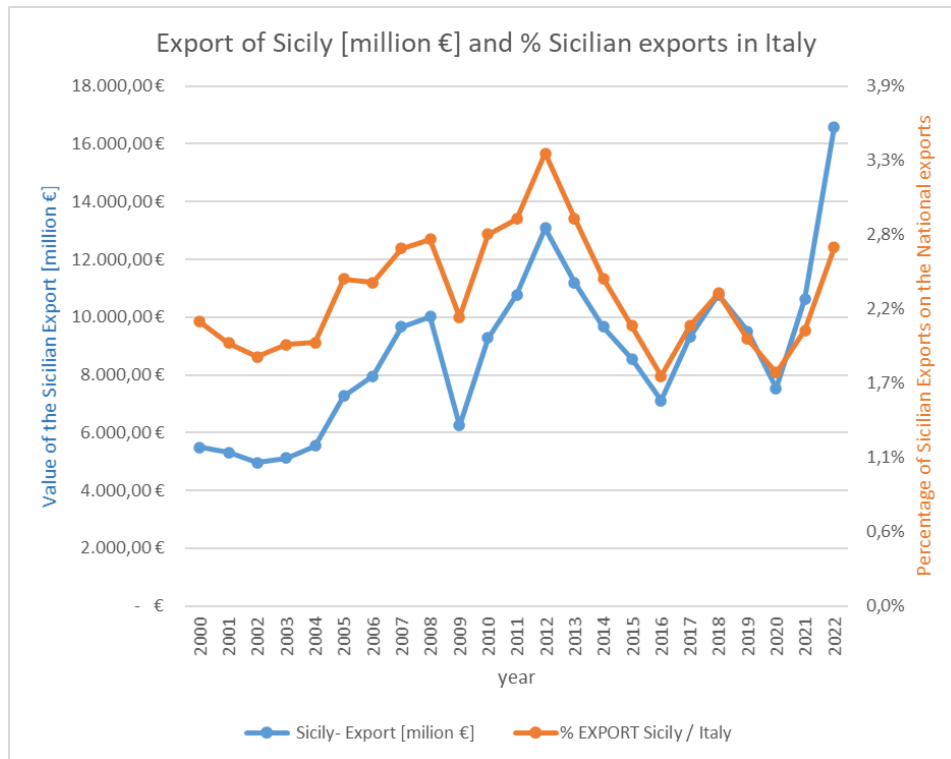


Figure 13 - Sicilian exports (2000 - 2022).

An analysis of export trends reveals a propensity for foreign trade significantly below the national average, standing at around 12% of the regional value added—a figure that contracts significantly when excluding products from the petroleum sector. This scenario can be interpreted as indicative of limited competitiveness, influenced by factors such as the quality of goods produced, innovation capacity, marketing strategies, and presence in international markets. On the other hand, the level of imports can be seen as a reflection of a region's wealth: a low incidence of imports might suggest reduced purchasing power or weak domestic demand. In this context, the Sicilian case can provide food for thought on the need for policies aimed at increasing competitiveness and strengthening the region's production and commercial capacity.

The overall composition of exports and imports is almost identical, with refined petroleum products taking the absolute lead, followed by chemicals, electronics, and agricultural products.

In the dynamics of total exports, the trend is almost entirely dictated by the petroleum sector, which alone has represented at least half of the island's export value. In 2007, Sicilian exports accounted for 2.7% of the national total, marking a one percentage point

increase compared to 1997. Over the decade from 1997 to 2007, there was a further increase in their incidence, reaching two-thirds in 2007. This trend was influenced by a significant increase in energy product prices in international markets: over ten years, the value of refined petroleum exports almost sextupled, alongside a 51.9% increase in quantities. Excluding these products, the weight of Sicilian exports as a percentage of the national total remained essentially constant over the years, ranging between 0.9 and 1.0 percent. During the same decade, there was a partial recomposition of Sicilian exports, with a reduction in the importance of agricultural products (-2% of regional exports) and transportation (-17.6%). In particular, there was an unfavorable dynamic in the export of vehicles, largely due to the repositioning of Fiat's Sicilian plant towards the domestic market.

The decline in the value of Sicilian exports in 2009 was due to the decrease in the value of petroleum products abroad (-38.1%) during the financial crisis, despite maintaining positive changes in Sicilian quantities exported of petroleum products, reaching nearly 50% of the national total in 2010. In the same year, a significant decline affected the transportation sector, with the nominal value decreasing from 351 million to 54 million, and exports decreasing by 78%, mainly due to the closure activities of the Fiat plant in Termini Imerese, which had employed about 1500 people — a particularly relevant figure in the Sicilian manufacturing context. In the years until 2016, the decline in Sicilian exports was again dependent on variations in international oil prices, while exports of other Sicilian products lost about 11%. In the recovery years of 2018, however, the value of exported goods, totaling 9.3 billion euros, was attributed to the petroleum component for over 60%, growing by 44.3% due to price increases in the sector.

As highlighted in the Bank of Italy reports on the Sicilian regional economy for 2017 and 2018, the regional specialization model has not been able to adapt satisfactorily to changing demand conditions, i.e., to reposition itself in the most dynamic country-product market segments, **losing competitiveness**. The competitive capacity of a territory can be assessed by analyzing the dynamics of exports in relation to that of "potential demand," representing the volume of foreign sales that regional producers would achieve if exports to each country grew at the same rate as the imports of that market. Between 2005 and 2016, Italian exports of goods at constant prices grew by a total of 25.2%, less than potential demand

(38.2%) and world imports (47.8%). The growth differential between exports and potential demand, already present in the years before the crisis, widened during the collapse of world trade in 2009. From 2010 onwards, however, the expansion of volumes of foreign sales was higher by almost three points compared to potential demand and at a pace close to that of world imports.

The dynamics of Sicilian exports, on the other hand, followed a divergent trend compared to the rest of the country. In the period 2005-2016, the volume of goods sold—estimated by deflating regional exports with national indices of producer prices of exported goods in each sector—decreased by over 20%, despite a 33% increase in potential demand. This reduction was due to the contraction of sales of petroleum products. Considering only non-oil sectors, after the fall recorded in 2009, export volumes returned to levels close to those recorded at the beginning of the period, while non-petroleum potential demand increased by over 35% over the entire period.

The overall stability of constant-price exports of non-oil sectors was determined by the decline in chemical products and transportation, balanced by the positive contribution of agricultural crops and the food industry.

For the years 2017-2021, 74% of Sicilian imports and 55% of exports were dependent on petroleum products (crude oil and refined petroleum), and fluctuations were primarily due, once again, to variations in the prices of these products. The increase in 2021, benefiting from the recovery of world trade after slowdowns resulting from the pandemic and tensions in the Russo-Ukrainian conflict, was driven by about 80% by the petroleum sector. For non-petroleum sectors, exports grew by 12% at current prices, particularly in the three main non-oil sectors (agri-food, chemical, electronics).

According to data from the first semester of 2023, exports recorded an increase of +56% at current prices, and +27.3% in real terms (the increase was driven by 85% by the petroleum sector, both in terms of prices and quantities). Non-petroleum sectors also increased by +18.5% at current prices. Sales to countries involved in the Russo-Ukrainian conflict, which typically accounted for less than 1% of regional exports, were virtually eliminated. However, the weight of imports from these countries doubled (almost entirely consisting of crude oil and petroleum products from Russia) before the embargo on Russian petroleum products introduced by the EU at the end of 2022 came into effect.

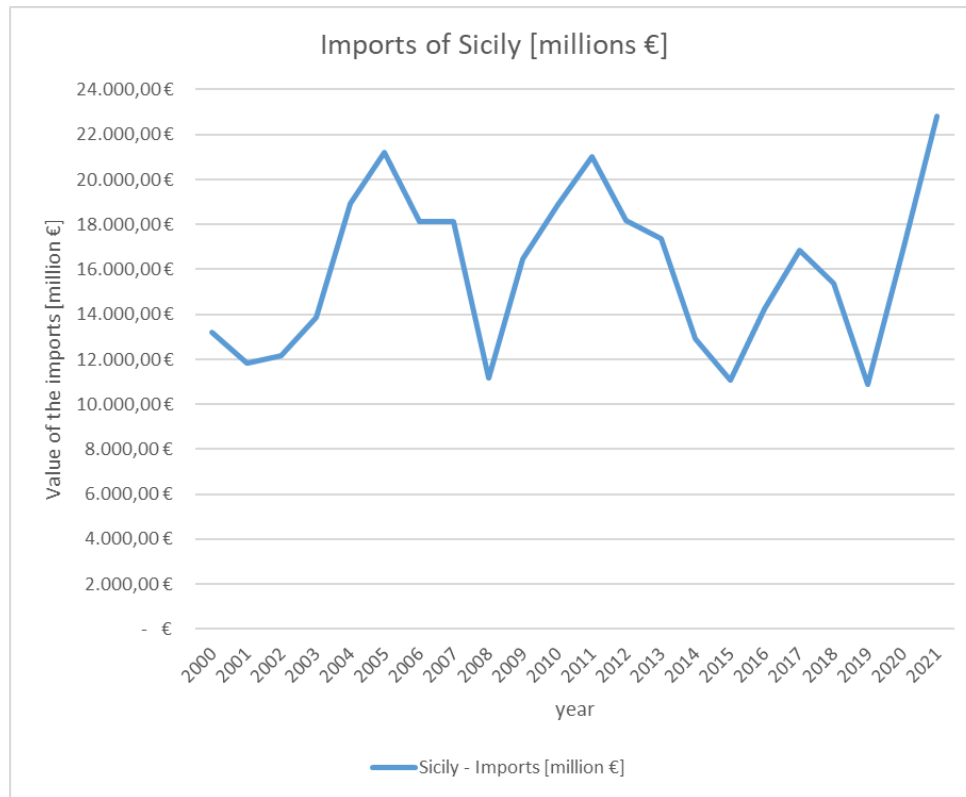


Figure 14 - Sicilian exports (2000 - 2022)

The foreign trade of Sicily represents approximately 4 percent of the national trade flows with the rest of the world. These values are significantly influenced by petroleum products, both crude and refined, and natural gas, which have accounted for over 70% of local imports and exports over the years. As analyzed for exports, and in a specular manner, over the last two decades, the impact of these productions on trade flows in value has also increased due to sometimes significant fluctuations in petroleum prices on international markets.

