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ITALY'S ECONOMIC OUTLOOK 2024-2025

- Italian GDP is expected to grow by 0.5% in 2024 and 0.8% in 2025.
- In 2024, GDP growth will be supported by net foreign demand (+0.7 percentage points), while domestic demand will contribute negatively (-0.2 p.p.). In 2025, however, the growth of the Italian economy will be primarily driven by domestic demand (+0.8 p.p.).
- Household private consumption will continue to be bolstered by the strengthening labour market and the increase in real wages; the persistence of these trends will result in a slight acceleration of their growth rate in 2025 (+1.1%, following +0.6% in 2024).
- Gross fixed investments will see marginal growth in 2024 (+0.4%, compared to +8.7% in 2023) due to the phasing out of fiscal incentives for construction; this effect will be even more pronounced in 2025 when, despite the positive impact of the implementation of measures under the PNRR and lower interest rates, investment growth is expected to stagnate at 0%.
- The dynamic labour market observed in 2024, measured in terms of full-time equivalent units (FTEs), will lead to growth significantly higher (+1.2%) than that of GDP; these dynamics will align in 2025 (+0.8%). Labour market improvements will contribute to a sharp reduction in the unemployment rate in 2024 (+6.5%, down from +7.5% in 2023), followed by a further slifgt decrease in 2025 (6.2%).
- The rapid decrease in the inflation rate, driven by lower energy prices in 2024, will underpin a significant deceleration in the household spending deflator (+1.1%, compared to +5.1% in 2023). In 2025, stable incomes and consumption levels are expected to increase household spending deflator (+2.0%).

TABLE 1. FORECAST FOR THE ITALIAN ECONOMY– GDP AND MAIN COMPONENTS

Years 2022-2025, Concatenated values for demand components; year-on-year percentage changes and percentage points

	2022	2023	2024	2025
Gross Domestic Product	4.7	0.7	0.5	0.8
Import of goods and services (fob)	13.2	-0.4	-2.1	2.7
Export of goods and services (fob)	9.8	0.8	0.0	2.5
DOMESTIC DEMAND (INCLUDING INVENTORIES)	5.6	0.3	-0.1	0.7
Residential household consumption expenditure and NPISH	5.0	1.0	0.6	1.2
Government Consumption	0.6	1.9	0.5	0.6
Gross fixed capital formation	7.9	8.7	0.4	0.0
CONTRIBUTION TO GDP				
Domestic demand (net of inventories)	4.5	2.8	0.5	0.8
Net export	-0.8	0.4	0.7	0.0
Inventories	1.0	-2.5	-0.7	0.0
Household consumption expenditure deflator	6.9	5.1	1.1	2.0
Gross domestic product deflator	3.6	5.8	1.8	2.3
Compensation of employees per full-time equivalent	2.3	2.4	2.6	2.6
Full-time equivalent employment	3.7	2.3	1.2	0.8
Unemployment rate	8.1	7.7	6.5	6.2
Trade balance (level as % of GDP)	-1.8	1.2	2.6	3.1

The International Framework

Stable global economic growth in a scenario marked by uncertainty.

Despite adverse shocks of different natures and partially overlapping in recent years, the international economy demonstrated notable resilience in 2024. The global scenario remains characterised by solid labour market conditions and declining inflation, which is approaching (or has already reached) central banks' targets in most economies. Furthermore, despite some volatility and ongoing geopolitical tensions, the risks of further price increases linked to rising commodity prices remain moderate.

Major central banks have undertaken a process of monetary easing during 2024. The ECB reduced reference rates by 25 basis points in June, September, and October, while the Federal Reserve cut the federal funds rates in September and November by 50 and 25 basis points, respectively. Further reductions in interest rates are expected in the coming months, with the timing and extent guided by the evolution of economic indicators, particularly those related to inflation.

Looking ahead, the potential effects of the outcomes of the U.S. presidential elections (e.g., introducing tariffs and duties against various countries/regions) represent a significant source of uncertainty for international markets. In this context, despite potential downside risks linked to protectionist pressures, global trade in goods and services in volume (which saw a strong rebound in 2024, expanding by +2.6% compared to +0.5% in 2023) is projected by the European Commission to accelerate to +3.1% in 2025. This growth will be driven mainly by emerging economies, greater dynamism in the euro area, and the positive effects on real incomes resulting from the general decline in inflation (Table 2).

