

HOW NEW IS THE NEW ECONOMY? A STATISTICAL ANALYSIS OF ITC COMPANIES IN ITALY.

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SUMMARY

New economy companies differ through and trough from old economy ones. But peculiar aspects of the new sector can be fully grasped if compared with a benchmark sector. According to this requirement we have chosen to develop a statistical comparison between the companies of the new economy and the mechanical ones which, together with the textile ones, make the bulk of the old economy.

The analysis focuses on the following aspects:

- 1) Cost Structure and Profitability;
- 2) Capital Formation;
- 3) Financial Structure.

The data base used for the paper is impressive. It is represented by the total of Business Balance Sheets of New Economy Companies of Italy for the 1997, 1998 and 1999 (20,148 companies in 1999) and by the total of mechanical companies (sector 29 of branch DK) in the same period (13,597 companies in 1999).

Business Balance Sheets are supplied by a File of the Chambers of Commerce Union of Italy. The new economy set includes the following sectors:

ATECO91 CODE	DESCRIPTION
DL30010	Construction of office machines
DL30020	Construction of computer and systems
DL32202	Construction of telecommunication devices
I64200	Telecommunications
K72100	Computer installation and consulting
K72200	Software supplying and computer consulting
K72300	Electronic data processing
K72400	Construction of database
K72500	Computer maintenance and repair
K72601	I.T. services and robotic
K72602	Other services related to I.T.

The approaches we use are SNA Accounts and Flows of Funds.

The basis of our research are the aggregate Economic Account and Balance Sheet of the two industries in different years.

From the first aggregate we extract the SNA Production Account. This does not overlap perfectly with the official SEC account for the different treatment of depreciation which

we calculate referring to historical costs of capital goods. In this aspect our approach is the same used by the U.S. Department of Commerce and Canadian Statistical Office. From the aggregate Balance Sheets of different years we compose the Flows of Funds Matrix.

On this basis we develop:

- a) Structure ratios ;
- b) The SNA Capital Formation Account and Financial Account;
- c) *Sources Uses and Uses of Funds* Statements.

Our version of Saving is obtained through a patrimonial approach and not by the Income Account as in SEC.

By means of the two SNA Accounts we give a neat picture of the main structure of capital formation of the two industries. In particular, we are able to focus on:

- a) Saving-Investment balance;
- b) Increase or decrease in Lending and Borrowing.

Through *Sources Uses and Uses of Funds Statements* we put in evidence the sources of Investment and Saving.

The sources of Investment we disaggregate are:

- Saving;
- Borrowing;
- (Negative) Lending;
- (Negative) Hoarding;

The sources of Saving (or variation of Net Worth) are:

- Investment;
- Lending;
- Hoarding;
- (Negative) Borrowing.