Overall, the total impact of the oil sector on the overall local imports has increased from around 70% in 2002, holding around values above 75% in recent years, causing fluctuations in the value of imports due to the volatility of petroleum prices on international markets.

Table 14 – International trade by sector.

<i>International trade by sector</i> (million € - chain linked 2015)													
Voices	Export					Import							
	2001	2007	2012	2016	2021	2001	2007	2012	2016	2021			
Agricultural, Forestry, and Fishing Products	339,8 €	336,0 €	426,00 €	570,00 €	615,00 €	166,6 €	187,0 €	227,00 €	286,00 €	494,00 €			
Extractive Industries Products	26,6 €	19,0 €	37,00 €	65,00 €	17,00 €	9 813,4 €	13 655,0 €	14 971,00 €	6 951,00 €	11 000,00 €			
Food, Beverages, and Tobacco Products	289,9 €	388,0 €	457,00 €	551,00 €	810,00 €	342,7 €	439,0 €	563,00 €	550,00 €	971,00 €			
Textile and Clothing Products	35,9 €	36,0 €	20,00 €	50,00 €	37,00 €	53,6 €	74,0 €	62,00 €	92,00 €	138,00 €			
Leather, Accessories, and Footwear	7,5 €	6,0 €	12,00 €	41,00 €	19,00 €	14,5 €	35,0 €	52,00 €	76,00 €	89,00 €			
Wood and Wood Products, Paper and Printing	9,5 €	13,0 €	21,00 €	12,00 €	9,00 €	116,8 €	102,0 €	99,00 €	86,00 €	99,00 €			
Coke, Petroleum, and Nuclear Fuel Products	2 622,3 €	6 249,0 €	9 768,00 €	3 742,00 €	5 886,00 €	1 106,1 €	1 756,0 €	2 728,00 €	1 088,00 €	1 269,00 €			
Chemicals and Synthetic and Artificial Fiber Products	651,6 €	1 097,0 €	895,00 €	739,00 €	903,00 €	410,6 €	586,0 €	573,00 €	529,00 €	829,00 €			
Rubber and Plastic Articles	23,9 €	49,0 €	254,00 €	206,00 €	234,00 €	25,8 €	47,0 €	468,00 €	384,00 €	201,00 €			
Non-Metallic Mineral Processing Products	111,9 €	138,0 €	191,00 €	200,00 €	306,00 €	31,8 €	37,0 €	133,00 €	140,00 €	163,00 €			
Metals and Metal Products	82,1 €	217,0 €	130,00 €	157,00 €	307,00 €	169,7 €	415,0 €	127,00 €	128,00 €	243,00 €			
Machinery and Mechanical Appliances	100,1 €	73,0 €	590,00 €	313,00 €	653,00 €	217,8 €	146,0 €	251,00 €	191,00 €	225,00 €			
Electrical and Optical Equipment	493,5 €	424,0 €	52,00 €	109,00 €	237,00 €	251,0 €	218,0 €	64,00 €	75,00 €	249,00 €			
Machinery and Equipment n.e.c. (not elsewhere classified)			108,00 €	161,00 €	138,00 €	333,1 €	354,0 €	132,00 €	174,00 €	252,00 €			
Means of Transportation	342,0 €	346,0 €	68,00 €	86,00 €	98,00 €	40,2 €	54,0 €	459,00 €	196,00 €	376,00 €			
Other Manufactured Products	23,7 €	17,0 €	51,00 €	52,00 €	63,00 €	3,8 €	1,0 €	83,00 €	107,00 €	133,00 €			
Electric Power and Gas	152,5 €	116,0 €	26,00 €	2,00 €	11,00 €	115,4 €	7,0 €	2,00 €	3,00 €	9,00 €			
Products from Other Activities			12,00 €	17,00 €	119,00 €			6,00 €	4,00 €	133,00 €			
Total	5 312,80 €	9 524,00 €	13 053,00 €	7 073,00 €	10 462,00 €	13 212,90 €	18 113,00 €	21 000,00 €	11 060,00 €	16 873,00 €			

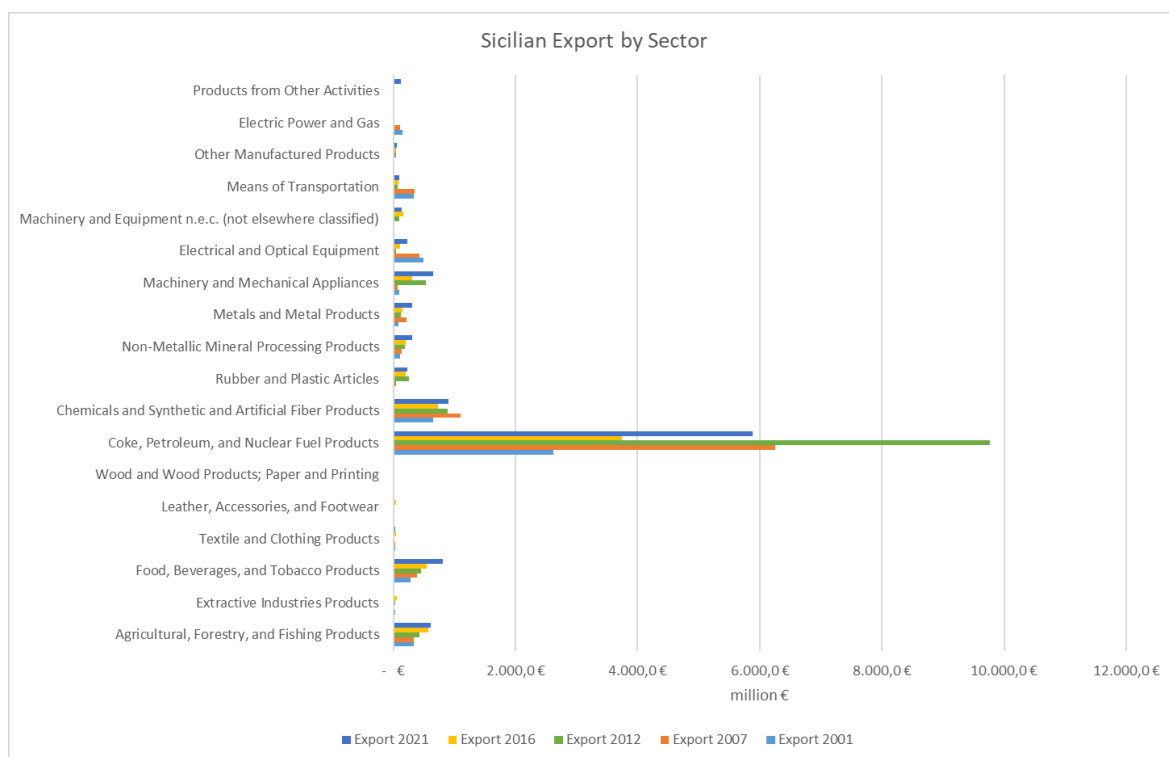


Figure 15 – Sicilian Exports and imports by sector (2000).

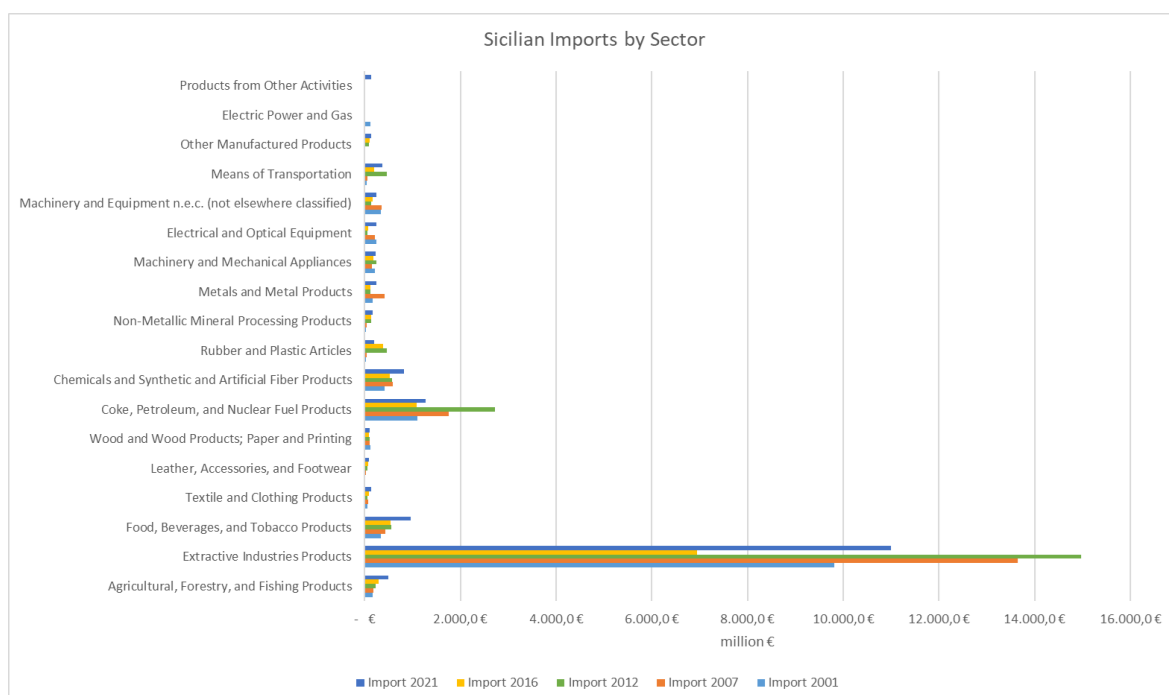


Figure 16 - Sicilian exports and Imports by sector (2022)

The distribution of income and social inequalities

The investigation into the income and living conditions of families originates within a broader project known as "*Statistics on Income and Living Conditions*" (Eu-Silc), deliberated by the European Parliament and coordinated by Eurostat. This project responds to the increasing and detailed demand for statistical information on topics such as incomes, poverty, social exclusion, deprivation, and quality of life. The European Union committed, in the Lisbon Council (March 2000) and with the Laeken Declaration (December 2001), to achieve a more competitive and dynamic knowledge-based economy in the world, with sustainable economic growth, more numerous and better jobs, and increased social cohesion. Thanks to this project, starting from 2005, Eurostat and European national statistical institutes provide scholars and economic policymakers with a series of microdata on family living conditions, i.e., family and individual-level information on incomes and other variables that determine material well-being and, more broadly, quality of life.

