BANCA D'ITALIA
EUROSISTEMA

Statistics

Survey of Industrial and Service Firms

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Main results

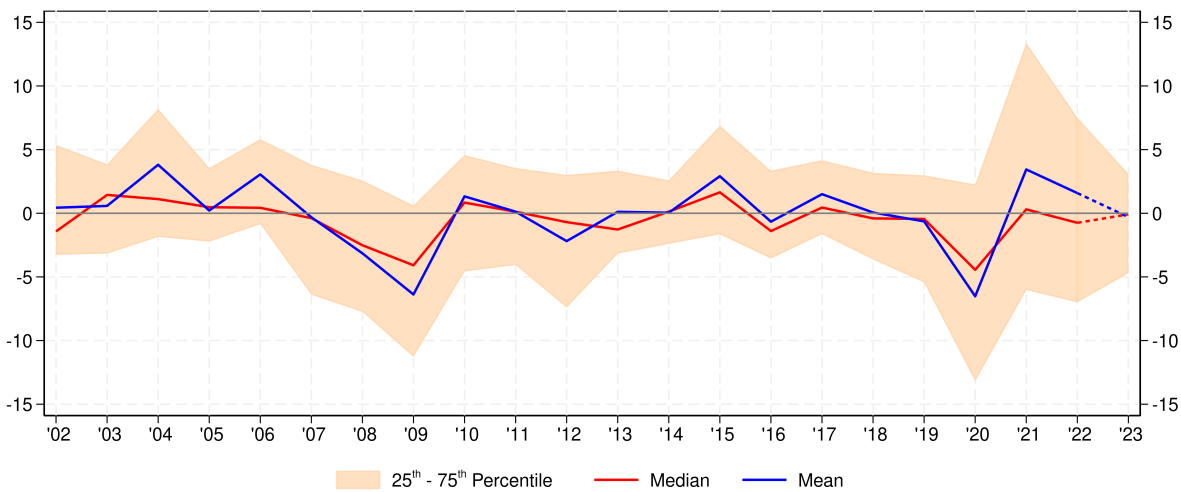
In 2022, turnover and investment for Italian service firms and industrial firms excluding construction with 20 or more employees continued to grow, albeit at a slower pace than in the previous year. Economic activity was favoured by the easing of difficulties in the sourcing of production inputs, though it was held back by soaring energy prices, which contributed to widespread increases in selling prices. Total employment rose in 2022, recouping the contraction observed during the pandemic.

The share of firms willing to take on more debt in 2022 declined further, to the lowest figure ever reached since the data for this variable started being collected in 2010. The decrease reflected a worsening, in the second half of the year, of firms' assessments of overall borrowing conditions, especially with regard to the interest rates offered.

This year, firms expect sales volumes to be broadly stationary and selling prices to continue to increase, although more slowly than in 2022. Investment plans point to decreased spending for firms in industry excluding construction and continued expansion for service firms. Employment is expected to grow across all sectors.

In the construction sector, the upturn in production and employment that began in 2021 both in the residential construction and in the public works segments continued throughout 2022, albeit at a slower pace. According to firms, economic activity is likely to contract this year.

Turnover of Italian industrial firms excluding construction and non-financial private service firms
(*percentage changes*)



Notes: Data weighted by population weights and turnover. Values at constant prices calculated based on the average deflators obtained from the survey. The dotted lines indicate firms' expectations for 2023.

Survey of industrial and service firms[1]

Non-construction industry and non-financial private services

In 2022, sales volumes grew less than the previous year ...

In 2022, the turnover of Italian service firms and industrial firms excluding construction with 20 or more employees increased again, but at half the rate recorded a year earlier (by 1.6 per cent at constant prices, compared with 3.4 per cent; Table 1). However, the increase was much higher than the stationary trend that firms expected on average the previous year: in manufacturing, growth was 3.0 per cent compared with an expected value of 0.5 per cent; and in non-financial services it was 6.7 per cent compared with 0.3 per cent.

The slowdown was greater for firms with fewer than 50 employees (6.0 per cent from 9.4 per cent), both in the domestic and foreign markets (Figure 1), and especially in the metalworking sector (2.4 per cent, from 11.4 per cent) and in the retail trade, hotels and restaurants sector (3.6 per cent, from 7.2 per cent). Sales continued to contract in the energy and mining and quarrying sectors (around -9 per cent, as in 2021) and to grow at a rapid rate in the remaining sectors.

