



BANCA D'ITALIA
EUROSISTEMA

*The outlook of the Italian economy,
in the challenging international environment*

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The international outlook

1. Global growth, trade, inflation ...
2. ... and the Euroarea

The Italian economy

1. The outlook ...
2. ... after the post pandemic recovery

1. The international outlook: global growth, trade, inflation (1)

Table 1. Overview of the *World Economic Outlook Projections*

(Percent change, unless noted otherwise)

	Year over Year			
	2022	2023	Projections	
			2024	2025
World Output	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
United States	1.9	2.5	2.6	1.9
Euro Area	3.4	0.5	0.9	1.5
Germany	1.8	-0.2	0.2	1.3
France	2.6	1.1	0.9	1.3
Italy	4.0	0.9	0.7	0.9
Spain	5.8	2.5	2.4	2.1
Japan	1.0	1.9	0.7	1.0
United Kingdom	4.3	0.1	0.7	1.5
Canada	3.8	1.2	1.3	2.4
Other Advanced Economies 3/	2.7	1.8	2.0	2.2
Emerging Market and Developing Economies	4.1	4.4	4.3	4.3
Emerging and Developing Asia	4.4	5.7	5.4	5.1
China	3.0	5.2	5.0	4.5
India 4/	7.0	8.2	7.0	6.5
Emerging and Developing Europe	1.2	3.2	3.2	2.6
Russia	-1.2	3.6	3.2	1.5
Latin America and the Caribbean	4.2	2.3	1.9	2.7
Brazil	3.0	2.9	2.1	2.4
Mexico	3.7	3.2	2.2	1.6
Middle East and Central Asia	5.4	2.0	2.4	4.0
Saudi Arabia	7.5	-0.8	1.7	4.7
Sub-Saharan Africa	4.0	3.4	3.7	4.1
Nigeria	3.3	2.9	3.1	3.0
South Africa	1.9	0.7	0.9	1.2

Global activity and world trade firmed up at the turn of the year (strong exports from Asia)

US sharper-than-expected slowdown in growth (consumption, net trade)

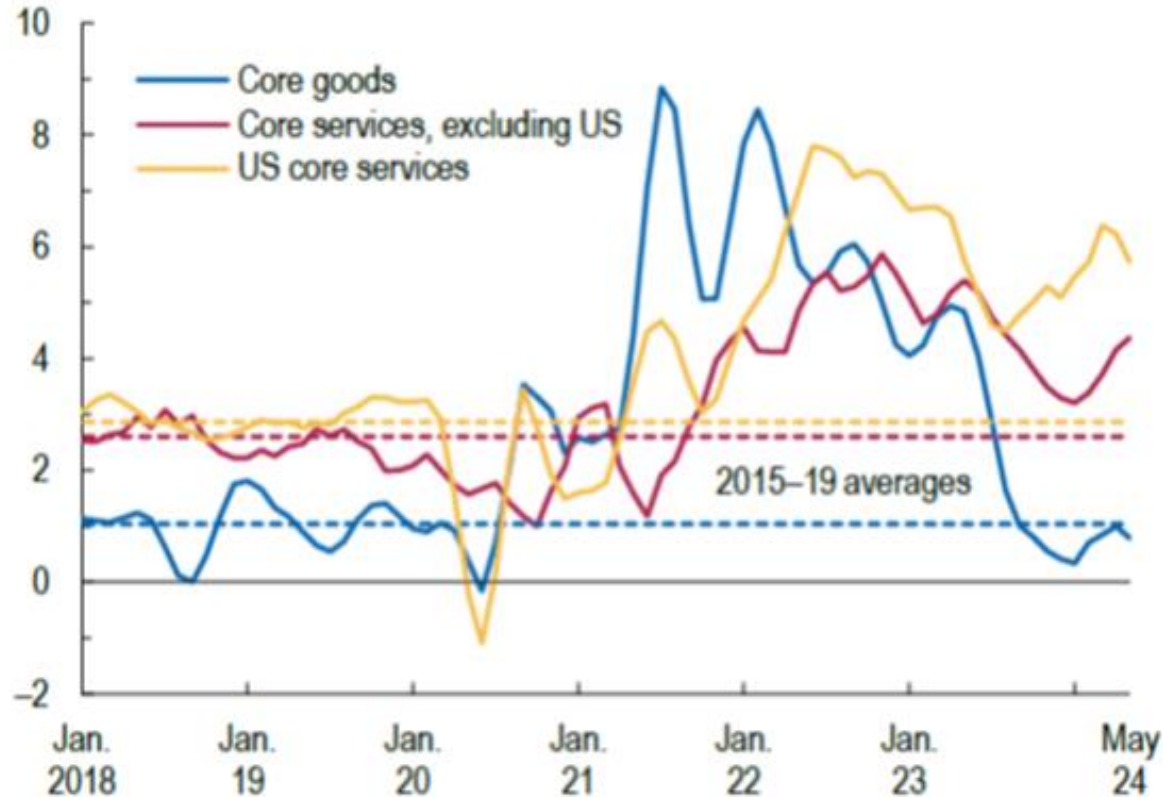
China consumption and export propelled positive upside in 1Q24

