

2024 ANNUAL REPORT

The state of the Nation

Summary

presented by Francesco Maria Chelli, acting President of Istat
Wednesday, 15th May 2024 in Rome - Palazzo Montecitorio



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Introduction

The thirty-second edition of the Istat Annual Report offers, as usual, a statistical portrait of Italy over the past year, with a focus on the international scenario, and proposes some keys to understanding the present and planning for the future.

The Annual Report presents an integrated analysis of the Country's demographic, economic, and social transformations over a medium- to long-term timeframe. It elucidates the advancements and the enduring challenges confronting its institutions, businesses, and civil society.

The Report is structured into four chapters.

The first chapter presents an overview of the contemporary economic landscape, encompassing economic trends, the evolution of competitiveness in Italy, and demographic and social dynamics, within the context of a rapidly evolving global environment. Despite the recent positive overall results, the analysis identifies several structural impediments to economic growth.

The second chapter employs an empirical, comparative approach to analyse the structural transformations of the labour market in the European Union, focussing on changes in demographic and educational levels, and in comparison with the major economies of the European Union. The chapter goes on to describe forms of labour vulnerability and the evolution of the production system in terms of its sectoral and behavioural characteristics and analyses the consequences of these changes on labour demand.

The third chapter provides a comprehensive analysis of the evolution of household economic conditions and the quality of life of individuals across various age groups, including young, adults, and older adults (over-65s), women, and men. An intergenerational comparison reveals significant disparities in social and cultural participation, lifestyles, and health outcomes. The analysis of this data will facilitate the identification of priority areas for intervention, to enhance individual well-being and reinforce social cohesion.

The fourth and final chapter employs the same analytical techniques as those used in the preceding chapters, but on a territorial basis, commencing at the municipal level. The dynamics of demographics and housing are inextricably linked to social conditions, accessibility to public services, labour market

outcomes, educational disadvantage and economic activity. This analysis allows for the identification of both strengths and weaknesses. These findings may inform the development of future intervention strategies that are more targeted and effective.

The Italian economy: growth, weaknesses, and changes

The Italian economy is currently exhibiting moderate, positive growth prospects for 2024. However, developments in the international macroeconomic environment remain highly uncertain and conditioned by geopolitical tensions in Europe and the Middle East.

Following the 2020 economic downturn, our Country has exhibited a period of sustained growth. Over the past three years, our Country's economic expansion has outpaced the EU average, and it has also grown at a rate faster than that of France and Germany among the largest economies. The growth in GDP was primarily driven by domestic demand, with investment representing a crucial element. It is notable that, although there has been a decline over time, the contribution of investment in the construction sector, supported by incentives for the building industry, has been a significant factor.

The year 2023 was characterised by a notable deceleration in economic growth across all advanced economies, accompanied by a period of stagnation in international trade volumes. The economic performance of the major European countries was characterised by considerable variation. In Spain, GDP increased by 2.5 percent, while in Italy it grew by 0.9 percent (from 4.0 the previous year) and in France it expanded by 0.7 percent. Conversely, in Germany, GDP contracted by 0.3 percent. A decline in household consumption expenditure contributed to the deceleration in economic growth in Italy.

Following two years of robust growth, investment activity decelerated, although it remained positive across all its constituent components.

The trade balance, which in 2022 exhibited a deficit of over 30 billion due to the surge in energy prices, reverted to a surplus of 34.5 billion in 2023. This reversal can be attributed to enhanced terms of trade, a notable decline in imports, and a considerable degree of stability in the value of exports.

Preliminary estimates for the first quarter of 2024 indicate moderate economic growth in Italy, France and Germany, with rates of +0.3 percent, +0.2 percent and +0.2 percent, respectively. Spain is expected to experience the most robust growth, with an estimated rate of +0.7 percent. Should these estimates be confirmed, the resulting growth for Italy in 2024 would be 0.5 percent. In our Country, the observed economic change can be attributed to an increase in value-added across all sectors. Concerning the demand side, a negative contribution is evident from the domestic component (before inventories), while a positive contribution is observed from the net foreign component.



In recent years, economic growth has been accompanied by a favourable performance in the labour market. In 2023, the number of employed individuals continued to increase at a slightly lower rate than in the previous year (+2.1 percent, from +2.4), despite the slowdown in economic activity.

The initial data for 2024 substantiate this favourable trend. In accordance with the observations made in the preceding year, the expansion in employment over the past year was predominantly attributable to the permanent employment component.

The enhancement of the public finance framework persisted over the past year, with a diminution in the ratio of net borrowing to gross domestic product (GDP) (from 8.6 percent to 7.4 percent) and debt (from 140.5 percent to 137.3 percent).

Since the second half of 2021, Italy has experienced a rise in prices for imported commodities, a trend that has been observed in other advanced countries. This was followed in late 2022 by a rapid cooling process, which consolidated in 2023. These two dynamics were particularly evident in Italy. In Italy, the Harmonised Index of Consumer Prices for EU countries (HICP) reached a year-on-year change of 12.6 percent in October 2022, representing the highest rate among the largest economies in the Union. In Germany, the inflation rate reached 11.6 percent, while in France it stood at 7.1 percent. In Spain, the highest inflation rate was recorded in July of that year, reaching 10.7 percent. Conversely, preliminary estimates indicate that in April 2024, the annual rate of change in Italy was 1 percent, compared to 2.4 percent in France and Germany and 3.4 percent in Spain.