Despite the slowdown in turnover, the share of firms posting a profit for financial year 2022 rose to 78 per cent, the highest figure recorded in the survey and about 2 percentage points higher than in 2021, while the share of firms posting a loss declined by a similar amount (to 11 per cent).

... as a result of further energy price rises

Production activity was held back by increases in electricity and natural gas prices of at least 30 per cent for half of the firms between the first and the second half of 2022. For companies that had entered into energy supply contracts with price rise protection clauses, the growth in costs was around 10 percentage points lower.

By contrast, production activity benefited from fewer difficulties in the sourcing of intermediate goods and raw materials which, in the second half of the year only affected two fifths of firms, around 20 percentage points less year-on-year.

Table 1

Main developments in 2021 and 2022 and expectations for 2023 (1)
(*percentage changes*)

	Turnover (2)			Investment (2)			Average employment		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Sector									
Manufacturing	8.0	3.0	0.6	6.2	-2.9	-6.4	0.3	1.0	1.8
Energy and mining and quarrying	-9.3	-9.1	-2.2	12.4	5.4	-2.6	1.1	1.2	2.3
Non-financial services	7.4	6.7	-0.2	4.9	3.8	8.8	0.5	2.0	2.3
Geographical area									
North-West	4.2	3.8	-0.4	5.1	1.2	-0.1	0.1	1.6	2.1
North-East	7.8	3.5	0.1	3.4	4.4	0.6	0.6	1.9	1.9
Centre	-2.4	-6.2	-0.9	10.7	-2.8	6.7	-0.1	0.2	2.3
South and Islands	6.0	6.3	0.7	8.3	9.6	-4.1	2.2	3.2	2.4
Firm size									
20 – 49	9.4	6.0	-1.0	14.6	2.6	-4.5	-0.1	1.0	2.3
50 – 199	5.7	3.3	-1.1	7.5	3.6	-1.2	0.5	2.5	2.9
200 – 499	6.9	5.2	0.6	6.3	5.1	1.0	1.1	2.8	1.9
500 and over	-2.6	-4.5	0.5	3.3	-0.9	5.7	0.5	0.8	1.4
Total	**3.4**	**1.6**	**-0.3**	**6.5**	**1.5**	**1.5**	**0.4**	**1.6**	**2.1**