TABLE 2. MAIN INTERNATIONAL VARIABLES

2023–2025. Levels and year-on-year percentage changes

	2023	2024	2025
Brent crude oil (dollars per barrel)	82,6	81,3	74,4
USD to Euro exchange rate	1,08	1,09	1,06
Global trade in goods and services in volume	0,5	2,6	3,1
GROSS DOMESTIC PRODUCT			
World	3,2	3,2	3,3
Developed countries	1,8	1,8	1,9
USA	2,9	2,7	2,1
Japan	1,7	0,2	1,2
Euro Area	0,4	0,8	1,3
Emerging and developing countries	4,4	4,3	4,4
China	5,2	4,9	4,6

Source: DG-ECFIN Autumn Forecasts (2024) and Istat elaboration

In 2024, major economies continued to display heterogeneous trends. Chinese GDP accelerated between July and September, growing by 0.9% quarter-on-quarter (+1.5% and +0.5% in the first and second quarters, respectively), supported by improvements in consumption. Fixed investments moderately recovered, but the real estate market remains fragile. Fiscal and monetary stimuli implemented by the government are expected to support local governments, households, and the financial solidity of banks. As a result, GDP growth in 2024 is projected to be very close to the 5% target; in 2025, however, it is likely to slow down as the impact of the stimuli fades. Regardless of the magnitude of the shock that might result from U.S. tariffs, Chinese authorities still have room for manoeuvre and tools to stimulate the economy further. The European Commission estimates growth of 4.9% for this year and 4.6% for the next.

In the United States, GDP grew by 0.7% quarter-on-quarter between July and September (+0.4% and +0.7% in the first and second quarters). The decline in inflation and substantial wage increases supported private consumption: this increase offset the weakness in investments and the decline in net exports. The European Commission forecasts GDP growth of 2.7% in 2024 and a deceleration to 2.1% in 2025.

The euro area economy showed signs of recovery, mainly due to the positive contribution of net exports. GDP grew by 0.4% quarter-on-quarter in the third quarter, compared to 0.2% in the previous three months. This performance reflects an unexpected quarter-on-quarter increase in Germany (+0.2%, following -0.3% and +0.2% in the first and second quarters), an acceleration in France (+0.4%, up from +0.2% in the previous two quarters), and continued strong growth in Spain (+0.8%, +0.8%, +0.9% in the second and first quarters).

According to the European Commission, euro area economic activity is expected to progressively accelerate in 2024 (+0.8%) and 2025 (+1.3%), contrasting with the United States and China, whose economies are forecasted to slow. Among the main countries, Spain is expected to grow by 3.0% this year (+2.3% in 2025), France by 1.1% (+0.8%), while Germany is anticipated to experience a marginal decline this year (-0.1%) followed by a recovery in 2025 (+0.7%).

Regarding the international exogenous variables 2024, the average value for the first 11 months is assumed: the exchange rate stood at 1.09 USD per euro, while Brent crude averaged $81.3 per barrel. For 2025, the technical assumption of invariance in November 2024's average values is adopted: this implies a significant decrease in Brent prices ($74,4) and a depreciation of the euro against the dollar (1.06 USD per euro).

Forecasts for the Italian Economy

In the third quarter of this year, GDP remained flat on a quarter-on-quarter basis, reflecting a positive contribution from final consumption (+0.8 percentage points) and inventories (+0.2 p.p.), offset by a negative impact from net foreign demand (-0.7 p.p.) and gross fixed investments (-0.3 p.p.)—the carryover growth for 2024 stands at +0.5%.

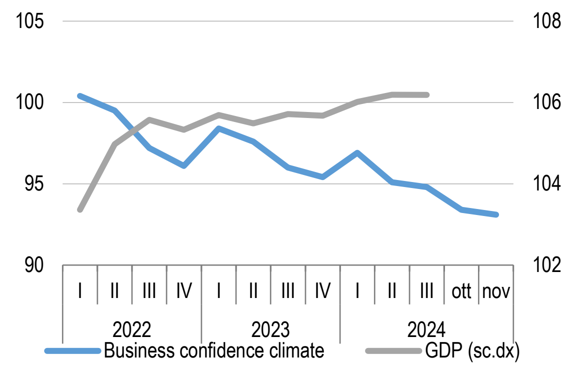
The most dynamic component of domestic demand was household and NPISH consumption expenditure, which rose by 1.4% quarter-on-quarter, while investments contracted by 1.2%, driven by a sharp decline in transport equipment investments (-5.9%).

