ITALY 2024-2025 SCENARIO

STAYING THE COURSE

July 2024

Sofia TOZY

WORKING EVERY DAY IN YOUR INTEREST AND FOR SOCIETY

GROUP ECONOMIC RESEARCH

ITALY 2024 2025: STAYING THE COURSE

Scenario highlights

- Inflation stabilised in the first half
- Employment continued to grow at the start of the year
- Disposable income increased in the first quarter

- Business confidence remains low
- Households are making precautionary savings to the detriment of consumption
- Productive investment fell in the first quarter

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

Despite inflationary pressures and high interest rates, Italian growth proved "resilient" in 2023. Growth picked up slightly at the start of 2024, with a 0.3% increase in GDP, leaving an overhang of 0.6% for the year. Lower inflation combined with a stable labour market should support a modest recovery in consumption in the coming quarters, though consumer caution and a high savings rate may prevent a stronger recovery.

Business investment remains hindered by high financing costs but could benefit from the Transition 5.0 plan. The construction sector is expected to hold up in 2024 despite the end of the "Superbonus", as it will be supported by the National Recovery and Resilience Plan (NRRP), and in particular the funds allocated to public works and infrastructure projects.

Growth is expected to continue to stabilise in 2025 as household consumption firms on controlled inflation and a gradual decline in interest rates. Though business investment will benefit from the positive effects of monetary easing and stronger domestic demand, the end of the "Superbonus" will continue to weigh on the construction sector. Exports are expected to grow in step with a modest improvement in global demand, particularly from emerging markets. Italy is expected to generate moderate economic growth of close to 1% in 2025.

ITALY 2024 2025: STAYING THE COURSE

INTERNATIONAL ENVIRONMENT DOMINATED BY HEADWINDS

In a global environment of persistent inflation and rising interest rates, the US economy is slowing and could enter a mild recession between the end of 2024 and the beginning of 2025. Despite signs of weakness, particularly in the labour market, persistent inflation has forced the Fed to postpone its initial rate cut, to September 2024 according to our scenario. Chinese economic growth is also expected to slow, to 4.7% in 2024 and 4.2% in 2025, the result of a disinflationary spiral exacerbated by the housing crisis and meagre consumer confidence. In contrast, the growth outlook is positive overall for emerging markets, bolstered by gradual disinflation.

But the international environment remains highly uncertain with the upcoming US presidential election, the risk of escalating tensions with China, and the ongoing conflicts in the Middle East and Ukraine, all of which could limit global growth and heighten tensions in financial and commodity markets.

In Europe, natural gas prices are declining on stable LNG imports and reduced consumption relative to the pre-crisis period. Natural gas stocks should be easily replenished for next winter. However, the market could tighten with the halt of Russian gas flows in 2025, calling for new delivery routes and additional LNG imports.

International background assumptions

	2023	2024	2025	2023				2024				2025			
				T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
World GDP (y/y, q/q, %)	2,9	2,9	2,6	-	-	-	-	-	-	-	-	-	-	-	-
United States GDP (y/y, q/q, annualised, %)	2,5	2,0	0,4	2,2	2,1	4,9	3,4	1,4	1,7	0,5	-0,8	-0,5	1,1	1,4	2,0
Eurozone GDP (y/y, q/q, %)	0,6	0,8	1,5	0,6	0,1	0,0	-0,1	0,3	0,3	0,5	0,4	0,3	0,4	0,3	0,3
China GDP (y/y, q/q, %)	5,2	4,7	4,2	1,8	0,8	1,5	1,2	1,5	0,7	0,4	0,4	0,3	0,4	0,3	0,3
ECB deposit rate (end of period, %)	4,00	3,40	2,65	3,00	3,50	4,25	4,50	4,50	4,25	3,65	3,40	3,15	2,90	2,65	2,65
Federal Reserve funds rate (end of period, %)	5,50	5,00	3,50	5,00	5,50	5,50	5,50	5,50	5,50	5,25	5,00	4,50	4,00	3,50	3,50
Exchange rate (average, EUR/USD)	1,08	1,07	1,10	1,07	1,09	1,09	1,08	1,09	1,08	1,06	1,05	1,07	1,09	1,10	1,12
Brent (average, USD/barrel)	82,3	84,2	88,0	82,2	77,9	85,9	83,0	81,9	85,0	83,0	87,0	85,0	87,0	90,0	90,0

Source: Crédit Agricole S.A./ECO

ITALY 2024 2025: STAYING THE COURSE

INTERNATIONAL ENVIRONMENT DOMINATED BY HEADWINDS

Oil prices have stabilised between $80 and $85 per barrel on stable OPEC+ and US output. A slowdown in China and the US could reduce demand and impact prices slightly, despite the OPEC+ announcement of a 2.5 million barrel a day increase by the end of 2025.

Eurozone GDP is expected to grow by a timid 0.8% in 2024. The trend will be driven by private consumption, which is expected to accelerate in 2025. The disinflation process is largely under way, but inflation is expected to remain slightly above the ECB target at 2.4% in 2024 and then fall to below 2% in 2025. After an initial cut in June, the ECB plans to continue decreasing its key rate, by 25bp per quarter through September 2025. Yields on sovereign bonds, such as the German Bund, are expected to remain stable and may increase slightly. Political uncertainties in France and financial complications in Italy will keep the Italian spread between 150bp and 160bp above the Bund until 2025.

Overall, downside risks dominate, with global growth likely to be contained by a possible escalation in geopolitical tensions, a slower-than-expected recovery in China and a deeper recession in the US.

RECENT ECONOMIC TRENDS

HOUSEHOLDS DOING BETTER, BUSINESSES LESS SO

Italian consumer confidence improved for the second month in a row in June, rising to 98.3, the highest since February 2022. This more optimistic economic sentiment is evidenced in an improvement in all the components of the index. Households are reporting more positive expectations for the future, reflecting increased optimism as to their personal economic situation. This perception comes hand in hand with a fall in unemployment expectations and a stronger capacity for future savings.

The improvement in household confidence stems in particular from the stabilisation of inflation. In June 2024, annual inflation remained at 0.8% for the third consecutive month, while core inflation held steady at 2%, but the trend was contrasted from one product category to the next. Energy product prices are heading downwards, although the decline slowed from -11.6% in May to -8.6% in June. Inflation on unprocessed food prices also decreased substantially, from 2.2% in May to 0.4% in June. Service prices are tighter, but slowed slightly, from +2.9% to +2.8%. Inflation on the average basket price fell accordingly, from +1.8% to +1.4%. Similarly, the price of the basket of frequently purchased products slowed from +2.5% to +2.1%. As energy prices continue to ease, industrial production prices continue to fall, dipping 3.5% in May. The trend remains more emphatic in the internal market, at -4.9% year-on-year, while producer prices fell just 0.8% in the external market for the same period.

Employment fell slightly in May, by 17,000 units, bringing the total number of people employed to 23,954,000. The decrease mainly concerned men, 15-24 year olds and over-50s and applied more to the self-employed and employees on fixed-term contracts, while permanent-contract employment increased. After a positive first quarter overall, the employment rate fell for the first time since January, decreasing slightly to 62.2%. The unemployment rate was stable at 6.8% as the decline in employment was offset by exits from the labour market. But it would be premature to conclude that the data for May point to a nascent reversal in the positive trend of recent months (see below).

In contrast, Italian business confidence fell in second-quarter 2024, with a third consecutive decline in June. At 94.5, the business confidence index hit a low since November 2023. The trend applies to all economic sectors except construction. In manufacturing, which continues to be adversely affected by lower orders and higher inventories of finished goods, the confidence index fell from 88.2 to 86.8. The outlook for future production has also been revised downwards, reflecting lingering uncertainty as to a recovery in the sector. The manufacturing PMI stood at 45.7 in June, up slightly from 45.6 in May. But it remains below 50, reflecting a continued contraction in business activity.

