ITALY 2024-2025 SCENARIO

2024, *ALEA JACTA EST*

April 2024

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WORKING EVERY DAY IN YOUR INTEREST AND FOR SOCIETY

GROUP ECONOMIC RESEARCH

2024, *ALEA JACTA EST*

Scenario highlights

- Inflation falls below 1
- Investment resists rise in interest rates
- Employment picks up at the start of the year

- Industry still under pressure from German slowdown
- Export recovery likely to be limited by international environment
- Consumption remains uncertain despite income growth

	2022	2023	2024	2025
GDP y/y, %	4,1	0,9	0,8	0,9
Domestic demand contribution to GDP, pps	4,9	2,0	0,4	0,8
Private consumption y/y, %	4,9	1,2	0,0	1,1
Investment y/y, %	8,9	4,9	1,9	1,4
Stockbuilding contribution to GDP, pps	-0,2	-1,2	-0,3	0,1
Net exports contribution to GDP, pps	-0,5	0,2	0,6	0,0
Inflation y/y, %	8,7	5,9	1,4	2,0
Unemployment rate %	8,1	7,7	7,6	7,7
Fiscal balance % of GDP	-8,0	-7,2	-4,5	-3,9

The Italian economy proved resilient in 2023, growing 0.9% despite an unfavourable international environment, persistently high inflation and difficult financing conditions owing to rising interest rates. But challenges remain and the outlook for 2024 is still mixed, with growth expected at 0.8%. Italy's growth prospects are undermined by global economic uncertainties, with the slowdown in the world's two largest economies, as well as political uncertainties, with several key elections on the horizon.

But encouraging signs are emerging, particularly in industry. And although its effects are still being felt, the inflationary period is behind us now, the annual rate currently standing at 1.4%, paving the way for an easing of monetary policy. Investment and construction continue to be bolstered by an overhang effect and could benefit from an upside risk linked to stimulus plan support, even though budgetary policy is constrained by substantial imbalances in public finances.

Household consumption remains the big unknown in this scenario. Any recovery remains uncertain despite a handful positive indicators in the second half of the year, the impact of which will be felt more in 2025, with a growth forecast of 0.9%.

2024, *ALEA JACTA EST*

AN UNSETTLED ENVIRONMENT

In an international environment marked by inflation, rising interest rates and slowing industry, the Italian economy surprised on the upside in 2023 and is proving slightly more robust than expected. The Italian economy will grow by 1 per cent in 2023, less than in Spain but on a par with France and considerably more than in Germany, which has fallen into recession. The economic momentum was driven primarily by investment, particularly in construction. This largely offset the lacklustre contribution from foreign trade and the modest increase in consumption. Growth exceeded expectations in 2023 but came at the cost of a substantial public deficit. The latter resulted from the uncontrolled success of the Italian "Superbonus", which increased the government's financing requirement by 2 points of GDP to 7.2%.

Now that 2023 is done and dusted, what can we expect in 2024? First, the persistently unfavourable and uncertain international economic environment will pose a downside risk to Italian growth. Global growth is expected to slow in 2024. The US economy will remain strong in 2023 but will start to show signs of slackening. In China, a failed *post*-COVID recovery and an ongoing real estate crisis will put the brakes on growth in 2024. In the eurozone, growth is expected to remain sluggish, dragged down by a flat-lining German economy that will continue to weigh on the Italian manufacturing sector. International trade is also expected to slow, undermined by growing uncertainties stemming from an increasingly unstable geopolitical environment. Disruptions in the Red Sea, which are already clearly impacting delivery times and freight costs, could place further inflationary pressures on production costs.

Given this gloomy picture, the market is surprisingly optimistic, buoyed by expectations of monetary easing in the second half of the year. Lower oil and gas prices, together with aggressive monetary policies in the US and the eurozone, are beginning to check inflation. Despite the rigidity of US inflation, the process of disinflation is firmly under way. This is particularly true in the eurozone, where inflation is expected to nudge the 2.6% target by the end of 2024, making a 75bp cut in interest rates possible by the end of the year.

Given these developments, it is hard to imagine any major change in Italian economic growth profile as the headwinds cancel each other out. After 0.9% in 2023, growth is expected to increase modestly, to 0.8%, in 2024. Though positive survey indicators raise hopes of a slight improvement in manufacturing, the impact of the weak German economy will be clearly felt, at least during the first half of the year.

2024, *ALEA JACTA EST*

AN UNSETTLED ENVIRONMENT

Despite expectations of monetary easing, weak demand and persistently high rates will continue to put the lid on productive investment, with no positive boost expected before the second half of the year. But construction may well surprise on the upside, driven by the tough-to-measure effects of the “Superbonus”, the National Recovery and Resilience Plan and the recently voted “Transition 5.0” plan. Looking beyond the targeted measures financed by NextGenerationEU, the major fiscal imbalances inherited from past shocks and tighter fiscal rules are expected to limit the scope of fiscal policy from 2024. Consumption, which was supposed to drive growth this year, remains the major absentee from the scenario. While all the ingredients are in place – with the disinflation process well under way, a resilient labour market and negotiated wages still in the catch-up phase – the significant overhang inherited from the end of the year and sluggish consumer confidence point to zero growth in household spending in 2024. Consumption is expected to pick up again in the second half of the year, which will benefit the following year more owing to overhang effects. Despite the prospect of a US recession, 2025 is already looking more promising with growth of 0.9% and upside risks resulting from swifter monetary easing.

International background assumptions

	2022	2023	2024	2025	2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4
World GDP y/y, q/q, %	3,5	2,8	2,6	2,6	-	-	-	-	-	-	-	-
United States GDP y/y, q/q, %	1,9	2,5	1,8	0,4	1,5	1,1	0,5	-0,8	-0,5	1,1	1,4	2,0
Eurozone GDP y/y, q/q, %	3,4	0,5	0,7	1,5	0,2	0,3	0,4	0,4	0,3	0,4	0,3	0,3
China GDP y/y, q/q, %	3,0	5,2	4,4	4,2	0,2	0,3	0,4	0,4	0,3	0,4	0,3	0,3
ECB refinancing rate end of period, %	2,50	4,50	3,40	2,65	4,50	4,25	3,65	3,40	3,15	2,90	2,65	2,65
Federal Reserve funds rate end of period, %	4,50	5,50	5,00	3,50	5,50	5,50	5,25	5,00	4,50	4,00	3,50	3,50
Exchange rate average, EUR/USD	1,05	1,08	1,07	1,10	1,08	1,07	1,06	1,05	1,07	1,09	1,10	1,12
Brent average, USD/barrel	99,1	82,3	85,0	88,0	83.0	85.0	85.0	87.0	85.0	87.0	90.0	90.0