Between 1997 and 2006, the incidence of relative poverty¹⁶ in Italy ranged from 10.8% to 12.3%. In 2006, 11.1% of Italian families, equivalent to 12.9% of the total population, reported consumption expenditure below the poverty threshold. In the South, relative poverty over the years followed a pattern similar to the national level; however, relative poverty indices for the South were consistently about twice those of the Italian average, and the proportion of poor families among the most numerous was much higher than in the rest of the country. In 2006, 48.9% of southern households with three or more minor children were below the relative poverty threshold. Istat data on poverty, divided by macro area, have been available since 1997 and, for regions, since 2003 onwards, including Sicily. This geographical area exhibits the highest incidence of relative poverty; in 2006, 28.9% of families on the island lived below the poverty threshold, compared to 22.6% in the South and 11.1% nationally.

Unlike what happened in other southern regions, in Sicily, the indicator consistently increased until 2005, rising from 21.3 percent to 30.8 percent, before decreasing by almost two points in 2006.

¹⁶ The indicator of relative poverty is determined by the percentage of individuals living in households with an equivalent disposable income below a conventional poverty threshold, set at 60% of the median equivalent household income in the country of residence.

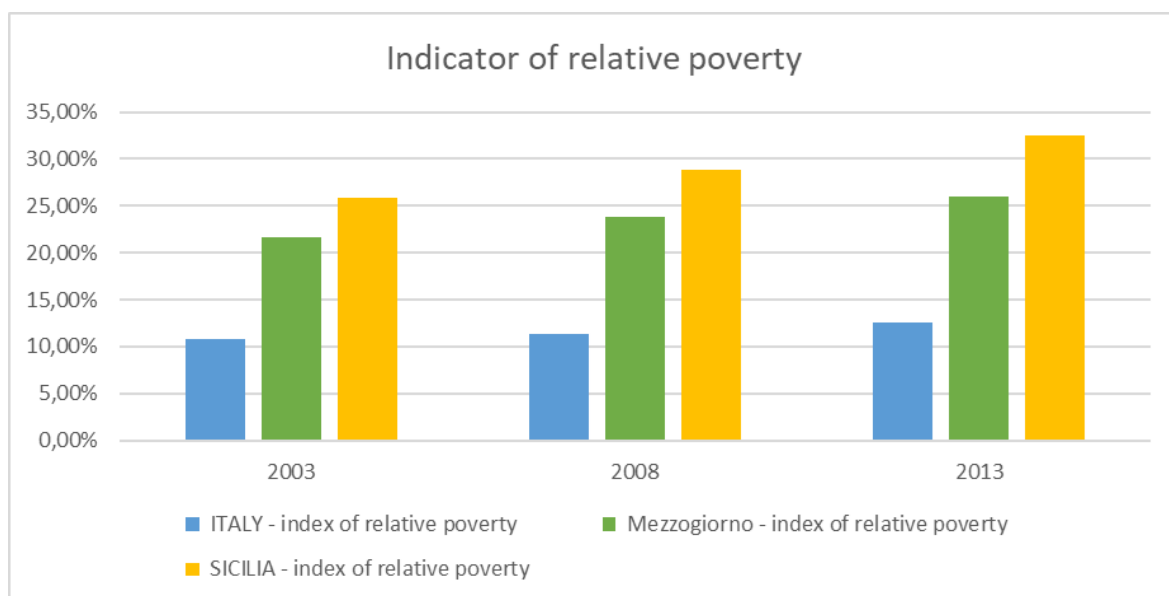


Figure 17 - Indicator of relative poverty by Areas.

The gap then increased again in subsequent years, alternating between periods of increase and decrease, reaching 32.5% for the latest available data in 2013. This figure is slightly less than triple the national rate (12.6%) and higher than the rate for the southern regions (26%).

The crisis that hit Italy starting in 2009 particularly affected families in greater poverty, and the incomes of families in the bottom 20% of the income distribution decreased more intensely, widening the gap between the top and bottom quintiles. Similar to the relative poverty indicator, a parallel trend is observed among individuals who can be considered poor or socially excluded according to the European definition. In Sicily, this group accounted for 55% of the population in 2013, which is 7.7 percentage points higher than the 2008 survey. In Italy, the same percentage had increased from 25.3% to 28.4%.

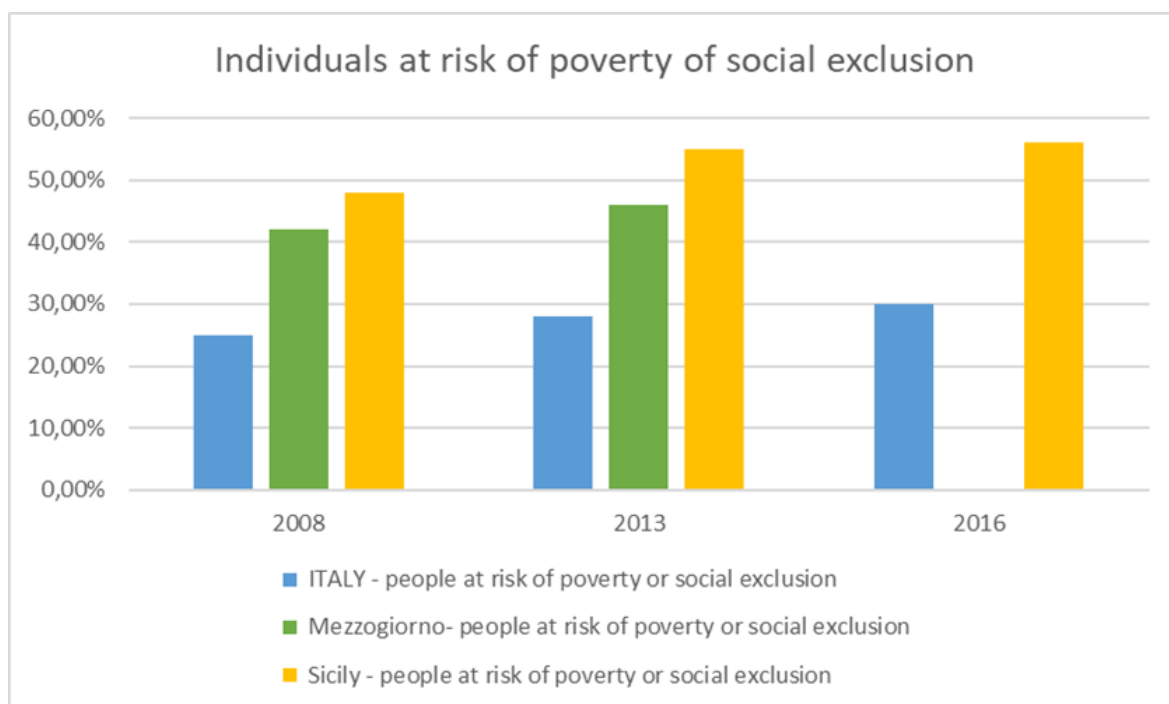


Figure 18 - Individuals at risk of poverty or social exclusion.

For the period from 2018 to 2022, only aggregated data for Italy, Southern Italy (Mezzogiorno), and the Islands (Sicily and Sardinia) are available. Compared to 2016, the indicators have improved by 25.4% nationally. However, the improvement is significantly higher for Southern Italy (41.2%) and the Islands (41.1%). Despite a decrease in the percentage of individuals at risk of poverty and social exclusion. According to the European definition, individuals are at risk of poverty and social exclusion if they live in families whose net equivalent income - accounting for the different family compositions - is less than 60% of the national median.

Income distribution data also place Sicily in the worst position among Italian regions. According to the results of the Istat sample survey "*Income and Living Conditions*" in 2005, the average annual income of Italian families, excluding imputed rents, was €28,020. The median value for Italy was €22,460 per year, while the median family income in Sicily in 2005 was €21,923, approximately 22% lower than the national median income. This difference intensified during the crisis years from 2007 to 2012, with family incomes in Sicily decreasing by 16% at constant prices, more than in Southern Italy and Italy overall. In 2013, the disposable income of Sicilian families was 10.7% and 30% lower than the Southern Italy and Italy averages, respectively.