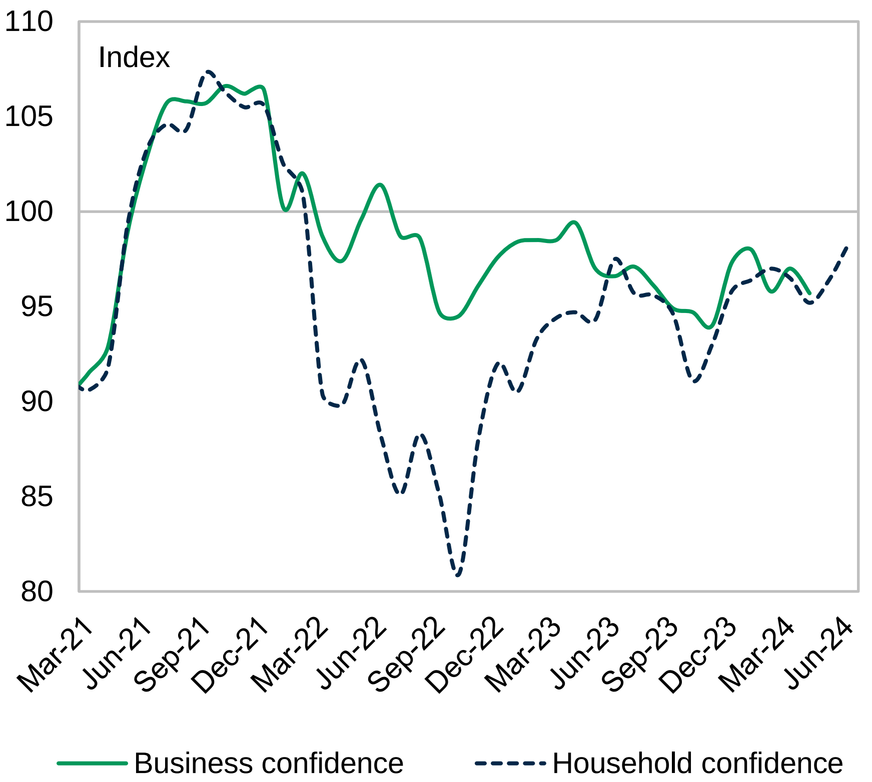
Confidence in the services sector (and retail in particular) also declined in June, the index falling from 97.8 to 97.1 on the sluggish outlook for demand. The services PMI also trended downwards in June, to 53.7 from 54.2 in May. Service companies are reporting a slowdown in activity, as well as slower new business growth, but remain optimistic about their medium-term prospects.

The construction sector held up well, with the confidence index rising from 101.7 to 104.4, but remains below the record levels of 2023. Companies in the sector are reporting a recovery in production and orders, supported by increased demand for new projects.

LATEST ECONOMIC NEWS

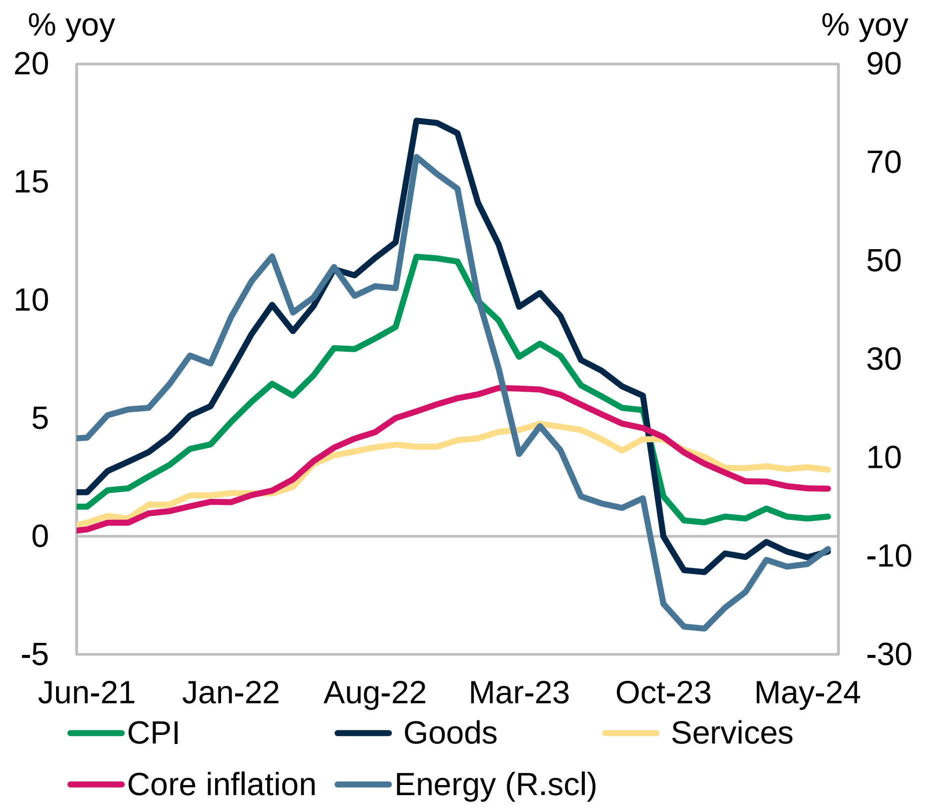
HOUSEHOLDS DOING BETTER, BUSINESSES LESS SO

Consumer and business confidence



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

Consumer price index



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

HOUSEHOLDS

CONSUMPTION STILL FLAT

Consumption still flat

After two difficult years, the economic situation of households showed signs of a recovery in early 2024. But the improvement remains insufficient to offset the persistent climate of uncertainty. Despite a 3.3% increase in purchasing power in Q1 2024, consumption rose by a mere 0.5% qoq, which clearly fails to make up for the 1.4% decline in consumption at the end of 2023.

Spending on goods continued to support consumption over the period. Durable goods spending rose by a robust 1.3%, and spending on non-durable goods also contributed positively, with a recovery of 1.7%. Growth was driven solely by goods; services continue to struggle to recover, having decreased for two consecutive quarters.

Spending choices influenced by inflation

Though disinflation is well under way and real disposable income is on the rise, the lacklustre recovery in consumption suggests that the inflationary episode has profoundly impacted the way households consume, having changed their spending priorities. Consumption in the categories most affected by inflation, such as clothing and footwear, declined 5.4% yoy in the first quarter. Spending on leisure and culture also fell, by 0.3%, while spending on transport dipped 1.1%. Spending on alcoholic beverages and tobacco was down 5.5%. In contrast, spending on food and accommodation services was up 17%, resulting in part from the recovery after the slump in 2020.

Consumption is expected to stabilise in the next quarter despite discouraging retail sales in April and May 2024. The latter fell 0.1% compared with the first-quarter average. Spending on food decreased by 0.2%, while sales in other categories were stable. Spending on IT and personal care items continued to grow but that on clothing and footwear, as well as alcoholic beverages, remains lower than before the pandemic.

When wages are not enough

Household disposable income increased by 3.3% in real terms and by 3.5% in nominal terms in Q1 2024 compared with Q4 2023, while the consumption deflator rose by a mere 0.2%. The one-off bonus paid out in January 2024 boosted the disposable income of low-income households, while tax adjustments eased the burden for middle-income households. Q1 2024 wage growth came out at 2.8%, lower than the 4.3% increase in Q4 2023. Most households have taken advantage of the recovery in disposable income to rebuild their savings, having drawn on them substantially in late 2022 and early 2023 at the height of the inflationary shock. The savings rate thus increased by 2.6 points in the first quarter to 11.4%.

HOUSEHOLDS

CONSUMPTION STILL FLAT

Employment holds up against the slowdown

Despite the slight dip in employment in May (see above), the labour market continued to firm in H1 2024. The number of jobs hit a record high in the first quarter, up 400,000 (+1.8%) compared with the previous year and bringing the total number of people employed to 23.8 million. As a result, the employment rate rose to 61.6% in the first quarter, while the unemployment rate fell to 7.7%, returning to 2009 levels. This positive trend applies in particular to the 15-34 and 50-64 age categories, for which the employment rate increased by 3.9 points and 3.6 points, respectively, compared with Q1 2023.

Proof of continued strong labour demand, permanent-contract jobs grew considerably in the first quarter, up 3.1% yoy, while temporary jobs fell 4.6% over the same period. This trend reflects an improvement in the quality of employment, reflected in a reduction in part-time jobs and an increase in full-time positions. In sector terms, employment continues to grow in construction, as well as in some services, including financial services. Despite the moderation in economic activity, some sectors continue to report persistent recruitment difficulties. In this rosy environment, the situation in industry, which has struggled since mid-2023, is surprising, with an increase in applications for short-time work coverage in the first quarter.

Real estate market

The real estate market is showing signs of slowing. Nearly 155,000 homes were bought and sold in Q1 2024, some 12,000 fewer (-7.2%) than in Q1 2023. This trend applies throughout Italy and was stronger than in Q4 2023 (-3.3%). The surface area of the housing units concerned has also decreased proportionally, affecting all dwelling sizes but with a more pronounced decrease for large homes. In March, sales decreased 14.1% in Italy as a whole and fell 15% in regional capitals.

From January to March, the IPAB price index for properties purchased by households for residential or investment purposes held steady for the third consecutive quarter (-0.1% qoq after +0.1% and a stagnation in the previous two quarters). This stability is the result of a sharp drop in new-home prices (-1.7%) and a slight increase in the prices of existing homes (+0.2%).