The exceptional, pervasive inflationary episode had disparate effects on the profit margins of firms across various sectors. For households, the price increase led to a reduction in purchasing power, which has been particularly significant for the less affluent segments of the population. This is due to a more pronounced increase in the prices of primary goods, such as food and energy, which has not kept pace with the sudden rise in inflation. Over the past two years, households have maintained their consumption levels by reducing the propensity to save, which had almost doubled by 2020. However, since the end of 2023, the initial indications of recuperation in contractual wages have exhibited a more robust expansion than that of inflation.

Despite the Italian economy's resilience in recent years, particularly in the face of the pandemic and the energy crisis, which were mitigated by government measures to support incomes and economic activity, the Country's growth prospects remain constrained by critical factors with deep roots. These factors present opportunities for further actions, some of which are already underway.

The relatively favourable economic performance of our Country in recent years, particularly when viewed in the context of the challenging circumstances under which it was achieved, can be attributed to two decades of prolonged economic crisis. Over the past two decades, economic activity and labour productivity have exhibited a markedly slower growth trajectory than in the historical past and other major European economies. This has also resulted in a relatively modest expansion

in real wages. By the end of 2023, the real Italian GDP had returned to the 2007 level. Over the subsequent 15 years, the growth rate in Italy exhibited a significant disparity compared to other major European economies. In 2023, Italy's GDP growth rate lagged behind that of Spain by over 10 points, France by 14 points and Germany by 17 points. When comparing 2023 with 2000, the gap widened to over 20 points with France and Germany, and over 30 points with Spain.

During this period, the Italian economy has undergone a gradual process of structural adaptation to changes in the competitive environment, and more recently, to the impact of the digital transition.

Notwithstanding the persistence of critical issues and delays in the utilisation of more sophisticated technologies, such as artificial intelligence, and in the dissemination of digital competencies, the production system and public administration have demonstrated considerable advancement in the adoption and deployment of information and communication technologies (ICT). The digitalisation of the economic system, encouraged by the incentive policies implemented in recent years and accelerated by the necessity for a temporary reorganisation of work activities induced by the pandemic, may be further reinforced by the investments foreseen in the National Recovery and Resilience Plan (NRRP).

The field is characterised by three critical issues: firstly, the continued reluctance of small and medium-sized enterprises to adopt more complex technologies; secondly, the dearth of qualified personnel in ICT professions; and thirdly, the diminished capacity of the economic system to leverage such resources to enhance efficiency and productivity.

The public administration sector has made some progress in terms of infrastructural development, with positive implications for organisational efficiency. Additionally, there has been an expansion of online services, accompanied by a significant uptake of this channel by citizens and businesses alike. It is imperative to implement efficacious measures to mitigate the digital divide, which has a detrimental impact on specific demographic groups, including older adults and those with limited educational attainment.

Over the past two decades, Italy has maintained its position in international goods markets despite intensifying competition from emerging economies. It has effectively offset the impact of declining exports in many supply chains due to evolving trade specialisation. The performance in the services sector has been comparatively weak, with a lack of development in knowledge-intensive and high-value-added activities. This has contributed to a weakening of economic performance and an increased dependence of the production system on foreign countries.

Lower production levels in manufacturing, coupled with a persistent decline in domestic demand, have contributed to a reduction in gross fixed capital formation, which in turn has led to a decline in labour productivity. In nearly all sectors, productivity growth has been slower than in other countries.



Furthermore, the modest positive effect of the reallocation of employment to relatively more productive activities, such as professional and support services, has been almost entirely cancelled out by the simultaneous reduction in productivity in those same sectors. It is also important to consider the low level of overall investment, particularly in intangible investment, which plays a significant role in modernising the capital stock. The recent increase in investment and the further contribution anticipated from the NRRP could facilitate a recovery in productivity in the medium term. It is important to note, however, that in the context of European comparisons, the productivity deficit is primarily concentrated in smaller enterprises, which play a significant role in the Italian production structure.

Changes in employment: recent trends and structural transformations

Over the past two decades, there have been significant shifts in the nature of employment, which have occurred concurrently with changes in demographics, the economy and society. Notwithstanding the occurrence of pronounced cyclical fluctuations, the number of individuals in employment and the employment rate have exhibited growth. However, beneath these aggregate trends, there are significant structural shifts in the nature of employment and distinct dynamics between individuals, including differences between men and women, young people and adults.

The proportion of the workforce engaged in part-time employment exhibited a persistent upward trajectory until the advent of the 2020 crisis, reflecting the growing significance of tertiary activities. There was a notable surge in female employment, accompanied by a rise in the number of individuals aged 65 and above in the labour force. This phenomenon can be attributed, at least in part, to the increased life expectancy and the postponement of the retirement age. Conversely, the employment rate among younger age groups, which are now less numerous, has declined, partly due to longer education pathways. As a consequence of advances in education, increased participation of young people and adults in training, and the emigration of older generations with lower average educational attainment, the labour force is now, on the whole, better educated than it was in the past.

