BANCA D'ITALIA
EUROSISTEMA

Statistics

Survey on Inflation and Growth Expectations

14 January 2025

For further information: statistiche@bancaditalia.it
www.bancaditalia.it/statistiche/index.html

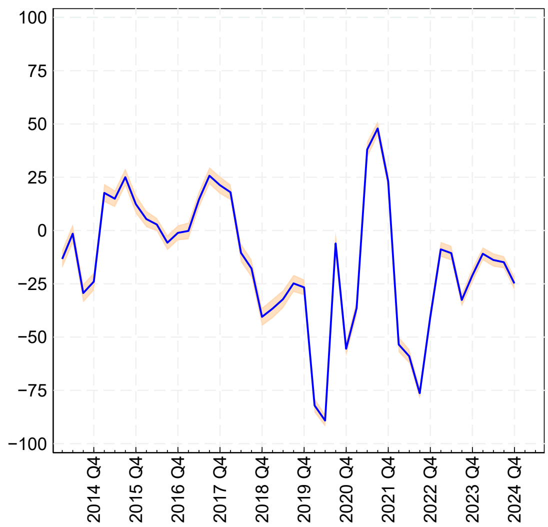
Main results

According to the survey conducted between 20 November and 12 December 2024 among Italian industrial and non-financial service firms with 50 or more employees, in the fourth quarter of 2024 opinions regarding the general state of the economy worsened. Firms' assessments point to a weakening in demand, especially from abroad and in the service sector. The outlook for firms' short-term operating conditions is unfavourable overall, as it is still affected by economic and political uncertainty and, to a lesser extent, by fears over energy commodity price trends and, especially among exporting companies, over international trade policies.

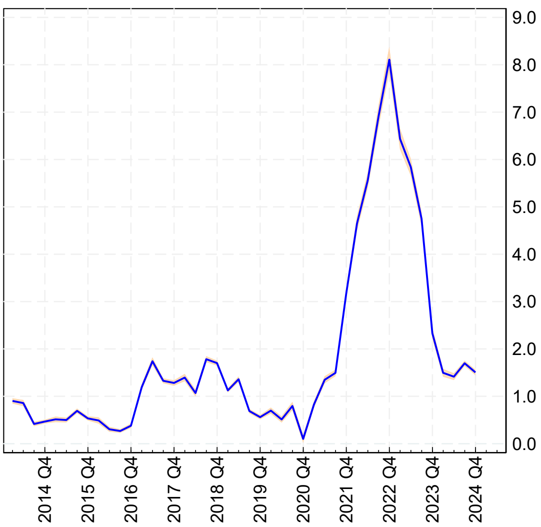
Firms expect investment to expand in the first half of 2025, although they still see investment conditions as unfavourable. Credit access conditions are deemed unchanged and the overall liquidity position is still considered satisfactory. Most firms expect to keep their staffing levels unchanged.

The growth in selling prices stabilized at low levels in services and in industry excluding construction. It slowed in construction, though it remained stronger than in the other sectors, and is expected to remain broadly stable across all sectors over the next 12 months, while wage increases are expected to be moderate. Firms' consumer price inflation expectations fell across all time horizons.

General state of the economy (1)
(*balance between positive and negative assessments with respect to the previous quarter)*



Consumer price inflation expectations over the next 12 months (1)
(*percentage changes on the preceding 12 months*)



(1) The shaded areas represent the 95% confidence intervals of the estimates. See Tables s1 and s4 of the statistical appendix.

Reference period: Q4 2024

Survey on Inflation and Growth Expectations[1]

Assessments of the general state of the economy worsen further

In the fourth quarter of 2024, firms' assessments of the general state of the economy worsened further (Table 1): the share of firms reporting negative assessments rose to 30 per cent, from 21 per cent in the previous round of the survey, while the share of firms indicating an improvement was practically unchanged at 5 per cent, from 6 per cent in the previous survey. The deterioration in firms' assessment was widespread across all sectors.