Encouraging outlook for consumption

High inflation has had a deep-seated impact on the spending of households, prompting them to spend less in the categories most affected by inflation and save more. Despite a substantial increase, nominal wages have failed to fully offset past losses in purchasing power, leading to modest and prudent consumption.

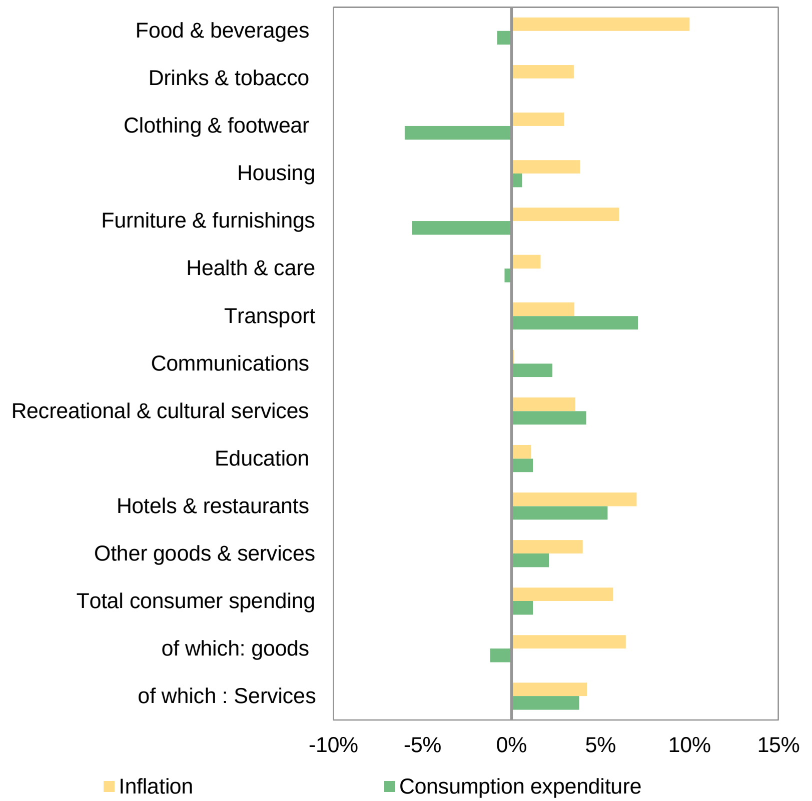
For the rest of 2024, household consumption is expected to continue to grow, albeit weakly, but it should stabilise in positive territory. Spending should firm gradually, underpinned by a modest recovery in durable goods and services. But a stronger recovery will be hindered by cautious consumer sentiment and continued high savings rates.

Consumption is expected to recover more strongly in 2025 on a gradual decline in interest rates, better control over inflation and a continued improvement in economic conditions. Household consumption could increase substantially once precautionary savings have been replenished. The trend in spending is expected to become more contrasted, with a greater recovery in leisure and clothing and a stabilisation in services.

HOUSEHOLDS

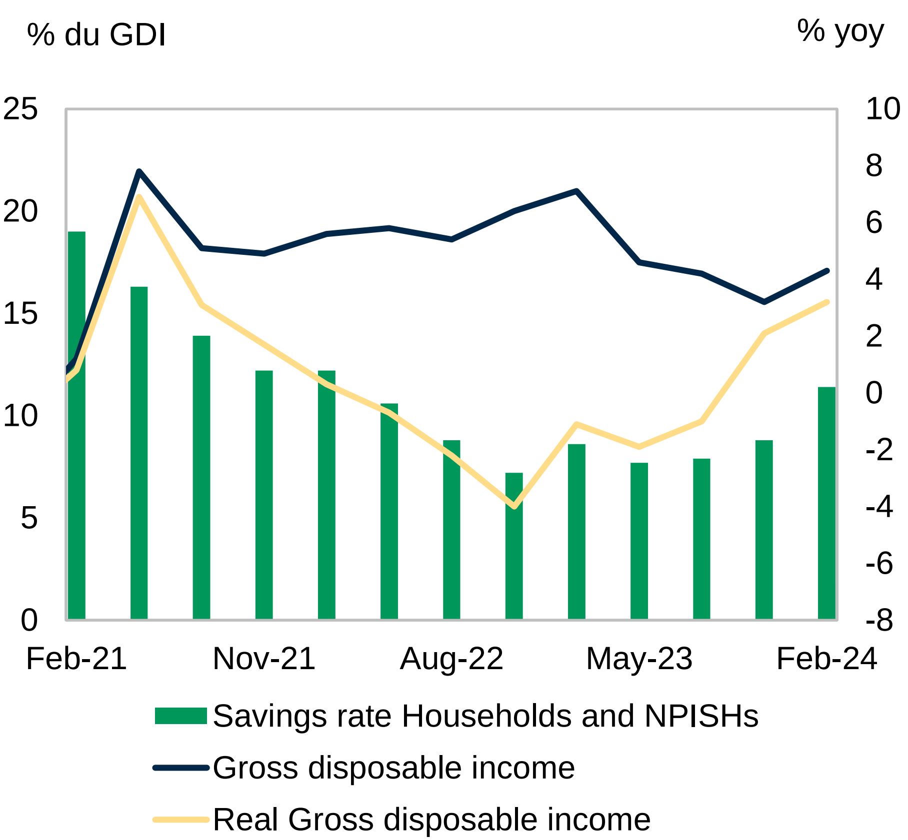
CONSUMPTION STILL FLAT

Household consumption expenditure and inflation in 2023



Source: Crédit Agricole S.A./ECO.

Disposable household income



Source: Crédit Agricole S.A./ECO.

CORPORATES

INVESTMENT AND RISING INTEREST RATES: THE END OF A CYCLE

Italian industry still in limbo

The performance of Italian industry has deteriorated since the beginning of 2024, but the recovery in May could be a sign of a "slight improvement". Driven by growth in the energy sector, the seasonally adjusted industrial production index rose 0.5% from April, breaking with three consecutive months of declines. The production of consumer and intermediate goods also increased (+0.7%), while that of capital goods dipped 1.0%. These are positive signs, but we are still far from a change in trend. Production is still lower than in 2023, down 3.3% yoy in May vs. -2.8% in April. The most affected sectors were transport production (-11.1%), textiles (-7.0%) and machinery manufacturing (-5.7%). The outlook for the industrial sector remains uncertain, with pessimistic expectations on production and demand. Besides the unfavourable international environment, the weakness of the sector also results from scant domestic demand and the fact that investment is hampered by high financing costs.

Tight company margins owing to high production costs and demand issues

Italian corporate margins continued to erode, for the fifth consecutive quarter. In the first quarter of 2024, Gross operating surplus fell 3.6% qoq and nearly 6% yoy. The corporate profit margin fell to 42.7%, a three-year low.

Production costs remain high. Though less emphatic than in 2023, upwards pressure persists on input prices. In May 2024, energy prices rose by 5% and commodity prices by 3.8%. The increase in costs has squeezed profit margins, forcing businesses to cut spending and put a lid on investment.

Financing conditions have also tightened. The interest rate on new loans to non-financial companies reached 5.1% in May 2024, the highest since 2012. Tighter bank lending conditions limited access to financing and new corporate bond issues fell 12.5% in the first six months of 2024. This has obliged companies to review their investment plans and adjust their operational strategies. Fixed investment has declined particularly strongly, down 5.2% yoy.

With reduced margins and rising financing costs, businesses are struggling to stay profitable. The financial health of companies has also been affected. The net profits of non-financial companies dipped by 4.3% in Q1 2024 compared with Q1 2023.

The change in the tax system further complicates the situation. The repeal of the *Aiuto alla Crescita Economica* economic stimulus plan, affecting 25.3% of companies, has increased their IRES corporate tax burden by 12.2%. Only 5.6% of businesses will benefit from the deduction for higher labour costs, reducing their tax burden by a mere 1.9%. As a result, using own equity has become more expensive than borrowed capital, prompting companies to opt for debt. Small- and medium-sized enterprises are the most impacted by these tax changes.

CORPORATES

INVESTMENT AND RISING INTEREST RATES: THE END OF A CYCLE

Construction is holding up but the wall is close

Against this backdrop, the Italian construction sector stands as something of an exception. In May 2024, the seasonally adjusted construction output index rose 1.1% from April, marking the second consecutive month of monthly growth. But from March 2024 to May 2024, production was 1.4% lower than in the previous three-month period. On an annual basis, production adjusted for calendar effects was 9.2% higher in May 2024 than in May 2023. Average growth in the first five months of 2024 was 8.4% adjusted for calendar effects and 9.8% gross.

However, surveys show that construction companies are becoming increasingly concerned about future demand trends. With the end of Italy's Superbonus, household energy renovation investments are set to fall sharply. These investments have driven growth in the sector since 2021 but are now raising fears of a crisis. The decline should nevertheless be offset in part by investments in public works, supported by the National Recovery and Resilience Plan (NRRP).