On the supply side, the industrial sector continued to face challenges, with value-added at basic prices decreasing by 0.7% compared to the previous quarter. In comparison, the services sector holds steady (+0.2%). In the industrial sector, the contraction in manufacturing (-1%) was partially offset by an increase in construction (+0.3%). Among services, the trade, accommodation, and restaurant sectors performed exceptionally well (+1.5%), as did financial and insurance activities (+0.7%). In contrast, value-added declined in the information and communication sector (-0.9%) and real estate activities (-0.8%).

As of November, consumer and business confidence surveys indicate worsening conditions (Figures 1 and 2). Among consumers, negative perceptions of the general and future economic situation grew stronger (from 99.7 to 97.8 and from 95.0 to 93.8, respectively). The decline in personal (from 96.6 to 96.2) and current conditions (from 99.2 to 98.7) was less pronounced. For businesses, the general confidence index fell slightly (-0.3 p.p.), reflecting highly heterogeneous trends across sectors. Confidence increased in manufacturing (from 85.8 to 86.5) and, notably, in retail trade (from 103.8 to 106.7) but decreased in construction (from 103.9 to 101.5) and market services (from 95.2 to 93.7).

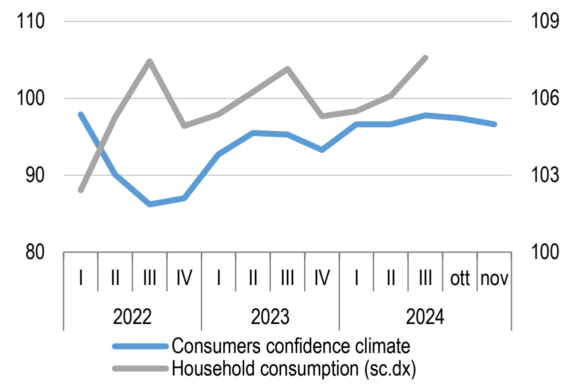
In detail, manufacturing assessments of order levels improved, although production expectations weakened. Inventories were reported as being drawn down compared to the previous month. In construction, the balance of opinions on orders strengthened while employment expectations deteriorated significantly.

FIGURE 1. GDP AND BUSINESS CONFIDENCE CLIMATE (Chained values and index base 2021=100)



Source: Istat

FIGURE 2. HOUSEHOLD CONSUMPTION AND CONSUMER CONFIDENCE CLIMATE
(Chained values and index base 2021=100)



Source: Istat

In 2024, the Italian economy is expected to be affected by weak domestic demand, particularly on the supply side. The declining trend in industrial production, driven by the weakness of the German economy—Italy's primary export market—and the crisis in specific production sectors (predominantly automotive), has negatively impacted gross fixed investments and imports. For 2025, despite persistent geopolitical uncertainties and risks linked to protectionist pressures, global demand is anticipated to stabilise, accompanied by a slight strengthening of international trade. Private consumption is expected to benefit from a gradual, albeit partial, recovery in wages and continued, though less robust, employment growth compared to recent trends. The phase of declining inflation is expected to have run its course, also due to the exhaustion of the drop in the energy component. However, the return to price growth rates closer to the monetary authorities' targets would stabilise operators' expectations.

In 2024, GDP is forecasted to grow by +0.5%, driven exclusively by net foreign demand (contributing +0.7 percentage points) due to a contraction in imports (-2.1%) against stagnating exports (-0.1%). While supported by resilient household consumption (+0.6%), domestic demand will be weighed down by inventory drawdowns, which are expected to impact GDP growth by -0.7 percentage points negatively.

In 2025, a slight acceleration in Italy's economic growth is expected (+0.8%), sustained almost entirely by domestic demand. Net foreign demand and inventories are anticipated to make a neutral contribution to GDP growth.