RECENT ECONOMIC NEWS

DESPITE STRONG UNCERTAINTIES, CONFIDENCE GROWS AS INFLATION NORMALISES

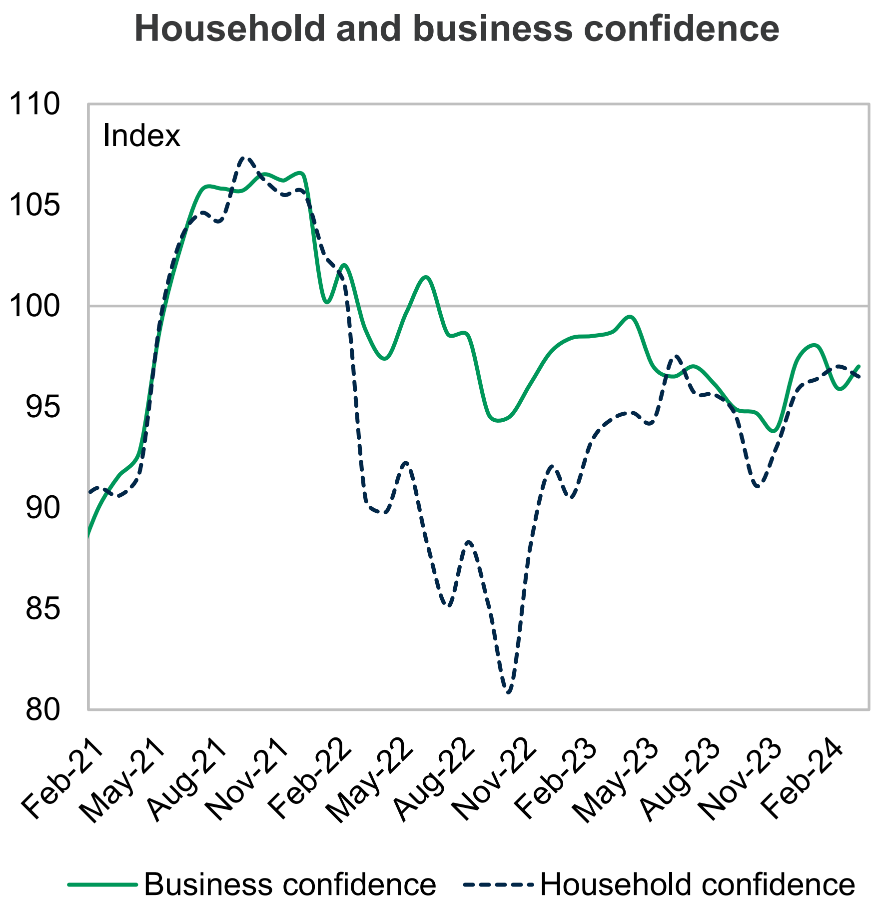
Economic data continue to paint a contrasted picture of economic activity. While disinflation has continued unabated since January, with inflation averaging 1% in Q1 2024, overall prices increased slightly in March, from 0.8% in January-February to 1.3%. This slight increase in inflation after three consecutive months below 1% results from rising transport prices subsequent to the increase in maritime freight costs generated by the Suez Canal situation.

Looking beyond the political environment in the Middle East, the trends in place since Q4 2023 remain the same. Energy prices continue to fall, albeit at a slower pace, as do those of goods, the inflation of which has been negative since October 2023. The increase in food prices also moderated at the start of the year and failed to exceed 5% over the quarter. Core inflation remained stable at 2.4% and non-energy inflation rose 0.1 percentage point. February data on industrial production prices show no significant impact from higher transport prices and the downward trend continues. Prices fell 10.8% year-on-year in the first two months of 2024, returning to February 2022 levels. But they remain higher than their historical average. Lower inflation was also accompanied by a recovery in consumer confidence in the first quarter. All the components improved compared with the end of 2023. More households expect the economy to improve and see positive future trends in economic activity. But they remain much more cautious about the trend in their personal situation. Business confidence also improved in the first quarter, despite the trough in February.

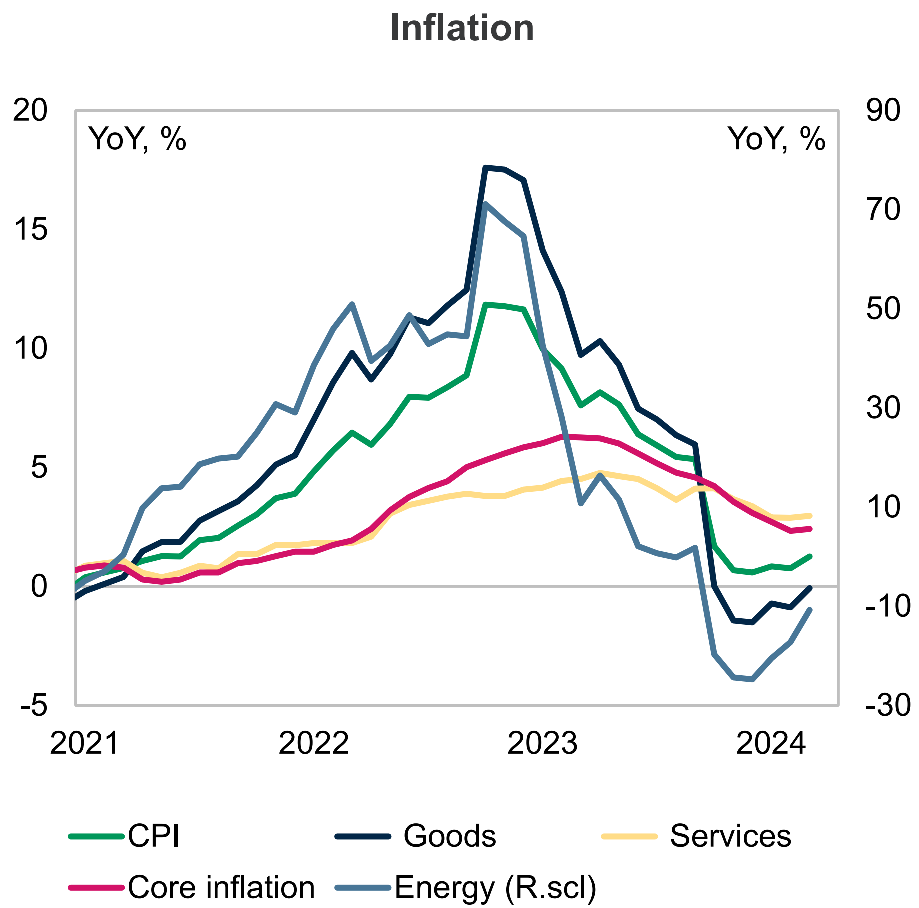
Confidence rose in all business sectors except construction but remains highest in services and retail sales. The manufacturing sector is also showing positive signs after slumping for several months and domestic and export orders are on the rise. All the PMI surveys point in this same direction, with the manufacturing sector index having risen steadily since January and above the expansion threshold in March. Companies are reporting a pick-up in order books and expect production to increase for the first time in the last 11 months.

RECENT ECONOMIC NEWS

DESPITE STRONG UNCERTAINTIES, CONFIDENCE GROWS AS INFLATION NORMALISES



Sources: Istat, Crédit Agricole S.A./ECO



Sources: Istat, Crédit Agricole S.A./ECO

HOUSEHOLDS

CAN WE STILL COUNT ON CONSUMPTION?

Consumption, the poor relation of the post-COVID recovery

While the Italian economy is one of the *post*-COVID miracles, its recovery having considerably outstripped that of its European partners, the same cannot be said for Italian consumption. With a 1.4% decline in consumer spending in Q4 2023, consumption fell below the pre-COVID level (Q4 2019). The recovery in household consumption, coming mainly in H2 2022 and H1 2023, was only short-lived. This trend can be explained in part by the initial impact of COVID on consumer spending on services, compounded by rampant inflation. Consumption increased 1.2% in 2023 overall. The shift in favour of services initiated in 2021 continues, with an increase in spending on hotels, restaurants and leisure, bringing growth in services to +3.8% despite inflation of 7% over the year. At the same time, strong pressure on the prices of goods, particularly food and semi-durable goods such as clothing and household appliances, negatively impacted consumer spending on goods, down 1.2%. The only categories to come out unscathed were car sales, with registrations up 20% in 2023, and transport spending.

The labour market withstands the economic slowdown

Despite conflicting signals from household confidence indicators, the situation of households is set to improve in the coming months. In addition to the fall in inflation, which should boost purchasing power, households continue to benefit from favourable working conditions for employees. Employment rose to 0.2% in February, taking the employment rate to a new high of 61.9%. The unemployment rate nevertheless increased to 7.5% as workers returned to the labour market. The decline in employment in January raised fears of a turnaround in the labour market, but the recovery in February left a zero overhang for the first quarter. Surveys also point to a stabilisation in labour demand in the coming months. Meanwhile, wages continue to rise. In the fourth quarter, the hourly index increased 5.1% in December 2023 compared with the previous month and by 7.9% year-on-year, driven by wage increases in the government (+22%), industry (+4.5%) and private services (+2.4%). Wage growth in Italy nevertheless remained contained in 2023 as a whole, dismissing fears of a wage-price spiral. Against average inflation of 5%, negotiated wages rose just 3% in 2024.

Inflation back to normal

As wages continue to rise, lower inflation should boost purchasing power. After rising sharply for two years owing to energy prices, inflation fell substantially, from 5.2% in Q3 2023 to 1% in Q4 2023 and Q1 2024. Core inflation dipped from 3.6% at the end of 2023 to 2.4% in Q1 2024. Once the base effects related to past increases in energy prices dissipate, prices are expected to rise slightly overall, to 1.7% by the end of 2024 and 2% by the end of 2025. However, food inflation remains high as a result of production costs and pressure on certain raw materials, the supply of which remains tight. For the year as a whole, inflation is nevertheless expected to remain well below 2% and is estimated at 1.4% in 2024 and expected to be on target in 2025.