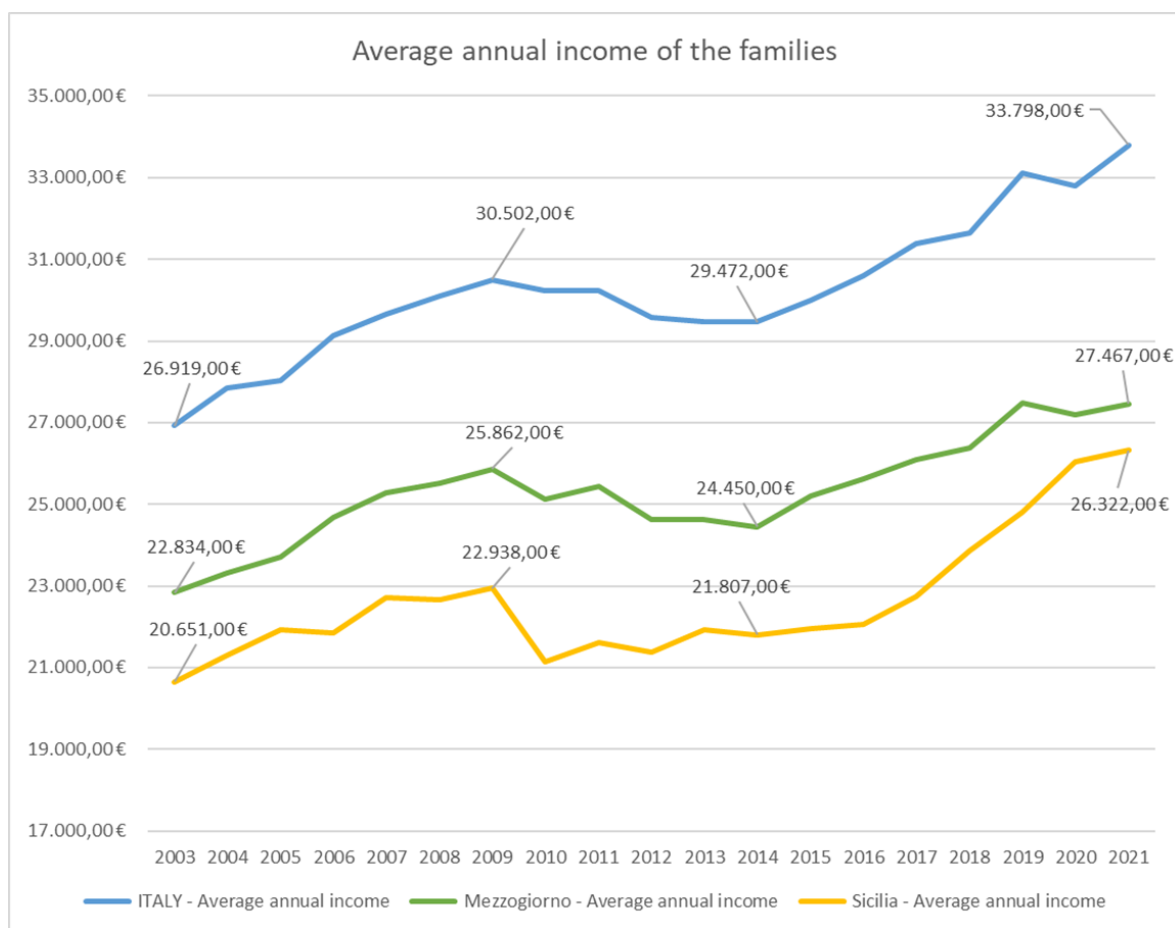


Figure 19 - Average annual income of the families by Area.

The dynamics of employment and generally favorable access to credit have contributed to a recovery in consumption and disposable income in Sicily, although with less intensity compared to Italy and the Southern regions. From 2014 onwards, which marked the years of recovery from the economic crisis, these trends are more pronounced at the national and Southern Italy levels. However, even when examining consumption and disposable income (the sum of net incomes from dependent work, self-employment, and pensions for all individual members), Sicily, in per capita terms, lags significantly behind the Italian average (between 68% and 74%) and Southern Italy (approximately 95%).

In 2015, the net family income of Sicilian households was around €13,000, significantly lower than the national average (approximately €18,000). Approximately 40% of Sicilian families fell into the lowest quintile of the national distribution of family incomes, while less than 10% were in the highest quintile, indicating a serious situation of income inequality in the region.

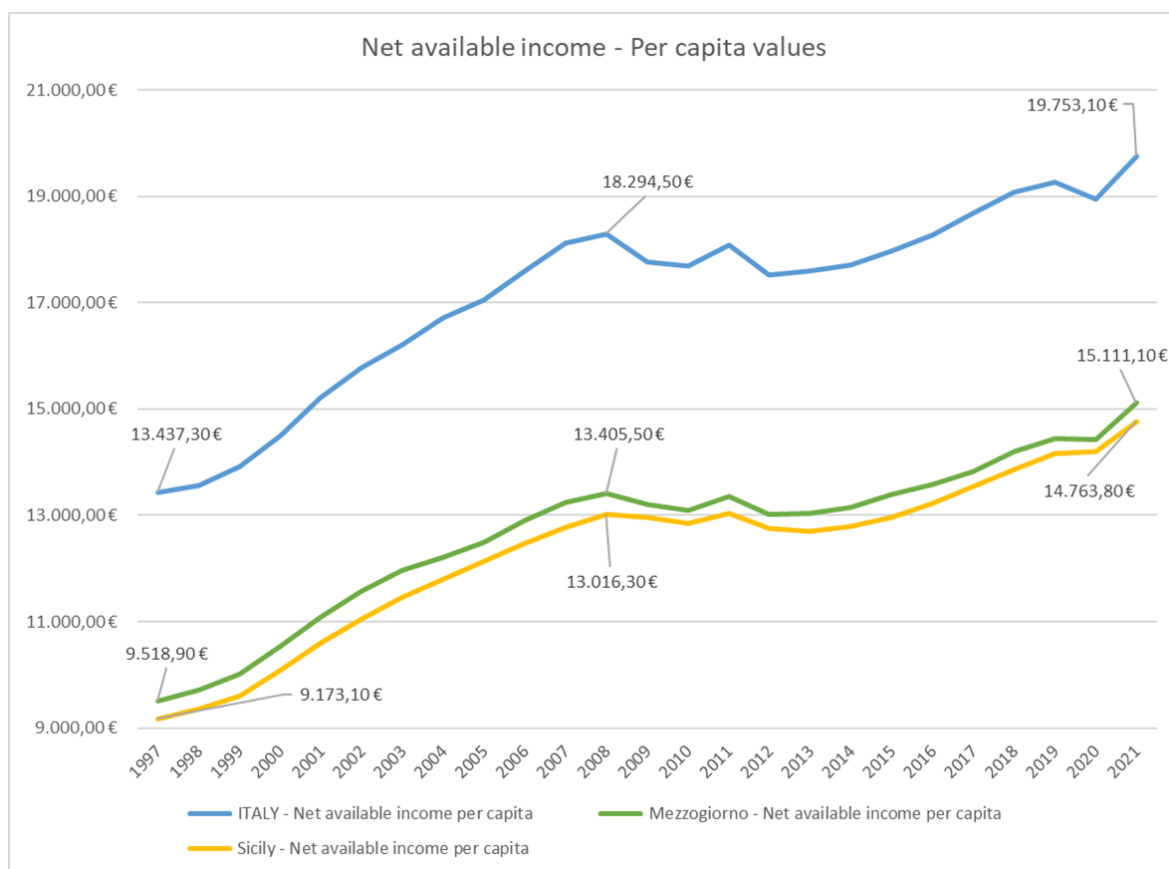


Figure 20 - Net available income per capita.

In this context, the high levels of inequality in Sicily are of significant importance, maintaining the unfortunate record for the entire period under consideration. The level of inequality tends to decrease with the growth of average family income, and the **Gini index**, a measure of inequality ranging from zero (indicating perfect equality) to one (indicating maximum inequality), calculated on equivalent incomes, was 0.38 in Sicily in 2015. This index is a statistical measure of disparities that describes how income or wealth is distributed among the population of a country—simplifying, higher incomes are more concentrated in the hands of a few.

In 2017, economic and social inequality in Italy reached a level of 0.334, surpassed only by Eastern European countries. At the top of the list of social inequality in Europe were Bulgaria, Lithuania, Latvia, Serbia, and Romania. It's important to note that the Gini index in Europe is lower compared to the rest of the world, where, for example, in the United States, it exceeds 0.4, as in South America and much of Africa and Asia. The highest Gini

index in Italy was associated with Campania at 0.332, followed by Sicily at 0.33. However, Sicily holds the top position for another indicator measuring the ratio between the disposable income of the wealthiest 20% of the population and the poorest 20%: in 2016, Sicily was the most unequal region in Italy with a score of 8.3. This means that the richest 20% of Sicilians had an income 8.3 times higher than the poorest 20%, while the average for the southern regions was 6.3.

Taking into account the Gini Index, the Italian situation has not significantly improved by 2017, remaining at a level of 0.322. However, Sicily has even surpassed Campania, recording the highest value in Italy in 2020 with an index of 0.372, experiencing a slight reduction to 0.345 (compared to Campania's 0.332) in 2021. Despite the latest data indicating Calabria as the Italian region with the highest Gini index (0.357), all analyzed data so far point to a serious situation of disparity and relative poverty within the Sicilian context.

