

Italy moves to head off debt crisis

Finance Minister Giulio Tremonti has proposed a €47.3 billion austerity package and bond sale to tackle Italy's huge debt as concern grows that it could be the next country hit by the eurozone financial crisis

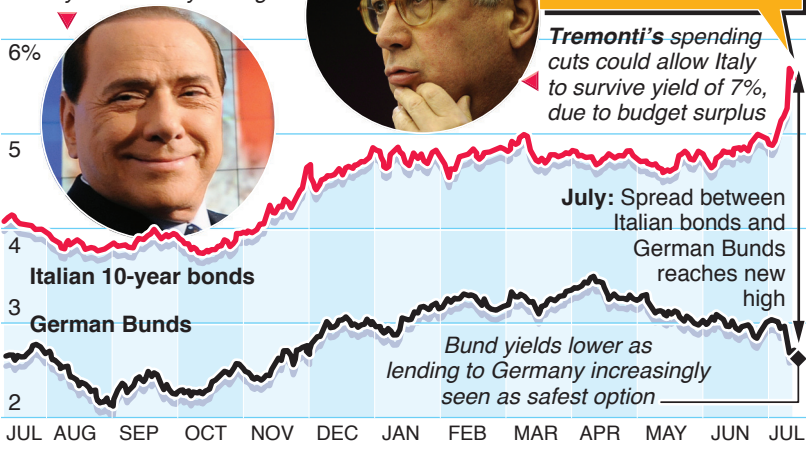
GOVERNMENT BOND YIELDS: Yield is interest paid by government on its borrowing – rate reflects risk of default. Investors require low yield on low risk debt, higher yield for higher risk debt – pushing up borrowing costs

Opposition with Prime Minister Silvio Berlusconi's government has helped drive bond yields to 14-year high



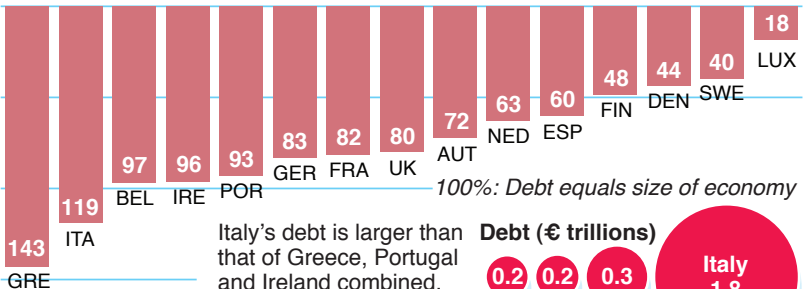
Cost to finance debt this year at 4%: **€75bn**
Rate at 5%: **€85bn**
Rate at 6%: **€120bn**

Tremonti's spending cuts could allow Italy to survive yield of 7%, due to budget surplus



TOO BIG TO BAIL

EU15 debt-to-GDP ratio %



Italy's debt is larger than that of Greece, Portugal and Ireland combined, making bailout impossible

Debt (€ trillions)