Demand weakens, especially that from abroad and in the service sector

Assessments of demand, which had already turned slightly negative in the summer, weakened further at the end of last year, owing to the more cautious assessments of service firms and the widespread deterioration of those regarding foreign demand. Among firms in industry excluding construction, assessments of a reduction in sales continued to exceed those of growth, practically by the same gap as in the previous survey (equal to 16 percentage points; Figure 1), with a significant decline in foreign sales (with the balance falling to -11 points, from -5). Conversely, demand continued to grow in construction, more so than in the second quarter (23 percentage points, up from 19 points), still driven by non-residential construction firms.

More than half of construction firms expect to benefit from measures under the NRRP

For the first quarter of 2025, just under half of the firms in industry excluding construction and of those in construction expect sales to be broadly stable; among service firms, the share reporting expectations of no change in demand goes up to 56 per cent of the total. The share of firms anticipating an expansion is about 30 per cent in both industry excluding construction and in services, but rises to 43 per cent in construction, where more than half of them expect to benefit from the measures adopted under the National Recovery and Resilience Plan (NRRP) over the course of 2025.

Firms' expectations regarding their own business conditions over the next three months deteriorated further in industry excluding construction and in services, where the balance between expectations of an improvement and those of a worsening narrowed to -16 and -5 percentage points respectively (Figure 2). Expectations also became less favourable in construction, though the balance remains slightly positive (2 percentage points). The outlook is affected by economic and political uncertainty and, to a lesser extent, by fears over energy commodity price trends and, especially among exporting companies, over international trade and investment policies.

Expectations of stable headcount employment prevail

In the fourth quarter, almost 70 per cent of firms planned to leave their staff numbers unchanged over the next three months. The share of firms planning an expansion exceeded the share of those anticipating a reduction, especially in construction (23 percentage points, compared with 11 points in services and 3 points in industry excluding construction). Assessments of employment were more favourable for larger firms.

The share of firms planning to raise their employees' nominal hourly wages over the next 12 months was practically unchanged at almost two thirds of the total across all sectors. Among the firms that plan to increase wages, the raises are expected to exceed 4 per cent for 10 per cent of firms in industry excluding construction, 17 per cent of firms in services and 15 per cent of firms in construction.

[1] The survey report was prepared by Donato Ceci, Tullia Padellini and Marianna Riggi.

The survey data were collected exclusively for the purpose of economic analysis and have been processed in aggregate form, in compliance with privacy regulations. We would like to thank the 1,569 firms with 50 or more employees (of which 679 in industry excluding construction, 686 in services and 204 in construction) that participated in the survey. The survey questionnaire, the statistical appendix and the methodological note are available on the Bank's website:

http://www.bancaditalia.it/statistiche/basi-dati/bird/inflazione-e-crescita/questionario-inflazione/documenti/en_quest_IV_trim_2024.pdf
http://www.bancaditalia.it/pubblicazioni/indagine-inflazione/2024-indagine-inflazione/12/dati_2024_12_eng.zip
https://www.bancaditalia.it/pubblicazioni/metodi-e-fonti-note/metodi-note-2022/IAI_methods_and_sources.pdf?language_id=1

Investment conditions remain unfavourable

The balance between favourable and unfavourable assessments of investment conditions remained negative across all sectors (-11 percentage points for all firms combined, from -8 points in the third quarter; Figure 3): the balance is especially negative in industry, where it deteriorated significantly compared with the previous survey (-19 percentage points, down from -12 points), while the balance remained largely stable in services and in construction (-5 percentage points, down from -4 and -3 points respectively). Assessments of credit access conditions were broadly unchanged compared with the previous quarter according to 85 per cent of firms. A similar share of firms believed that these conditions would continue in the next quarter as well. There are no signs of difficulties regarding firms' overall liquidity position over the next three months, which is considered to be more than sufficient by almost one fourth of firms, sufficient by 68 per cent of them, and less than sufficient by 8 per cent. These figures are largely in line with the previous round of the survey.

Despite the unfavourable assessments of investment conditions, the balance between the share of firms expecting an expansion in investment in the first half of 2025 and the share of those expecting a reduction is positive. The gap is wider in services and in construction (around 20 percentage points) than it is in industry excluding construction (4 points), and is expected to remain positive over the course of 2025.