Tourism

Due to its geographical location and the significant presence of cultural sites, many of which are protected by UNESCO, Sicily has the potential to attract tourists from both Italy and abroad. Sicily boasts a total of 111 cultural sites, accounting for 26.4% of all Italian sites. This data suggests that the island could generate substantial revenue from these extraordinary locations. However, based on ISTAT data regarding arrivals and overnight stays (defined as the number of tourists arriving and the number of nights spent, respectively — for example, a tourist who arrives in Sicily and visits the island for 5 days is classified as 1 arrival and 5 stays), Sicily manages to attract only a share between 3% and 4% of Italian visitors and generate around 5% of the total value added in the sector in Italy. These figures should be approached with caution, as there is no specific category clearly identifying the overall benefit brought by tourism at the national or regional level. ISTAT includes this data under the category of "*accommodation and catering services*". Additionally, it is important to consider that accommodation expenses make up approximately 40% of the total expenses incurred by tourists. Furthermore, the "hidden" part of tourism (accommodation in rented homes, owned homes, with relatives, and friends) is not captured in the ISTAT survey. According to estimates from a 2007 Bank of Italy

survey, which may still be considered a valid reference point, the "hidden" sector constituted 33% of spending, 36% of travelers, and 53% of overnight stays for foreign tourists in Italy in 2007.

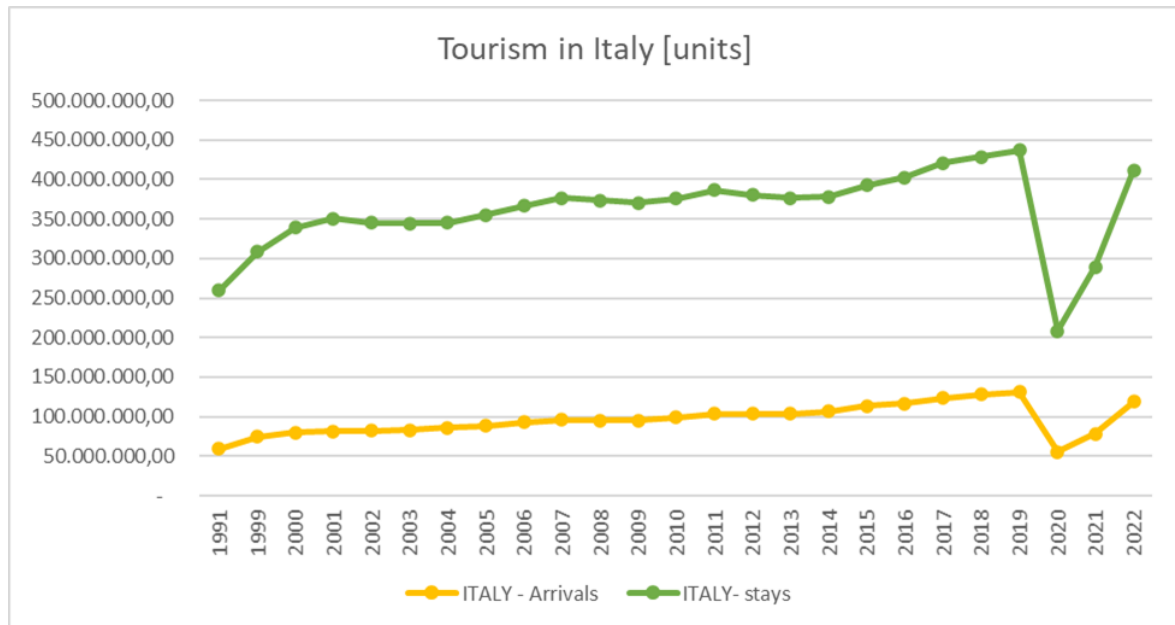


Figure 21 - Arrivals and stays in Italy.

The Sicilian tourism sector experienced a positive trend from the 1990s to 2007, with consistently positive average annual growth rates for arrivals and some of the highest figures for overnight stays and spending by foreigners among the southern regions. The average annual growth rate reached 9.7%, the highest value among the southern regions. Total spending by foreign tourists increased from 475 million in 1997 to 1196 million in 2007 and 1925 million in 2019. In comparison, the entire country saw an average annual increase of 1.7%, while the southern regions experienced a growth rate of 4.3%. The increased spending has been reflected in the trend of overnight stays, which grew by 6.5% annually during the period, compared to 0.7% in the South and 1.4% in the Italian average. In this case as well, the Sicilian figure stood out as the highest among the southern regions, leading Sicily to become, in 2007, the southern region with the highest number of foreign tourists. In the same year, 29.5% of foreign tourist flows to the South, in terms of overnight stays, involved the island, compared to 16.8% in 1997¹⁷.

¹⁷ Bank of Italy, Annual Report on the Sicilian Region 2008

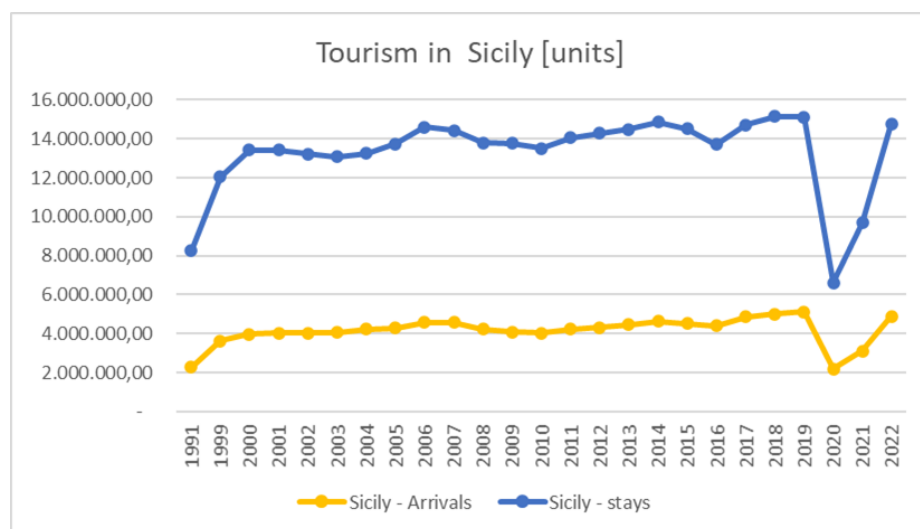


Figure 22 - Arrivals and stays in Sicily.

However, the weight of the sector for its economy is low compared to the national average. The Bank of Italy's survey on international tourism indicates that, despite a significant increase since 2001, foreign tourists' spending represented 1.2% of the regional GDP in 2008 (compared to 2.0% nationally). According to ISTAT data, the value added of the hotel and restaurant sector as a percentage of the total is around 4% (5% for Italy).

Expenditure of foreign travelers in Italy in 2018 by visited geographical area.			
	(millions of euros)		
voices	1997	2007	2018
expenses			
Noth West	5554	8170	11.112
Notrth east	9040	8287	11.248
Center	8093	9551	12338
South and Islands	2779	4234	6261
Sicily	475	1196	1728
Italy	26260	31221	41712
% of Sicily of South and Islands	17,09%	28,25%	27,60%
% of Sicily of Italy	1,81%	3,83%	4,14%

Table 15 - Expenditure of foreign travelers by Areas.

Tourist accommodation between 2001 and 2009, in terms of bed capacity, increased both in hotels (45.1%) and in other structures (18.1%, excluding private accommodations). In both cases, the dynamics exceeded the national ones (17.8% and 11.7%, respectively). The

accommodation offer focused on qualitative improvement, with a sustained development of beds in 4 and 5-star hotels (185.1%, the highest among Italian regions) thanks to investments in the Sicilian hotel sector and interest from national and foreign groups in establishing new hotels or acquiring existing structures. Between 2000 and 2017, Sicily recorded a growth of approximately 60% in the number of beds, more than double the national figure. However, the tourist-receptive offer in the region is still below the national average. In 2017, in hotel and complementary structures, there were just over 400 beds per 10,000 inhabitants in Sicily, compared to over 800 on average in Italy. During the period under review, smaller non-hotel structures, such as bed and breakfasts (B&Bs), increased, possibly influenced by regional financial incentives funded by European funds.

However, bed growth outpaced demand growth. The coherence between the capacity of the receptive offer and the demand for tourist services can be measured by the gross utilization rate¹⁸. For hotel structures, in 2000, this rate was 40.6% in Sicily, one of the highest among Italian regions (the national average was 34.4%). In 2017, the rate had dropped to 26.1% (compared to the national 33.7%), reflecting the less favorable dynamics of tourist flows compared to the development of the receptive offer.

In general, the Sicilian tourism sector has shown a positive trend in the last thirty years and has partly driven the growth of the tertiary sector. However, since 2007, the trend has been almost stagnant, with moderate growth in absolute values but slowed compared to the rates recorded until 2007. A factor that may have contributed to growth between 2014 and the eve of the pandemic, according to public opinion, was the general climate of concern in Europe caused by the particularly intense activity of attacks claimed by ISIS between 2013 and 2014. This had a significant impact on tourism overall, as tourists opted for destinations perceived as less risky, especially in choosing Italy (and especially Southern Italy) as a destination, to the detriment of North African and Middle Eastern countries, as well as the USA, France, England, Belgium, and other European countries. In Sicily specifically, the tourism sector has shown a decent recovery in arrivals and stays since those years.

The numbers testify, on the one hand, to the enormous potential of the Sicilian tourism sector but, on the other hand, to the need for new strategies to translate this potential into

¹⁸ *Equal to the ratio between the number of overnight stays and the potentially offered bed capacity.*

greater wealth for the region. This potential concerns not only Sicily but also the South and the islands: the incidence of tourist revenues in the South has shrunk to around 17% in both 2021 and 2022, a slightly better value than the 14% that this area had obtained until 2018. This area, as stated in the Bank of Italy's survey on international tourism, despite the progress in recent years, continues to present a gap between international tourism revenue and tourism potential¹⁹, considering that about three-quarters of the Italian coasts and territory belonging to national parks are located in the South and the islands, along with a significant portion of museums and archaeological sites.