output divergences across economies **narrowed** (cyclical factors wane, activity better aligned with potential)

1. The international outlook: global growth, trade, inflation (2)

Figure 1. Sequential Core Inflation

(Percent; three-month-over-three-month, annualized)



Momentum on **global disinflation** is slowing

higher-than-average inflation in **services** is persisting, tempered by stronger disinflation in **goods**

wage growth remains brisk, above price inflation in some countries (wage negotiations and inflation expectations)

The uptick in **sequential inflation in the US** during 1Q has delayed policy normalization – international financial conditions eased (repricing of markets' expectations towards more dovish US policy stance)

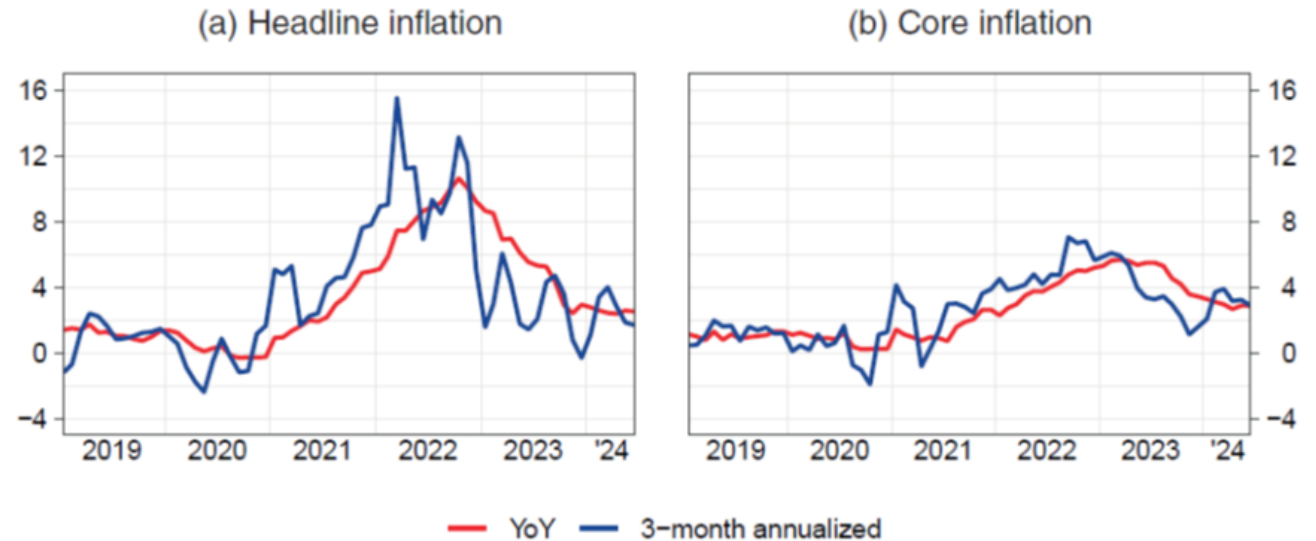
Other advanced economies (euro area, Canada) ahead of US in the easing cycle; **emerging economies** cautious in cutting rates (interest rate differentials, exchange rates)

1. The international outlook: the Euroarea (3)

Euro-area GDP growth and inflation
(percentage changes)

	GDP growth		Inflation	
	2023	2023 Q4 (1)	2024 Q1 (1)	2024 June (2)
France	0.9	0.3	0.2	(2.5)
Germany	-0.2	-0.5	0.2	2.5
Italy	0.9	0.1	0.3	(0.9)
Spain	2.5	0.7	0.8	(3.5)
Euro area	0.5	-0.1	0.3	(2.5)