HOUSEHOLDS

CAN WE STILL COUNT ON CONSUMPTION?

The soft patch at the end of 2023 is weighing on the consumption profile in 2024

If inflation falls, consumption should automatically increase. In the short term, this assumption is countered by the significant overhang from Q4 2023. The surprise drop in consumption was due to an over 2% quarter-on-quarter decline in services spending, while purchases of durable goods increased. As such, the decline in consumption was not visible in leading economic indicators, including retail sales, which fell 0.2% in volume over the quarter. Nor do retail sales suggest a rebound in consumption in Q1 2024 if we look at the data for January. With a 0.5% decrease in volume in January, the overhang for the first quarter was negative at -0.6%. The recovery in consumption could nevertheless be generated by services. This is suggested by surveys in the sector, which point to a recovery in demand. It is also reflected in the Confcommercio indicator, which forecasts growth of 1.4% in February after a long period in negative territory.

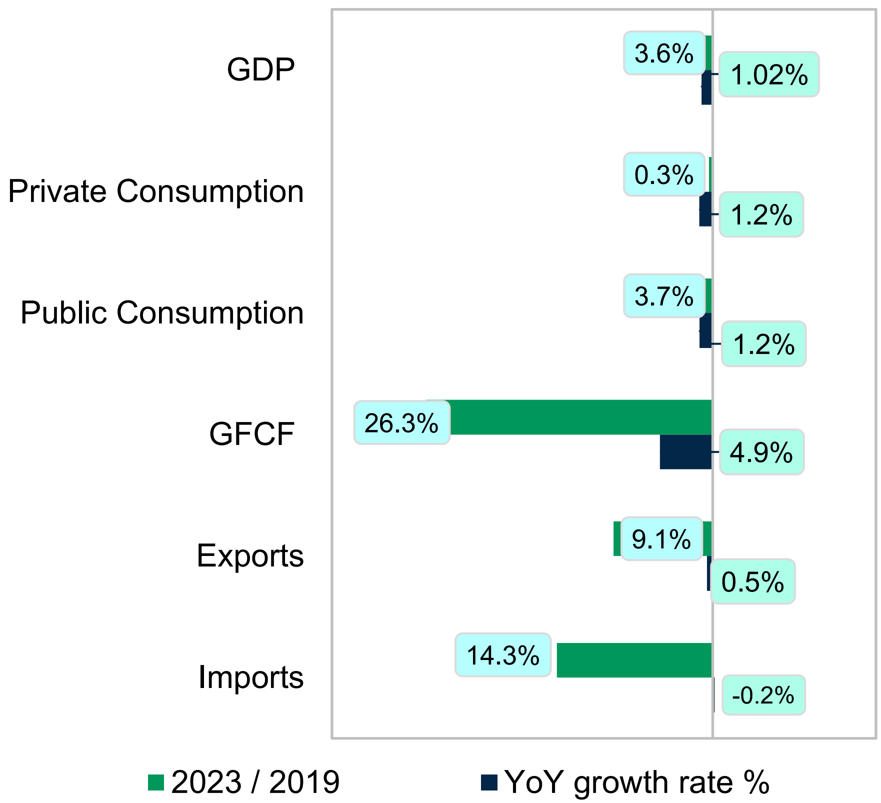
Can we still count on consumption?

All the metrics suggest that consumption will drive growth in 2024. A positive jaws effect between lower inflation and higher wages should boost purchasing power. In addition, family support measures, as well as income tax reform, are expected to further bolster real disposable income. The latter is expected to increase in 2024 after two difficult years in which households drew heavily on savings to maintain their level of consumption. However, in a context of high uncertainty where downside risks are on the rise, it is highly likely that part of the income accumulated in 2024 will take the form of precautionary savings, making it possible to partially replenish the savings consumed during peak inflation. As a result, the effect of the increase in disposable income on consumption will be fully visible only from 2025, with positive growth in spending on a quarterly basis starting in mid-2024.

HOUSEHOLDS

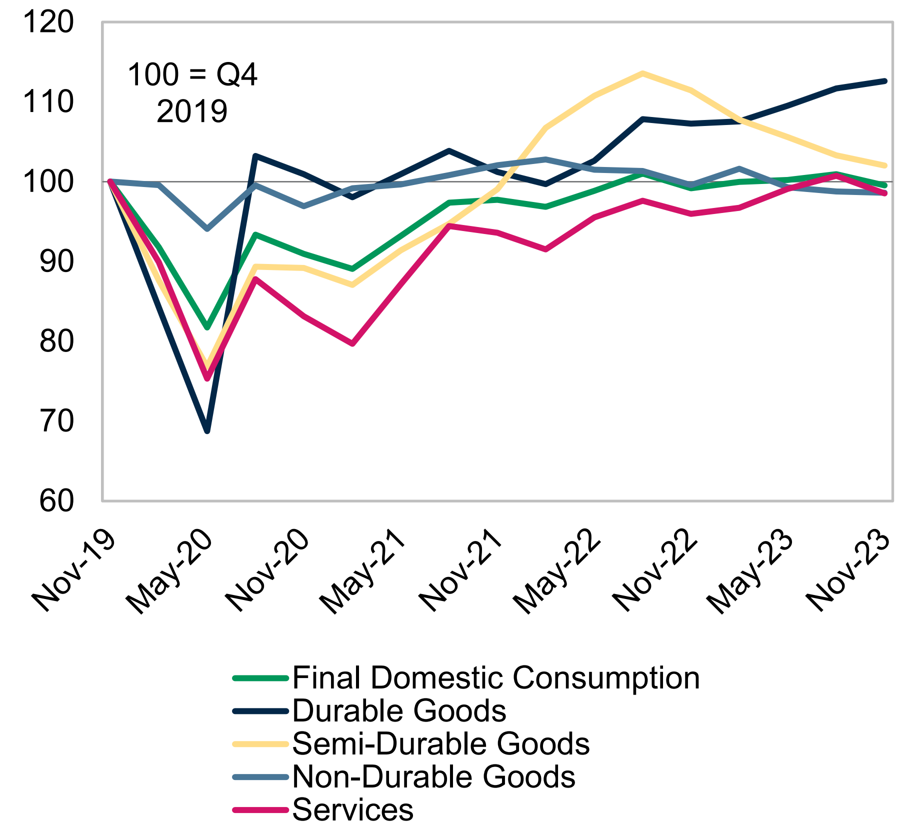
CAN WE STILL COUNT ON CONSUMPTION?

Demand side trends since the outbreak of the pandemic



Sources: Istat, Crédit Agricole S.A./ECO

With a focus on consumption



Sources: Istat, Crédit Agricole S.A./ECO

BUSINESSES

INVESTMENT RESILIENT, BUT MONETARY TIGHTENING CONTINUES TO BITE

Investment remains resilient to rising interest rates...

Although consumption fell in Q4, investment surprised with a 2.4% qoq increase, driven by the construction sector. Despite more restrictive financing conditions, investment supported growth in 2023 and increased 4.7% yoy. Far from the peaks of 2021 and 2022, construction continues to grow at a rate of 3% in 2023, fuelled by housing, which is still benefiting from the effects of the "Superbonus". Business investment is growing timidly despite the rise in interest rates and the slowdown in industry, supported in particular by subsidies from the Transition 4.0 plan. The latter offset an unfavourable environment with a 3.2% increase in tangible investment and a 5.4% increase in intangible investment over the year. After two difficult years, investment in transport completed its *post*-pandemic catch-up phase with an increase of 23% compared with 2022. Defying forecasts, investment held up well despite key interest rates of 4.5%. With the effects of overhang alone, investment growth is expected to be largely positive in 2024, at 2.1% for gross fixed capital formation, 1.2% for productive investment and 3.5% for construction.

... yet it continues to impact businesses.