The NRRP to the rescue

The Italian National Recovery and Resilience Plan (NRRP), partially revised in 2023, will continue to support economic activity as the plan is expected to be ramped up in the next two years, with nearly €43bn budgeted in 2024 and €56bn in 2025. In response to the energy crisis, the revised recovery plan introduces a new "Repower EU" mission and increases the total budget by nearly €2bn.

The new-look NRRP, still mainly focused on public investment, also devotes greater resources to direct and indirect support for the productive sector, expected to account for 22.2% of total planned investment, i.e. an increase of nearly €11.1bn relative to the initial project. The endowment of the Transition 5.0 tax credit measure, following on from the Transition 4.0 measures, has been increased by nearly €6.3bn. The budget also earmarks some €2.5bn to the transformation of strategic supply chains for net-zero technologies, along with €320m for boosting the self-production by SMEs of energy from renewable sources. According to the Bank of Italy, nearly 52% of the funds should benefit companies in the current year (compared with 40% in the second half of 2023). According to Bank of Italy estimates, these investments could have a positive impact on GDP growth of nearly 0.5 percentage points, up slightly from 0.4pp in the first quarter.

However, the implementation of the NRRP in 2024 is still up against administrative delays, despite the changes in governance implemented in 2023. Of the 85% of funds allocated to public works, only €9.4bn have been spent, owing to the persistence of numerous bottlenecks, particularly at local government level.

CORPORATES

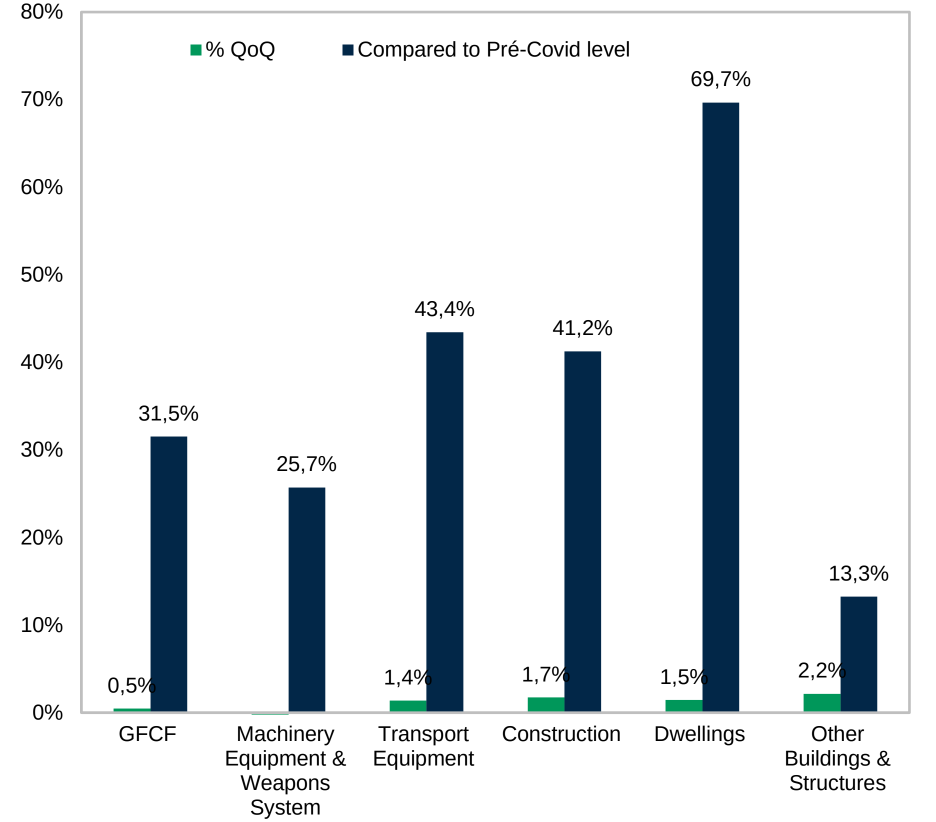
INVESTMENT AND RISING INTEREST RATES: THE END OF A CYCLE

Investment continued to grow at a modest pace in the first quarter, by 0.5%. The slowdown in investment was almost entirely due to the decline in investment in machinery and equipment, down 1.5% from the previous quarter. Despite a 1.4% rebound in transport investment, business investment contracted by 0.7% over the quarter.

Growth in investment in construction slowed but nevertheless gained 1.7%, adversely affected by the housing segment, up 1.5%, compared with 3.6% in the previous quarter. Growth in construction and public works remained stable at 2.2%. But the overhang for 2024 remains substantial, at 2.2%, with +0.7% for productive investment and +3.6% for construction. The outlook for investment remains uncertain, with construction investment expected to decline starting in Q3 2024.

High interest rates are also expected to continue hindering productive investment towards the end of the year, but these effects should be partially offset by the new investment support package Transition 5.0. Signs of a recovery may also emerge as monetary easing takes effect, albeit conditional on reduced economic uncertainties. In 2025, the end of the Superbonus will continue to weigh on the construction sector. However, public investment, supported by the NRRP, should offset these challenges in part, contributing to moderate economic growth.

Trend in investment since 2019



Source: Crédit Agricole S.A./ECO.

INTERNATIONAL TRADE

RECOVERY IN EXPORTS IN SIGHT

Net exports make a positive contribution thanks to tourism and the fall in imports

Net exports made a positive contribution in Q1 2024, driven by a 1.7% decline in imports in the first three months on low domestic demand and lower business inventories. Italian exports trended slightly upwards, gaining 0.6% in the first quarter. Exports were driven primarily by momentum in exports of services, particularly tourism (+5.4%), while exports of goods fell by 0.5%. Overall, the first quarter was positive for the consumer goods sector, while exports of intermediate and manufacturing products declined. Exports of pharmaceuticals and capital goods (in particular transport equipment and mechanical products) fell particularly sharply. In contrast, those of food and electronics increased. While export flows to the Eurozone remained weak, particularly to France and Germany, they were offset in part by momentum in non-EU markets, notably the US, Turkey and Japan. Exports to Russia and China contracted substantially in the first few months of the year. The continued decline in the prices of imported goods has improved the terms of trade, which have returned to pre-energy crisis levels. Volume and price trends contributed to the improvement in the current account, with a surplus of 2.0% of GDP in Q1 2024.

“Resilient” market share

The asymmetric shock caused by the energy crisis has impacted the price-cost competitiveness of Eurozone economies. Italy has proved no exception to the rule, as evidenced by weak exports in 2023. But the competitive position of Italian exports remains solid. Despite the slowdown in recent quarters, Italian exports of goods are higher than before the pandemic, in contrast to other major European economies. Despite the energy shock, Italy’s share of the global market increased slightly in 2023, from 2.64% to 2.85%. Weak demand in Germany, which has hit some industrial sectors particularly hard, was offset by an increase in exports to the US (up 7%) and China (up 5%).

Positive outlook

The near-term outlook looks positive, with goods exports up 2.3% in April compared with the first quarter. Imports increased by a modest 0.6% in April but are expected to reinforce, as evidenced by the increase in maritime traffic around Africa. Moreover, after a difficult start to the year owing to tensions in the Red Sea, delivery times are improving. The outlook for Italian export growth remains favourable, with an annual export growth forecast of 2.7% in 2024 and 3.1% in 2025. Despite the slowdown in the US, momentum in emerging markets should generate moderate growth in global demand. In addition, the stabilisation of production costs and the alignment of inflation with ECB targets should also contribute to positive Eurozone momentum.