Euro-area consumer price inflation (1)
(per cent)



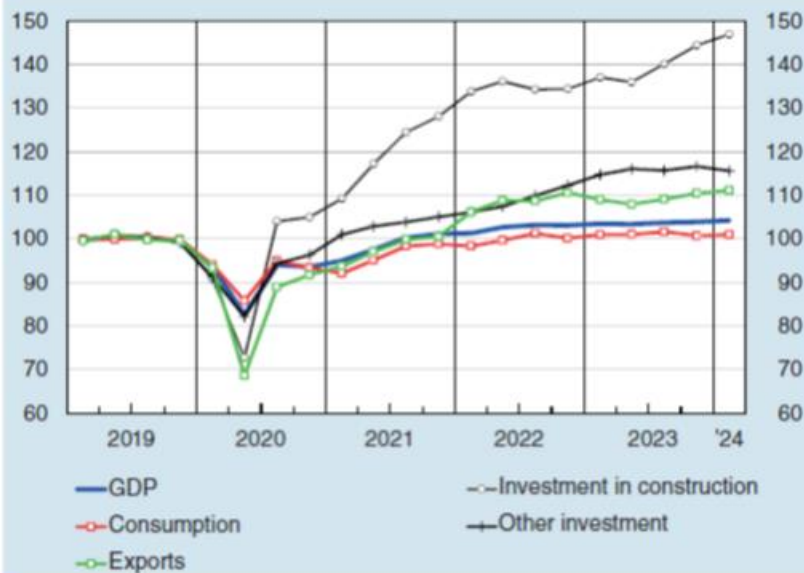
After stagnating for more than a year, **economic activity in the euro area edged up by 0.3 per cent in 1Q24** (foreign demand); GDP is estimated to have grown moderately in the 2Q (services)

Inflation is continuing to fall (fluctuations in monthly data); it will decline to 2.5 per cent this year (2.2 in 2025)

In September, the ECB lowered its policy rates (easing cycle started in June). For the future monetary policy decisions: i) **past rate hikes** are still squeezing demand, production and inflation; ii) monetary easing in the next months will be mitigated by further **contraction of the Eurosystem's balance sheet**

2. The Italian economy: the outlook after the post pandemic recovery (1)

GDP and its main demand components (1)
(quarterly data; indices: 2019=100)



GDP in Italy grew moderately in 1Q24 (construction/services/foreign demand);

growth continued in 2Q (services, particularly tourism-related, exports and consumption). Bol forecasts a GDP growth in 2024 of 0.8 per cent

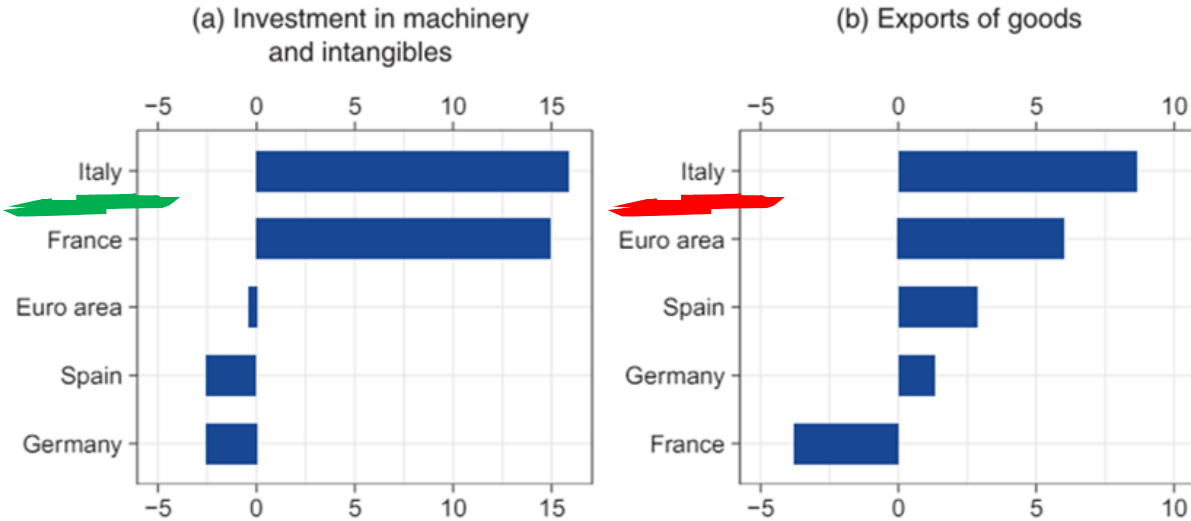
PIL nei maggiori paesi dell'area dell'euro (1)
(variazioni percentuali sul periodo precedente)