The pattern of these developments has been largely consistent across major European economies, though the pace of change has varied. 7

Over the past two decades, the employment gaps with other major European countries have remained static or even widened due to lacklustre economic growth. In 2023, the employment rate for the population aged 15-64 was 15.9 points lower than in Germany, a 9.0 point increase from 2004, and 6.9 and 3.9 points lower than in France and Spain, respectively, a deterioration of 1.3 and 0.3 percentage points from 2004. These discrepancies were more pronounced and the deterioration was more significant when considering solely the female component. However, the gender gap in employment rates for women with a

university education in Italy has almost disappeared. Women in this age group with a university education have achieved higher employment rates than the general male population (80.2 vs. 78.0 percent), while remaining 7.7 points lower than men with the same level of education.

Over the past year, the employment rate of the Italian population aged 15-64 has increased to 61.5 percent, representing a 2.4 percentage point rise compared to the figures recorded in 2019. In March 2024, provisional data indicated that 23 million 849 thousand individuals were employed, representing a 781 thousand increase compared to the same month five years prior. This resulted in an overall employment rate of 62.1 percent. In 2023, the unemployment rate was 7.7 percent, while in March 2024 it had decreased to 7.2 percent.

In the year 2023, the employment growth was primarily concentrated among full-time and permanent employees. In comparison to the data from 2019, the proportion of fixed-term employees out of the total number of employees (16.1 percent in 2023) has decreased by 0.9 percentage points. The proportion of part-time employees (17.6 percent of the total, representing a decline of 1.3 points) was comparable to the EU27 average, higher than in France and Spain, but over 11 points lower than in Germany. The prevalence of part-time work among women is four times that observed among men (31.4 percent and 7.4 percent, respectively). A significant proportion of part-time workers express a desire to work more hours. Among men, this figure reaches almost 70 percent, with a particularly high prevalence in the southern regions, where nearly nine out of ten men are part-time workers. In comparison to other major European economies, the proportion of involuntary part-time workers was the highest.

Notwithstanding the favourable developments observed in the labour market in recent years, a considerable proportion of the employed population in our country remains economically vulnerable. From 2013 to 2023, the annual gross wage per employee, as measured by the National Accounts, increased by approximately 16 percent in Italy. This figure is just over half the EU27 average, which saw an increase of 30.8 percent. Spain and France experienced increases of 22.7 percent and 35.0 percent respectively. Conversely, the purchasing power of gross wages decreased by 4.5 percent over the same period, while in France it increased by 1.1 percent, in Spain by 3.2 percent and in Germany by 5.7 percent. The reduction in real per capita wages is a reflection of the slow growth observed in the previous decade and the significant erosion caused by inflation over the past two years. The contraction has yet to be fully recovered, with a 6.4 percent decline in real wages observed in Italy and a 4.1 percent decline in Germany in 2023, compared to 2021. France and Spain also experienced smaller losses, at -1.5 and -1.9 percent, respectively. The proliferation of less protected and low-intensity employment contracts has also contributed to the decline in the annual gross wage trend over the past decade. Individuals belonging to the younger age group, female gender and foreign nationality are the most vulnerable to wage-related issues.

There has been a discernible advancement in the educational attainment of the general population, albeit with the persistence of pronounced disparities in



learning outcomes across different social and territorial groups. Between 2013 and 2021, in Italy, the proportion of the population aged between 20 and 29 who had obtained a bachelor's degree remained at the same level and exhibited a similar growth profile to that observed in France, Germany, and Spain. Concerning graduates holding master's degrees or single-cycle degrees, while there has been growth, our country occupies an intermediate position between the highest rate observed in France and the lowest in Germany. Italy occupies the lowest position in the ranking for doctoral degrees and other specialised qualifications, which have experienced a notable decline in the number of holders.

As in the other countries under comparison, women are gaining ground in terms of their representation in higher education. Nevertheless, a notable gender disparity persists in the selection of technical and scientific curricula, which necessitates a reduction in this discrepancy. Furthermore, the expansion of short-cycle tertiary education, a phenomenon currently lacking in Italy, would be a valuable addition to the educational landscape.

The observed changes in employment are closely linked to those in the economic fabric, which underwent a gradual sectoral recomposition and a consolidation of the more robust part of the system within each activity. Those companies that were best able to adapt to the changing competitive conditions benefited the most. They demonstrated a greater capacity for innovation and, at the same time, for attracting an educated workforce. This contributed to the growth of employment and its quality.

The number of people employed in private enterprises increased by approximately 60,000 between 2012 and 2021. In contrast, the number of people employed in public administrations remained almost unchanged over the same period. The net effect was positive for approximately 1.2 million individuals with a university education and negative for approximately 330,000 individuals with a lower education. These values are the consequence of demographic factors, namely the turnover between generations with differing levels of education, and the progressive shift towards a more qualified structure of employment. The ratio of those with tertiary qualifications to the total number of employees has increased in all sectors, reflecting a general trend towards greater educational attainment across the workforce.