Consumption stability

In the third quarter of 2024, consumption expenditure increased across the four major European countries. Spain recorded the highest quarter-on-quarter growth rate (+1.4%), showing a strong acceleration compared to the two previous quarters (+0.7% and +0.9% in the first and second quarters, respectively). Italy experienced a similar dynamic (+1.0% in the third quarter, following stagnant growth in the first quarter and +0.6% in the second). By contrast, France and Germany reported more moderate growth rates (+0.6% and +0.3%, respectively). Regarding Government expenditure, Spain also showed the most significant growth in the third quarter (+2.2%), while France and Germany reported more modest increases (+0.6% and +0.4%, respectively). Italy, however, saw a decline (-0.2%).

In contrast, in the third quarter, household consumption expenditure on economic territory grew at a faster pace in Italy (+1.3% quarter-on-quarter) compared to Spain (+1.1%), France (+0.7%), and Germany (+0.2%). Italy's growth marked a substantial acceleration from the year's first half (+0.2% and +0.6% in the first and second quarters, respectively), driven primarily by the services component

(+2.0%). Durable and non-durable goods also saw positive, though more contained, increases (+0.5% and +0.7%, respectively).

In the first half of 2024, household disposable income grew at a rate exceeding the trend growth of the consumption deflator (Figure 3).

Despite the significant acceleration during the year, weakness in the early months of 2024 is expected to result in an annual average slowdown in household and private social institution (ISP) consumption growth in real terms (+0.6%) compared to 2023 (+1%). This will coincide with a sharp increase in the savings rate. For 2025, a recovery is projected (+1.1%), supported by continued employment growth, contractual wage adjustments, and the restoration of purchasing power, alongside expectations of stabilised inflation.

Government expenditure consumption is also expected to grow by +0.5% in 2024, albeit slower than the previous year (+1.9%), with further acceleration anticipated in 2025 (+0.6%).

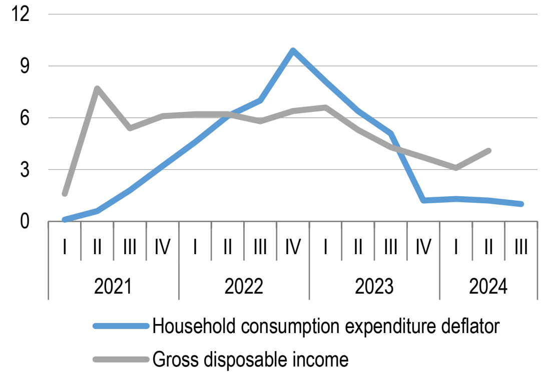
Slowdown in Capital Accumulation

In the first three quarters of 2024, compared to the same period in 2023, gross fixed investment trends showed significant variation among the main euro area countries. Italy recorded moderate growth (+0.9%), while Spain saw a more robust increase in total investments (+2.5%). In contrast, France experienced a decline (-1.6%), with an even sharper reduction in Germany (-2.9%).

Between January and September 2024, France and Germany recorded a sharp decline in capital accumulation in both the construction sector (-2.9% in France and -3.9% in Germany compared to the same period in 2023) and the machinery, equipment and weapons (-3.8% and -5.4%, respectively). In contrast, Spain grew across all sectors, with increases of +2.5% in construction and +1.4% in machinery, equipment and weapons.

FIGURE 3. HOUSEHOLD SPENDING DEFLATOR AND GROSS DISPOSABLE INCOME

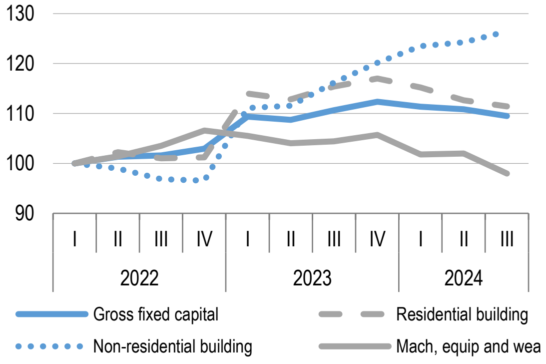
(2021–2024, seasonally adjusted and chained data, year-on-year changes)



Source: Istat

FIGURE 4. TRENDS IN GROSS FIXED INVESTMENTS BY ASSET TYPE

(2022–2024, seasonally adjusted and chained data, index base Q1 2022=100)



Source: Istat

Over the past two years, investment dynamics in Italy have been driven by the 110% Superbonus incentives for residential buildings and growth in machinery, equipment and weapons investments. However, 2024 saw a decline in these sectors, offset by a significant recovery in non-residential building investments, which grew by +10.9% in the first three quarters compared to the same period in 2023. Residential investments fell moderately (-0.8%), while machinery investments experienced a sharp contraction (-3.9%) due to the slowdown in industrial production over the past year (Figure 4).