PAESI	2021	2022	2023	2023				2024
				1° trim.	2° trim.	3° trim.	4° trim.	1° trim.
Area dell'euro (2)	5,9	3,4	0,4	0,0	0,1	-0,1	-0,1	0,3
Francia	6,4	2,5	0,7	0,0	0,6	0,1	0,1	0,2
Germania	3,2	1,8	-0,3	0,3	-0,1	0,1	-0,5	0,2
Italia	8,3	4,0	0,9	0,4	-0,2	0,4	0,1	0,3
Spagna	6,4	5,8	2,5	0,4	0,5	0,5	0,7	0,7

After the pandemic the recovery in Italy exceeded expectations (stronger than other large euro-area economies, robust in Mezzogiorno); between 2019 and 2023 Italy's GDP grew by 3.5 per cent, against 1.5 per cent in France and 0.7 per cent in Germany (gap wider in per capita terms)

2. The Italian economy: the outlook after the post pandemic recovery (2)

Changes in investment and exports in Italy
and in the main euro-area countries
(percentage change between 2019 and 2023)

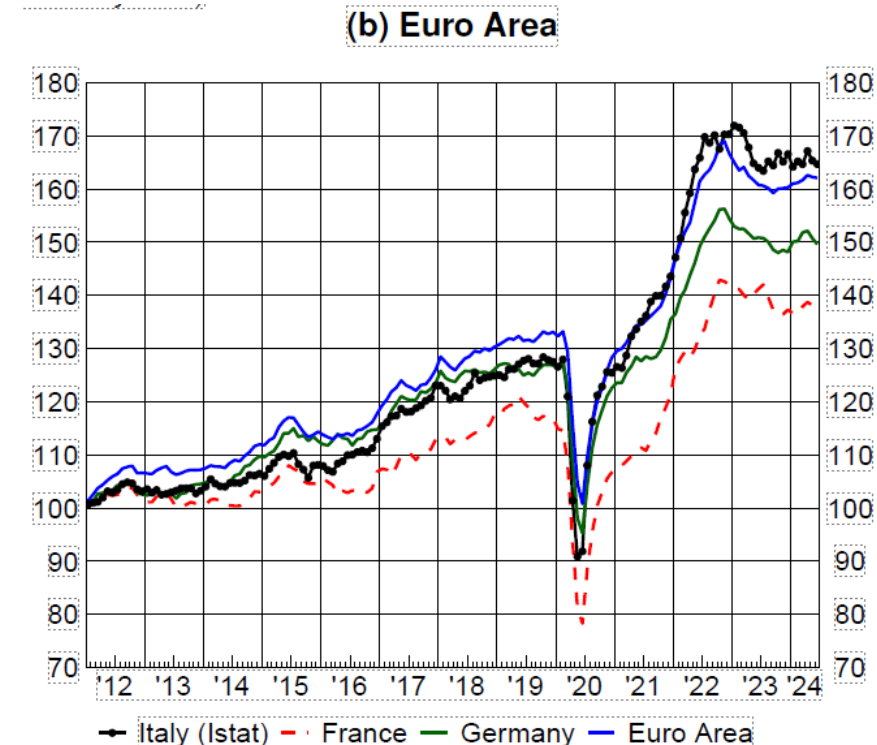


Recovery (2019–2023) fueled by **strong investment growth** (more than European peers) not only in construction (incentives), but machinery (tech progress and expectations about future demand)

