

Cocaine Sales to Boost Italian GDP in Boon for Budget

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Italy will include prostitution and illegal drug sales in the gross domestic product calculation this year, a boost for its chronically stagnant economy and Prime Minister Matteo Renzi's effort to meet deficit targets.

Drugs, prostitution and smuggling will be part of GDP as of 2014 and prior-year figures will be adjusted to reflect the change in methodology, the Istat national statistics office said today. The revision was made to comply with European Union rules, it said.

Renzi, 39, is committed to narrowing Italy's deficit to 2.6 percent of GDP this year, a task that's easier if output is boosted by portions of the underground economy that previously went uncounted. Four recessions in the last 13 years left Italy's GDP at 1.56 trillion euros (\$2.13 trillion) last year, 2 percent lower than in 2001 after adjusting for inflation.

"Even if the impact is hard to quantify, it's obvious it will have a positive impact on GDP," said Giuseppe Di Taranto, economist and professor of financial history at **Rome**'s Luiss University. "Therefore Renzi will have a greater margin this year to spend" without breaching the deficit limit, he said.

A spokesman for the **Finance Ministry** declined to comment on the new system.

The change in methodology will also bring research and development and arms into the GDP calculation. R&D, now considered investment spending, was previously excluded because it was classified as an intermediate cost.

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