The residual effects of discontinuing construction incentives, geopolitical uncertainty, declining order expectations, and reduced capacity utilisation levels are expected to contribute to a slowdown in capital accumulation in 2024. However, implementing investments under the National Recovery and Resilience Plan (PNRR) could partially offset these trends.

As a result, the growth rate of gross fixed investments is forecasted to decelerate sharply in 2024 (+0.4%, down from +8.7% in the previous year) and stagnate in 2025. The investment-to-GDP ratio is expected to decline over the two years, falling from 22.6% in 2023 to 22% in 2024 and 21.5% in 2025.

Recovery in Foreign Trade by 2025

In the first three quarters of 2024, foreign trade showed weak dynamics, reflecting the global trade slowdown and the weakness of major European economies, notably Germany. Exports of goods and services, measured at chained values, increased by 0.4% compared to the first three quarters of 2023, while imports decreased by 3.1%.

However, throughout the year, trade flows displayed opposite quarter-on-quarter trends: exports declined steadily (-0.2% in the first quarter, -1.2% in the second, and -0.9% in the third), while imports strengthened (0% in the first quarter, rising to +1% in the third), driven by progressively stronger domestic consumption during the year.

The trade balance for goods and services improved significantly in the first three quarters compared to the previous year, primarily due to a reduced energy deficit. Geographically, exports to EU countries fell (-2.4% year-on-year for the first three quarters and -5.5% to Germany alone), while exports to non-EU markets increased moderately (+1.1%). On the import side, the contraction was much sharper for extra-EU countries (-8.5%) compared to EU countries (-2.6%).

In the forecast period, the volume of exports of goods and services is expected to remain stable in 2024 compared to the previous year before growing by +2.5% in 2025, stimulated by stronger international demand and a depreciation of the euro against the dollar. After a sharp contraction in 2024 (-2.1%), Imports are also projected to expand in 2025 (+2.7%) in line with the recovery in domestic demand. Consequently, the contribution of foreign demand to GDP growth, which will be strongly positive in 2024 (+0.7 p.p.), is expected to be neutral in 2025.

The labour market continues to improve

In the third quarter of 2024, the expansion phase in employment continued, with a quarter-on-quarter increase in both hours worked and full-time equivalent units (FTEs) across the economy (+0.2% and +0.3%, respectively). This improvement is mainly attributable to the services sector (+0.5% for both hours and FTEs), contrasted by sharp declines in construction and agriculture (-1.1% and -1.8%, respectively) and stagnation in manufacturing. Compared to the third quarter of 2023, hours worked increased by +1.5%, driven by robust growth in services (+2.5%) and construction (+1.3%), slight declines in manufacturing (+0.3%), and sharp decreases in agriculture (-7.4%). FTEs also grew year-on-year (+1.6%), with increases in all sectors except agriculture (-6.5%), where services alone rose by +2.4%.

Gross wages per FTE rose by +0.9% from the previous quarter across sectors (from +0.8% in manufacturing to +1.0% in services), except for agriculture (-0.2%). Year-on-year, gross wages per FTE grew by +3.9%, with increases across all sectors (ranging from +3.8% in construction to +4.2% in manufacturing) but weaker growth in agriculture (+0.8%).

In October, following a decline in September, employment resumed growth (+0.2% from the previous month, +47,000 jobs), raising the employment rate to 62.5% (+0.1 p.p.). The unemployment rate decreased to 5.8% (-0.2 p.p.), while the number of inactive individuals increased, raising the inactivity rate to 33.6% (+0.1 p.p.).

Employment prospects progressively worsened across all sectors in the second part of the year. This trend was confirmed in November data, which indicated worsening expectations for employment in manufacturing, construction, and retail, with a slight improvement in market services. The job vacancy rate for companies with employees remained stable at 2.0% in the third semester of 2024.