The improvement strategies that Sicily needs to enhance the contribution of this sector to the economy are in the infrastructural field, emphasizing the contribution of cruises and ports, as well as a greater capacity to promote non-coastal territories (as seen, for example, in Puglia) and tourist marketing strategies aimed at increasing tourist engagement (for example by organizing cooking courses inside the receptive infrastructures, to teach Sicilian traditions to travelers similarly to what is being done in Indonesian islands like Bali, or in Mexico, a great example of exploitation of touristic possibilities).

The trends on banks and financial savings

The financial market comprises three main actors: households (which have income exceeding consumption and thus save), banks (financial intermediaries), businesses, and the public administration. Households channel their savings towards businesses and the public administration through banks, and these funds are used to finance the investments of businesses or the interests of the public administration. Financial intermediaries (banks, post offices, investment funds) are agents that, by standing between demand and supply, play a role in facilitating the flow of money from households to businesses. Banks evaluate the creditworthiness of businesses to determine interest rates on loans.

In Sicily, over the years, there has been a significant reduction in the number of banks headquartered in the region. Starting from the 1990s with the closure of '*SicilCassa*' and later the '*Banco di Sicilia*' in 2002, and the incorporation of most local Sicilian banks into banking groups in the central-northern regions, the credit market has gradually become

¹⁹ Bank of Italy's survey on international tourism - 2018

more international than local. This shift has moved the decision-making chains and interests of banks to the North rather than within the region itself.

The table below presents data on banks in Sicily from 2003 to 2022 (data retrieved from Bank of Italy Reports from 2006 to 2022), distinguishing between banks headquartered in the Sicily region and those headquartered outside the regional territory.

		Banks present in Sicily				
		2003	2007	2014	2018	2022
Active Banks		66	79	62	59	43
Banks based in the region		35	39	30	23	16
of which	SPA / Cooperative banks	7	8	7	3	3
	Cooperative credit banks	28	31	23	20	13
	Extra - regional banks (not based in Sicily)	31	40	32	36	27

Table 16 – number of banks present in Sicily.

The analysis of data for the Sicily region highlights that the number of operating banks in Sicily grew significantly in 2006 compared to previous years. During the same period, there was a reduction in mergers and acquisitions between institutions, indicating a consolidation phase in the market. From 2009 onwards, a constant decrease is observed, caused by a new increase in mergers and reorganizations, especially among cooperative credit banks.

In Sicily, at the end of 2018, there were 59 banks with at least one branch, with a network of 1,273 branches distributed throughout the territory. The number of banks with administrative headquarters in the region was 23, a decrease of three units compared to 2017, affecting banks established in the form of joint-stock companies. With the reform

process of cooperative credit (Law 49/2016), which envisages the aggregation of cooperative credit banks (BCC) into banking groups, out of the 19 BCCs headquartered in Sicily, 15 joined the ICCREA group and 4 joined the Cassa Centrale Banca group.

The dynamics of savings for consuming households (which hold over 80% of total deposits) and businesses were increasing during the period considered. There was a preference among households for forms of liquid availability, and an increase in liquidity was concentrated in the segment of larger companies.

Financial Savings Sicily (millions of €)						
year	Current account Deposits		Gross Fixed investments by business (excluding the Public Administration)	other variables		
	Consumer families	Businesses		% Gross Fixed investments / Deposits of Families	Population of Sicily	Deposits of families - per capita
2004	15.847 €	4.976 €	4.640 €	29,28%	4.965.633	3.191,34 €
2009	18.453 €	6.376 €	3.122 €	16,92%	4.990.588	3.697,56 €
2014	19.965 €	6.269 €	2.447 €	12,25%	5.094.937	3.918,60 €
2018	25.050 €	7.385 €	2.609 €	10,42%	5.026.989	4.983,10 €
2022	33.999 €	13.430 €			4.833.329	7.034,28 €
*Source: ISTAT data - National Accounts regional main aggregates : Gross fixed capital formation breakdown by industry						

Table 17 – Financial savings of Sicily [ISTAT].

The crisis that began in 2008 led to a sharp and prolonged decline in investments in Italy. In Sicily, according to Istat data, between 2007 and 2011, gross fixed capital formation (GFCF) decreased by an average of 6.9% annually in real terms, with a more intense decline compared to Italy and the South. Between 2000 and 2007, Gross Fixed Capital Formation had grown by an average of 1.0% annually. Between 2007 and 2011, investments decreased in all major sectors, and in the manufacturing industry, the reduction had been ongoing since the early 2000s; the sector's share of the total declined by almost seven percentage points (from 16.5% to 9.7%).

Gross fixed capital formation is a significant indicator of a country's or a sector's economic activity: an increase suggests an increase in investments in capital goods, indicating optimism among businesses about future prospects and potentially leading to greater future production capacity. On the other hand, a decrease in gross fixed capital formation could indicate uncertainty and pessimism.

The difference to analyze that can provide useful insights is the difference between business investments and local household savings: this difference helps understand, at the local level, how much of the savings goes towards financing business investments through financial intermediaries. Through this analysis, in the case of Sicily, it is observed that business investments are significantly lower than savings, and that the difference is growing in time.

The excess financial resources unused in Sicily, which can roughly be given by the difference between gross fixed capital formation and household savings, are transferred elsewhere, and Sicilian businesses effectively become "competitors" with northern businesses to capture these savings. This dynamic is also favored by the stronger presence of non-local banks: if in the past the market was local, and Sicilian banks aimed, for obvious reasons, to serve local businesses first and had a greater focus on Sicilian enterprises, now, in the best-case scenario, one can speak of a single national credit market where all Italian businesses are served in the same way, while in the worst-case scenario, northern businesses are served before those in the south. This dynamic is also favored by the lower interest rates in the north, given the greater reliability of businesses (in the years considered, interest rates in the north are consistently lower, registering a difference of about 2% with Sicilian interest rates, around 3/4% and 6/7%, respectively).

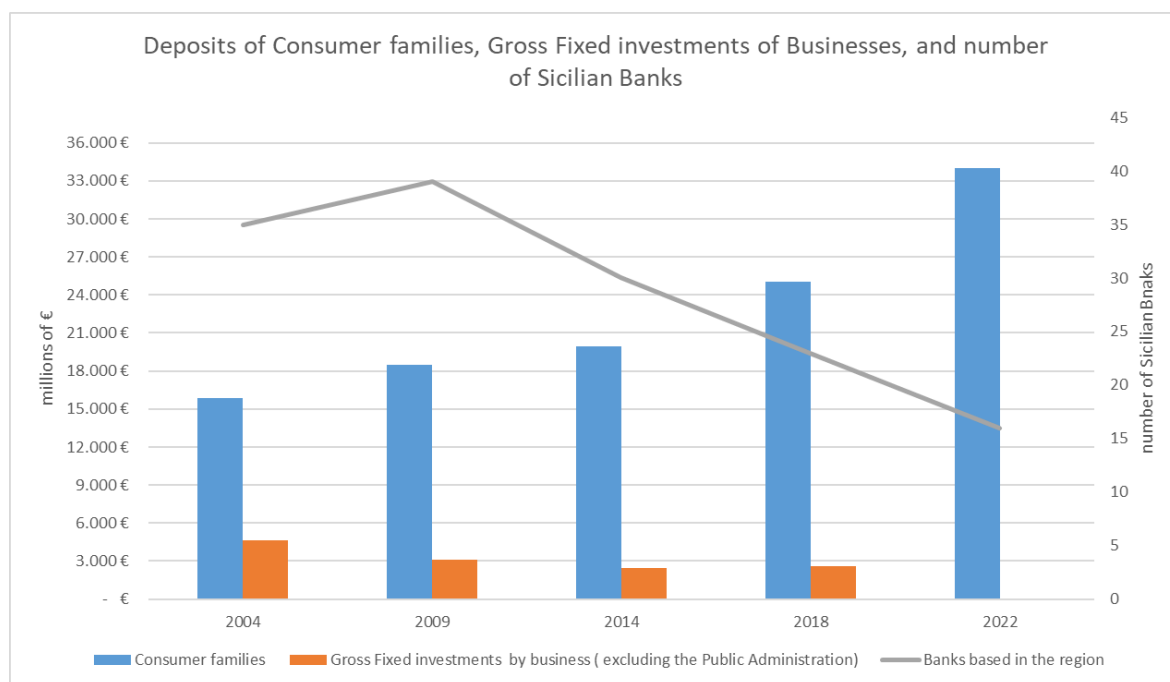


Figure 23 – Deposits of consumer families, gross fixed investments of businesses, and number of Sicilian Banks.

The decline in banks since the 1990s, with the fall of the Sicilcassa and the Banco di Sicilia and other smaller banks, meant that this excess liquidity was more often channeled to the north, much more than it had been before.

Given that banks in the South have been acquired by Northern banks, the local characteristic that in the past tended to protect Southern businesses has been lost. Despite, for example, Unicredit incorporating Banco di Sicilia, the 'mission' and commitment that the regional bank had to drive investments in Sicilian businesses have been lost. Now the decision-making chain has moved to the north, no longer within the region and this dynamic over the last 20 years has especially put southern businesses in difficulty. This analysis shows that business investment is significantly lower than savings.

ZES : a new tentative to relaunch the productive system

In the context of economic development and competitiveness (Mission 14 of the *2021-2023 performance plan*), one of the new tools to fulfill the implementation of this strategic objective is the establishment of *Special Economic Zones (ZES)* 'Western Sicily' and 'Eastern Sicily,' where fiscal and regulatory incentives can be concentrated to promote investment, industrialization, and economic development and to determine growth effects. These are envisioned as productive districts, i.e., clusters of companies that will play a crucial role as priority "hubs" for defining sectoral strategic projects.

ZES denote a geographically delimited and clearly identified area within the state borders, where already operating companies – and those that will settle – can benefit from special conditions for investments and development. They can host a wide range of activities, including production, export-import, logistics, research and development, and financial services.

