



• 2023 Italy's GDP growth:

+1.3%

Public investments drive GDP growth in Italian **Southern regions** above the national average

+1%

North-West

The slowdown in industry hinders growth in the **North**

+0.9%

North-East

+0.4%

Central regions lag behind

IN 2023, THE SOUTH OF ITALY GROWS MORE THAN THE NORTH, WHILE CENTRAL REGIONS LAG BEHIND

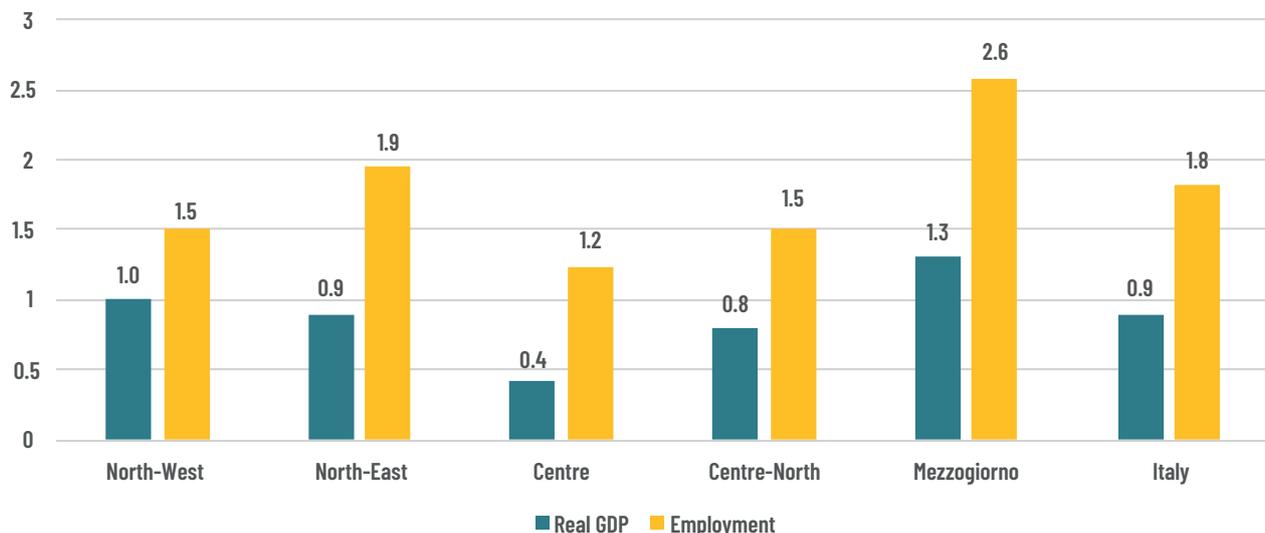
According to SVIMEZ estimates, the Italian GDP is expected to grow by 0.9% in 2023, showing a deceleration compared to 2002 (+4%), but remaining above the Eu average (+0.4%).

GDP growth is projected to be higher in the South than in other macro-areas: 1.3% compared to +1% in the North-West, +0.9% in the North-East and +0.4% in Central regions. In 2023, Southern regions grow faster than the rest of the country for the first time since 2015.

In 2023, employment growth is also higher in Southern regions, reaching +2.6% (+1.8% the national average).

