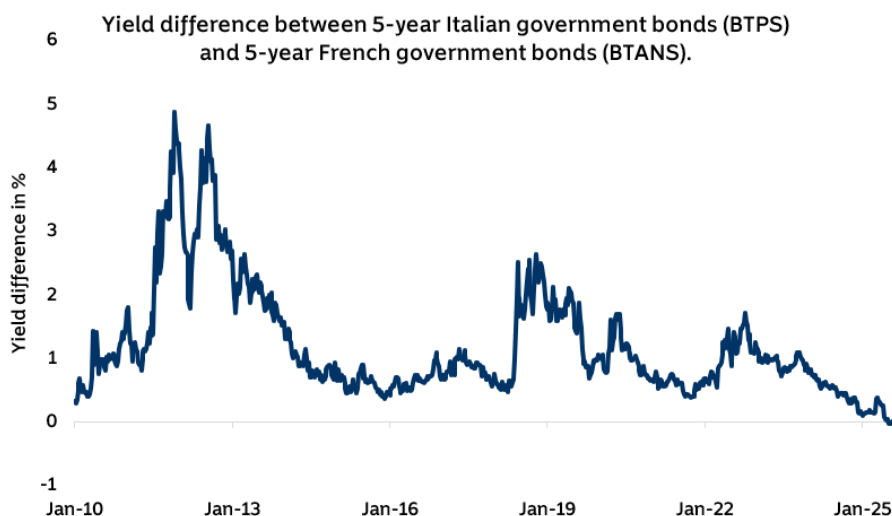


## 5-Year Italian Bond Yields Now Trade Below France

By Charles Thomson, Portfolio Manager



Source: Bloomberg Finance L.P., data as at 25 July 2025.

### What this chart shows

This chart shows the yield difference between 5-year Italian government bonds (BTPS) and 5-year French government bonds (BTANS)

### Why this is important

2025 marks the 100 year anniversary since Italy last ran a budget surplus! Unsurprisingly Italy's national debt as a percentage of GDP is very high. GDP growth has been weak and this, along with persistently unstable politics has meant that Italian bonds yields have generally been substantially higher than those of France. In 2011 this yield difference was 500 basis points! Italy's credit rating is also substantially lower: Moody's rates France Aa3 and Italy Baa3, some six notches lower.

So what has changed? On public finances, Italy's debt to GDP has declined from 158% of GDP during covid to 135% now. French debt has increased to 121% of GDP. Also, significantly, Italy has persistently run primary budget surpluses (i.e. before debt interest) while France has consistently run primary deficits. Italian government debt is mainly held domestically which provides a degree of protection missing in France. Politics in Italy appears to be improving markedly – the same cannot be said for France.



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