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## ECONOMIC AND POLITICAL OVERVIEW

### ECONOMIC OVERVIEW

Italy's economy was heavily impacted by the global financial crisis and only emerged from recession in 2015; however, the country was one of the most affected by the COVID-19-induced crisis, with growth returning to its pre-pandemic levels by Q2/2022. For 2023, the IMF estimated growth at 0.7% (from 3.7% one year earlier): after contracting by 0.4% q-o-q in the second quarter and being null in the third, the economy resumed growing as from the fourth quarter. Among the causes of the slowdown, there were the lingering impact of ECB monetary tightening, which persisted in affecting the borrowing costs of households, businesses, and the government. Real incomes have been undermined by sluggish wage growth and elevated inflation. Moreover, diminished demand for housing, coupled with the reduced backlog of projects approved under the discontinued "superbonus" tax scheme, has restricted construction activity, which had been the main key driver in the recent past. The growth rate is expected to remain unchanged in 2024 (0.7%), increasing marginally to 1% the following year thanks to the sustained rise in capital spending, which should be only partially influenced by a continued decline in housing investment.

The country's primary budget (which excludes interest payments) is structurally positive; however, the interest cost on the government's debt weighs heavily on Italy's accounts, with the general government budget being constantly in deficit. In 2023, the IMF estimated the general government deficit at 2.1% of GDP (5.3% as per the EU Commission projections), as the diminished budgetary expense for measures addressed to contain the effects of high energy prices (1% of GDP, down from 2.4% in 2022) and housing tax credits (1.8% of GDP, down from 2.8%) was somewhat counterbalanced by elevated pension expenditures due to indexation to the 2022 inflation and a rise in investment. The IMF expects the deficit to hover around 3.4% of GDP over the forecast horizon. Italy has one of the highest debt-to-GDP ratios in the world: estimated at 147.3% in 2023, it should go down to 142.8% by 2025. Being a net importer of energy, Italy's inflation was pushed by rising global energy costs, going beyond 8% in 2022 and to 6% in 2023. A gradual decline in inflation throughout 2024-25 is expected (to around 2.6%), driven by the reduction in energy prices and moderate growth in nominal wages.

Even in the face of a deceleration in economic activity, the unemployment rate – at 7.9% in 2023 - remains historically low. Employment continues to experience strong growth, and nominal wage growth has increased to approximately 3%. This is expected to bolster household incomes and contribute to sustained private consumption, with the unemployment rate remaining largely unchanged. Italy has high levels of youth unemployment (22% as of Oct. 2023 according to ISTAT), and regional inequalities between the highly industrialised and dynamic North and the poorer, rural southern "Mezzogiorno" areas are still evident. Furthermore, Italy has to face a falling birth rate and a declining population. Italy's GDP per capita (PPP) was estimated at USD 54,259 by the IMF in 2022, just below the EU-27 average (USD 56,970).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> <i>(billions USD)</i>	2,012.01	2,186.08	2,284.08	2,365.54	2,443.49
<b>GDP</b> <i>(Constant Prices, Annual % Change)</i>	3.7	0.7	0.7	1.0	1.1
<b>GDP per Capita</b> <i>(USD)</i>	34,085	37,146	38,926	40,437	41,902

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>General Government Balance</b> <i>(in % of GDP)</i>	-1.9	-2.1	-3.4	-3.4	-2.7
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	144.4	143.7	143.2	142.8	141.9
<b>Inflation Rate</b> <i>(%)</i>	n/a	6.0	2.6	2.2	2.0
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	8.1	7.9	8.0	8.1	8.2
<b>Current Account</b> <i>(billions USD)</i>	-24.52	15.26	19.76	28.98	36.44
<b>Current Account</b> <i>(in % of GDP)</i>	-1.2	0.7	0.9	1.2	1.5

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Italy is one of the main agricultural players in the EU, being the biggest European producer of rice, fruits, vegetables and wine. The agricultural sector represents 1.8% of Italian GDP and is heavily reliant on the import of raw materials utilised in agricultural production due to the country’s limited natural resources (Italian imports of raw materials are responsible for more than 80% of the country’s energy). The primary sector employs 4% of the workforce (World Bank, latest data available), and is comprised of around 1.3 million farms of which almost half have a small agricultural output (European Commission). The country has 12.8 million ha of agricultural land and its main crops include cereals (particularly wheat), corn, barley, rice and oats. Italy is also the first world producer of wine and the first producer of tobacco in Europe. According to figures by ISTAT, in contrast to the rest of the national economy, the added value of the agriculture, forestry, and fishing sectors decreased by 1.8% in real terms in 2022. There was also a decline in the production volume (-1.5%) and employment (-2.1%). Among EU countries, Italy is the second in terms of added value and the third for production value.