However, the effects of monetary tightening are clearly visible. The rise in rates has affected corporate financing conditions. In addition to the increase in the cost of credit, today's more restrictive granting conditions, combined with the higher guarantee fees charged by cautious banks, have excluded some of the companies discouraged by these less favourable conditions. The share of companies complaining of more restrictive financing conditions was five times higher in December 2023 than in December 2021.

When Germany breaks down, Italy struggles

The restrictive trend in monetary policy also comes after an episode of strong pressure on producer prices. This is weakening the productive fabric, which is struggling to secure demand. With the global environment sluggish and domestic consumption limited by high inflation, the industrial cycle is slowing. The trend is compounded by the effects of the recession in Italy's main trading partner, Germany, where GDP contracted 0.3% in 2023. The decline in German demand was an aggravating factor, amplifying the effects of the slowdown in the global industrial cycle. This development was recently measured by an Istat analysis from the latest competitiveness report. The analysis shows that if global trade and Italian exports to Germany trend as they did in 2022, the 0.3% decline in German GDP will lead to a 0.6% decline in Italian industry and a one-eighth decline in Italian GDP.

Industry impacted on two fronts

Annual data confirm these estimates. The added value of industry excluding construction fell 0.7% in 2023 while the manufacturing sector in the strict sense grew 0.6%. Industrial production as a whole dipped 2.1% in 2023. All business sectors were in the red except for the pharmaceutical and transport industries. The hardest hit sectors are undoubtedly those whose end customers are households, with textiles and clothing down 6%. The production of consumer goods fell by nearly 4%, with durable consumer goods down 6%. Proof that the slump is profound, the intermediate goods sector is also struggling, with production down 5% yoy. Activities such as chemicals, plastics and metallurgy, which are more exposed to rising energy costs and the German slowdown, suffered significant losses for the second year in a row, with chemicals down 7%, plastics down 4% and metallurgy down 3%.

Ultimately, only investment goods rallied in 2023, up 4.3%. And they may not be spared by the weakening of the investment cycle in 2024. After the miraculous recovery in December, industrial production fell 1.2% in January, leaving an overhang of -0.8% over the quarter. Capital goods, the production of which fell 3.6% month-on-month, posted a negative overhang of -3%, while that of durable consumer goods stood at -2.5%. But Italy is not an exception. In the eurozone, the industrial production index declined 3.1% in January. Production fell by one point in France, while the timid recovery in Germany in January masks persistent struggles in industry, down 5.5% year-on-year.

Light at the end of the tunnel, or when public policy once again comes to the rescue

But if surveys are to be believed, there is reason for hope. In March, the manufacturing PMI rose above the 50-point threshold for expansion. Stronger order books also point to a slight recovery in industrial production, especially as the fall in inflation should once again favour purchases of consumer goods. Barring overhang effects, after slowing in the first half of the year business investment should resume in the second half once the first rate cuts become a reality. In addition, the entry into force of the Transition 5.0 plan, the decree of which was approved in March with the go-ahead from the European Commission, should give companies a boost. After the initial €13bn budget was exhausted, the new update of the stimulus plan provides for more than €6bn for companies to invest in the energy transition and digital technologies over a two-year period, from 2024 to 2025. Under the plan, businesses investing to reduce their energy consumption by 3% to 5% will benefit from tax credits ranging from 35% for investments up to €2.5m to 5% for investments above €10m. Businesses reducing their energy consumption by 10% could benefit from a tax credit of up to 45%.

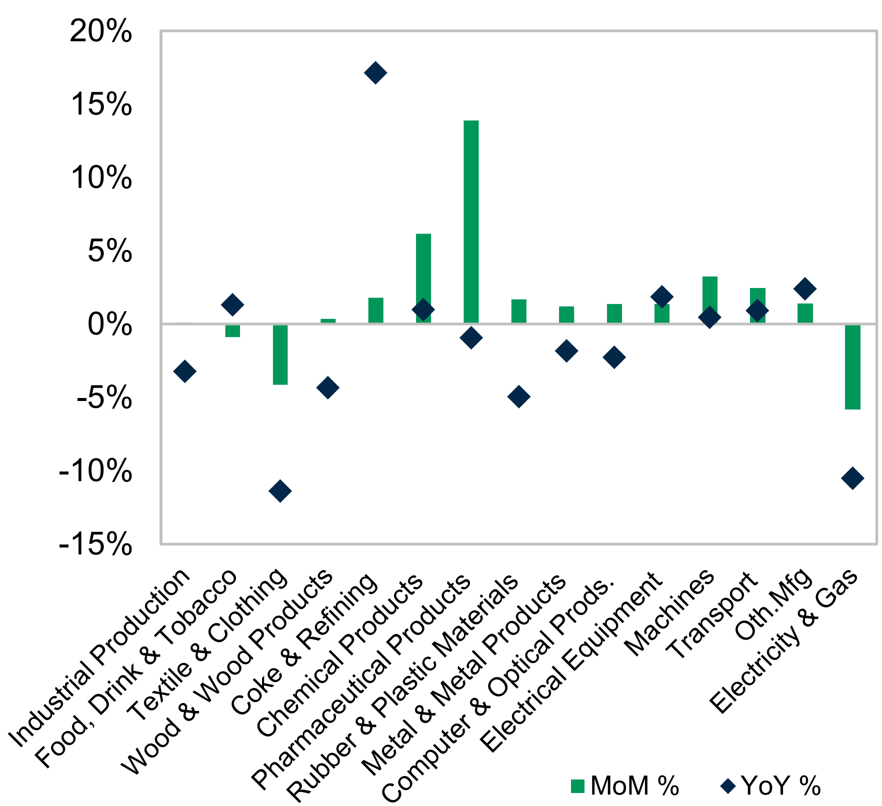
The drag effect of the "Superbonus" continues to prop up construction but raises fears of a fall

Far from slowing down, as many expected, the construction sector is holding up well. Construction production accelerated again at the beginning of the year, increasing 3.7% month on month after rising 4% qoq in Q4 2023. The overhang for the first quarter was also substantial, at 5.5%. The robust state of construction, regardless of an unfavourable interest rate environment, is largely explained by the attractiveness of the "Superbonus", which even in reduced form continues to produce results. In 2023, the total amount of subsidies is estimated at €70bn, significantly higher than the record amount of over €50bn in 2022. For now, the effects of rising interest rates on housing are more visible in the housing market, where the number of mortgage transactions has dipped to 37% of the total. The number of transactions over the year was down 8%, i.e. around 710,000 homes. Once the effects of the "Superbonus" have dissipated, the housing component of the construction sector is likely to suffer a sharp setback, the timing of which remains difficult to anticipate. For the time being, the confidence of professionals in the sector has fallen slightly since the beginning of the year, but it is mainly production levels and order books that have slowed, with a real downturn since January. However, this change in trend will not be visible in the production indices in the short term, as the duration ensured by the order books is still eight months. Once the "Superbonus" dries up, the construction sector will slow. But the sector will also be able to count on the effects of the PNRR, a significant portion of which is budgeted for in 2024. The stimulus plan should enable investment in civil engineering to partially offset the decline in the housing component, thereby mitigating the consequences of a downturn in the sector. In 2024, €70bn of investment has been approved and 113 projects are set for launch. Even if the expected collapse fails to transpire, the end of the "Superbonus" leaves the issue of overcapacity created by the measure unresolved, the latter having generated a 30% increase in the level of construction relative to 2019.