The investment of capital in human capital has been confirmed as a factor that contributes to the growth of companies. The results of the analyses indicate a strong connection between business strategies, investment in human resources, innovative capacities and technology adoption on the one hand, and performance on the other. The companies that are most active in all these aspects – classified in the Report as highly dynamic – are also those that have created the greatest number of jobs and absorbed the largest proportion of university-educated workers. Similarly, among the various economic activities, enterprises with more highly educated staff have experienced the greatest growth in terms of both size and value-added. For these reasons, too, the growth potential of the economy and the revival of its productivity (as well as the improvement, also qualitative, of employment) could benefit from the further

improvement of education and skills and, at the same time, from the production system enhancing the available human capital by consolidating and investing in proactive innovation strategies.

Changes in economic conditions and poverty

The favourable economic performance and the positive developments in the labour market that have been observed in recent years have not succeeded in reducing economic inequalities, which have increased since the global economic downturn that began in 2008 and lasted until 2013.

The evolution of consumption expenditure represents, regardless of short-term trends, a primary and significant indicator for measuring the aggregate well-being of the population as a whole and across the territory. In recent years, the impact on monetary and real expenditure levels has been considerable, largely due to the shock associated with the health emergency and inflation, which has affected the real incomes of the majority of households.

A review of data from Istat's Household Expenditure Survey, which is available for the period from 2014 to 2023 in historical series form, reveals an 8.3 percent increase in the overall average of monthly household expenditure in current values. The most pronounced increase was observed in the Islands (+23.0 percent), followed by the Centre (+11.4) and the South (+10.2). In contrast, the increase in the North was 4.5 percent (4.8 percent in the North-west and 4.1 percent in the North-east), which is just over half the national figure.

In 2023, the mean monthly expenditure of resident households was 2,728 euros in current values, representing a 3.9 percent increase over the previous year. When expenditure trends are adjusted against price trends, the average equivalent expenditure is found to have fallen by 5.8 percent compared to 2014. The decline was most pronounced among lower- and lower-middle-class households, belonging to the first and second-fifths of the distribution, with declines of -8.8 and -8.1 percent, respectively. Middle and upper-middle-class households also exhibited a more pronounced reduction in real expenditure relative to the national average (-6.3 percent and -7.3 percent, respectively). Only the wealthiest households, belonging to the last fifth, were able to maintain a level of expenditure that remained consistent with the previous year (-3.2 percent).

This increase in economic hardship was mirrored by a simultaneous deterioration in absolute poverty indicators. In 2023, absolute poverty affected 2,235,000 households (8.5 percent of the total, representing an increase of over two percentage points since 2014) and 5,752,000 individuals (9.8 percent of the population).

Absolute poverty is more prevalent amongst younger households than those with an average age of household members that is higher. As household members age, their income tends to increase due to career progression and the potential acquisition of inheritances, as well as the opportunity to utilise savings accumulated over a lifetime. This is reflected in the incidence of individual



absolute poverty, which, on average, decreases with age. In 2023, the highest incidence of absolute poverty was observed among individuals under the age of 18 (14.0 percent of minors, representing 1.3 million individuals, were classified as poor, compared to 9.8 percent of the population average). Additionally, values exceeding the national average were observed among individuals aged 18-34 (11.9 percent) and 35-44 (11.8 percent). The individual incidence declines to 5.4 percent among individuals aged 65-74, representing the lowest value, and then increases once more to 7.0 percent in the oldest segment of the population, individuals aged 75 and above.

In comparison to the data from 2014, the prevalence of absolute poverty has increased predominantly among the working-age population and their children. The capacity of earned income, particularly from employment, to safeguard individuals and households from economic adversity has diminished. Indeed, over the past decade, poverty has increased most among those in employment. In 2014, the prevalence of poverty was comparable between employed (5.0 percent) and self-employed (4.7 percent) workers. However, by 2023, the incidence of poverty among employed individuals had risen to 8.2 percent, while among the self-employed it stood at 5.1 percent.

The data on consumption expenditure and poverty indicators for the past ten years indicates that, while there has been some alignment between territorial units, the overall trajectory has been one of deterioration. The prevalence of absolute poverty among households is lower in the Centre (6.8 percent) and in the North (8.0 percent in both the North-west and the North-east), and higher in the South and the Islands (10.2 and 10.3 percent). A similar trend is observed in the incidence of poverty among individuals, with rates of 8.0 percent in the Centre, 8.7 percent in the North-east, 9.2 percent in the North-west, and 12.1 percent in both the South and the Islands.

Demography and living conditions

The deterioration in the socioeconomic conditions of younger generations relative to those of older ones is directly linked to the significant structural imbalance resulting from demographic dynamics. In the relatively brief period between the beginning of the new millennium and the present day, demographic trends and their effects have become increasingly rapid, manifesting as they interact with a diverse range of socioeconomic, technological and cultural factors.

The effects of the ageing process are becoming increasingly apparent. Over 20 years, from 2004 to 2024, there was an observed increase in the average age of the population from 42.3 years to 46.6 years. Additionally, there was a significant growth in the old-age index, reaching 199.8 people aged 65 and above for every hundred people aged 0-14, representing an increase of over 64 percentage points.