In this context, FTE growth in 2024 is expected to outpace GDP growth (+1.2% versus +0.5%) before aligning with GDP growth in 2025 (+0.8%). The unemployment rate will show significant improvement in 2024 (6.5%). In 2025, with respect to 2024 most recent figures, we forecast a slowdown in the employment growth rate dynamic; it follows a increasing monthly profile of unemployment rate that, however, will be lower than 2024 figure (6.2% 2025). Wage dynamics per capita will grow slightly more in 2024 than in 2023 (+2.6%, up from +2.4%), remaining stable the following year.

Price Declines Slowing Down

The year-on-year consumer price index (NIC) trend for the entire population, after recording values below 1% for several months, stood at +1.4% in November, according to preliminary data. This represents the highest value of 2024, though the year-on-year comparison is influenced by the significant price drop recorded in the same month of the previous year (-0.5% month-on-month in November 2023). The NIC index has been stable since September, with acquired inflation for 2024 standing at +1.0% in November.

The overall index continues to show divergent trends between goods and services. Prices of goods, negative for the past 12 months, turned positive in November (+0.4%), while services continued to show more substantial increases (+2.8% in November, slightly up from the previous month) but saw a declining monthly trend (-0.4% in November, after -0.3% in both September and October).
Though slower, energy prices declined (-5.5% in November, after -9% in October and -20.5% in January). Food price trends, which had slowed year-on-year during the first eight months (from +5.6% in January to +0.8% in August), accelerated in November (+3%), driven by unprocessed foods increase (+4.1% in November).

Similarly, inflation related to the 'shopping basket' (a summary of prices for food, household, and personal care goods), after a significant reduction earlier in the year, showed gradual acceleration over the past three months, rising from +0.6% in August to +2.6% in November. Core inflation (for consumer goods for the entire national population, excluding energy and fresh food) has remained stable, just below 2% since June (+1.9% in November).

Compared to significant economies of the Euro area, inflation in Italy has continued to be lower since October 2023. In November, the growth in the Harmonized Index of Consumer Prices (HICP) was +1.6% year-on-year in Italy, according to preliminary data, compared to a Eurozone average of +2.3% (+2.4% in Germany and Spain, and +1.7% in France). Acquired inflation for 2024 stood at +1.1% in Italy in November, compared to +2.3% for the Euro area average (+2.3% in France, +2.4% in Germany, and +2.8% in Spain).

Import prices, after a temporary increase during the summer months (with an average year-on-year rise of +0.9%), resumed a downward trend (-0.5% in September). This trend primarily reflected declines in energy product prices (-5.2%, after a +7% average increase in the summer months), while prices for other goods showed slight increases (+0.3%), the net result of lower consumer goods prices (-1.3%) and higher intermediate (+1.3%) and capital goods prices (+0.3%).

Based on September's latest import price data, acquired inflation for 2024 in the HICP excluding imported energy goods (HICP NEI) is estimated at +1.3%. A significant rise in imported energy product prices in the year's final quarter could lead to a marginal reduction in this figure.

Inflation dynamics are also expected to decline on a forward-looking basis. In November, households showed more substantial expectations of reduced or stable inflation over the next twelve months compared to the previous month. Most businesses continue to indicate plans to keep prices stable (85.1% of manufacturing firms and 92.1% of construction firms).

In the forecast horizon, the growth in the household consumption deflator is expected to reach +1.1% in 2024 before rising to +2% in 2025. The GDP deflator is projected to grow by +1.8% in 2024 and +2.3% in 2025.

Revisions to the Previous Forecast

The current forecast provides an updated projection for 2024–2025 compared to the estimates released in June. Key adjustments include a downward revision of oil prices (-$3.6 per barrel in

2024 and -$10.5 in 2025) and the euro-dollar exchange rate (unchanged in 2024 but depreciating by -2.7% in 2025). World trade forecasts were also revised downward (-0.1 percentage points for 2024 and -0.4 points for 2025 compared to the June assumptions).

The evolution of current economic conditions significantly impacted foreign trade performance, with downward revisions for imports and exports (-2.0 percentage points, respectively, in 2024). Investment projections show significantly weaker growth, with reductions of -1.1 percentage points in 2024 and -1.2 points in 2025. Conversely, positive labour market trends have reduced the unemployment rate (-0.6 percentage points in 2024 and -0.8 points in 2025). Additionally, the sharper phase of declining inflation resulted in lower growth of the GDP deflator and the household consumption deflator in 2024 (-0.6 and -0.5 percentage points, respectively, compared to June estimates).