BUSINESSES

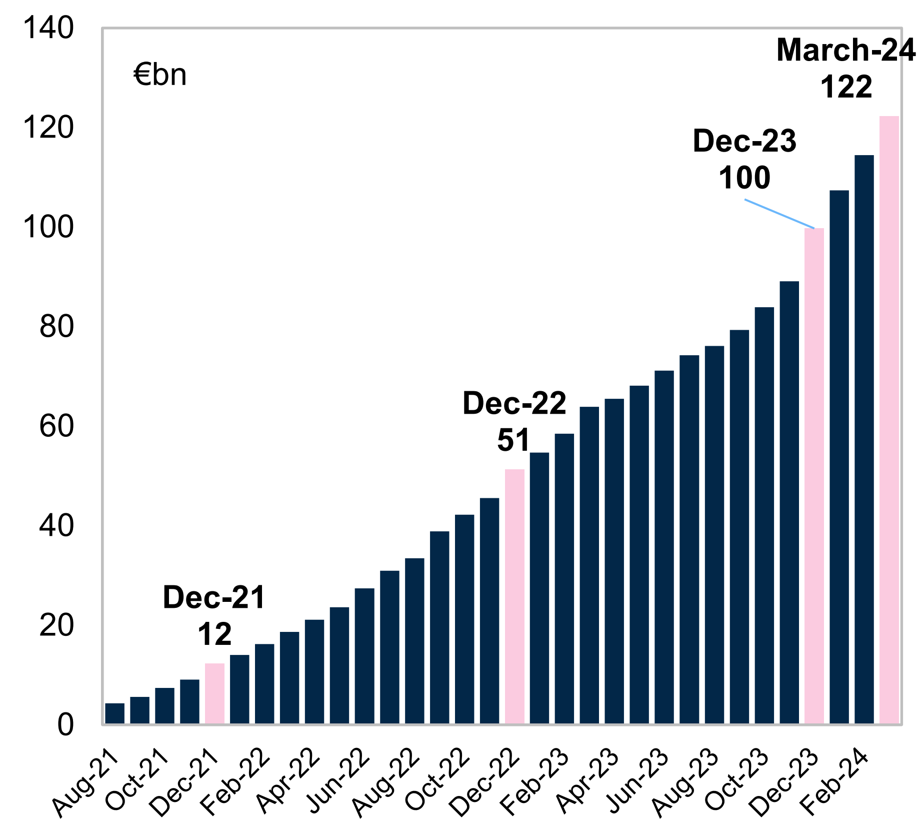
INVESTMENT RESILIENT, BUT MONETARY TIGHTENING CONTINUES TO BITE

Industrial production



Sources: Istat, Crédit Agricole S.A./ECO

Superbonus: Cumulative amount of deductions

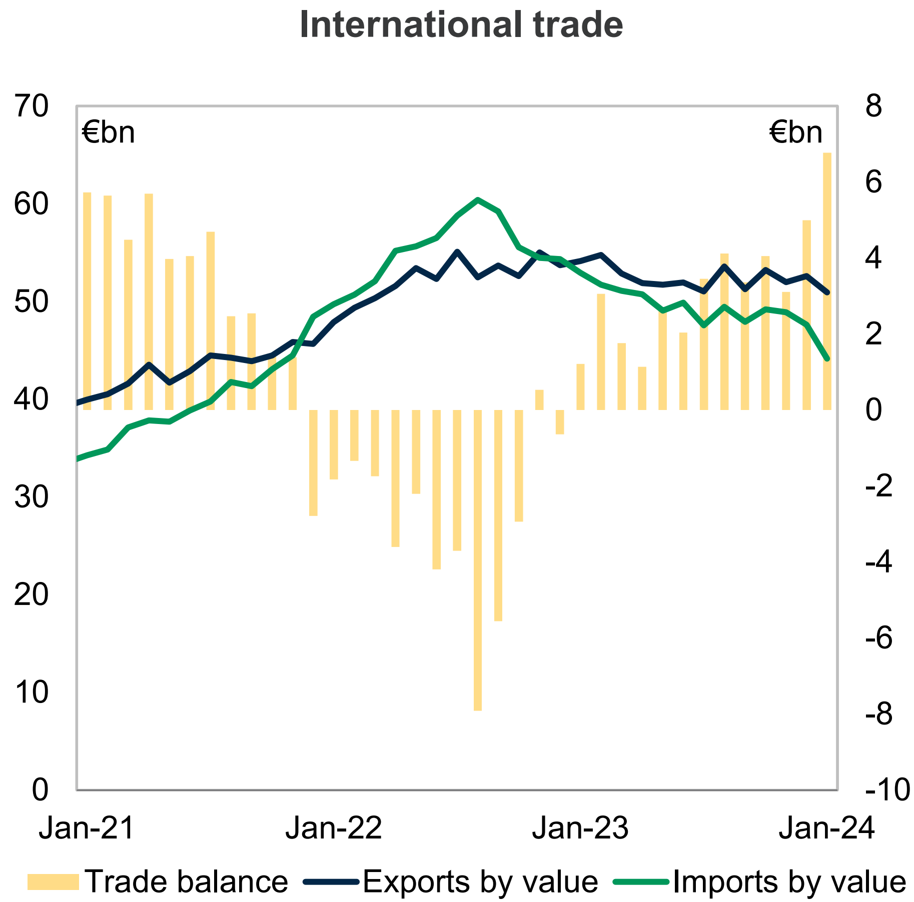


Sources: ENEA, Crédit Agricole S.A./ECO

INTERNATIONAL TRADE

EXPORTS PLAY A BIT PART

The slowdown in global trade is not without consequences for the Italian economy and is reflected in particularly weak growth in exports. The latter may have increased 1.2% in the fourth quarter, but rose just 0.5% for the year. This anaemic growth stems largely from an unfavourable international environment, marked by a slowdown in both global and European trade, particularly that of Germany. Imports contracted 0.2% in 2023 after two years of robust growth. This decline resulted not just from the fading impact of the energy shock but also from the shift in consumer spending towards services. Trade flows contributed virtually zero to growth but their momentum relative to the rest of the world nevertheless served to improve the trade balance, adversely affected in 2022 by the energy shock. The trade balance increased from a deficit of €34bn in 2022 to a surplus of more than €34bn in 2023.

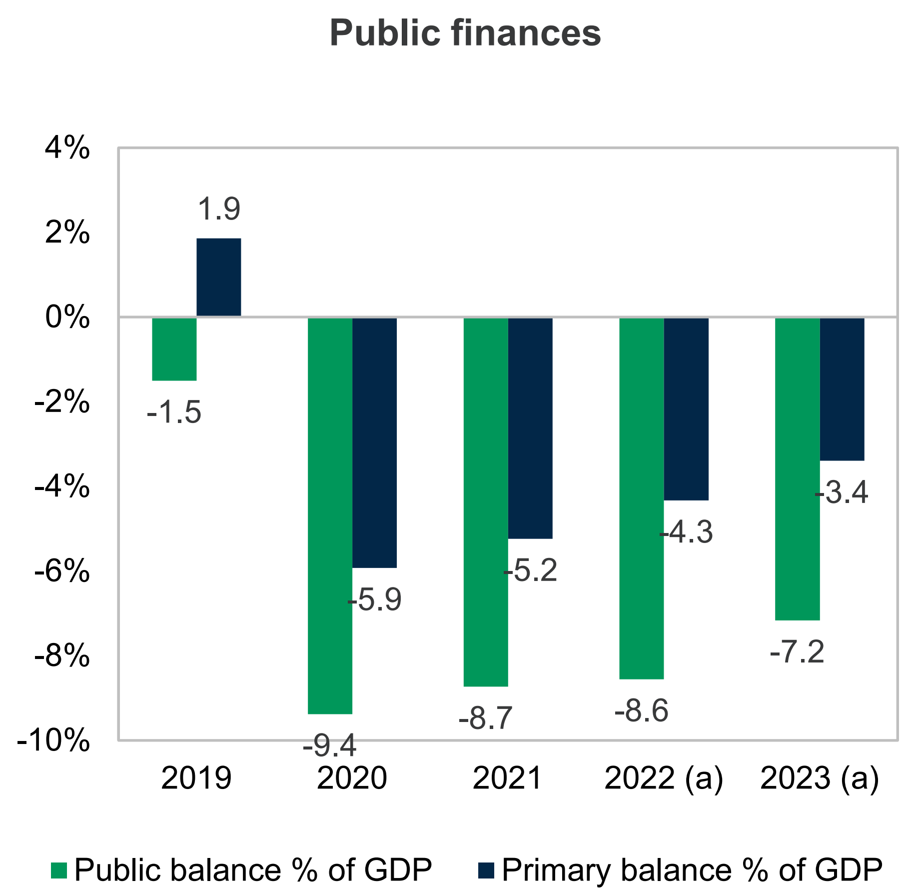


Sources: Istat, Crédit Agricole S.A./ECO

PUBLIC FINANCES

“SUPERBONUS” = SUPER DEFICIT

The closure of Italy’s 2023 accounts also provides a comprehensive assessment of the year’s public finances. Among the key metrics, the public deficit is estimated at 7.2%, up 2 GDP points compared with the initial forecast in the September Economic and Financial Report update, and a contraction of the public debt ratio, from 140.2% to 137.3%. Government revenues were strong, rising 6.4% compared with an initial expected increase of 4.9%. They were driven by direct taxes, with revenues up 10.4% (vs. a forecast of 6.3%). In terms of expenditure, the increase in current expenses was controlled compared with the estimate made in the updated note of the economic and financial document (Nadef), up 1.8% compared with 1.9% in actual figures. The widening of the public deficit is therefore mainly due to a significant increase in capital expenditure. Initially estimated at 12.2%, capital expenditure increased 15% in 2023, driven by both the disbursement of subsidies linked to the “Superbonus” and Transition 4.0 schemes (+23%) and public investment expenditure (+25%). Investment expenditure totalled €186bn overall in 2023, leading to an increase in total government expenditure of 3.8%. Though offset in part by higher revenues, the growth in investment spending has led to an upward revision of the primary deficit relative to the government estimate, from 1.5% for 2023 to a realised deficit of 3.4%.