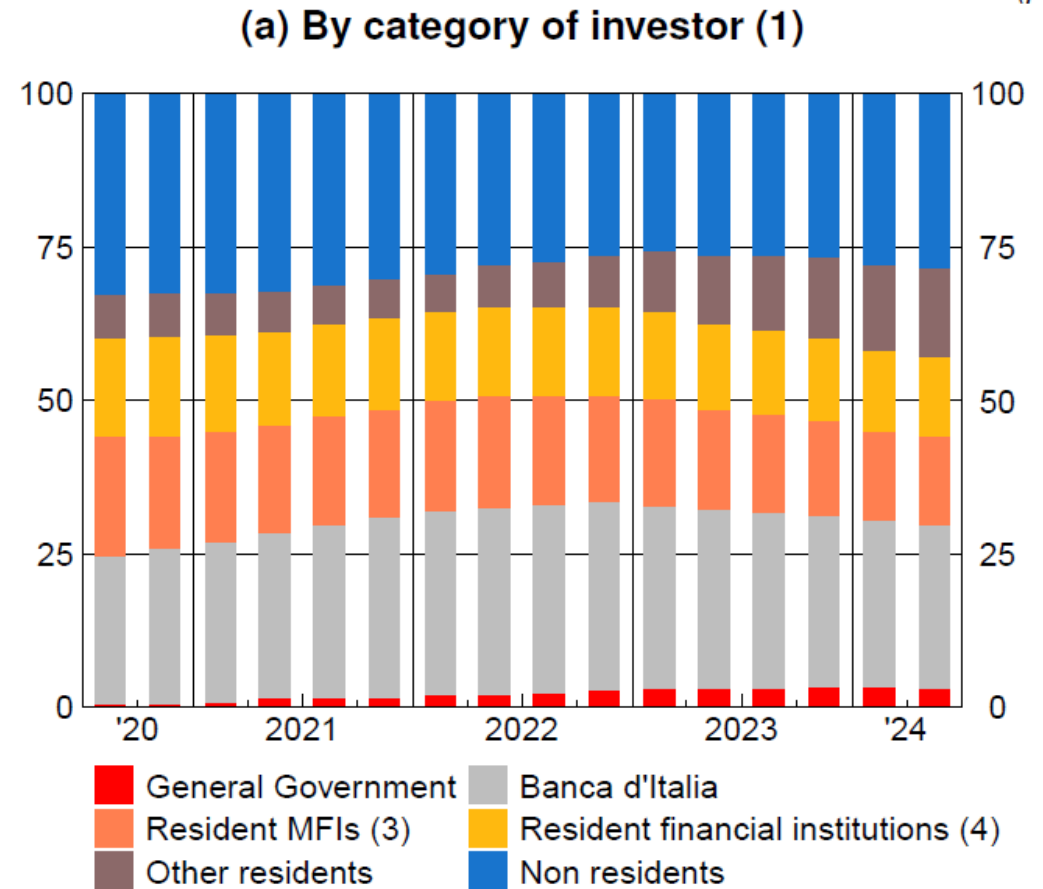
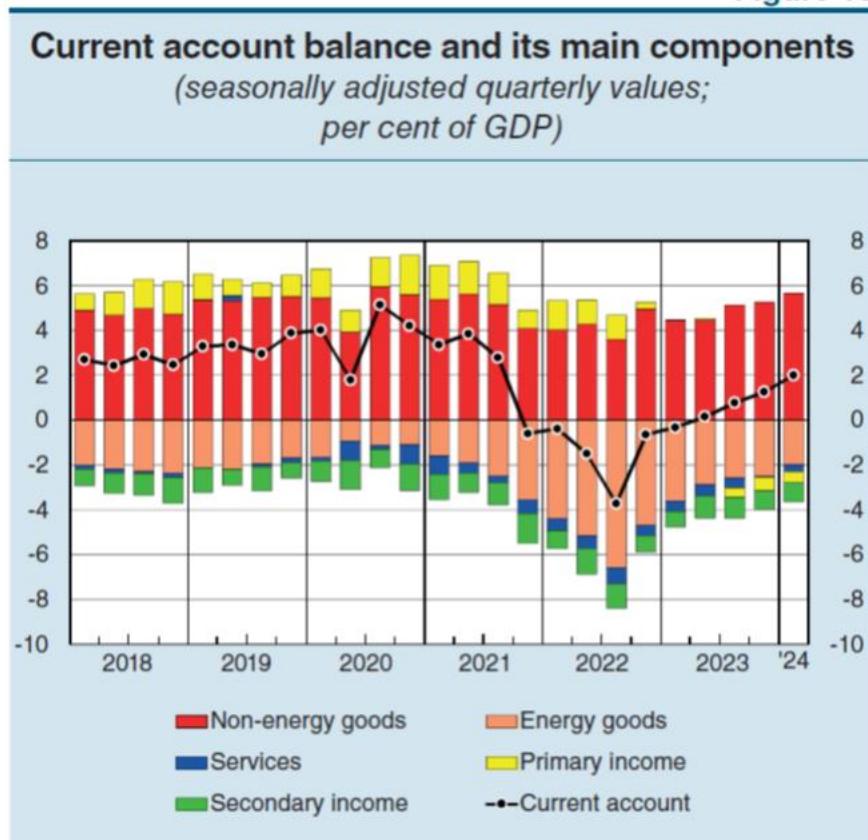
Excluding transport equipment, Italy's manufacture the most automated in Europe: in 2021 13.4 robots per 1,000 workers in Italy (12.6 GER, 9.2 FRA); since 2019, industrial firms have doubled their investment share in digital technologies (17 per cent)