Growth in selling prices stabilizes in services and in industry excluding construction

In services, selling prices rose by 2.1 per cent year-on-year (from 2.2 per cent in the third quarter), while they continued to grow at a slower pace in industry excluding construction (1.4 per cent, from 1.2 per cent in the previous survey). For construction firms, selling prices slowed, though they continued to grow at a significantly faster pace than in the other sectors (3.3 per cent, down from 4.4 per cent in the third quarter). Over the next 12 months, price growth is expected to remain broadly stable across all sectors, at 1.5 per cent in industry excluding construction, 2.1 per cent in services and 3.3 per cent in construction. Against the widespread weakness in demand, prices will be driven by labour and commodity costs.

Inflation expectations are down across all time horizons

Inflation expectations stand on average at 1.4 per cent over the six-month time horizon and at 1.5 per cent over the one and two years ahead time horizons. They stood at 1.7 per cent across all time horizons in the previous survey. The expectations continue to be similar across firms belonging to different sectors, size classes and regions.

Table 1

Main findings (1)

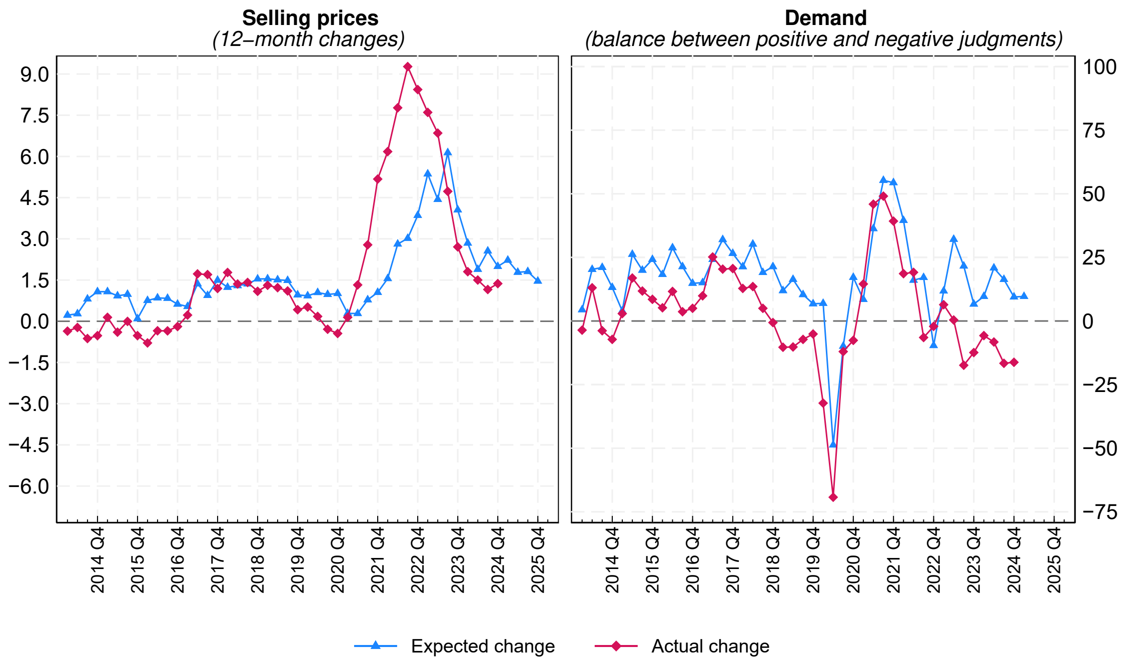
(per cent and percentage points)