Source : Istat, Crédit Agricole S.A./ECO

RISKS

No recession

Ongoing disinflation

Business activity and employment maintained

Increased purchasing power of wages

Easing of financing conditions

Recession

Slowdown in industry to continue

Trade-off in favour of savings

Downturn in the construction sector

THE SCENARIO IN FIGURES

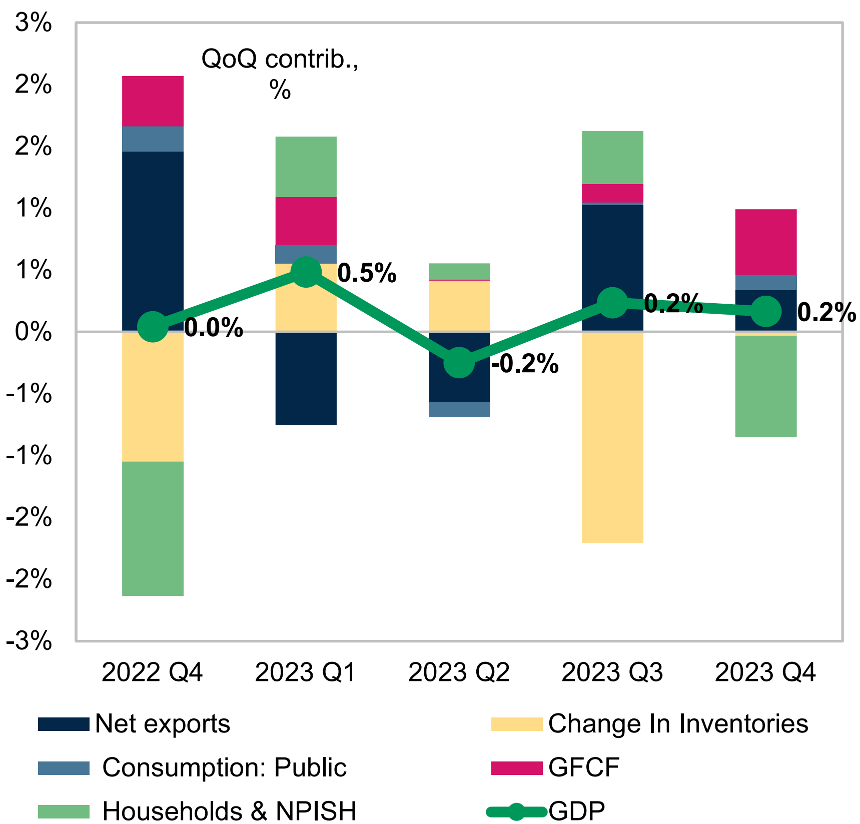
SUMMARY TABLE OF THE QUARTERLY SCENARIO

	2022	2023	2024	2025	2022				2023				2024				2025			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP y/y, q/q, %	4,1	1,0	0,8	0,9	0,1	1,4	0,3	0,0	0,5	-0,2	0,2	0,2	0,2	0,2	0,2	0,3	0,1	0,4	0,1	0,2
Domestic demand contribution to GDP, pps	4,9	2,0	0,4	0,8	0,0	1,5	1,3	-0,5	1,0	0,0	0,6	-0,2	0,0	0,1	0,1	0,2	0,2	0,2	0,2	0,2
Private consumption y/y, q/q, %	4,9	1,2	0,0	1,1	-0,9	2,1	2,2	-1,8	0,8	0,2	0,7	-1,4	0,2	0,3	0,2	0,3	0,3	0,3	0,2	0,2
Public consumption y/y, q/q, %	1,0	1,2	0,2	-0,6	0,2	-0,6	0,0	1,1	0,8	-0,6	0,1	0,7	-0,1	-0,1	-0,1	-0,1	-0,2	-0,2	-0,2	-0,2
Investment y/y, q/q, %	8,9	4,9	1,9	1,4	2,4	1,9	0,2	1,9	1,8	0,0	0,7	2,4	-0,2	-0,2	0,1	0,4	0,4	0,5	0,4	0,4
Stockbuilding contribution to GDP, pps	-0,2	-1,2	-0,3	0,1	-0,1	-0,3	-0,3	-0,9	0,2	0,3	-1,4	0,0	0,2	0,1	0,1	0,1	-0,1	0,1	-0,1	0,0
Net exports contribution to GDP, pps	-0,5	0,2	0,6	0,0	0,2	0,3	-0,7	1,5	-0,8	-0,6	1,0	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Exports y/y, q/q, %	11,0	0,5	2,2	2,0	5,7	2,5	-0,1	1,8	-1,6	-0,9	1,2	1,2	0,2	0,5	0,4	0,4	0,6	0,5	0,5	0,5
Imports y/y, q/q, %	13,5	-0,2	0,3	2,2	5,1	1,7	2,0	-2,6	0,6	0,9	-1,9	0,2	0,2	0,5	0,4	0,5	0,7	0,5	0,5	0,5
Inflation y/y, q/q, %	8,7	5,9	1,4	2,0	6,0	7,4	8,9	12,5	9,5	7,8	5,8	1,0	1,0	1,3	1,4	1,7	2,0	2,0	2,0	1,9
Core inflation y/y, q/q, %	3,3	4,5	2,3	1,8	1,6	2,9	4,0	4,7	5,4	5,1	4,3	3,4	2,6	2,2	2,3	2,2	1,9	1,9	1,8	1,8
Unemployment rate %	8,1	7,7	7,6	7,7	8,4	8,1	8,1	7,8	7,9	7,7	7,6	7,4	7,5	7,5	7,6	7,6	7,6	7,7	7,7	7,7
Current account balance % of GDP	-1,5	0,6	2,3	2,3	-2,0	-1,5	-2,4	-0,1	-1,7	-0,3	1,9	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3
Fiscal balance % of GDP	-8,0	-7,2	-4,5	-3,9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt % of GDP	141,7	137,3	139,0	139,0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