Real GDP and Employment in 2023, annual % changes

Source: SVIMEZ estimates



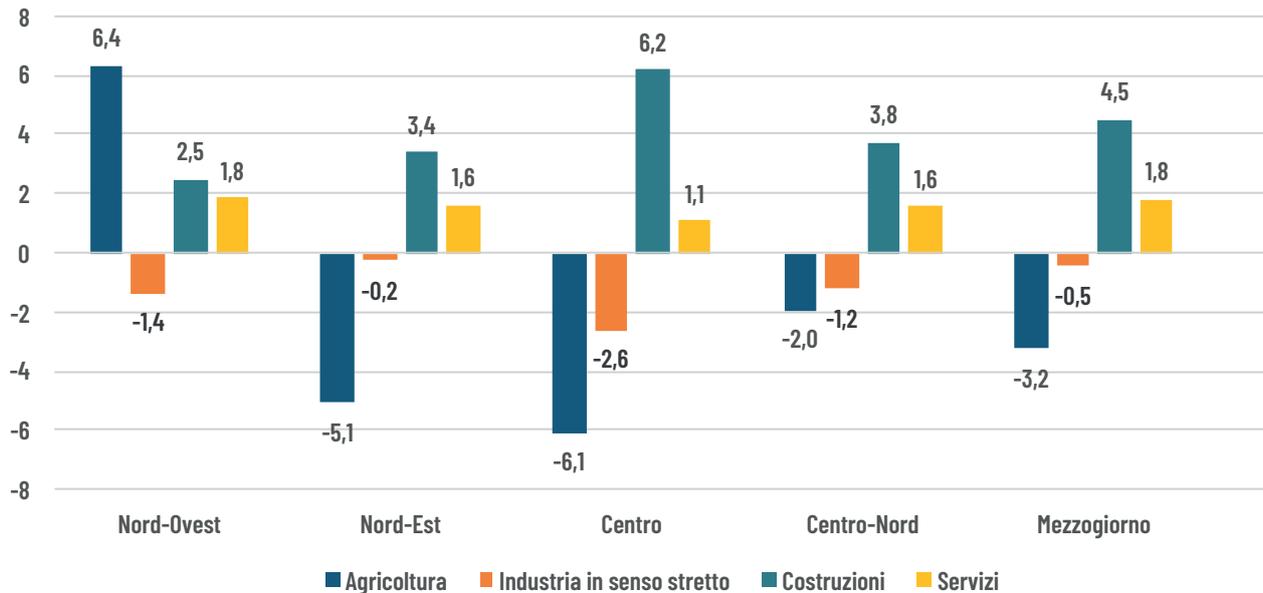


In 2023 public investments drive GDP growth in the South above the national average: **+1.3%**
The slowdown in industry hinders growth in the North: **+1%** in the North-West, North-East **+0.9%**. Central regions lag behind: **+0.4%**.

Regional GDP growth differentials in 2023 are explained by differences in the sectoral composition of value added variations.

Value Added by sectors in 2023, constant prices annual % changes

Source: SVIMEZ estimates



Value added in the construction sector drives growth in the South (+4.5%, almost one percentage point more than in Central-Northern regions), thus compensating for the drop in the industrial sector (-0.5%).

Central regions' GDP growth stops at +0.4%: the market reduction in industrial value added (-2.6%; -1.1% in Italy) and the weak expansion in the service sector (+1.1%; +1.6% in Italy) neutralize the good performance of constructions (+6.2%).

Two main factors explain lower GDP growth in the North-West (+1%): the decline in industrial activities (-1.4%) and the much slighter increase in constructions (+2.5%) as compared to the national average (+4%). The flat performance of industrial value added hampers GDP growth in the North-East (+0.9%).

Adverse climatic conditions penalize agriculture all over the country, except for Northern-Western regions (+6.4% after the 2022 sharp decline): -6.1% in the Centre, -5.1% in the North-East, -3.2% in Southern regions.

GDP growth differentials across macro-areas are also linked to different contributions of foreign demand. In export-oriented Central-Northern regions, the stagnation of exports (-0.1%) deprived local economies of a traditional driver in cyclical recovery phases. In the South, on the other hand, the increase in exports of goods, net of the energy component, rose to +14.2% (+16.7% capital goods; +26.1% non-durable goods).

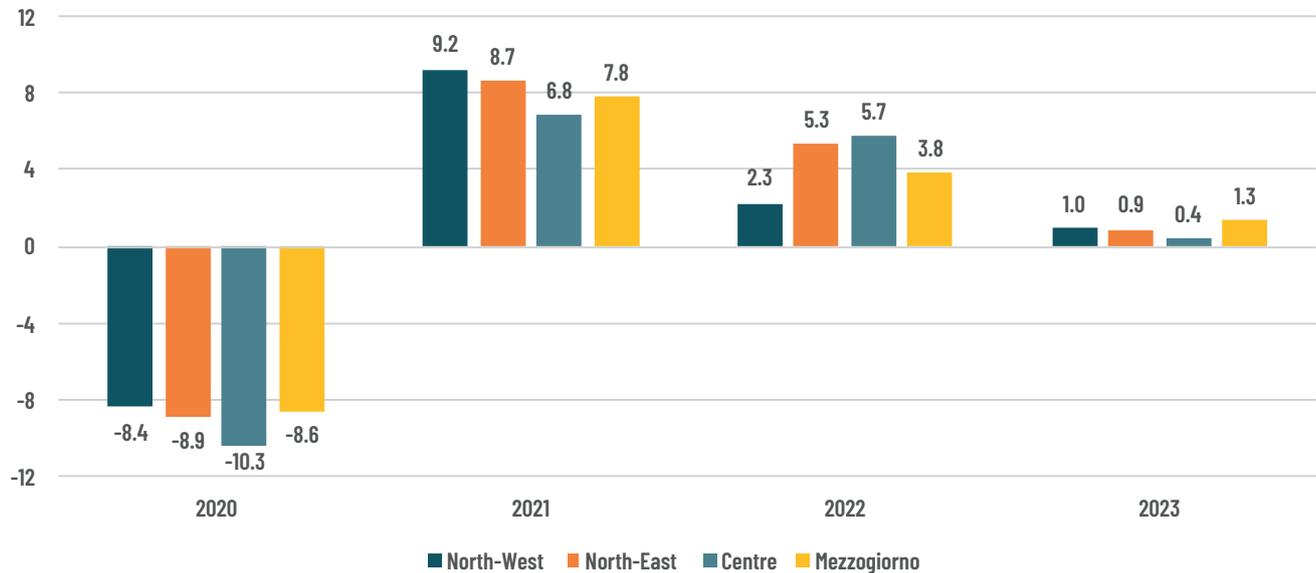
The 2023 economic cycle confirms the active participation of Southern regions in the post-Covid recovery: the South continues to grow above the Eu average. Between 2019 and 2023, GDP grew by +3.7% in the South, below the average for the North-East (+5.1%), but above the growth recorded by the regions of the North-West (+3.4%) and the Centre (+1.7%). Such a performance inverts the trend of increasing North-South growth differentials typically observed in past cyclical recovery phases, mainly due to the unprecedentedly expansive stance of fiscal policy.