The adult and young person populations decreased by almost 2 million individuals, with the decline occurring at a similar rate in both groups. However, the incidence of change differed significantly between the two age groups.

Between 2004 and 2024, the adult population between 16 and 64 years of age, which constituted 36.9 million individuals, decreased by 2.5 percent. In contrast, the child and young person population up to 15 years of age, which numbered 7.7 million, decreased by more than 12 percent.

In contrast, the number of residents aged 65 and over increased by over three million, reaching 14.358 million (+5.1 percentage points compared to 2004). A greater proportion of this cohort is now aged 75 or above (7 million 439 thousand), representing a 3.8 percentage point increase over the past two decades.

The considerable influx of migrants from abroad, which commenced in the early 2000s, served to mitigate the predominantly adverse natural dynamics of the native population. The influx of migrants contributed to population growth, particularly in the active age groups, and resulted in a renewal of the age structure, facilitated by an increase in the birth rate. However, the positive contribution of migration to the demographic dynamic has diminished over the last decade. This is partly due to a shift in the nature of migration flows, whereby those driven by the realisation of life projects in our country have gradually given way to those prompted by emergencies, which are more transitory in nature. Concurrently, there has been a resurgence in the emigration of Italian citizens.

In 2023, the ongoing decline in the number of residents since the end of 2014 was more moderate (7,000 people), due to the largely positive effects of the migration balance. As of 31 December 2023, the resident population was recorded at 58,989,749. The year 2023 saw a further decline in the number of births, with just 379 thousand recorded. This represents a historical low, following the relative minimum of 577 thousand new births in 2008. The number of deaths (661 thousand) decreased by 8 percent in comparison to the previous year, reaching levels that were slightly higher than those observed before the pandemic. Nevertheless, the net result of births and deaths, that is to say, the natural population balance, remained markedly negative.

The decline in mortality rates resulted in an increase of six months in life expectancy at birth, reaching 83.1 years. This evidence substantiates Italy's status as a country where the average lifespan is longer. This is an exceptional accomplishment, and it is commendable that Italy has achieved it. However, it is imperative to recognise that ensuring that these additional years of life are spent in optimal health necessitates a significant commitment.

The combination of increased longevity and persisting low birth rates has resulted in a notable population ageing, with the proportion of individuals aged 65 and above reaching almost a quarter of the total population by 1 January 2024. This figure is approximately twice that of children and young people under the age of 15. The process of population ageing is set to intensify over the next two decades, as the cohorts born during the baby boom years reach the traditional retirement age. It is anticipated that by the year 2050, the number of individuals aged 65 and above will be threefold that of those under the age of 15.



It should be noted, however, that the conventional distinctions between young, adult, and over-65s no longer depend solely on biological and demographic factors. There is a growing discrepancy between an individual's perception of their age, its social representation, and their actual biological age. How individuals transition from youth to adulthood and from adulthood to old age is contingent upon several factors, including economic conditions and lifestyles, as well as the human capital of the individuals in question. The institutional and social context in which members of each generation reinterpret their life paths is also a significant factor.

The analyses proposed in the Report concentrate on the distinctive behaviours and habits that differentiate today's generations from those of their counterparts twenty years ago. The transformations affecting today's young and adult generations will also have an impact on the over-65s of tomorrow.

The pace of change in family formation processes and family structures is accelerating. There has been a significant decline in the number of couples, particularly those with children, who previously constituted the most prevalent family structure. The number of childless couples and single-parent households, particularly those headed by single mothers and their children, has increased. Furthermore, the proportion of individuals residing alone has increased, not only among older adults, who are living longer and experiencing widowhood more frequently but also among adults.

New patterns of family formation have emerged and become increasingly prevalent over time. In the 2022-2023 period, the following family structures were observed: unmarried couples, reconstituted households, and non-widowed single parents collectively constituted 39.7 percent of total households. In the 2002-2003 period, the figure was 21.9 percent. Collectively, these households represent over 18.5 million individuals or approximately a third of the population. The changes in family structure are particularly impacting children and young people aged up to 24, who are increasingly living with unmarried parents or single mothers.

During the same period, the proportion of adults aged 25-64 who were living without a partner increased twofold, from 10.9 percent of individuals aged 25 and above to 22.1 percent of individuals aged 25 and above of the total. Additionally, the proportion of adults living with a partner who was not married, or in married households where at least one of the two spouses was from a previous marriage, increased from 5.4 percent to 14.6 percent.

The advent of novel family structures has also impacted older adults. The proportion of individuals aged 65 and above residing alone has risen, driven not only by the effects of widowhood but also by a twofold increase in those entering into free unions or second marriages within the 65-74 age bracket.

The society of tomorrow will be shaped by the educational, academic and professional experiences of today. The preceding two decades have been distinguished by substantial shifts in the domains of education, training, and labour market engagement, with ramifications extending to economic circumstances and a multitude of facets of everyday life.