RISKS

No recession

Activity and employment hold up
Wage purchasing power increases
Financing conditions ease
Recovery in foreign demand

Recession

Prolonged slowdown in industry
Turnaround in the construction sector
Deteriorated international environment

THE SCENARIO IN FIGURES

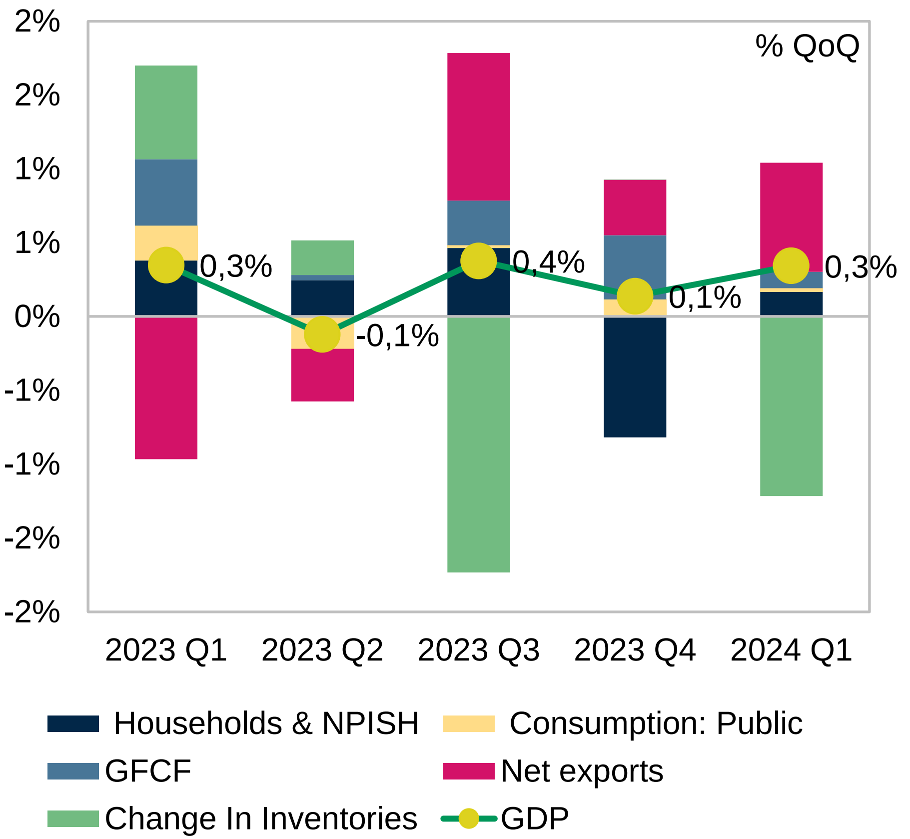
QUARTERLY SCENARIO SUMMARY TABLE

	2022	2023	2024	2025	2022				2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	4,1	1,0	1,0	1,0	0,2	1,4	0,4	0,0	0,3	-0,1	0,4	0,1	0,3	0,2	0,3	0,4	0,1	0,3	0,4	0,2
Domestic demand (contribution to GDP, pps)	4,9	2,0	0,7	0,7	0,2	1,4	1,3	-0,6	1,1	0,1	0,8	-0,3	0,3	0,1	0,1	0,2	0,1	0,2	0,2	0,1
Private consumption (y/y, q/q, %)	4,9	1,2	0,2	1,4	-0,8	2,1	2,1	-1,8	0,7	0,4	0,8	-1,4	0,3	0,3	0,3	0,4	0,3	0,4	0,4	0,2
Public consumption (y/y, q/q, %)	1,0	1,2	0,3	-0,4	0,5	-0,9	0,0	1,2	1,3	-1,2	0,1	0,6	0,1	-0,1	-0,1	0,1	-0,1	-0,2	-0,2	-0,2
Investment (y/y, q/q, %)	8,9	4,9	2,4	-0,2	2,8	1,5	0,4	1,1	2,1	0,2	1,4	2,0	0,5	-0,2	-0,1	-0,1	-0,1	0,0	0,2	0,1
Stockbuilding (contribution to GDP, pps)	-0,2	-1,2	-1,2	0,0	-0,1	-0,3	-0,3	-0,9	0,3	0,2	-1,4	0,0	-0,7	0,1	0,1	0,1	-0,1	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	-0,5	0,2	1,5	0,3	0,1	0,4	-0,7	1,5	-1,0	-0,4	1,0	0,4	0,7	0,0	0,0	0,0	0,0	0,2	0,2	0,1
Exports (y/y, q/q, %)	11,0	0,5	2,7	3,1	5,6	2,5	-0,1	1,8	-1,4	-1,0	1,1	1,2	0,6	0,5	0,6	0,5	0,9	0,9	0,9	0,9
Imports (y/y, q/q, %)	13,5	-0,2	-1,8	2,4	5,5	1,4	2,0	-2,7	1,5	0,1	-2,0	0,1	-1,7	0,5	0,5	0,5	0,9	0,5	0,5	0,6
Inflation (y/y, %)	8,7	5,9	0,9	1,9	6,0	7,4	8,9	12,5	9,5	7,8	5,8	1,0	1,0	0,9	0,8	1,0	1,5	2,3	2,0	1,7
Core inflation (y/y, %)	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	7,5	7,5	8,4	8,1	8,1	7,8	7,9	7,7	7,6	7,4	7,2	7,6	7,6	7,5	7,5	7,5	7,4	7,4
Current account balance (% of GDP)	-1,6	0,5	3,7	3,9	-2,1	-1,7	-2,5	0,0	-1,6	-0,1	2,1	1,6	3,6	3,6	3,7	3,7	3,7	3,8	4,0	4,1
Fiscal balance (% of GDP)	-8,6	-7,2	-4,5	-3,9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	140,5	137,3	137,2	137,3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Crédit Agricole S.A./ECO

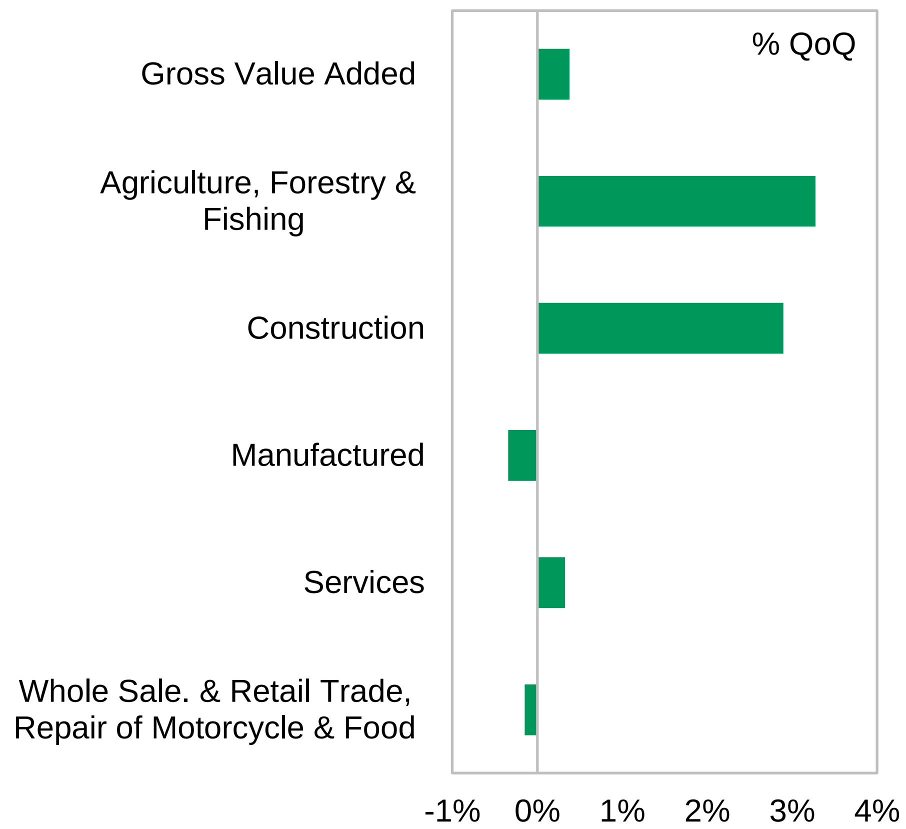
GROWTH: A MODEST RECOVERY AT THE START OF THE YEAR

Domestic demand slows...



Source: Crédit Agricole S.A./ECO.