	Industry exc. const.		Services		Construction		Total	
	2024 Q3	2024 Q4	*2024 Q3*	2024 Q4	*2024 Q3*	2024 Q4	*2024 Q3*	2024 Q4
	per cent							
Inflation expectation 6 months ahead	*1.7*	1.4	*1.7*	1.4	*1.7*	1.5	*1.7*	1.4
Inflation expectation 12 months ahead	*1.7*	1.5	*1.7*	1.5	*1.7*	1.6	*1.7*	1.5
Change in own prices 12 months ahead	*1.8*	1.5	*2.1*	2.1	*4.1*	3.3	*2.0*	1.9
	Balance between reports of improvement and deterioration (percentage points)							
Judgments on the previous quarter								
General economic situation	*-20.4*	-31.9	*-11.1*	-19.0	*-4.2*	-17.9	*-14.9*	-24.8
Total demand	*-16.6*	-16.2	*8.1*	4.4	*19.1*	23.4	*-2.4*	-3.8
Foreing demand	*-5.5*	-10.8	*11.2*	-1.3	—	—	*-0.3*	-7.9
Investment conditions	*-12.2*	-18.8	*-3.9*	-5.0	*-3.2*	-5.3	*-7.7*	-11.3
Forecast 3 months ahead								
Total demand	*9.4*	9.6	*20.1*	15.9	*35.3*	35.5	*16.2*	14.3
Foreing demand	*15.4*	11.0	*21.1*	12.4	—	—	*17.2*	11.4
Firms' economic conditions	*-13.6*	-16.0	*-2.3*	-4.7	*5.8*	1.7	*-6.9*	-9.4
Employment	*5.5*	2.6	*8.2*	11.4	*25.6*	23.2	*8.0*	8.1
Forecast of investment expediture								
H1 2025 on H2 2024	—	4.1	—	20.4	—	21.6	—	13.1
2025 on 2024	—	7.7	—	17.1	—	17.7	—	12.9

(1) The statistical appendix is available at
http://www.bancaditalia.it/pubblicazioni/indagine-inflazione/2024-indagine-inflazione/12/dati_2024_12.zip?language_id=1

Figure 1.1

Expected and actual changes in selling prices and demand (1)
(industry excluding construction)



(1) Winsorized estimates: values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles. For selling prices, the actual change (red line) refers to price changes in the previous 12 months, while the expected change (blue line) refers to forecasts over a 12-month horizon, made in the same quarter of the previous year. For demand, the balances refer to changes observed over the reference quarter (red line) and to the forecasts made in the current quarter for the following three months (blue line).

Figure 1.2

Expected and actual changes in selling prices and demand (1)
(services)