As has already been stated, the pathways of education and training encompass an ever-increasing proportion of the population, with an expansion in duration. Even though Italy still lags significantly behind the rest of Europe in terms of the proportion of adults (aged 25 to 64) with high educational qualifications, there has been considerable progress in recent years, particularly among women. The proportion of the adult population with low educational qualifications (at most a lower secondary school diploma) has decreased significantly. Over the past two decades, the proportion of individuals aged 25-34 who have obtained a tertiary qualification has doubled. Currently, more than one-third of women in this age group and just over a fifth of their male counterparts have done so. A greater proportion of individuals aged 35-44 (more than two-thirds) and over half of those aged 45-64 have attained at least an upper secondary school diploma.

Similarly, the over-65s have also been affected by these changes. Currently, over a quarter of them possess at least an upper secondary school diploma. This is a significant increase from twenty years ago when only 1 in 10 individuals in this age group held such a qualification. Projections indicate that by twenty years, the proportion of individuals in this age group with at least an upper secondary school diploma will exceed 50 percent. In conjunction with the expansion of the educational continuum, shifts in the economic and social milieu and the regulatory apparatus have transformed the avenues for entry and retention in the labour market, particularly for younger individuals.

Additionally, there have been significant shifts in the population's lifestyle patterns.

The digital revolution represents a case of a unique and unprecedented speed of change. The last two decades have been characterised by an extraordinary process of transformation in behaviours concerning digital technologies, fostered by generational dynamics and advances in education and training. The rise in human capital and the differing propensity and utilisation of technologies by age and level of education play a significant role in influencing skills, the adoption of new technologies, innovation and access to digital opportunities. Between 2003 and 2023, the proportion of individuals aged 16-74 who were regular Internet users increased from 24.9 to 84.5 percent. This growth was partly attributable to the health emergency, with the increase of approximately 12 percentage points over 2019 reducing the gap with the EU27 average from 10 to less than 5 percentage points over four years.

While there has been an expansion in the use of digital technologies among the general population, disparities in terms of access to and proficiency in these technologies continue to exist. The latest generation of young people is what is known as 'digital natives', having grown up surrounded by digital technologies



from an early age. Indeed, over the past twenty years, the percentage of regular Internet users among young people has more than doubled, reaching 97.6 percent in 2023, with no discernible gender or territorial differences. Nevertheless, Italian young people still lag behind their European counterparts in the acquisition of specific skills. The issue of digital skills among the population, and particularly among young people, is of significant importance. Reducing the gap with the most advanced European countries is of strategic value for the Country's future.

As has been the case in the past, younger generations continue to display the highest levels of participation in a range of activities and aspects of life. The majority of this cohort report high levels of life satisfaction and positive expectations regarding their future. In recent years, however, there has been a deterioration in mental health, particularly among girls, and an inclination to embrace lifestyles that may jeopardise their wellbeing, including excessive alcohol consumption and obesity. This has coincided with a decline in face-to-face interactions and an increase in remote or virtual communication.

The transformations of the last two decades have also brought about a significant change in the condition of adulthood. The concept of adulthood is no longer synonymous with stability and acquired certainties. An examination of the lifestyles and participation habits of adults reveals a notable increase in the utilisation of information and communication technologies for activities of daily living since 2004. In 2023, internet use also approached saturation levels among the adult population aged 25-64 (89.7 percent of regular users). Over the past two decades, the gender disparity in favour of men, which in 2010 exceeded 12 percentage points, has been eliminated. Notable improvements have been observed in the practice of sport, the reduction of smoking habits and cultural participation outside the home. Conversely, levels of social and political participation have declined.

In the population aged 65 and over, improvements in living conditions have led to an increase in the number of years that can be expected to be lived in good health and free of disabling conditions. This has had a positive impact on the quality of life of the population, including those in the oldest age groups. In the contemporary era, it is feasible for individuals to maintain a state of active longevity, engaging extensively in social, economic, political, and cultural pursuits throughout their later years. The extension of the working life span, resulting from legislative reforms, has led to an increase in the number of years of active life for the over-65s.

Concurrently, the age of entry into older age shifted forward, frequently corresponding to a loss of self-sufficiency and a reduction in social participation. This may become an element of serious individual fragility and should be systematically addressed in social policies.

Italy's territories: challenges and potential

The current complex transformations are reflected throughout the territory, manifesting as distinctive economic, demographic, social and cultural characteristics. Consequently, the territory exhibits a range of potential opportunities and constraints.

Long-term demographic forecasts indicate that the trend of depopulation and ageing in economically less attractive areas is becoming more pronounced. Indeed, the younger population tends to decline at a greater rate in areas with limited employment opportunities and low income levels. In this context, an analysis of the regional economic strengths is a crucial factor in understanding the demographic disparities at the territorial level. The data demonstrate the persistence of imbalances between the northern and southern regions of the Country. Nevertheless, there are indications of renewed vigour and innovation, particularly in the agricultural and cultural-creative sectors.

The progressive decline in birth rates has resulted in a reduction in the number of young people. In Italy, in 2021, the ratio of 18-34-year-olds to the total population was the lowest in Europe (17.5 percent compared to 19.6 percent for the EU27 average), with a decrease of approximately five million since the second half of the 1990s. Over the past two decades, the population aged 18 to 34 has decreased by 22.9 percent at the national level. The regions most affected by this decline were rural areas, which saw a reduction of 32.2 percent, and inner areas, which experienced a decline of 28 percent, in the southern and insular regions.