Italy is a primary industrial country, with the secondary sector accounting for 23.8% of GDP and employing 27% of the active population (World Bank, latest data available). The country’s industrial activity is concentrated in the northern part of the country, including cities such as Turin, Milan and Venice. Much of the Italian industry is comprised of small and medium-sized family businesses, with the majority of Italian industrial companies having less than 50 employees. Italy is the largest global exporter of luxury goods (clothing, cars, etc.); other major Italian industries include precision machinery, motor vehicles, chemical products, pharmaceuticals, electrical items, fashion and clothing. The manufacturing sector alone accounts for 15% of GDP (World Bank). The country has suffered from deindustrialisation (especially during the global financial crisis), but it remains Europe’s second-largest manufacturing power and the seventh-largest worldwide. ISTAT reports that in the first nine months of 2023, industrial production decreased by 2.7% compared to the same period in 2022. There was a significant decline in energy (-7.3%) and consumer goods (-3.5%), mainly due to the reduction in the production of durable goods (-6.1%). Capital goods showed an increase in production by 3.5%, while intermediate goods declined by 5.7%. For non-durable consumer goods, production decreased by 3.2%.

The service sector constitutes almost two-thirds of Italian GDP (64.3%) and employs 69% of the country’s workforce. Tourism - one of the fastest growing and most profitable industries - comprises the largest part of the service sector (Italy is the fifth most visited country internationally and the third most visited in Europe): according to the national statistical agency ISTAT, tourism and its related activities generate around 6% of the economy’s added value. Business-related services also play an important role in the country’s economy. It is estimated that more than half of Italy’s 5 million companies are active in the tertiary sector. According to Istat, in Q3 2023, the quarter-on-quarter variation in the turnover of services returned into positive territory (+0.9%) after the negative result recorded in Q2.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	4.1	26.6	69.3
<b>Value Added</b> <i>(in % of GDP)</i>	2.0	23.0	64.8
<b>Value Added</b> <i>(Annual % Change)</i>	-1.8	2.0	4.7

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Euro (EUR) - Average Annual Exchange Rate For 1 USD</b>	0.94	0.89	0.85	0.89	0.88

Source: World Bank - Latest available data.

## FOREIGN TRADE

Italy has an export-oriented economy and is the 8th largest exporter and 12th largest importer worldwide, with trade making up 75% of its GDP (World Bank, latest data available). According to the latest figures by ISTAT, 15.7% of the exports from Italian manufacturing companies comes from small enterprises (with 0-19 employees), and 30.3% comes from medium-sized enterprises (50-249 employees). About half (49.6%,) comes from large enterprises (more than 250 employees). Considering operators based on export markets, 46.4% export goods to a single country, while 17.5% operate in more than 10 markets. The country's main exports include medicaments, petroleum oils, cars and vehicle parts. Italy is also the second-largest wine exporter in the world. The country is dependent on imports for its energy needs, hence petroleum and gas products are among the main items in Italy's import bills, together with motor vehicles, medicaments, and electric energy (data Comtrade 2022). In 2022, Italy's market share of global merchandise exports experienced a slight decline, dropping from 2.79% in 2021 to 2.65% (ISTAT).

Italy's main trading partners are Germany (12.4%), the U.S. (10.4%), France (10.1%), Spain (5.2%), and Switzerland (5%), whereas imports come chiefly from Germany (13.6%), China (8.8%), France (7.3%), the Netherlands (5.6%) and Spain (4.7% - data Comtrade).

Since the sovereign debt crisis in 2010 and after several years of registering a trade deficit, Italy has changed direction and has recorded positive trade balances in recent years. Nevertheless, in 2022 the external trade balance turned negative again, by an estimated 1.5% of GDP as per the World Bank's data. According to WTO data, in 2022 the country exported goods worth USD 657 billion (+6.7%% year-on-year), while imports increased at a faster pace (+21.4%), totalling USD 689.2 billion, also due to the rise in energy bills. In the same year, Italy exported services for a total value of USD 124 billion, while its imports amounted to USD 134.1 billion (+20% and +14.5% year-on-year, respectively). Looking at the first semester of 2023, data from ISTAT show that the trade balance was positive by EUR 18.3 billion (compared to a deficit of EUR 15.0 billion in the same period one year earlier).