THE SCENARIO IN PICTURES

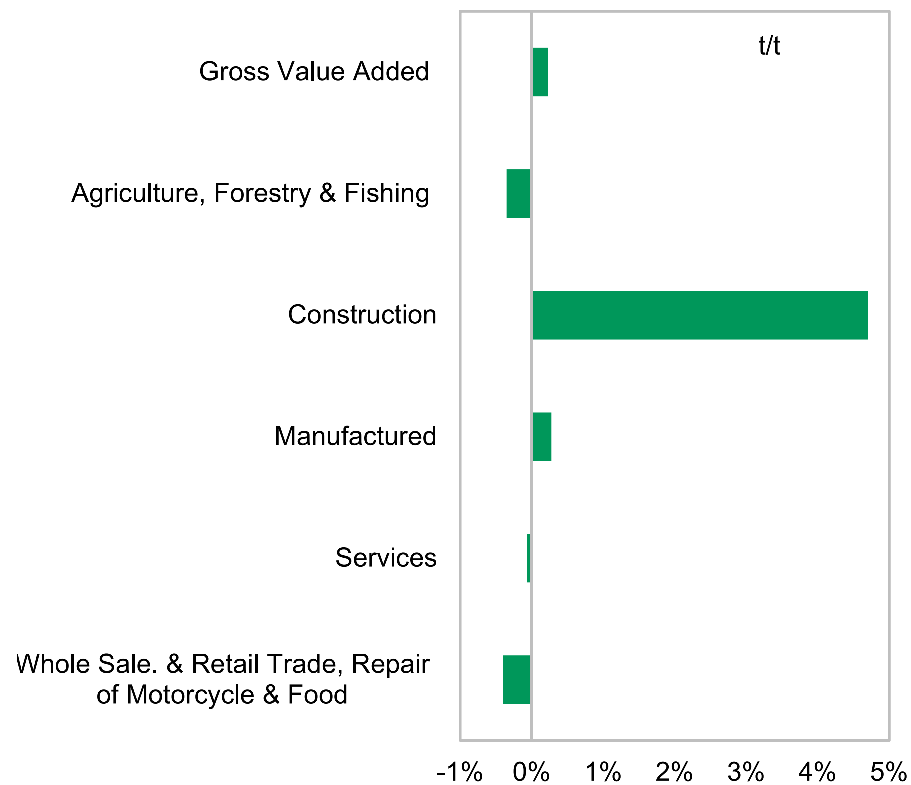
2023, A SOFT-LANDING VS THE START OF A SLUGGISH GROWTH CYCLE

Investment is still saving growth...



Sources: Crédit Agricole SA/ECO

... thanks to the construction



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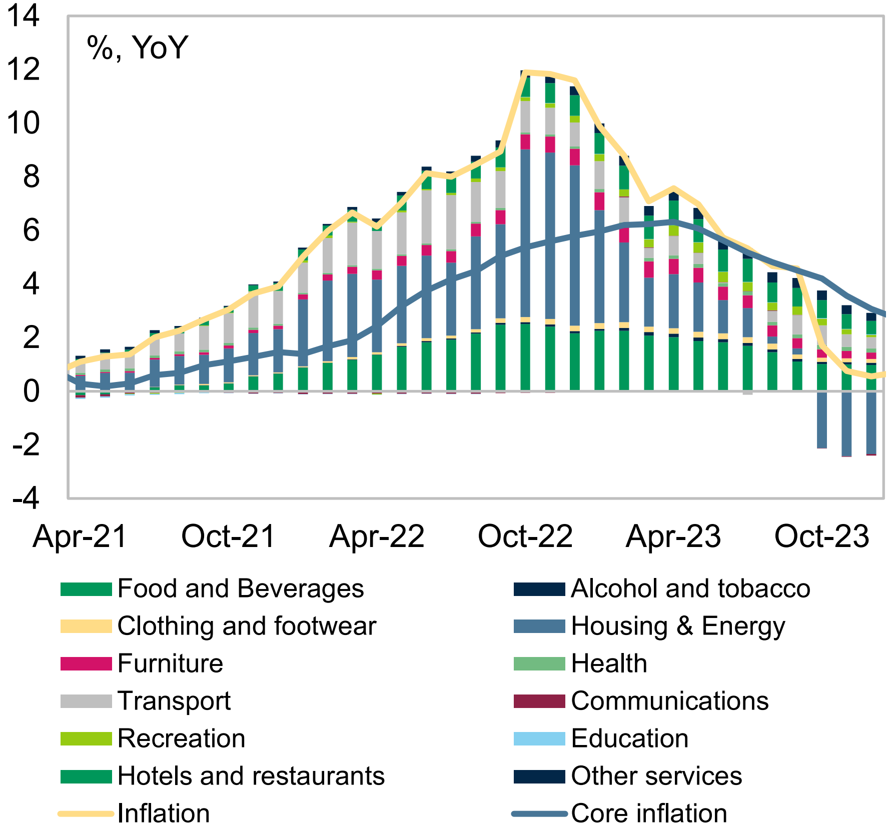
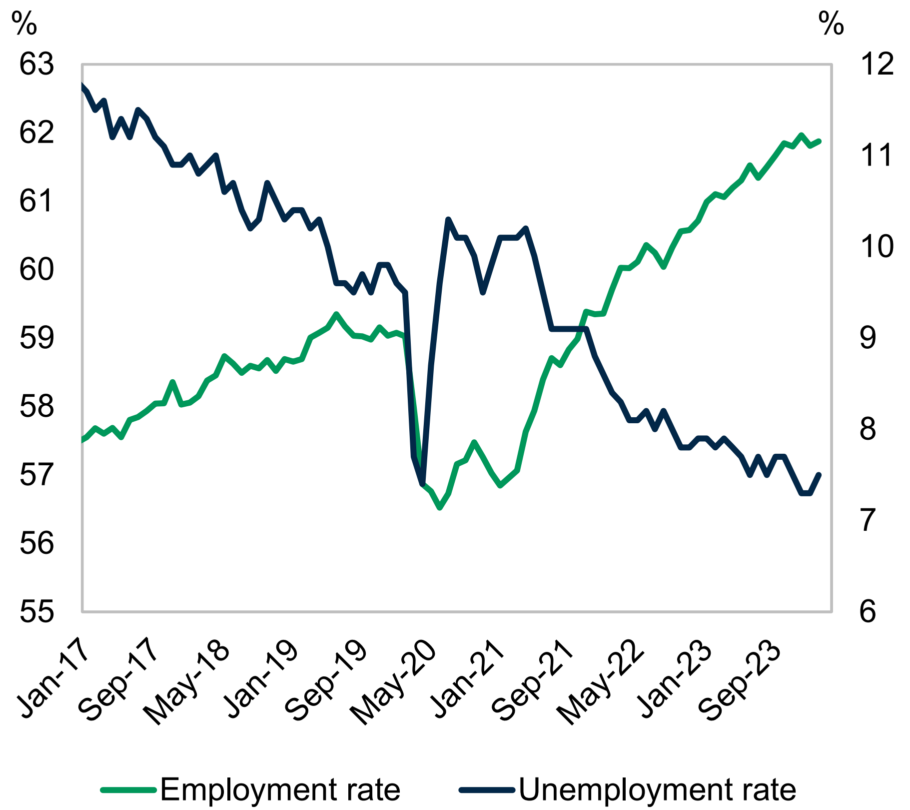
THE INGREDIENTS FOR A RECOVERY IN CONSUMPTION ARE THERE

Inflation fell below 1% in the first quarter of...



Sources: Istat, Crédit Agricole SA / ECO

… unemployment stabilizes and employment holds steady



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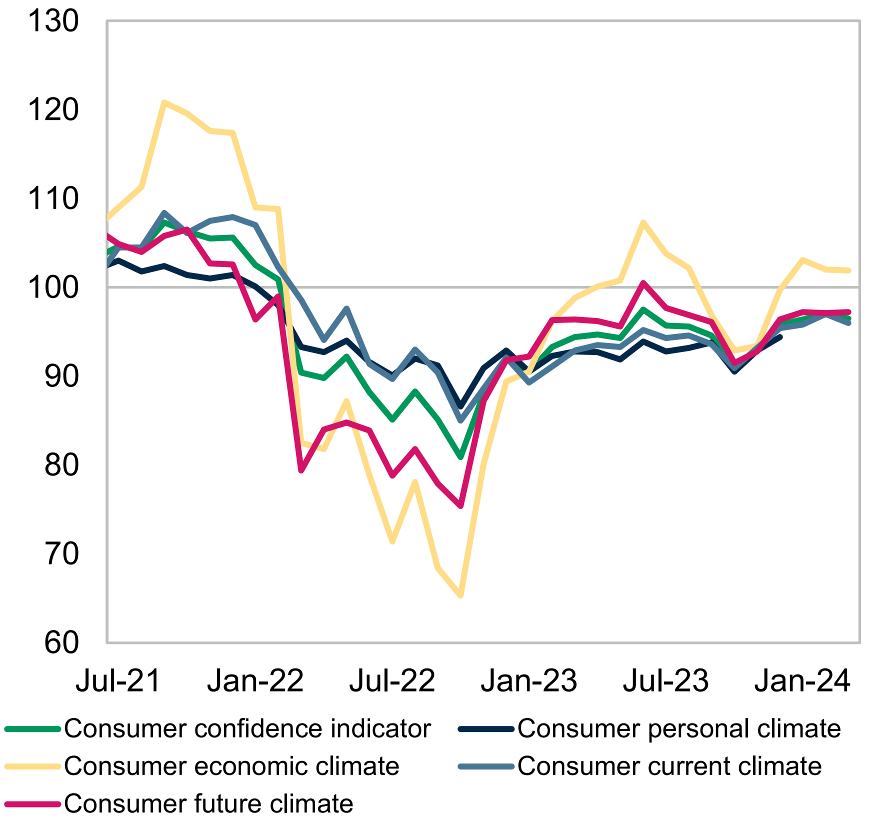
BUT CONFIDENCE WOULD BE LACKING