The development of these demographic trends is associated with a longer and more complex pathway to adulthood. Individuals are increasingly remaining in the parental home for longer periods, postponing economic autonomy and the formation of a family unit, including the birth of the first child. This, in turn, affects the overall number of children.

A decline in the number of young people will inevitably result in a reduction in future growth. The situation in the South and Islands is particularly acute, given the long-standing association between low birth rates and significant outmigration.

The decline in the youth population and the postponement of family transitions are often interrelated and influenced by territorial characteristics. Contexts characterised by high unemployment and a weak productive system show a greater decline in the number of young people and a postponement of transitions to adulthood. The regions most affected by these phenomena (Sardinia, Calabria, Basilicata, Molise, Puglia) also show very modest values for the main socioeconomic development parameters.

The northern regions show more favourable conditions for young people and generally shorter transitions. The decline in the young population also goes hand in hand with a general increase in the over-65s.



The Annual Report examines these dynamics with specific reference to the 14 metropolitan cities. These contexts offer a compelling case study, as they present a unique opportunity for active ageing in terms of health, participation and security. However, they also exhibit a lack of age-friendliness, and for older residents, the informal care network is often a source of vulnerability. In 2023, approximately five million individuals aged 65 and above were residing in metropolitan cities. The proportion of the resident population in these large urban areas that is aged 65 and over has increased from 15.3 percent to 23.3 percent since 2003. This is a higher rate than the Italian average of 24 percent. The proportion of the over-65s living alone has risen to almost one-third of the total, compared to less than 30 percent at the national level. Furthermore, the population aged 65 and over exhibits distinct profiles in terms of lifestyle, increased active participation in the labour force, and elevated levels of education when compared to previous generations. In metropolitan cities, slightly less than a third of people aged 65 and over have obtained at least an upper secondary school diploma, while 11 percent have obtained a university degree. These figures are lower than the national averages, which stand at slightly more than a quarter and approximately 8.2 percent, respectively. The greater accessibility of infrastructure and public services is a necessary condition for the implementation of strategies aimed at counteracting the economic, social and demographic decline affecting many of our regions. The Report focusses on an in-depth analysis of the provision of transport, educational institutions, healthcare facilities and cultural amenities.

At the national level, approximately 12 million individuals, or one-fifth of the population, reside in municipalities that are considered highly accessible concerning transportation. In contrast, 2.2 percent of residents are situated in municipalities with the lowest accessibility. The majority of these territories are classified as Inner Areas and are already the focus of the dedicated National Strategy. The objective of this strategy is to provide support for fragile and peripheral areas that are more susceptible to depopulation than others.

A total of 55.5 percent of the municipalities, which collectively account for 84.7 percent of the population, have been found to have a satisfactory level of accessibility to hospital facilities. The maximum travel time to the nearest hospital by private car is 15 minutes.

A gradual improvement in the situation of schools can be discerned. Nevertheless, there are still some challenging circumstances in terms of territorial endowments, which have the potential to encourage students to leave school prematurely and contribute to the perpetuation of educational disadvantage. A considerable proportion of educational establishments (over one in four) are inaccessible, with 16.4 per cent lacking adequate public transport provision. The accessibility gap between the Centre-north and the South and Islands regions is considerable, with 36.4 per cent of schools in the latter category being poorly accessible, compared to 19.5 per cent in the former. These difficulties are compounded in the Inner Areas.

The heritage in terms of museums, monuments and archaeology is distributed throughout the entire national territory. In 2022, there were almost 4,000 museums, monuments and archaeological sites open for visits, distributed across 2,121 municipalities. Of these locations, 46.9 percent are situated in the northern region, 27.4 percent in the central region, and 25.7 percent in the southern and island regions.

The Report employed a set of municipal-level indicators to assess territorial disparities in terms of resource accessibility and educational outcomes. A composite index was constructed to evaluate the outcomes of different educational pathways and the skills acquired by students, as well as an index to assess the resources available to them, based on indicators related to their family, school, and broader territorial context. The selected indicators are indicative of risk factors, therefore an index value above the national average (set at 100) is indicative of a situation of relative disadvantage. The indices are calculated on a regional basis, but also take into account the degree of urbanisation of municipalities in to assess their role in the social, economic and environmental contexts typical of different areas.

The spatial distribution of the index values pertaining to risk factors for outcomes exhibits a pronounced variability (ranging from 89 to 128), accompanied by a notable polarisation. On the one hand, the regions of Veneto, Marche and Umbria demonstrate a notable advantage over the national average value, with all municipalities, irrespective of their degree of urbanisation, exhibiting positive outcomes. Conversely, the islands, with Sardegna as a case in point, exhibit a pronounced disadvantage across all municipal types (the composite index ranges between 116 and 128).