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Real GDP, annual % changes

Source: SVIMEZ estimates



PUBLIC WORKS SUPPORT GDP GROWTH IN THE SOUTH, SERVICES ALSO PERFORM WELL

GDP growth in Southern regions in 2023 benefits from the stimulus of public investments, increased by 16.8% (+7.2% in the Centre-North).

Overall, investments in public works in Southern regions have risen from 8.7 to 13 billion euros between 2022 and 2023 (+50.1% compared to +37.6% in the Centre-North). Such figures are significantly influenced by the progressive advancement of investments financed by the National Recovery and Resilience Plan and the acceleration of European Cohesion Funds spending, coinciding with the end of the 2014-2020 programming cycle.

Public works typically provide a higher stimulus to short-term economic expansion in the South where constructions contribute to a higher extent to local economies. SVIMEZ estimates that the increase in public investment spending has contributed about half a percentage point to Southern regions GDP growth in 2023 (approximately 40% of total GDP growth).

Conversely, public expenditure for business incentives grew by 16% in the South, ten percentage points less than in the Centre-North (+26.4%). Such a differential reflects the lower capacity of Southern firms to access tax credits under the Transition 5.0 Plan financed by the National Recovery and Resilience Plan.

The tertiary sector also contributed to Southern GDP growth (+1.8% in value-added) due to two main factors. Firstly, the relatively stronger growth of activities closely linked to the positive economic cycle, such as Transport and Communications. Additionally, tourist arrivals are about one percentage point higher in the Centre-North in 2023 (+8.5% in the South, +9.7% in the Centre-North), however, growth in the South is mainly driven by foreign inflows, whose expenditure is significantly higher as compared to domestic tourism.



ITALIAN REGIONS IN 2023

In Central-Northern regions, GDP growth in Piedmont (+1.2%) and Veneto (+1.6%) is noteworthy. Piedmont's growth benefits from a relatively favorable performance of value added in the industrial (+1.7%) and service (+1.3%) sectors. Veneto performs well in constructions (+4.7%) and services (+2.3%), the latter driven by the good trend in tourism (the region hosts almost 16% of the national tourism arrivals).

GDP growth in Lombardy (+0.9%) is influenced by one of the strongest declines among Centre-North regions (-2.5%), affected by the modest figure for export (+1.2%), a demand component that in other recovery phases has strongly supported the regional economy. Another export-oriented region, Emilia-Romagna, experiences a slowdown in foreign trade, suffering from the stagnation of the German economy in 2023; the region's GDP grows by +0.6% due to flat industrial dynamics, negatively impacted by its strong integration with German manufacturing.

Three Italian regions record negative GDP trends in 2023: Tuscany (-0.4%), Marche, and Friuli-Venezia Giulia (-0.2%). Tuscany experiences a sharp decline in the industry (-3.2%) and stagnant constructions' dynamics, contrary to the rest of the country; in the other two regions, the negative performance of the industrial sector (-1.5% in Marche and -1.9% in Friuli) is not compensated by the growth in services. Significant double-digit drops in exports are also recorded in Marche (-12.3%) and Friuli-Venezia Giulia (-13.6%).