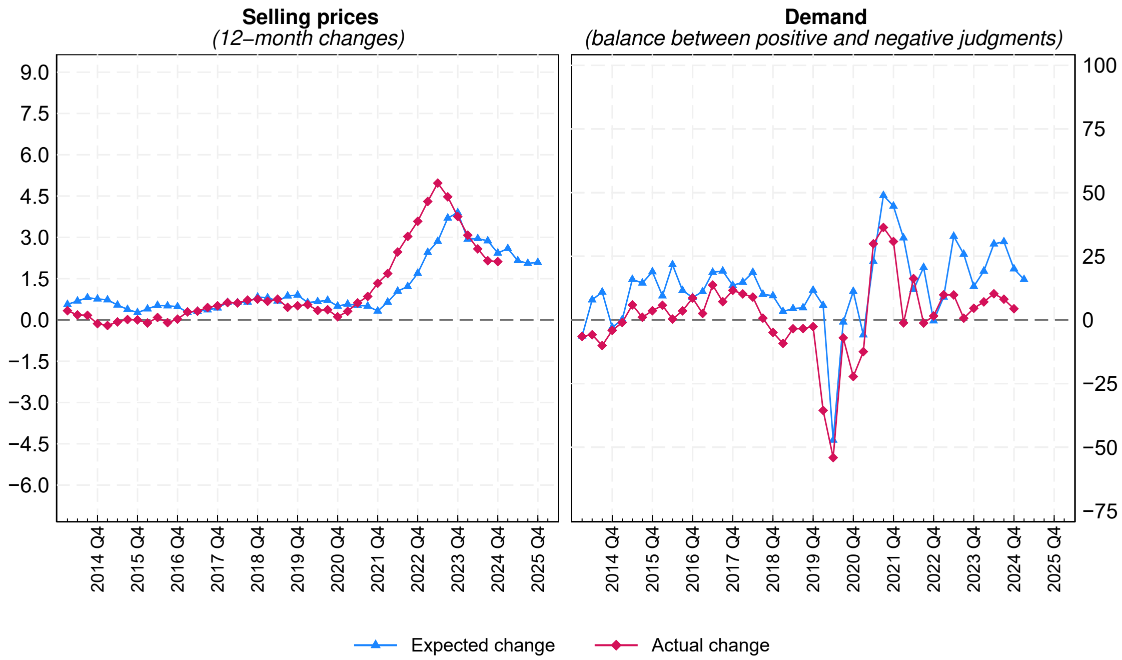
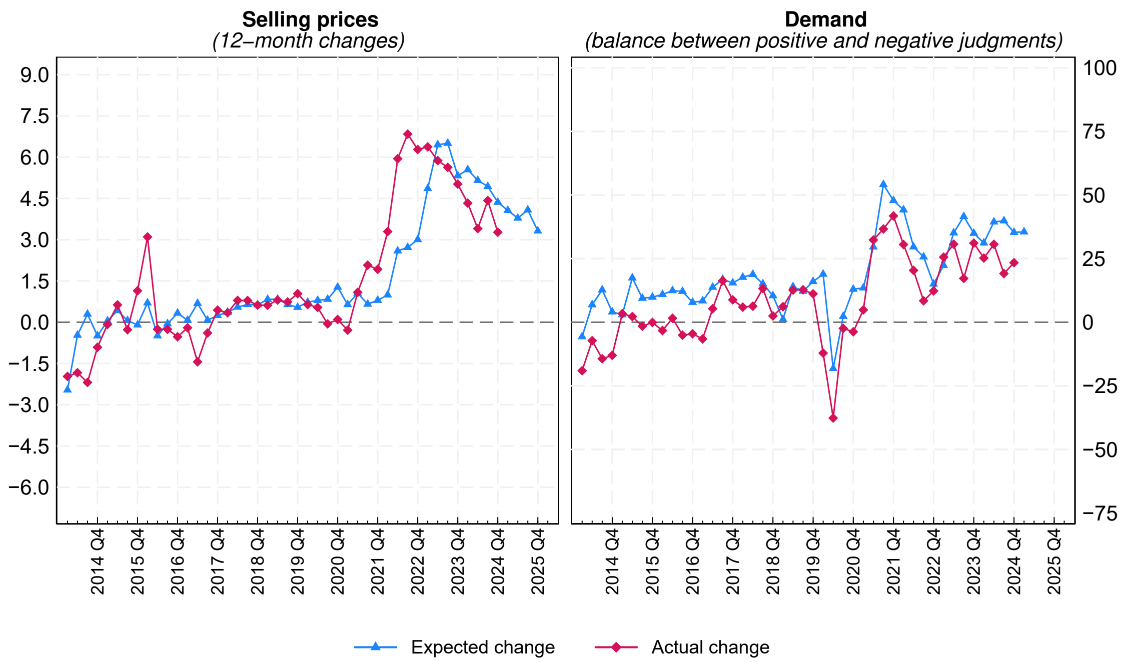


Figure 1.3

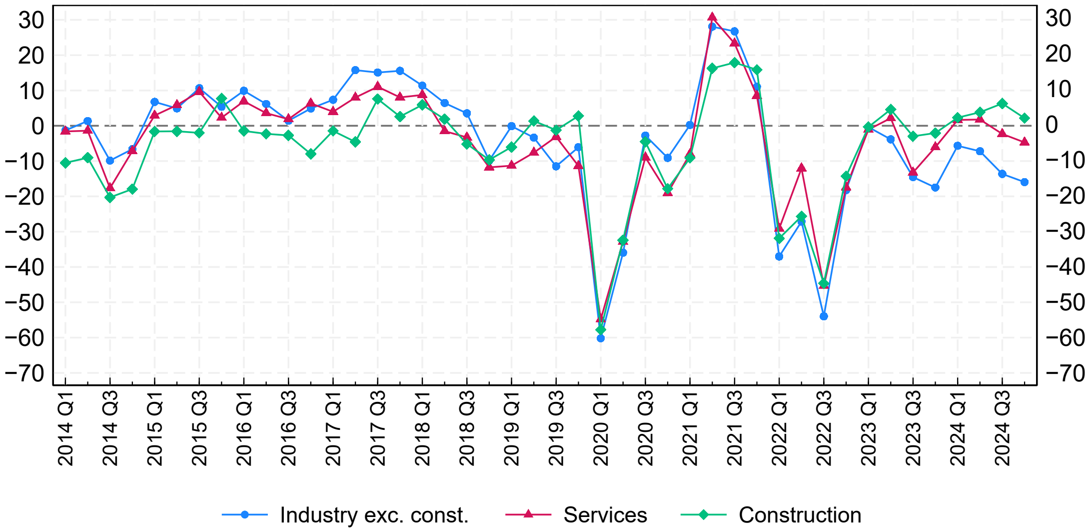
Expected and actual changes in selling prices and demand (1)
(Construction)