… but construction continues to stand apart

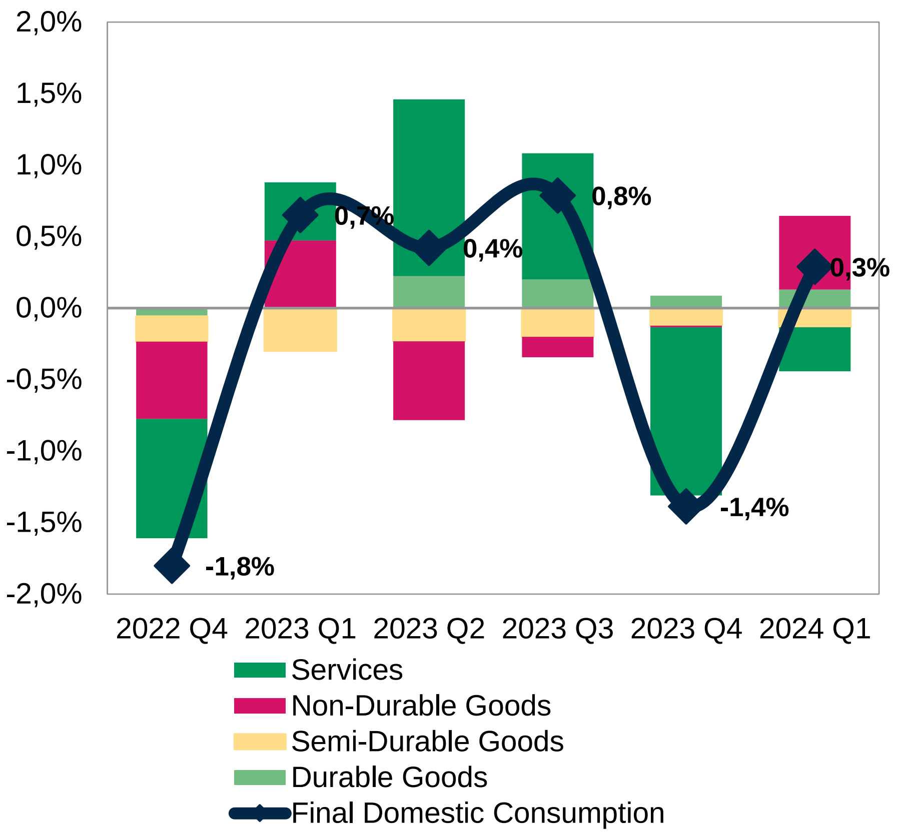


Source: Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

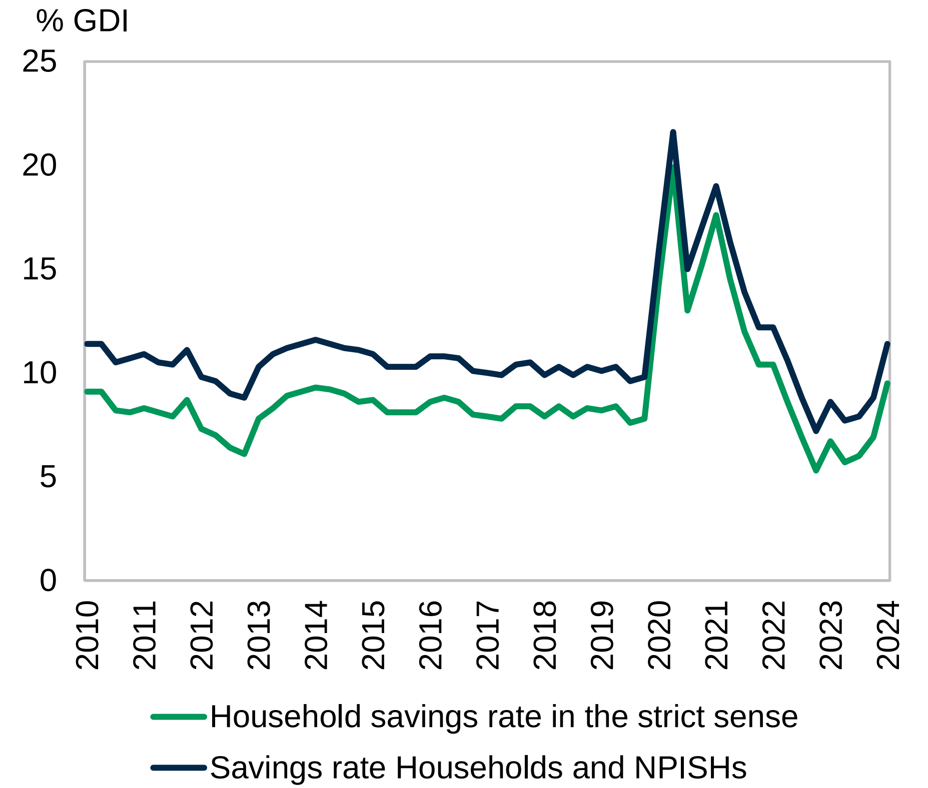
MODEST CONSUMPTION GROWTH IN Q1

Sluggish consumption…



Source: Crédit Agricole S.A./ECO.

… benefiting savings

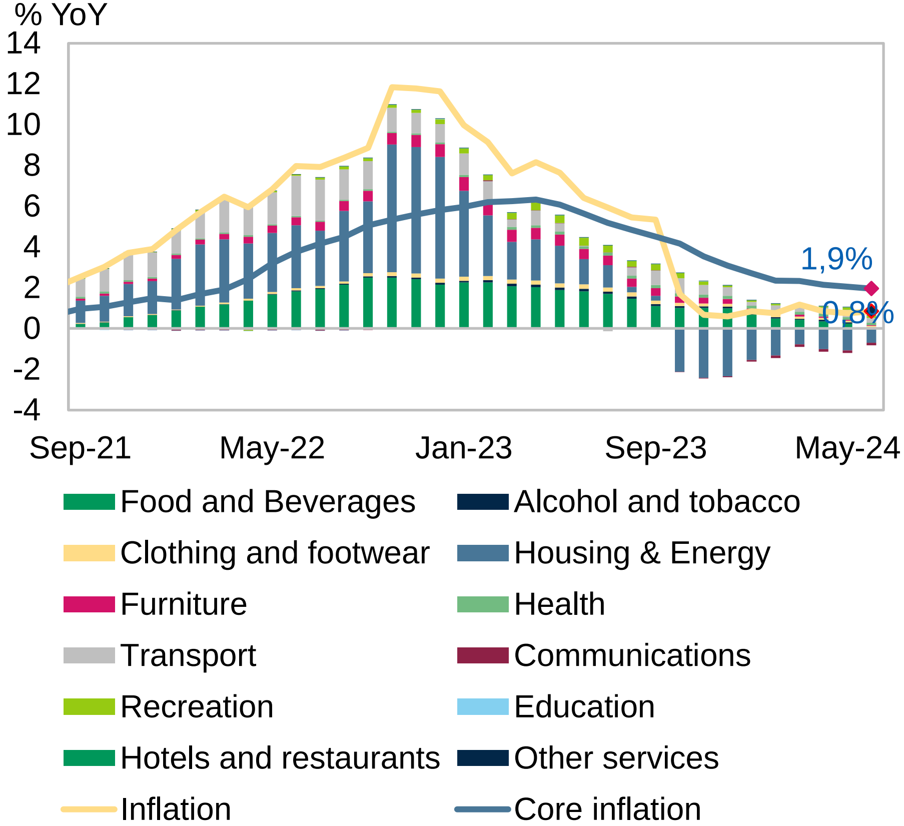


Source: Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

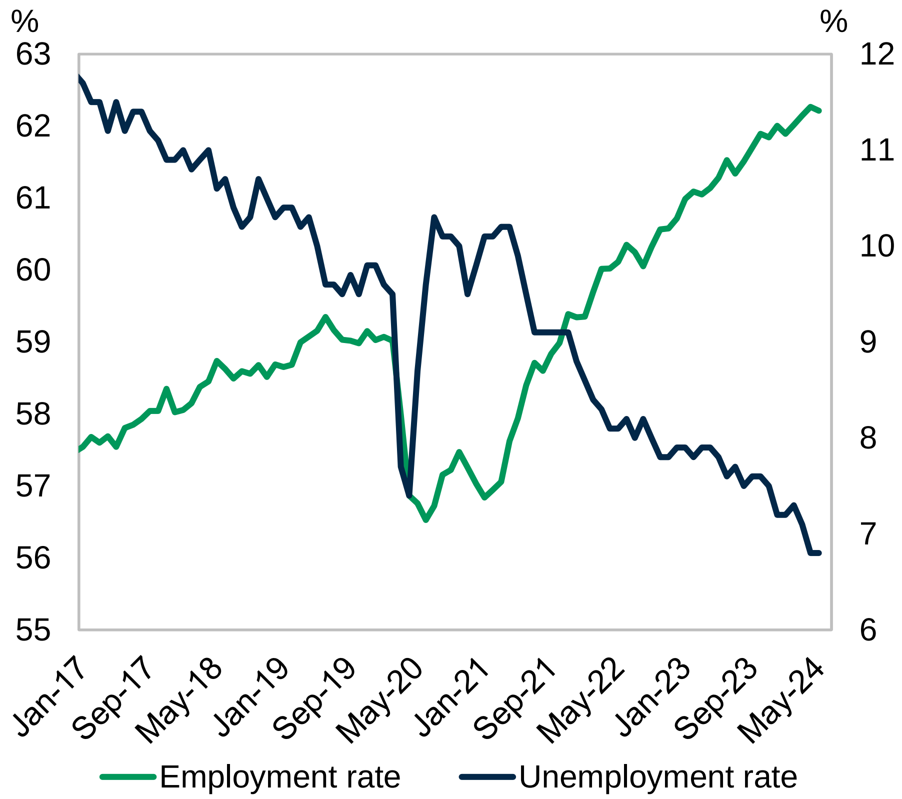
BUT THE ECONOMIC ENVIRONMENT REMAINS HOUSEHOLD-FRIENDLY

Inflation dipped below 1% over the quarter...