SVIMEZ estimates positive GDP dynamics in all Southern regions, though with noticeable regional differentials. Notably, Sicily's GDP grows by +2.2%, influenced by even more favorable dynamics than the rest of the South in public works (+60.4%) and public investments (+26%). The industry also expands significantly (+3.4%), halting a medium-term trend of industrial slowdown.

Growth is relatively homogeneous and solid in Abruzzo, Molise (+1.4%), Campania (1.3%), and Calabria (1.2%), with some sectoral differences. In Abruzzo, growth benefits from the industrial sector performance (+2%), which reports a decrease in Campania (-0.7%). However, Campania is the Italian region with the highest export growth in 2023 (+29%). In Calabria, the increase in constructions' value added (+7.4%) supports regional growth alongside the tertiary sector (+1.7%), despite a decline in the industrial sector (-4.8%).

Growth is projected to be lower in Basilicata (+0.9%) and Apulia (+0.7%). Basilicata experiences a more intense decline in industrial value added (-2.7%) than the average for Southern regions (-0.5%), compensated by the strong performance of the Construction sector (+8.4%, the highest growth among Southern regions). The Apulian economy is characterized by a sharp decline in agricultural value added (-8.7%), and by a decline in industrial value added (-1.2%). However, Apulia has been the most dynamic Italian region in the 2019-2023 period, with a growth of 6.1%.

Finally, Sardinia's GDP growth (+1.0%) is stimulated by the construction sector and, especially, the services sector (+1.9%), given its prevalence and higher value-added content compared to other Southern regions. The performance of the industrial sector is negative (-6.2% in 2023).



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Real GDP, % changes

► Source: SVIMEZ estimates

REGIONS AND MACROAREAS	2023	2019-2023
Piedmont	1.2	0.8
Aosta Valley	0.8	-4.8
Lombardy	0.9	4.7
Trentino - South Tyrol	0.5	0.4
Veneto	1.6	5.9
Friuli-Venezia Giulia	-0.2	4.7
Liguria	1.4	0.3
Emilia-Romagna	0.6	5.8
Tuscany	-0.4	0.9
Umbria	0.3	-2.5
Marche	-0.2	1.5
Lazio	1.1	2.8
Abruzzo	1.4	0.2
Molise	1.4	3.1
Campania	1.3	4.9
Apulia	0.7	6.1
Basilicata	0.9	-5.7
Calabria	1.2	1.3
Sicily	2.2	4.3
Sardinia	1.0	1.6
North-West	1.0	3.4
North-East	0.9	5.1
Centre	0.4	1.7
Centre-North	0.8	3.4
Mezzogiorno	1.3	3.7
Italy	0.9	3.5



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Value Added by sectors in 2023, constant prices annual % changes

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REGIONS AND MACROAREAS	AGRICULTURE	INDUSTRY	CONSTRUCTION SECTOR	SERVICES
Piedmont	5.9	1.7	-0.1	1.3
Aosta Valley	9.9	-8.2	5.6	2.5
Lombardy	7.0	-2.5	3.4	2.0
Trentino - South Tyrol	1.2	-1.8	8.1	0.5
Veneto	-2.4	0.1	4.7	2.3
Friuli-Venezia Giulia	-9.4	-1.9	3.3	0.7
Liguria	2.3	-0.2	2.7	1.8
Emilia-Romagna	-10.3	0.0	0.2	1.5
Tuscany	-5.7	-3.2	-0.1	0.9
Umbria	-9.8	-3.1	4.8	1.6
Marche	-15.2	-1.5	7.2	0.4
Lazio	-2.2	-2.2	10.3	1.2
Abruzzo	-9.5	2.0	4.8	1.6
Molise	-0.2	-1.1	3.9	1.9
Campania	-1.7	-0.7	3.2	1.8
Apulia	-8.7	-1.2	5.4	1.3
Basilicata	-0.3	-2.7	8.4	1.7
Calabria	-0.4	-4.8	7.4	1.7
Sicily	-2.1	3.4	4.4	2.4
Sardinia	0.0	-6.2	3.1	1.9
North-West	6.4	-1.4	2.5	1.8
North-East	-5.1	-0.2	3.4	1.6
Centre	-6.1	-2.6	6.2	1.1
Centre-North	-2.0	-1.2	3.8	1.6
Mezzogiorno	-3.2	-0.5	4.5	1.8
Italy	-2.5	-1.1	3.9	1.6

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