Overall, GDP growth forecasts for 2024 have been revised downward by -0.5 percentage points (from +1.0% to +0.5%) and for 2025 by -0.3 points (from +1.1% to +0.8%).

ASSESSMENT OF THE EFFECTS OF KEY FISCAL MEASURES IN THE BUDGET LAW

This paragraph provides details of the estimated impact on the growth of the Italian economy resulting from the implementation of the primary measures included in the 2025 Budget Law currently under discussion in Parliament.

The estimates were developed using Istat's macro-econometric model, MEMo-It, based on the Government's official evaluations of the impact of individual measures[1]. Specifically, the results relate to approximately €30 billion in 2025, €35 billion in 2026, and €45 billion in 2027. Over half of these amounts are allocated to spending increases (about €17 billion in 2025, €19 billion in 2026, and €28 billion in 2027), with the remainder dedicated to revenue reductions (about €13 billion in 2025 and €16 billion annually in 2026 and 2027). The spending measures primarily benefit workers with middle- to low-income levels and families, the healthcare system[2], and businesses operating in disadvantaged areas[3]. Revenue measures mainly aim to reduce direct taxes on middle- to low-income households[4]. Additionally, for 2027, an increase in capital expenditure is simulated to support public infrastructure investments after the completion of the PNRR[5].

It is assumed that these measures will be financed by:

Increased borrowing of approximately €11 billion in 2025, €16 billion in 2026, and €28 billion in 2027;

Government expenditure spending cuts (about €3 billion in 2025 and €5 billion annually in the two subsequent years);

Resources from fiscal funds and the discontinuation of social contribution relief for employment in disadvantaged areas following the European Commission's June decision[6] (€11 billion in 2025 and €9 billion in both 2026 and 2027);

Increased revenue from banks and insurance companies[7] (€3 billion in 2025 and €2 billion in 2026)[8];

[1] The measures introduced exclude indirect effects from their interaction and macroeconomic feedback, which are instead estimated in the simulation conducted using the model.

[2] Increase in the National Health Fund. It is assumed that these additional resources (around €1 billion in 2025 and over €4 billion in each of the following two years) will primarily be allocated to the purchase of goods and services by the healthcare sector.

[3] Specifically, the focus is on measures such as the bonus for reducing the tax wedge and other actions to support middle- and low-income households, as well as increased capital expenditures for businesses (refinancing of the "Nuova Sabatini" initiative, tax credits for businesses operating in disadvantaged areas, and other subsidies)

[4] In detail, measures include the new deduction for employee income, the reduction of the IRPEF rate on the second bracket, the increase in the no-tax area, and contribution relief measures (for working mothers and new hires).

[5] December 31, 2026.

[6] Decision C (2024) 4512 of 25 June, 2024.

[7] These involve changes to deductibility and payment mechanisms for certain taxes.

[8] Revenue increases primarily result from the deferral of the deduction of certain negative income components for banks and insurance companies (DTA) and modifications to the stamp duty payment method for insurance companies (2025–2026). Other smaller measures include adjustments to

Other revenue measures primarily related to gambling, lotteries, revaluations, and tax evasion recovery (€2 billion in 2025 and about €3 billion in total over the two subsequent years).

The simulation results indicate that implementing the outlined measures, largely focused on supporting the disposable income of workers, families, and low-income groups, would positively affect consumption. It would also drive domestic price increases, boost imports, and negatively impact the volume of public consumption, which is exogenous in nominal terms in the model[9]. Private investments would react only marginally and with a delay to increased demand and lower real interest rates. The overall effect of the simulated measures on GDP growth is positive across the three years: just under 0.2 percentage points in 2025 and 2026 and slightly over 0.2 percentage points in 2027.

The expansionary impact on nominal income and consumption would translate into an induced increase in tax revenues, particularly indirect taxes, thereby improving the effect of the measures on the deficit. As a percentage of GDP, the deficit would be lower than projected in the medium-term Structural Budget Plan presented last September.

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IRPEF, IRES, and other taxes (changes to deductions for dependents, taxes on gambling, measures to combat tax evasion, and revaluation of land and shareholdings).

[9] In the simulation, these factors were set exogenously, considering the measures indicated.