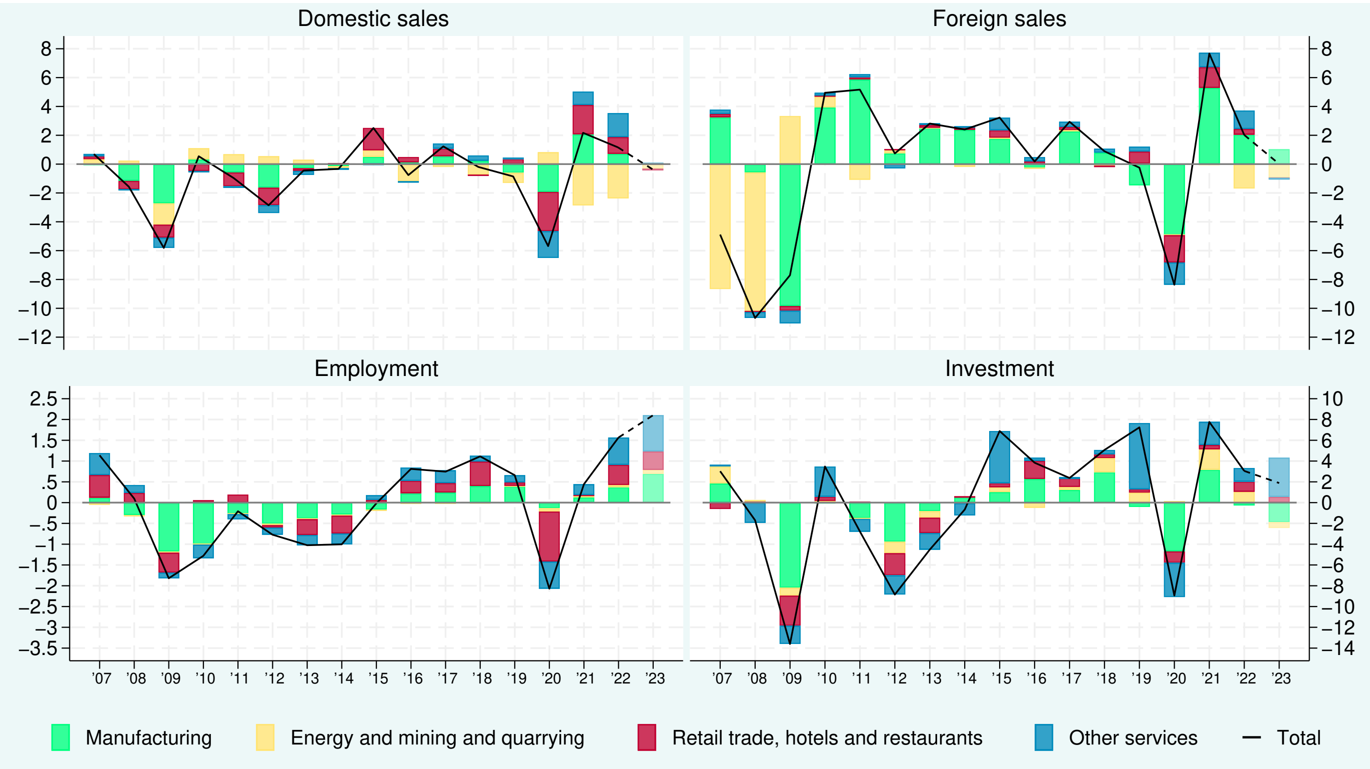
Notes: (1) Data weighted by population weights. (2) Based on winsorized elementary data; values at constant prices calculated based on the average deflators obtained from the survey. In keeping with the SEC 2010 national accounting standard, the investment spending tracked by the survey includes that for tangible goods, for software, databases and mineral prospecting, and for research and development, design, and prototyping.

[1] The report was prepared by Marco Bottone, Lucia Modugno, Matteo Mongardini and Tullia Padellini. The survey was carried out directly by the Bank's branches. The data are used exclusively for the purpose of economic and statistical analysis and are released in aggregate form.
We would like to thank all the firms that agreed to take part in the survey, providing the necessary information in the course of long and complex interviews. The statistical appendix, the questionnaires and the methodological notes are available here: https://www.bancaditalia.it/pubblicazioni/indagine-imprese/2022-indagini-imprese/index.html?com.dotmarketing.htmlpage.language=1

Figure 1

Turnover, employment and investment

(percentage changes and contributions of the main sectors)



Notes: (1) For turnover and investment, values at constant prices calculated based on the average deflators obtained from the survey. Estimates based on winsorized elementary data. Investment spending includes that for tangible goods and for software, databases and mineral prospecting. The dotted lines and shaded bars indicate firms' expectations for 2023. Data weighted by population weights.

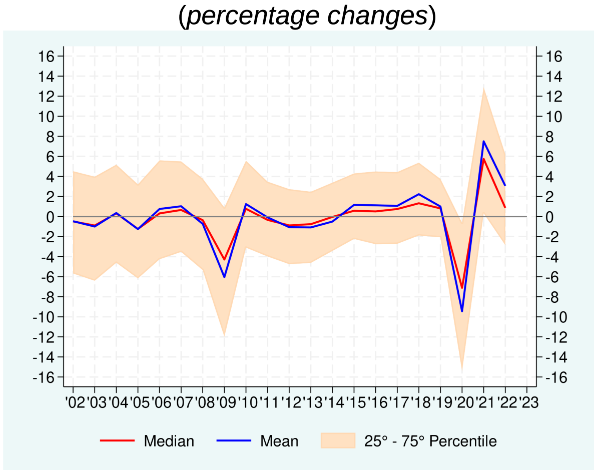
Selling prices increase across the board

Selling prices increased on average by around 8 per cent in 2022 (Figure 2), reflecting the strong rise in the cost of intermediate goods and services. Some 73 per cent of firms raised their prices by at least 2 per cent (they were 54 per cent in 2021 and 33 per cent on average in the previous decade). The increases were widespread and higher in the manufacturing segment.