The distribution of the resource-related indicator demonstrates a reduction in interregional inequality (as indicated by composite index values between 90 and 114), yet a notable differentiation in the degree of urbanisation. Except for Sicilia, where there is a marked deficiency in resources throughout the region in comparison to the national average, the level of urbanisation has a significant impact on the index value. In Calabria, for instance, the disparity is most evident in rural areas and least pronounced in urban centres, whereas in Campania, it is the latter that exhibits the most acute resource deficiencies. In the South and Islands region, the cities of Basilicata and Sardegna exhibit the lowest levels of resource scarcity.

Furthermore, the Report puts forth a novel multidimensional index of municipal fragility, which delineates the vulnerability of territories to a spectrum of risks, both natural and anthropogenic, and encompasses critical conditions about the demographic and socioeconomic characteristics of the population and the economic and productive system.

In 2021, municipalities exhibiting maximum or very high levels of fragility constituted 16.1 percent of all municipalities (approximately 1,300), with 8.7 percent of the population residing in these areas. In the South and Islands, however, 40.2 percent of municipalities and 24.4 percent of the population were



classified as belonging to these categories (up to approximately one-third in Campania, Calabria and Sicilia). Conversely, the two categories with minimal or very low fragility included 25.1 percent of municipalities and 41.9 percent of the population. In comparison to the data from 2018, there has been a reduction in the number of municipalities and populations residing in the most fragile areas, with a decrease of 3.9 and 2.9 percentage points, respectively. Conversely, there has been an increase in the incidence of municipalities and population in less fragile areas, with a rise of 5.1 and 8.6 percentage points, respectively. It is noteworthy that despite the persistence of a significant territorial imbalance, the decline in the proportion of municipalities in the most critical conditions was observed in all regions of the South and Islands, except Abruzzo. This Annual Report has allocated a portion of its content to several relatively modest-scale production entities, which nevertheless represent significant landmarks in their region, not only in economic terms. The productive performance of agricultural enterprises, which stood at just over 1.1 million as of October 2020, represents a 30.1 percent decline from 2010 levels. However, despite this reduction, the Utilised Agricultural Area experienced only a 2.5 percent decrease. Regional disparities in agricultural productivity and profitability are evident, with the Centre-north exhibiting the highest levels of output and the South lagging behind. Nevertheless, even in this latter geographical area, there are regions that demonstrate high productivity and a considerable degree of international openness. The number of agritourism farms has increased significantly over the past few decades. In 2004, there were just over 14,000 agritourism farms in Italy. By 2022, this number had grown to approximately 26,000. This represents a notable expansion of an emerging segment of the primary sector.

Additionally, cultural and creative enterprises are of considerable economic importance at the local level, contributing to the overall vibrancy and distinctive character of a region. In 2021, there were more than 360,000 local units engaged in cultural and creative activities, representing 7.4 percent of the total number of units in the Country. This sector employed nearly 900,000 individuals, representing 5 percent of the total number of employees in Italian businesses, and generated €37.8 billion in value-added, corresponding to 4.1 percent of the Country's entire economic activity. Cultural and creative enterprises are predominantly located in the north-central regions. However, the South and Islands exhibit the highest rates of new business creation.

Conclusions

For several years, the analyses conducted by Istat have underscored the significance of the demographic issue. In the present era, it is imperative to gain a more nuanced comprehension of the intricate interrelationships between this phenomenon and the evolving economic and social dynamics. It is also imperative to analyse its connections with the development of numerous territories, as some are at a greater risk of being left behind due to the absence of human and economic resources capable of sustaining their development.

The decline in the participation of young people and women in the labour force exerts a further negative influence on the size and structure of the working-age population, which is already affected by demographic decline. It would be feasible to offset the majority of the anticipated consequences of the decline in the working-age population on employment by increasing the employment rates of these demographic groups to the current European average.

High education levels can diminish the discrepancies between genders and territories, thereby facilitating economic growth and enhancing overall productivity. It is imperative that the digitalisation and innovation processes of businesses and public administrations are accelerated to stimulate these processes.

The future holds significant challenges, in terms of the broader landscape and the field of public statistics.

The objective is to meet the growing demand for information that is both timely and complex, as well as multidimensional. The production system of official statistics is, moreover, in a state of constant evolution, necessitating the acquisition of novel methodological and technical competencies and a continuous comparison with the international statistical community.



The 2024 Annual Report, now in its 32nd edition, provides an overview of the preceding year. By drawing on a growing corpus of information, the Annual Report examines Italy's significant transformations over the past two decades, offering insights into the complexities of the present and the demographic, economic, and social evolution. The Annual Report outlines the progress made and the challenges that Italy is obliged to confront. It analyses the trends and changes in the economy and employment in the context of international uncertainty and economic turbulence, considering the structural nodes of the production system and the evolution of the competitive environment. The social dimension is explored through an examination of people's living conditions, with particular attention paid to the interplay between demographic trends, changes between generations, and the dynamics of territories. These factors are examined in conjunction with social, infrastructural and economic conditions, to identify critical issues and potential opportunities. The report is structured in four chapters, which provide a comprehensive analysis of the past, an evaluation of the present, and a framework for future planning.

The 2024 Annual Report in Italian is available in **digital version** on the website www.istat.it

By scanning the QRcode you can directly access the full volume and its additional contents: infographics, dynamic graphs, interactive webmaps, summary and presentation of the President of Istat.