(1) Winsorized estimates: values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles. For selling prices, the actual change (red line) refers to price changes in the previous 12 months, while the expected change (blue line) refers to forecasts over a 12-month horizon, made in the same quarter of the previous year. For demand, the balances refer to changes observed over the reference quarter (red line) and to the forecasts made in the current quarter for the following three months (blue line).

Figure 2.3

Three-month forecast of the firm's business conditions (1)
(percentage points)



(1) Balance between expectations of an increase and expectations of a decrease.

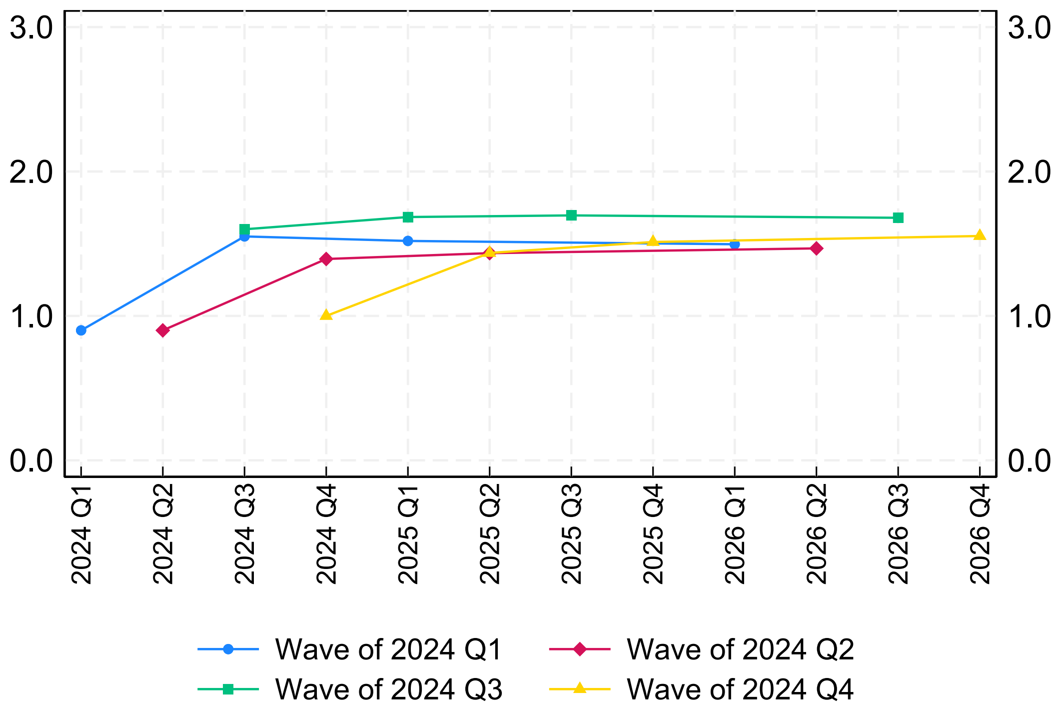
Figure 3

Conditions for investment with respect to previous quarter (1)
(percentage points)

(1) Balance between positive and negative judgments.

Figure 4

Expectations of consumer price inflation in Italy (1)
(percentage changes on year-earlier period)



(1)) The first point in each curve is the latest definitive inflation data available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next six months; the third point is the average of the interviewees' forecasts for the next twelve months; the fourth point is the average of the interviewees' forecasts for the next twenty-four months.