The goal is often to create an environment conducive to investments and innovation, encouraging job creation and technological transfer. The debate around the potential of SEZs has experienced rapid acceleration in recent decades, especially in Europe, primarily to counteract the economic crisis that emerged from 2007, the effects of which in many countries – such as Italy – have not been fully absorbed.

In the European Union, more than 90 Free Zones (including Special Economic Zones) are operational, and some can be identified as true best practices in attracting investments, even though Europe has been slow to embrace many opportunities arising from the adoption of this tool. In the United States, the first ZES were activated in the 1930s and later spread to other countries – notably in the Irish Shannon region (in 1959) – and then to Asia.

Today, over 40% of the approximately 4,500 ZES worldwide are located in Asia. In particular, in China, contributing to 22% of GDP, over 45% of Foreign Direct Investments (FDI), and 60% of exports.

One of the most studied examples in the literature is the Shenzhen ZES, first established in China in the 1980s, where predominantly manufacturing enterprises oriented towards exports have settled over time. Shenzhen – originally a fishing town – is now part of what is called the 'Guangdong-Hong Kong-Macao Greater Bay Area,' covering an area of 56,500 km², with a strategic plan to create a Chinese Silicon Valley built around three of the world's top ten busiest ports (Shenzhen, Hong Kong, and Guangzhou).

In Europe, the country with the highest number of ZES is Poland (14). The 14 Polish zones have achieved significant results, including attracting over 170 billion Euros in cumulative fixed investments until 2015; in these areas, the unemployment rate is 1.5 to 2.9 percentage points lower than the national average; creation of over 280,000 new jobs and maintenance of more than 140,000 additional employed. Due to the achieved benefits, the Polish government decided to extend the temporal effects of the ZES, which were supposed to cease operations in 2020, extending the measure until 2026.

On the national level, Sicily is part of a large logistic and productive area, identified as '*ZES Italy*,' representing a new investment and growth opportunity for the South and the country, identifying eight ZES areas (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sicily, and Sardinia). The Special Economic Zones established for Sicily, whose single desks have been effectively active since June 2023, cover the territories of 53 municipalities (39 for the Eastern ZES, 24 for the Western), identified based on certain criteria and specifications expressly indicated, representing the need for them to arise around port areas. Some examples of criteria include:

- Enhancing sub-regional areas expressing significant development potential, avoiding excessive fragmentation of selected areas;
- Enhancing and better integrating existing port infrastructures;
- Prioritizing productive and commercial areas that also find, in regional economically relevant ports, a natural outlet for import-export activities and are adequately interconnected with the regional logistics system...

Where there are multiple port and non-port areas that meet the required criteria, each region can submit a maximum of two ZES proposals. For this reason, in Sicily, despite the various port areas with suitable characteristics (Catania, Gela, Messina, Milazzo, Siracusa, Trapani, Palermo, Augusta), two ZES were proposed, one in the west and one in the east.

Not all areas, whether port or non-port, can become the basis for an ZES. Firstly, because the measures provided for by the decree that established their institution (D.L. n.91/2017) are intended "only for less developed regions and in transition, as identified by European legislation, eligible for derogations provided for by Article 107 of the Treaty on the Functioning of the European Union.

A particularly important role in the ZES is therefore played by harbor facilities: After all, the strategic geographical location of Sicily, crossed by the Scandinavian-Mediterranean Corridor, highlights how it deserves special enhancement in terms of economic-logistic attractiveness, representing the first European landing of international relevance for ships coming from the Indian Ocean after crossing the Suez Canal.

The 2021 Budget Law provides, for companies that undertake a new economic initiative in the Special Economic Zones, a 50% reduction in income tax resulting from the conduct of activities starting from the tax period during which the new activity was undertaken and for the following six tax periods. In addition, companies that initiate an incremental investment program in the ZES are allowed to transfer the tax credit to other entities, including credit institutions and other financial intermediaries, also for costs related to the production of renewable hydrogen and the production and distribution of renewable hydrogen energy. The recognition of the facilitation is subject to compliance with the following conditions, failing which the benefit will lapse, and the obligation to refund the facilitation:

- Beneficiaries must maintain their activity in the SEZ for at least ten years;

- Companies must retain the jobs created in the context of the activity initiated in the SEZ for at least ten years.



Figure 24 - Special Economic Zones in Italy.

The expected impact

The article 6 of the DPCM 12/2018 requires an analysis of the expected social and economic impact of the establishment of the Special Economic Zones. However, as specific indications on contents and methodologies to be applied are not provided, each region can develop its approach, taking into account the structural characteristics of the territory.

The assessment is carried out in terms of aggregated economic indicators such as GDP, net imports and exports, sectoral indicators (value added), investments (especially those activated by incentives and the multiplier effects they determine at the regional level). This analysis is conducted at the regional level, separately for the two ZES, using the Multisectoral Econometric Model for the Sicilian economy (MMS)²⁰.

²⁰ The econometric model for the Sicilian economy is a multi-sectoral tool designed to integrate with existing instruments and enhance the use of local information. Initiated in 2004, this model operates within the Statistics Service of the Budget Department of the Region of

The impact assessments studied in the strategic development plan of the ZES consider the effects of the disbursement of €300 million distributed over three years (2019 €50 million, 2020 €150 million, 2021 €100 million). These contributions can be used as a tax credit and are directed only to companies that meet a series of requirements (the complete list of types of companies is reported in the original document).

Applying the guiding indicator²¹, it was calculated that the induced investments in Sicily from €400 million in incentives would amount to €825 million, with a preference for the Eastern ZES (€562 million) due to a more favorable distribution of incentives. At the sectoral level, incentives and induced investments would favor the food, beverage, and tobacco industries (25.3% and 26.2%), the manufacture of rubber and plastic products (1.3% and 22.3%), logistics (11%), and the wood and paper industry (10.6% and 10.1%).

One of the strategic objectives of the establishment of the ZES (perhaps the main one) is to increase the area's capacity to participate in **international trade**. To assess the potential impact of the incentives, the strategic development plan of the ZES considers the incremental ratio between international exports and investments. This ratio was calculated for the period 1995-2016 using Istat statistics for Sicily on investments and foreign trade.

The ratio indicates whether, in the long term, investments made in an activity sector are correlated with an increase in exports. The analysis was conducted only for industrial sectors (information on service exports is lacking at the regional level) and highlighted that the incremental export/investment ratio shows strong fluctuations over time and tends to assume extreme values in the years following the crisis, depending on a particularly intense negative investment cycle and specific sectoral situations.

By applying the value of the export/investment ratio, the potential growth of exports for the two ZES and for individual business sectors was derived during the study (table 15 below). The potential growth of exports in the three-year period 2019-2021 is estimated at €1.9 billion, equivalent to 7.7% of the cumulative exports for the triennium 2016-2018. This represents a significant value, related to a potential effect that implies a strong response

Sicily. It aims to monitor the economic situation by estimating the main economic sizes of the region, elaborate medium-to-long-term simulations for various forecast scenarios, and assess the impact of public policies promoted at the European, national, or regional level. This model for Sicily's economy combines an econometric approach based on historical data series with an input-output approach using tables from the year 2000. This integration allows for the determination of final demand components (consumption, investment, exports, etc.) through econometric equations estimated from historical accounting series.

²¹ The guiding indicator is used to calculate the distribution of incentives and then compute the investments induced by the incentives.

from the incentivized companies. In terms of sectors, 41.3% of potential exports would occur in the food industry, 26.2% in the chemical sector, and 15.8% in metalliferous materials (Table 18).

Foreign exports induced by incentives for the ZES (cumulative values 2019-2021). Millions of € at current values

Code	Legenda	Eastern Sicily	Western Sicily	Sicily
B	Mining industry	17	30	47
C10T12	Food industry, beverage and tobacco products	264	539	803
C13T15	Textile industry, clothing and apparel, and articles of leather and similar	4	9	13
C16T18	Wood industry and paper and publishing products	2	6	8
C19T21	Coking, refining, chemicals	161	348	509
C22_23	Manufacturing of rubber and plastic products and other non-metallic mineral products	72	235	307
C24_25	Metallurgical activities; manufacturing of metal products, excluding machinery and equipment	3	33	36
C26T28	Manufacturing of computers and electronic and optical products; manufacturing of electrical equipment, manufacturing of machinery n.e.c. (not elsewhere classified)	51	83	134
C29_30	Manufacturing of transportation equipment	0	0	0
C31T33	Manufacturing of furniture; other manufacturing industries; repair and installation of machinery and equipment	40	47	87
H	Transportation and storage	0	0	0
J	Information and communication services	0	0	0
M	Professional, scientific, and technical activities	0	0	0
	Total eligible activities	614	1.330	1.944

Table 18 - Exports induced by incentives for ZES.

The impact of incentives for the two ZES thus results in two effects:

- an increase in investments stemming from the incentive mechanism itself;
- a particular increase in exports.

To assess the overall effects at the level of the regional economic system, the effects on investments and exports were attributed as final demand shocks to the multisectoral econometric model of the Sicilian economy. Simulations were carried out for the two ZES and for Sicily as a whole, taking into account only the effects of incentives on investments or also those on exports.

The results, which can be analyzed in great sectoral detail, are described with reference to some aggregate indicators for the two ZES and for Sicily inside the strategic document. The

econometric study carried out showed that considering the effects on investments of the incentives for the ZES and the potential effects of export growth, the impact improves significantly, as evidenced by the ratio of GDP to incentives approaching 180% for the Western ZES and exceeding 200% for the Eastern one. The effects of investments induced by ZES incentives relative to the GDP of the final year amount to 0.6%, a decidedly more sustained impact. The differences in impact between the ZES derive both from the distribution of incentivized investments that favors Eastern Sicily and from the different economic structure of the two areas.