When households expect things to get better…



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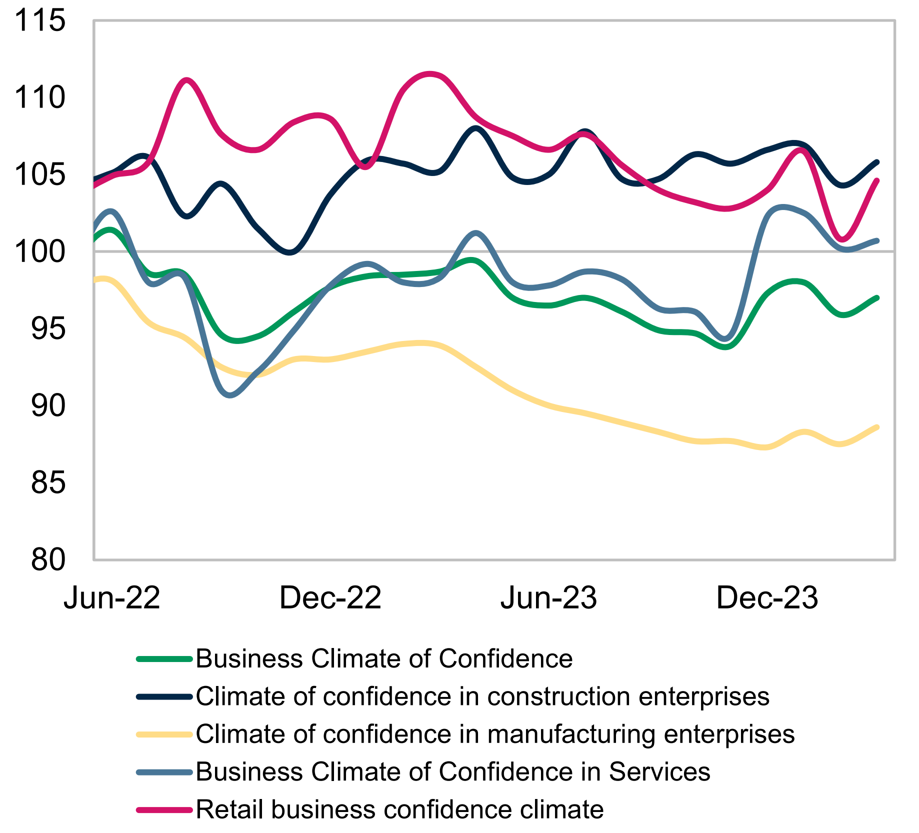
… and companies are only half seeing it



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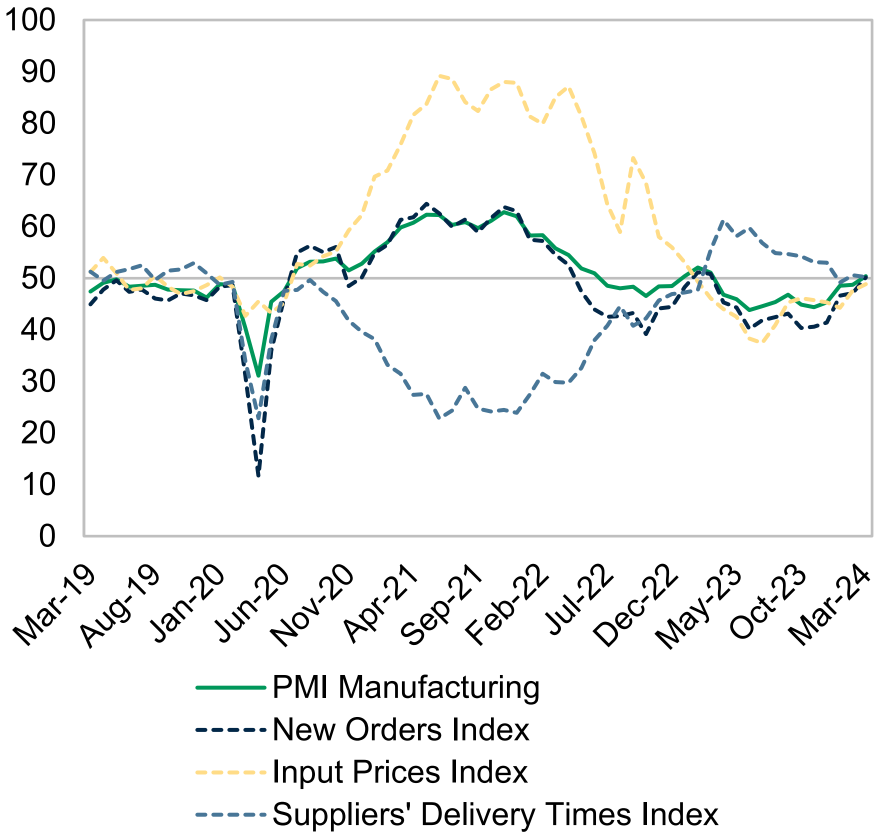
INDUSTRY AT THE END OF THE TUNNEL

PMI rises above 50



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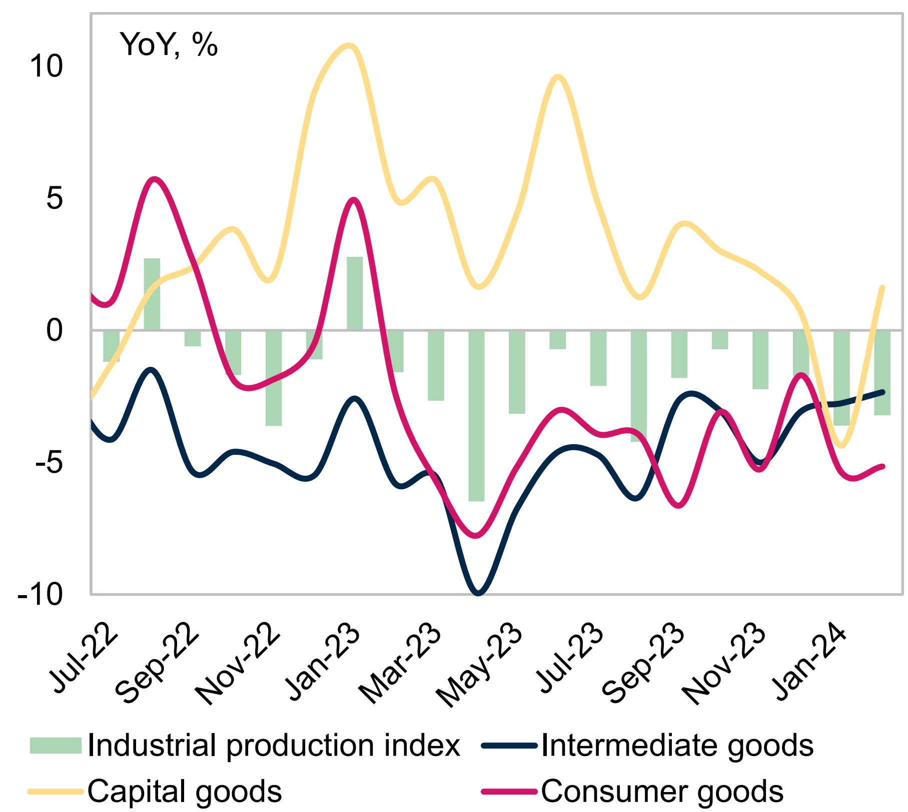
Industrial production still in the red



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Completed on 15 April 2024

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