Figure 2

Changes in own selling prices

(*percentage changes*)



Notes: The dotted lines indicate firms' expectations for 2023. Data weighted by population weights.

Employment increases

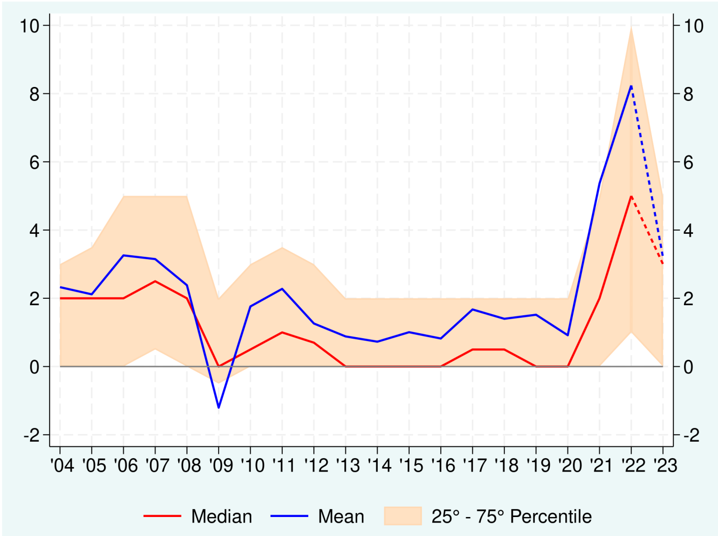
In 2022, total hours worked increased on average by 3 per cent compared with the previous year (Figure 3). Employment expanded in all sectors (by 1.6 per cent overall), in particular in services. In the textile, clothing, leather and footwear sectors, the average number of employees increased by 0.9 per cent after twenty years of decline, involving almost half of the firms.

Remote work was used less than in the previous year, involving 30 per cent of firms, 2 per cent of employees in industrial firms and 8 per cent in service firms, compared with 38 per cent, 4 per cent and 12 per cent respectively in 2021.

Figure 3

Total hours worked

(*percentage changes*)



Notes: Data weighted by population weights and by hours worked.

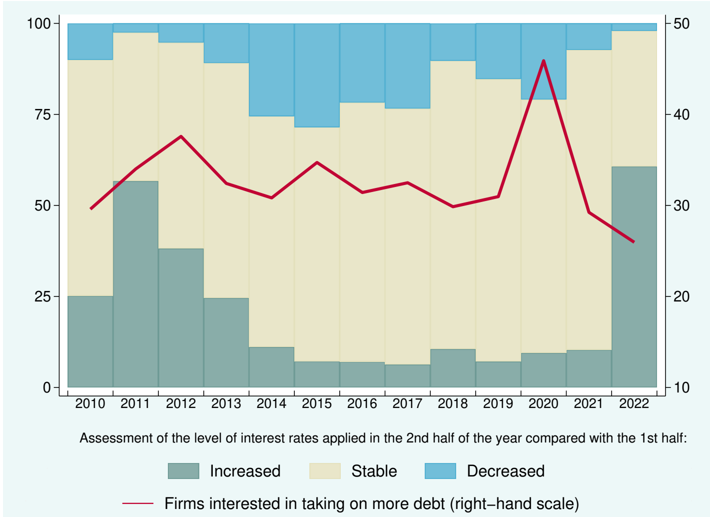
Demand for loans turns downwards

In 2022, the share of firms interested in increasing their borrowing from the financial sector declined further to 26 per cent, against an average of 32 per cent in the decade before the pandemic (Figure 4). The decline in demand for loans has reflected firms' lesser need for funding for their operating activities (working capital and self-financing) and a worsening of opinions on borrowing conditions overall. In particular, the share of firms that reported higher interest rates on offer increased considerably (to 61 per cent from about 10 per cent over the last eight years).

Figure 4

Assessments of interest rates and willingness to take on debt

(*per cent*)



Notes: Data weighted by population weights and by hours worked.