Figure 5

Expectations of the inflation rate over the next 12 months (1)
(non parametric estimates)

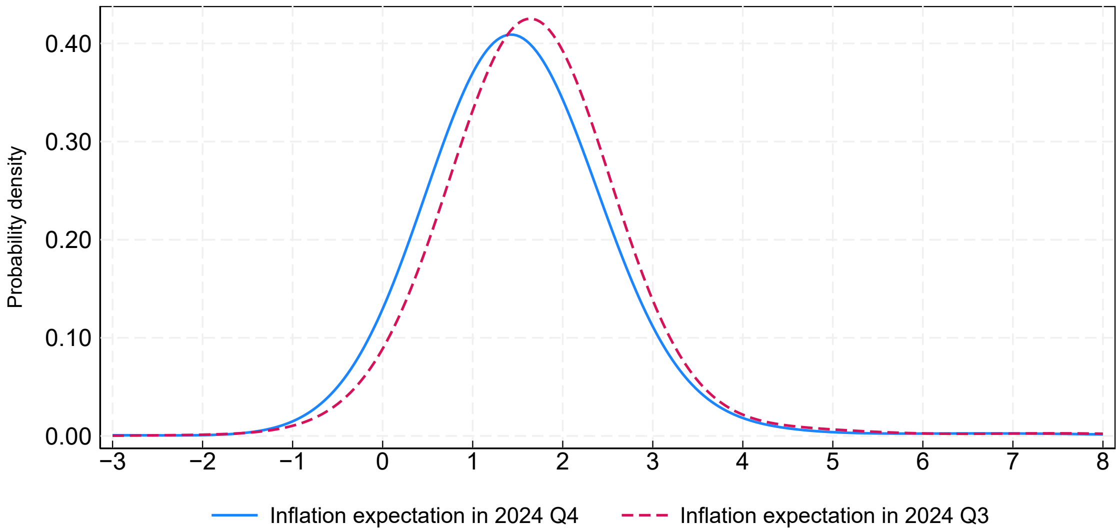
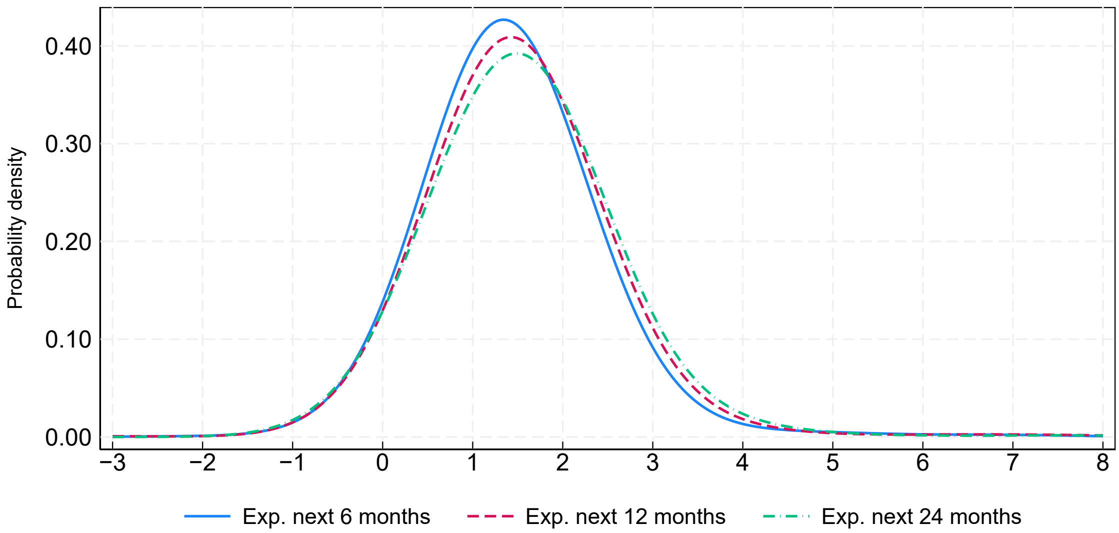


Figure 6

Expectations of the inflation rate over the next 6, 12 and 24 months (1)
(non parametric estimates)



(1) The estimates are obtained using a Gaussian kernel density with a bandwith equal to 0.75.

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