Exports of goods increased by 9 per cent, more than potential foreign demand (cost competitiveness, quality achieved in recent years and diversification by sector and destination market)

They remained essentially stable in GER, decreased in FRA



2. The Italian economy: the outlook after the post pandemic recovery (3)



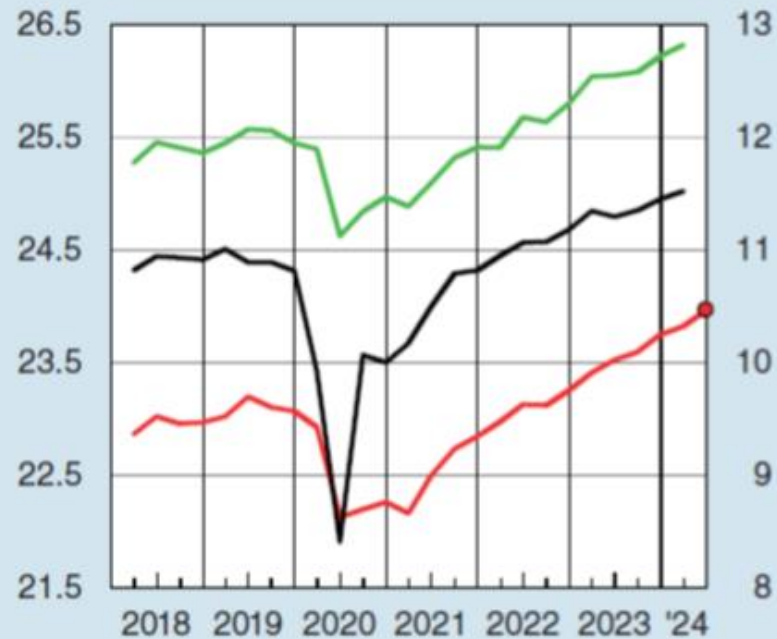
Current account surplus widened in 1Q24 (improvement in the goods balance)

Non-resident investors made sizeable net purchases of Italian securities (especially issued by the public sector)

The positive net international investment position strengthened

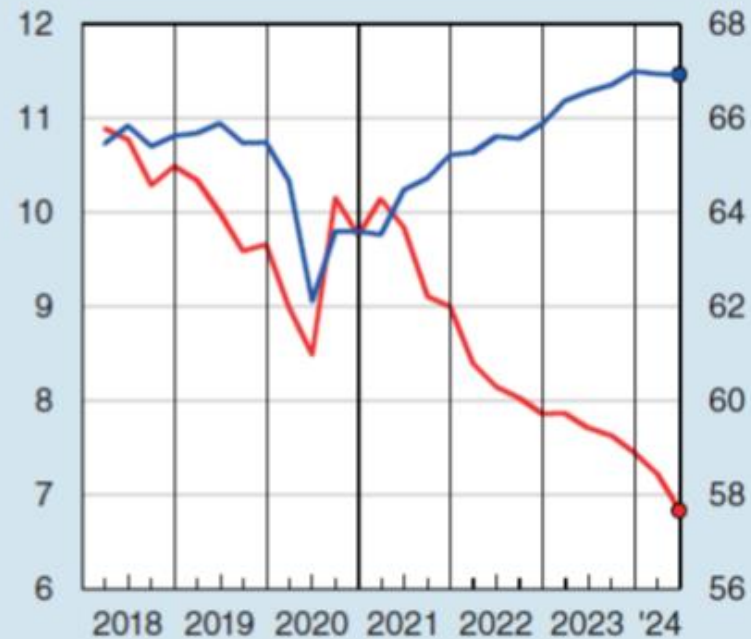
2. The Italian economy: the outlook after the post pandemic recovery (4)