Investment continues to expand, but more slowly than in 2021

Investment spending slowed from 6.5 per cent to 1.5 per cent at constant prices, in line with expectations in 2021 (Table 1), while capital goods prices stepped up, from 4.5 to around 7 per cent, also in line with expectations. Investment expenditure at constant prices was driven mainly by firms in services (3.8 per cent), energy (5.4 per cent), and textiles, clothing, leather and footwear (11.4 per cent), which had reduced capital accumulation the most during the pandemic.

Some 35 per cent of firms made investments with the specific objective of improving energy efficiency and/or increasing the use or production of renewable energy; a further 20 per cent have made plans to invest but have not yet begun to do so. The shares are greater among industrial firms and larger firms (see the box 'The uptake of environmentally sustainable investments in 2021-22').

THE UPTAKE OF ENVIRONMENTALLY SUSTAINABLE INVESTMENTS IN 2021-22

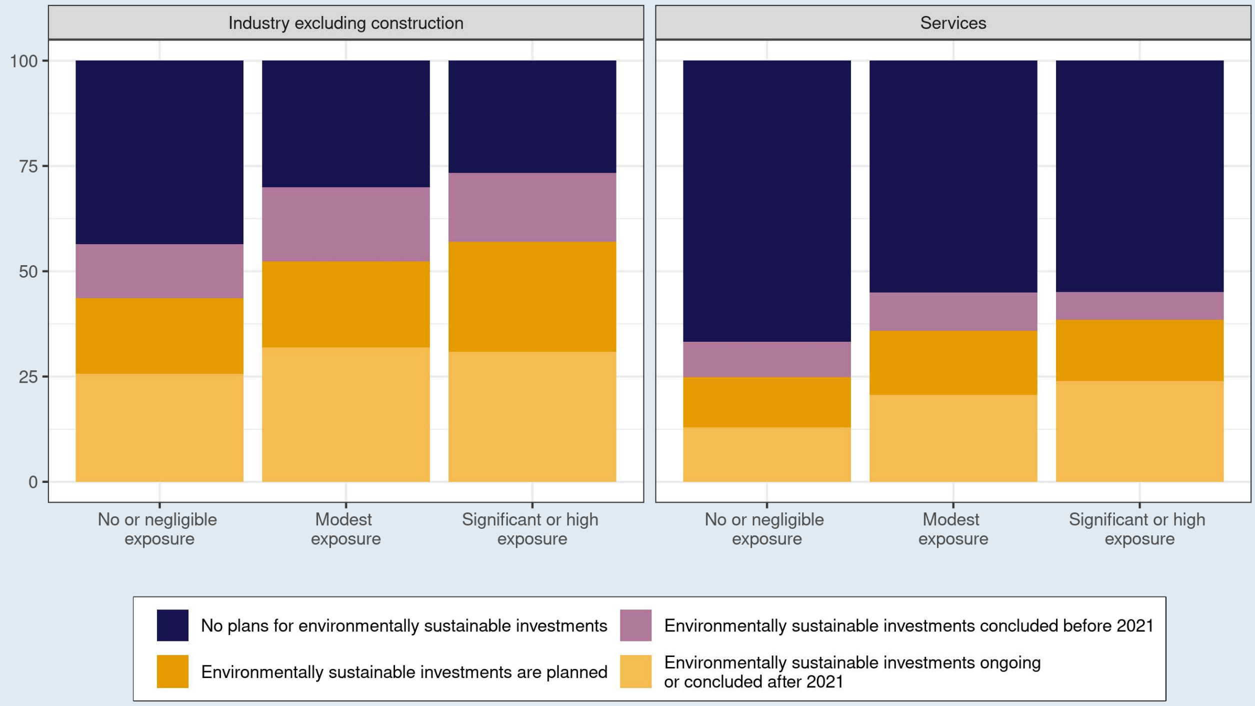
Growing awareness of the effects of climate change and the recent impact of higher energy prices on production costs have increased companies' focus on sustainability. Between 2021 and the start of 2023, about half of the firms in industry excluding construction and more than one third of those in services made or planned to make investments with the specific objective of improving energy efficiency and increasing their use or production of renewable energy (i.e. environmentally sustainable investments).

On average, environmentally sustainable investments accounted for 23.5 per cent of total investment spending for those firms who made them in the last two years. As regards financing, firms have mainly drawn on internally generated resources and loans from banks or other financial intermediaries; a minority of firms (16.8 per cent) relied mainly on public funding and only 2 per cent used equity or bond venture capital.