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> <i>(million USD)</i>	503,240	475,006	426,867	567,421	689,256
<b>Exports of Goods</b> <i>(million USD)</i>	549,526	537,718	499,792	615,635	657,039
<b>Imports of Services</b> <i>(million USD)</i>	126,883	122,902	94,677	117,179	134,168
<b>Exports of Services</b> <i>(million USD)</i>	123,435	122,421	85,101	103,344	124,083

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> <i>(in % of GDP)</i>	60.3	59.9	55.3	63.1	75.8
<b>Trade Balance</b> <i>(million USD)</i>	54,146	67,887	78,588	59,268	-20,809
<b>Trade Balance (Including Service)</b> <i>(million USD)</i>	50,617	67,358	69,266	48,460	-31,117
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	3.4	-0.7	-12.1	15.2	11.8
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	2.1	1.6	-13.5	14.0	9.4
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	28.9	28.3	25.8	30.4	38.7
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	31.4	31.6	29.4	32.7	37.1

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	2.2	2.8	2.7	2.7	2.5
Volume of imports of goods and services (Annual % change)	1.6	3.2	3.1	2.8	2.7

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Italy is a member of the following international economic organisations: IMF, European Union, ICC, European Economic Area, WTO, Central European Initiative (CEI), G-7, G-8, G-10, G-20, OECD, among others. For the full list of economic and other international organisations in which participates Italy click [here](#). International organisation membership of Italy is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Italy can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	12.4%
United States	10.4%
France	10.1%
Spain	5.2%
Switzerland	5.0%
See More Countries	57.0%

Main Suppliers <i>(% of Imports)</i>	2022
Germany	13.6%
China	8.8%
France	7.3%
Netherlands	5.6%
Spain	4.7%
See More Countries	60.0%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Sergio Mattarella (since 3 February 2015 - elected for a second term in January 2022)  
Prime Minister (President of the Council of Ministers): Giorgia Meloni (since 22 October 2022)

### Next Election Dates

Presidential: 2029  
Legislative: September 2027

### Current Political Context

The government formed by politicians and technocrats led by former ECB president Mario Draghi lost its majority in July 2022 after M5S, Lega and Forza Italia withdrew their support. Snap elections were held in September.

The election saw a wide victory of the centre-right coalition which included Lega and Forza Italia and was led by the right-wing party Fratelli d'Italia. In a record-low voter turnout, Giorgia Meloni's party became the largest in Parliament with 26% of the votes, and its leader became the first female prime minister. The main opposition parties are the centre-left Partito Democratico and the Five Star Movement, who had turned down the coalition offer of the centre-left coalition.

Notwithstanding previous anti-EU rhetoric, the right-wing coalition has been avoiding confrontations with the EU over economic policy also due to the importance of EU funding in the frame of the Recovery and Resilience Facility. Delays have been recorded in Next Generation EU fund disbursements as key reforms (e.g. on tax evasion, court system efficiency, etc.) have proved to be politically challenging.

### Main Political Parties

The Italian Parliament is based on a multi-party system, with the main political forces being:

- **Fratelli d'Italia** (Fdi, Brothers of Italy): right-wing, nationalist, conservative
- **Partito Democratico** (PD): centre-left
- **Five Star Movement** (M5S): anti-establishment, centre-left, catch-all political movement
- **Lega**: right-wing, populist, Euro-sceptic
- **Forza Italia** (FI): centre-right, liberalism
- **Italia Viva** (IV): centre-left, liberal
- **Azione** (Action): centre-liberal
- **Alleanza Verdi e Sinistra** (Greens and Left Alliance): left-wing political alliance, a federation of two political parties, Italian Left (SI) and Green Europe (EV)
- **Liberi e Uguali** (LeU, Free and Equal): left-wing
- **+Europa** (+Eu, More Europe): pro-European, social liberalism.

The main coalitions in the latest election were the composed of Fratelli d'Italia, Lega and Forza Italia (right/centre-right); PD, Alleanza Verdi e Sinistra and +Europa (centre-left); and the "Terzo Polo" formed by Italia Viva and Azione. The Five Star Movement did not enter any coalition.

### Executive Power

Italy is a parliamentary republic, hence the **President of the Republic's** role is mostly ceremonial. He is the chief of state and is indirectly elected for a 7-year term.

The **Prime Minister** (officially the President of the **Council of Ministers**) is the head of the government and holds executive power, which includes the implementation of the law and the running of the everyday business of the country. The Prime Minister is appointed by the President and confirmed by the Parliament, on the basis of the support of the majority. He or she has a five year term of office. The Council of Ministers is appointed by the Prime Minister and approved by the President.

## Legislative Power

Legislative power in Italy is bicameral and both chambers possess significant powers and prerogatives. The [Senate \(Senato della Repubblica\)](#) has 200 members (plus senators for life), while the [Chamber of Deputies \(Camera dei deputati\)](#) has 400 members. Universal suffrage has been part of Italian elections since the writing of the Constitution in 1948, but Italian electoral law has shifted substantially over the years. The electoral system was modified in 2005, in 2015 and once again in 2017. In a 2020 referendum, voters approved a constitutional law that would amend the Constitution by reducing the number of MPs in the Parliament from 630 to 400 in the Chamber of Deputies and from 315 to 200 in the Senate (the modifications took effect with the last general election held in 2022).

The executive branch of government depends directly or indirectly on the support of parliament, often expressed by a vote of confidence. The prime minister cannot dissolve the parliament, as such power is attributed to the President. Italian citizens enjoy considerable political rights.

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## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Italy, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).