(a) Employment and hours worked (1)
(quarterly data; millions of workers and
billions of hours)



— Employment (quarterly national accounts) (2)
— Employment (labour force survey) (3)
— Hours worked (4)

(b) Unemployment and labour market
participation rates (1)
(quarterly data; per cent)



— Unemployment — Participation (4)

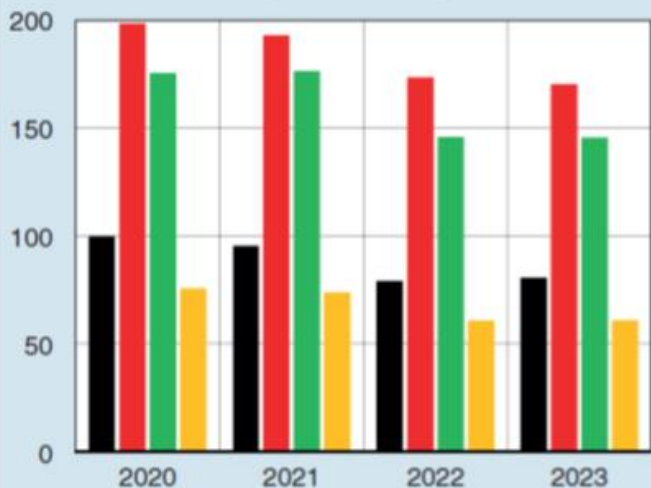
Employment continued to rise in spring

With labour market participation stable above pre-pandemic levels, the unemployment rate fell further, approaching the euro-area average

In Italy there is (significant) room to grow for non-bank finance

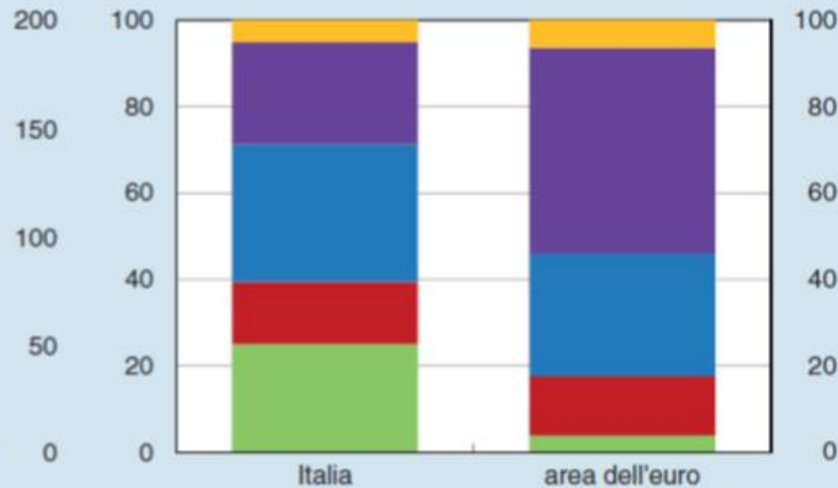
Risparmio gestito: confronto internazionale (valori percentuali)

(a) patrimonio gestito dagli investitori istituzionali
in rapporto al PIL (1)
(dati annuali)



■ Italia
■ Francia
■ Germania
■ Spagna

(b) principali attività finanziarie degli investitori
istituzionali nel 2023 (2)



■ titoli emessi da imprese residenti
■ titoli emessi da imprese non residenti
■ fondi di investimento
■ titoli di Stato esteri
■ titoli di Stato nazionali

Assets under management of institutional investors is low (peers)

Despite growth of PE and VC, role of Italian operators remains modest in the national market

71 percent of **investments in Italian companies** in 2023 promoted by foreign closed-end funds (AIFI)

Italian VC remains small: investments in 2021-23 1/5 of FRA, GER (innovation production system, limited involvement institutional investors)

Resident insurance companies and pension funds 2 percent of VC fundraising in 2021-23 (16 in FRA)



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Thank you for your attention

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