Environmentally sustainable investments were particularly common among firms in industry excluding construction, and are positively associated, on the whole, with the intensity with which firms perceive climate risk. Combining the data from the 2022 survey with those of the Business Outlook Survey of Industrial and Service Firms, conducted last autumn on the same sample, it emerges that the share of firms that have recently invested or are about to invest to increase their energy sustainability is higher among those that have shown the greatest concerns about their exposure to extreme weather events (such as floods, droughts and landslides; see the figure).[1] Overall, firms that consider themselves to be vulnerable to such events accounted for almost three quarters of the total investments made between 2021 and 2022 and around 78 per cent of those planned for 2023.

Figure

Firms' plans for environmentally sustainable investments and perceived exposure to climate risk (1)
(*percentage shares*)



Note: (1) For each category of perceived level of exposure of their business to extreme weather events related to climate change over the next 3 years, the figure shows the percentage of firms that have planned, initiated, concluded or not planned environmentally sustainable investments. Data weighted by population weights.

[1]The evidence is confirmed by a regression model that controls for the main business characteristics (size class, geographical area and production sector), for the proportion of energy spending out of total costs and for the degree of exposure to extreme weather events.

Turnover is expected to stagnate in 2023, while increases in list prices are likely to continue

For the current year, firms expect a broadly steady volume of sales. Two thirds of the firms plan to increase their list prices in 2023, and only one tenth of these had not raised them in the previous year. Overall, the increase in selling prices is expected to slow down compared with 2022, rising by an average of 3.2 per cent. About half of the firms anticipate a contraction in profit margins for the current year and the vast majority of these had already experienced a reduction in the second half of last year. Expectations for investment spending in 2023 point to a decline for industry excluding construction (-5.2 per cent compared with last year), involving all geographical areas, and an expansion in services (8.8 per cent), driven in particular by the transport sector. Expectations point to a further increase in the number of employees in all sectors (2.1 per cent overall).

Construction firms

In 2022, production continues to increase ....

In 2022, production in the construction sector grew by 6.6 per cent at constant prices (13.9 per cent in 2021); while in nominal terms, the trend was well above the expectations expressed in the previous year (12.7 per cent and 2.6 per cent respectively). The expansion of production was widespread across all geographical areas and involved both private construction (8.7 per cent at constant prices) and public works (3.7 per cent).

The growth in production buoyed firms' profitability: the share of firms that closed the year with a profit rose further (to 83 per cent from 78 per cent in 2021, and from 57 per cent in 2020), driven by the reduction (to 6 per cent) in firms reporting a loss.

Production growth in the private construction sector, where around three quarters of construction firms operate, was driven mainly by the completion or remodelling of existing housing units: the number of new units for which construction began during the year actually fell by 14 per cent compared with 2021. The share of firms that benefited from the 110 per cent 'Superbonus' introduced under Decree Law 34/2020 in the second half of 2022 increased by 13 percentage points year-on-year (to 65 per cent) but, on the basis of firms' expectations, is likely to return to 2021 levels in the current year. In line with the expectations expressed in the previous survey, in 2022 more than one third of production in about half of the respondent firms benefited from the uptake of the 'Superbonus'.

... as does employment

Employment also continued to expand (by 1.5 per cent compared with 3.0 per cent in 2021). The average headcount employment increased across all geographical areas except for the South and Islands, where it fell slightly following the sharp rise recorded in 2021.

Construction firms reported a sharp deterioration in overall credit access conditions in 2022: the balance between assessments of an improvement and those of a deterioration turned negative (-20 per cent), down by more than 20 percentage points compared with 2021. This result was particularly influenced by the increase in negative opinions on the level of interest rates applied to loans. The demand for new loans weakened: the share of firms interested in borrowing more from the financial sector fell by 4 percentage points, from 34 per cent in 2021 (it was 47 per cent in 2020).

Production is expected to contract in 2023

For 2023, firms expect a drop in production (-3.4 per cent in volume terms), driven mainly by the private construction sector. Among those that expect to reduce their output (about 40 per cent of the firms), employment is likely to remain broadly stable, while it will continue to expand (by about 5 per cent) for the rest of the firms.