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

… Unemployment is stabilising and employment is holding up

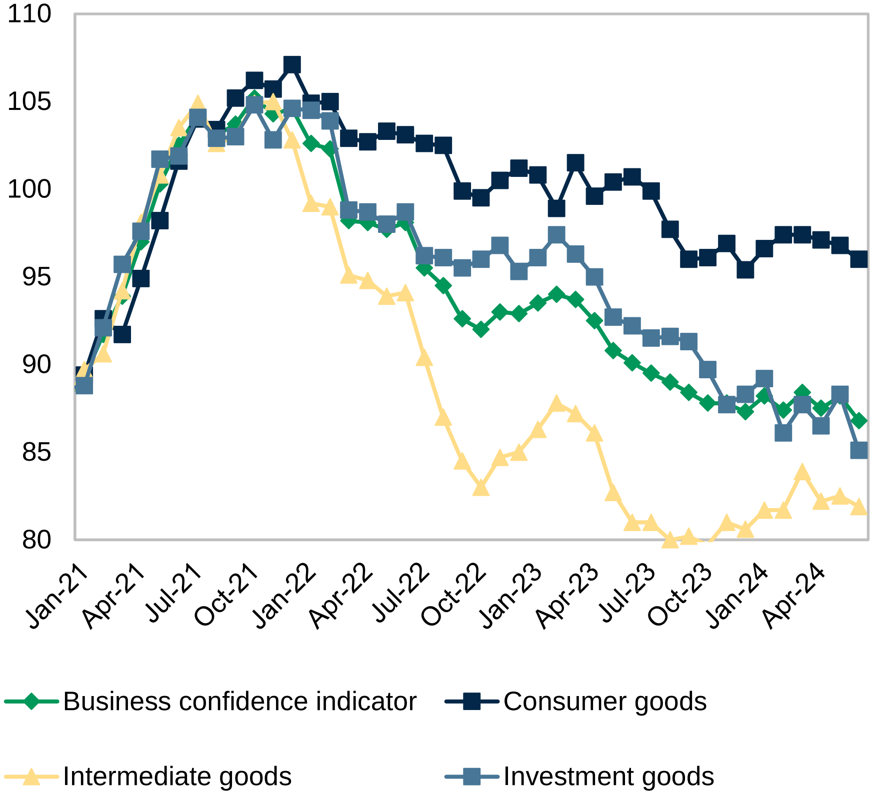


Sources: Istat, Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

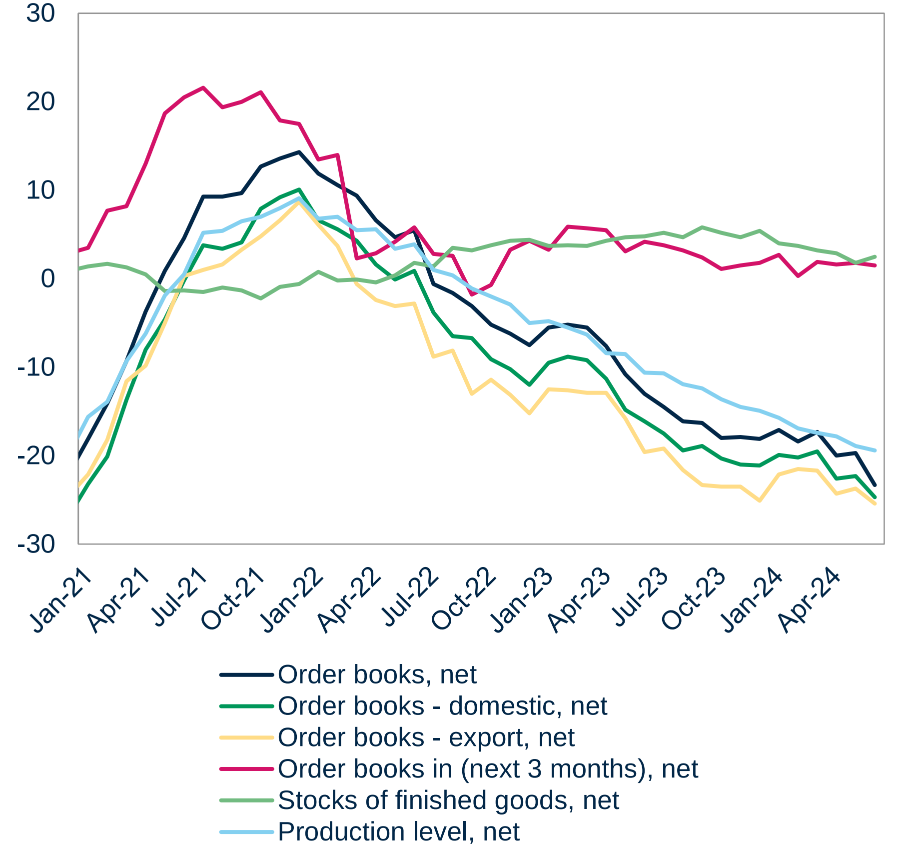
THE INDUSTRIAL SECTOR IS STRUGGLING

Confidence is ebbing…



Source: Crédit Agricole S.A./ECO.