An example, the ZES Campania

The study by The European House Ambrosetti reveals that since its inception, the ZES Campania has succeeded in attracting investments totaling 1.6 billion euros over 5 years in Campania. This outcome has particularly affected the logistics services and pharmaceutical sectors, generating a positive impact on local employment estimated at over 4,000 people. Even more significant are the positive effects generated by the entire value chains (summing up the direct, indirect, and induced effects): according to estimates by The European House - Ambrosetti, the investments attracted by ZES Campania will activate 23 billion euros in terms of value added and create over 20,000 jobs.

The estimates of the potential overall effect on the Italian economy indicate that if all the Special Economic Zones (SEZ) in Southern Italy achieved the same results as ZES Campania, they would be able to activate approximately 83 billion euros, equivalent to 23% of the overall value added in Southern Italy. This emerges from The European House - Ambrosetti's study focused on the experiences of Campania and Calabria, which in 2021 ranked first in terms of the distribution of PNRR investments among the eight Italian special economic areas.

Starting from January 1st, due to the "*Decreto Sud*" (Southern Decree), the “**ZES Unica**” will replace the current eight ZES (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sicily, and Sardinia). In anticipation of this regulatory change, the study suggests three interventions that could complement the implementing DPCM of ZES Unica: maintaining a strong local approach to avoid losing contact with the territory, keeping fiscal incentives constant at the maximum value allowed by European State Aid regulations, and

allocating some areas in southern regions for the development of high-potential value chains, promoting the creation of clusters. With ZES Unica, a greater coordination between the center and the peripheries is needed, as the risk of dealing with a centralized system might imply losing sight on smaller realities that need to reach acceptable levels of development, which in Sicily is still lacking.

Conclusions

From this analysis, a consistent finding emerges, namely, an enormous untapped economic potential or, in reality, underutilized potential. The significant and undeniable capabilities, contrasted with the structural gap that has always characterized Sicily, have been increasingly at the center of the Italian political and entrepreneurial debate in recent years.

Despite economical and structural challenges, Sicily is currently the second economic engine in the Mezzogiorno, behind Campania, contributing 32% to the GDP and value added of the macro-area. The region boasts a rich historical-cultural and naturalistic-landscape heritage, ranking as the fourth Italian region for UNESCO heritage (12% of the total) and the first in the Mezzogiorno.

The geographical location and climatic conditions make it incredibly favorable not only for potential agricultural productions (optimal and unique conditions for the production of citrus fruits, vines, olives, tomatoes in the Pachino area, and other productions that could become a distinctive mark of Sicily but also require targeted political actions for their enhancement) but also in the field of energy production by harnessing natural resources. For instance, it has been estimated that Sicily enjoys 30% more solar radiation not only compared to other Italian regions but also to the rest of Europe. Therefore, Sicily has significant "innate" potential for harnessing solar energy for electricity production, given its latitude and the greater durability of irradiation compared to the rest of Italy, with a higher number of sunny days each year. It is not coincidental that in the Sicilian region, precisely in Ragusa, the first Italian Agricultural Energy Community (CER) will be established, characterized by the use of a photovoltaic system producing more than 300 MWh per year and the development of a technological platform enabling the sharing of clean energy among various Ragusa agricultural companies.

However, this enormous potential is jeopardized by a development trend that has been slower compared to other Southern regions. In the five-year period 2015-2019, Sicily ranked last in the Mezzogiorno for growth rate, recorded at +3.7% at current prices and -0.3% at constant prices, values far from those recorded in other southern regions such as Puglia (+7.5% in nominal terms, +2.45% in real terms). Furthermore, it remains second to last in GDP per capita, with a value of just 17 thousand euros, less than half of the first-ranked region. In the labor market, in the decade from 2010 to 2019, there was a reduction in employment by -1.6 percentage points, remaining, along with Calabria, the only region in Italy with a negative value.

Recently, in August 2023, the International Forum presenting the works of the first edition of Act Tank Sicily took place in Palermo. This permanent platform was initiated by The European House-Ambrosetti in collaboration with the Sicilian Region and with the partnership of important entities in the region, such as Eni, UniCredit, Fondazione Sicilia, Gruppo Arena, and Eolo. The Forum's objective was to concretize a development plan for Sicilian excellence and identify high-impact projects for territorial development. It became clear from the Forum that the future of Sicily needs to be built based on the region's strengths:

- Tourism
- Renewable energy
- Agrifood
- Enhancement of infrastructure and associated services.

According to all the scholars and entrepreneurs who participated, these are the areas to focus on to anticipate and manage change on multiple fronts, starting from sustainable transition.

For example, agriculture is a sector that particularly requires investments from the region due to the high competitiveness of the industry, necessitating subsidies for obvious reasons. The agriculture that should be promoted in Sicily is high-value-added, leveraging the 'brand' of Sicily, and simultaneously involving significant investments in infrastructure (roads, hospitals, services) to prevent the ongoing desertification of rural areas. It is unrealistic for citizens to continue this sector in areas that, despite producing an excellent

end product, are highly deficient in infrastructure and incapable of providing basic services. To give an example, a once indistinguishable brand of Sicily that has lost vitality and has been poorly managed is oranges. Sicily is the main region in Italy for orange production, consistently accounting for about two-thirds of the national citrus production. In the last twenty years, despite maintaining the lead in production, there has been a constant decline in both cultivated areas and product output, as clearly highlighted in the table below:

Oranges - quantities produced (tons)				
	2012		2022	
	Tons	%	Tons	%
Italy	1.806.000		1.300.000	
Sicily	950.400	52.6%	530.829	64%

**Source: ISMEA*

Table 19 – Comparison of orange production.

It is highlighted that for about twenty years, Italy, and in the last decade, Sicily, have become net importers of oranges. Indeed, imports far exceed exports, especially due to competition from North African countries (Tunisia and Morocco). The Sicilian product, significantly superior in characteristics and quality, is forced to undergo unfair competition, challenging the negligible prices of African products. These are facilitated by favorable duties granted by the European Community, which, to promote the development of North African countries, has allowed the entry of products into Italy with increasingly lower or, in some cases, zero duties. The comparison becomes uneven and even unfair, considering that in North African countries, the application of labor contracts, social security obligations, and workplace safety regulations is less stringent than those imposed on Sicilian companies. As a result, the cost of labor in the Maghreb countries does not exceed \$2 per hour, while in Italy and consequently in Sicily, the cost is approximately \$7, in addition to training and legal contract costs. The comparison becomes unfeasible, considering that in compliance with European regulations on food safety in Sicily, biodegradable products are used, while in African countries, pesticides are still allowed, which are much cheaper but significantly more harmful to health.

An example of high-value-added agriculture that could serve as a reference model in Sicily is the Ragusan one. The dairy-cheese supply chain is of extraordinary importance to the

Sicilian Region, both for the productive, employment, and environmental value of basic zootechnical activities, and for everything that develops in the phases of milk, dairy, and cheese transformation and commercialization in economic and social terms. In 2019, the SICILIAN DAIRY-CHEESE PRODUCTION DISTRICT was created, with the Free Municipal Consortium of Ragusa as the lead entity, and with the participation of the free consortia of Agrigento, Enna, and Siracusa, 19 municipalities, 90 entrepreneurial entities, and associations representing 576 businesses, 4 category organizations (CNA-Coldiretti-Confcooperative-Legacoop), and the 5 PDO protection consortia. In addition to directing production towards the industrial cycle, one of the District's objectives is to safeguard traditional productions and typical Sicilian products, focusing on products that can have a protected designation of origin and on the creation of a District Brand aimed at the easy recognition of dairy and cheese products produced exclusively with Sicilian milk (Palermo caciocavallo, Modica tumazzo, Iblea provola, various ricotta, Ibleo cosacavaddu, lost tuma, etc.). This is also aimed at making effective use of the QS mark strongly desired by the Regional Agriculture Department.

The weak point of the Sicilian production system, in the case of agriculture but also in the case of tourism and industry, is represented by the infrastructural system. For this reason, investment programs by the authorities responsible for it must consider targeted structural investments. The globalization of markets imposes strict rules regarding production controls, operational efficiency, but also and above all, market accessibility, and delivery speed. Efforts by regional entities should focus more on this point. Improving road infrastructure, the speed of railway connection, and optimizing maritime transport along the coast, alternatives to ordinary roads, which can plan the delivery of goods and the transportation of people from one port to another, quickly.

All these problems reflect a loss of the island's competitiveness, resulting in a loss of confidence from its inhabitants, as demonstrated by growing migration flows, especially towards the northern regions. This has significant implications in the present in terms of the loss of "breeding costs," as explained in the paragraph related to the labor market (considering the loss in rents, catering, basic services). Moreover, it has even more significant implications for the future, as the predominant part of emigrants (students and

workers) does not return to their regions of origin after completing their studies, weakening the development potential of the area.

The comprehensive analysis conducted throughout this thesis has consistently revealed a paradox within the Sicilian economy: the presence of vast, yet underutilized or poorly exploited, economic potential. This untapped potential stands in stark contrast to the structural gaps that have long characterized the region, a topic that has increasingly captured the attention of both political and business discourse in Italy in recent years. The persistent underinvestment and lack of strategic initiatives by public administration are significant concerns. The analysis indicates that if Sicily is to realize its full economic potential, there must be a concerted effort to enhance investment in key sectors and to employ strategic, well-planned initiatives that can harness the island's inherent strengths.

In conclusion, for Sicily to transition from being a region of latent potential to one of dynamic and sustainable economic growth, a strategic overhaul is necessary—one that prioritizes thoughtful investment, leverages the region's competitive advantages, and ensures the development of infrastructure that meets the needs of a modern economy.

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