CYBERSECURITY FOR ITALIAN FIRMS

Specific questions on cybersecurity were included in the questionnaire given to firms for the 2022 survey. The replies showed that in the last five years, about one fourth of Italian firms had suffered a cyberattack. The firms affected account for more than half of the total turnover and in one case in five, the attack resulted in financial loss, for example because of a ransom payment to have the firm's IT systems returned to normal.

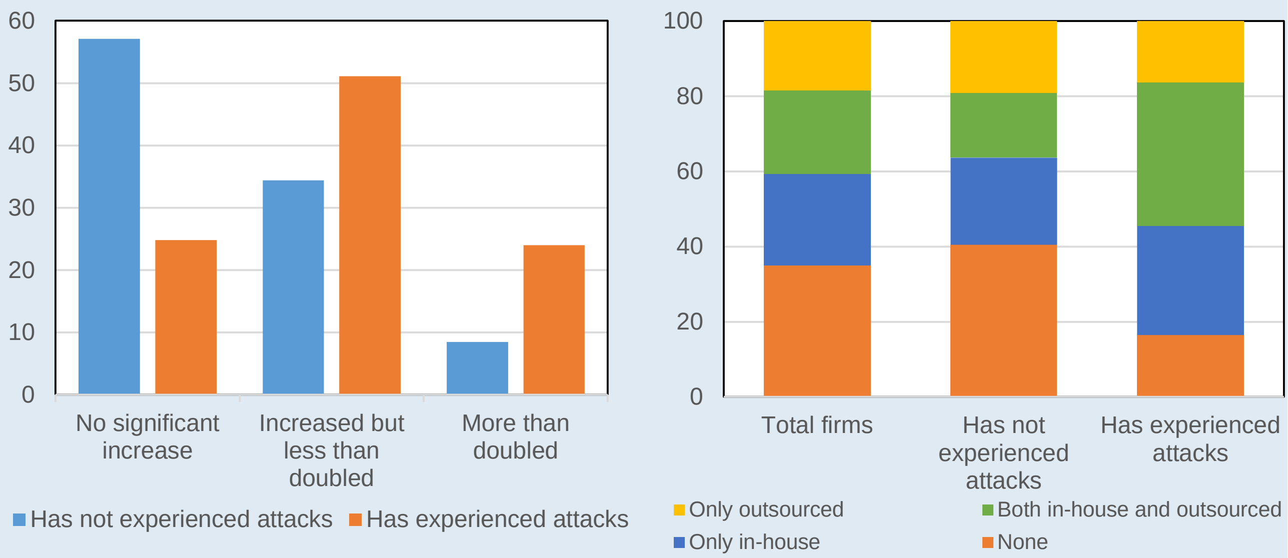
In order to measure firms' perception of the risk of suffering a cyberattack and avoid any reticence in admitting their vulnerability, respondents were asked how likely it was that a firm belonging to their sector of activity and of a similar size could become the victim of cyberattacks: despite the prevalence of such attacks, for around 80 per cent of firms this probability is currently zero or low. The perception of risk is closely linked to direct experience: among the firms that have not suffered an attack, the proportion that think the risk is very low rises by around 10 percentage points, while it falls by 30 percentage points for those attacked in the last 5 years.

Spending on IT security in the last five years has also been driven mainly by firms that suffered an attack (see panel (a) of the figure). In the last two years, 22.8 per cent of firms did not allocate any spending to preventing cyberattacks. Two fifths of the firms that have not been attacked and one sixth of those breached do not have any in-house business functions dedicated to the governance and management of cybersecurity and to business continuity (see panel (b) of the figure). These firms largely overlap with those that spend less on prevention; they account for 13 per cent of total turnover, are mainly small in size and are located in southern Italy.

Figure

Prevention of cyberattacks
(percentage shares)

(a) Change in IT spending in the last 5 years (1) | (b) In-house cybersecurity unit (2)



Note: Data weighted by population weights. – (1) The figure compares the percentage of firms that have increased their spending on preventing cyberattacks according to whether or not they have been attacked in the last 5 years. – (2) The figure shows the distribution of the existence of any in-house cyberattack prevention units among Italian companies, distinguishing between those that have experienced an attack and those that have not.

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