… on sluggish demand

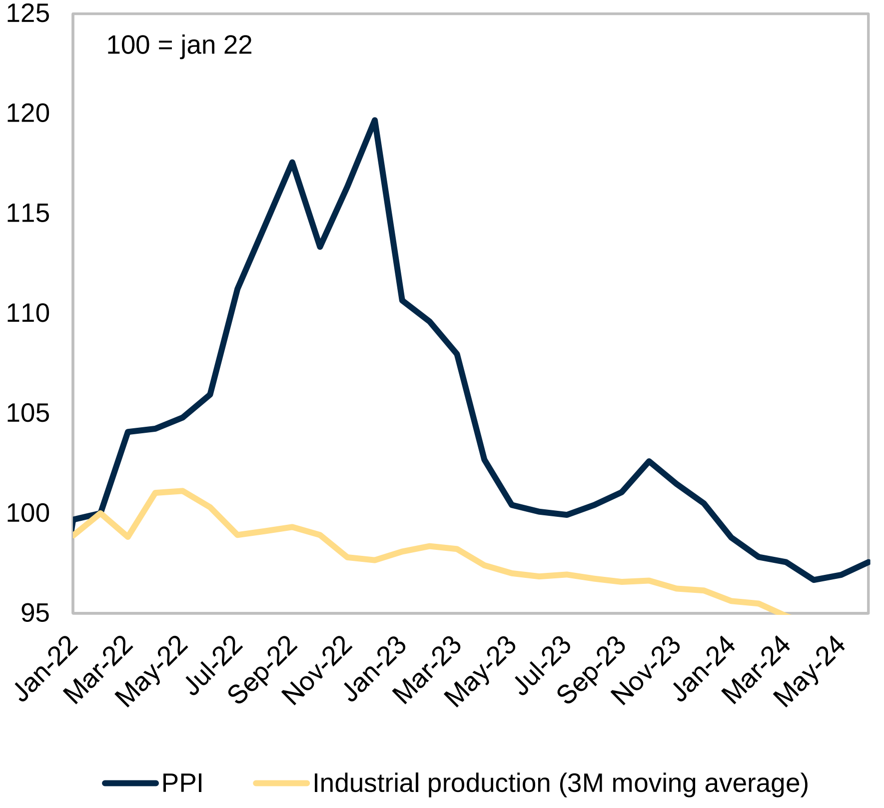


Source: Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

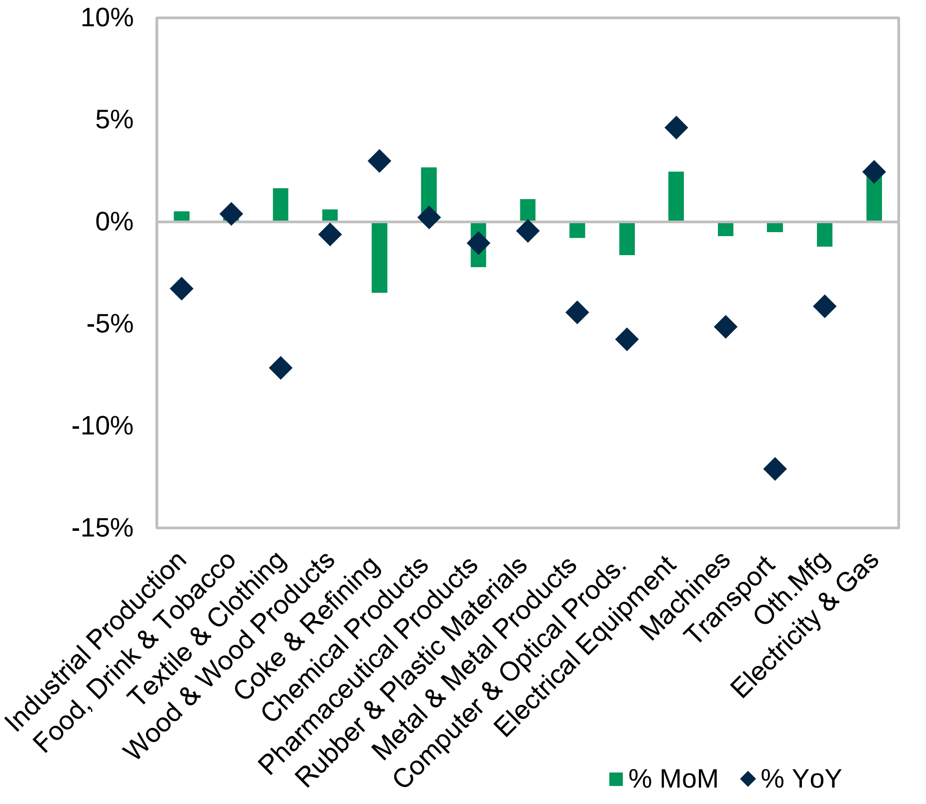
THE INDUSTRIAL SECTOR IS STRUGGLING

Industry is facing the backlash from price increases...



Source: Crédit Agricole S.A./ECO.

… with some sectors more affected than others

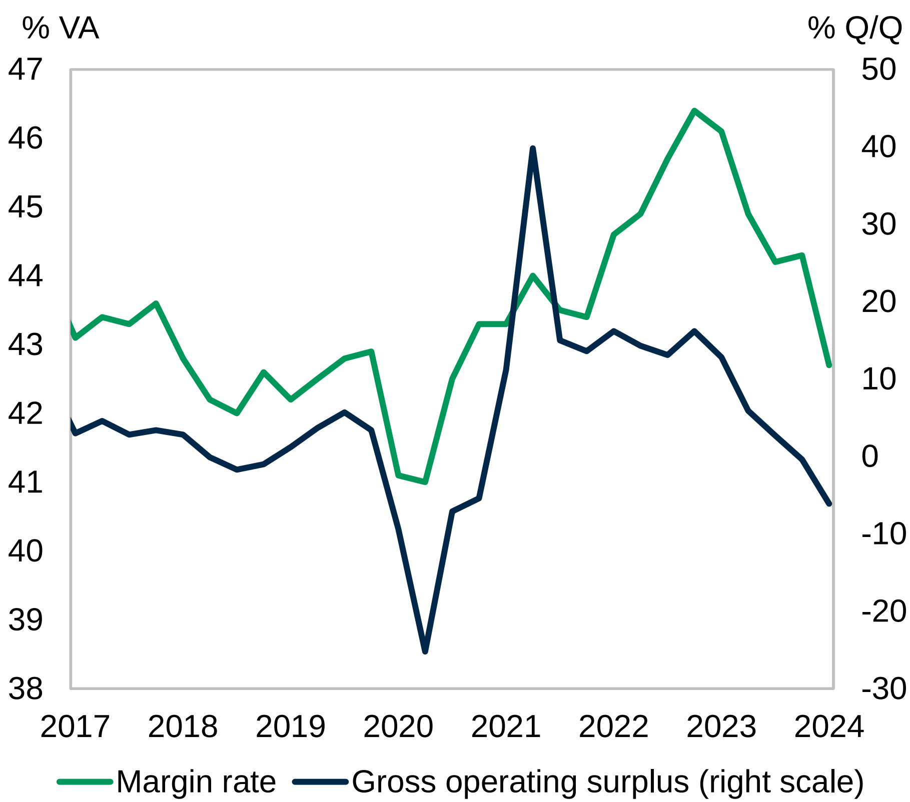


Source: Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

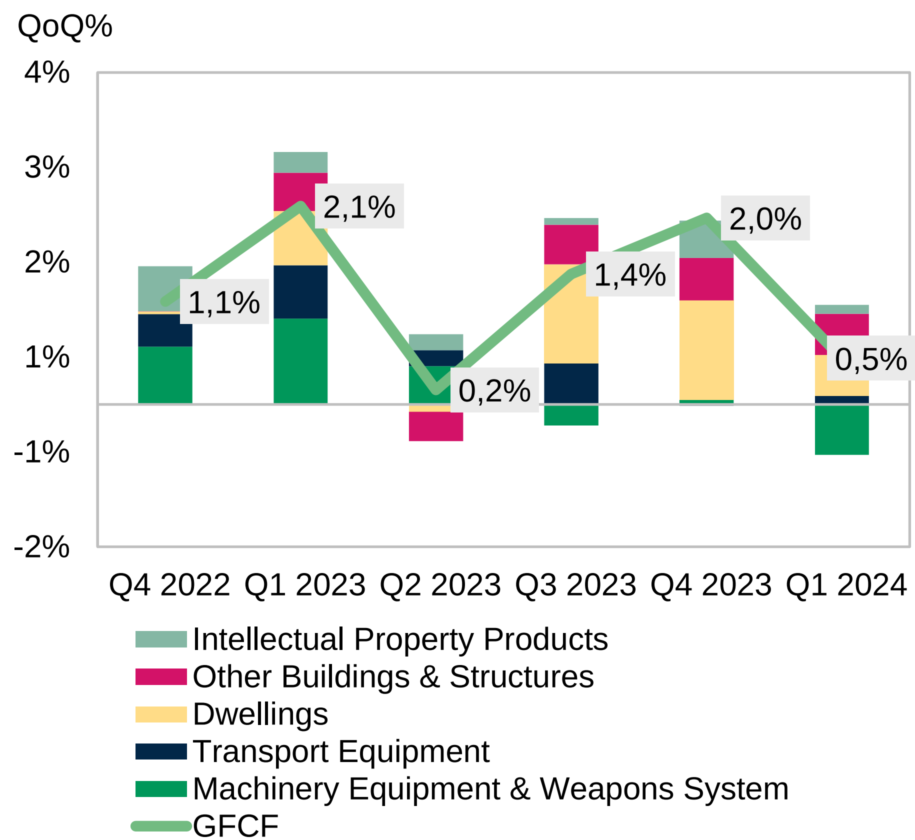
THE INDUSTRIAL SECTOR IS STRUGGLING

Margins are deteriorating…



Source: Crédit Agricole S.A./ECO.

… reflected in productive investment



Source: Crédit Agricole S.A./ECO.

CONSULT OUR LAST FREE PUBLICATIONS

Date	Title	Theme
08/08/2024	Egypt – Retrospective of a currency crisis: how to build confidence?	MENA
26/07/2024	United Kingdom – 2024-2025 Scenario: future looking brighter?	United Kingdom
24/07/2024	Spain –2024-2025 Scenario: robust growth continues	Europe
18/07/2024	Countervailing duties on Chinese electric vehicles: a setback for China and a test of European unity	EU/Asia
18/07/2024	France – Is the French economy stalling since the snap election call?	France
11/07/2024	The new grammar of the risk economy	Geopolitics
28/06/2024	World – Macro-economic scenario 2024-2025: extension without disruption	World
20/06/2024	Where is the median European voter from and what do they want?	Europe
13/06/2024	India: a lacklustre win for Narendra Modi	Asia
10/06/2024	UK – 2024 General Elections : Labour hovering between ambitions and reality	United Kingdom
06/06/2024	Xi Jinping visits Hungary, an economy in remission	Asia, CEE
30/05/2024	China: the increase in US import tariffs is first and foremost a political issue	Asia/USA
23/05/2024	Polarisation is a fever afflicting American society	United States
16/05/2024	What on earth does the South Pacific have to do with Azerbaijan?	CEE and Central Asia
02/05/2024	Migration and climate issues intersect in sub-Saharan Africa	Africa

ECO
ÉTUDES ÉCONOMIQUES GROUPE

Completed on 26 July 2024

Sofia TOZY
+33 1 43 23 23 37
sofia.tozy@credit-agricole-sa.fr

THANKS FOR YOUR ATTENTION

YOU CAN SUBSCRIBE TO OUR PUBLICATIONS ON OUR WEBSITE :
http://economic-research.credit-agricole.com/

Access and subscribe to our free online publications:
application available in App Store and in Google Play

Crédit Agricole S.A. — Group Economic Research
12 place des Etats-Unis – 92127 Montrouge Cedex

Publication Manager: Isabelle Job-Bazille - **Chief Editor:** Armelle Sarda
Information centre: Elisabeth Serreau - **Statistics:** Datalab ECO
Editor: Fabienne Pesty
Contact: *publication.eco@credit-agricole-sa.fr*