



## **AIBE Index**

**Observatory on the attractiveness of Italy to  
foreign investors**

**Spring Report 2024**

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## **Index**

Introduction and summary considerations .....	3
1. Geopolitical tensions do not help global growth.....	6
2. What will the European Union be like after the June elections? .....	8
3. Inflation and NRRP delays affect Italian economic outlook in 2024 ..	15

## **INTRODUCTION AND SUMMARY CONSIDERATIONS**

The 2024 Spring Report collects the opinions of the AIBE Panel with the aim of outlining the prospects for growth at world, European and Italian levels.

2024 is, exceptionally, a year of government elections in more than seventy countries, including the United States, Indonesia, Mexico, and India, while in the European Union there will be the renewal of the Parliament and the appointment of the new Commission. This is the most important phenomenon to keep under observation during this year, because the results that will emerge from it can, in fact, make an unprecedented shift in the state of the world economy and international relations.

The factors of uncertainty on the economic and social situation at world level, the European elections and the economic and social situation in Italy are the central issues addressed to the AIBE Panel, which pointed out, in particular, the relevance of aspects such as the possible re-election of Trump in the United States (indicated by 61% of the panel members) and the eventual victory of Putin against Ukraine (52.6%) in the global context and as causes of further instability worldwide.

However, regarding the European elections, the Panel doesn't see this passage as an element of discontinuity compared to the past: 42.1% do not consider it at all a turning point in the construction of the European Union, affirming that the current geopolitical conditionings are marginalizing Europe, forcing it to play a secondary role compared to the United States, China, and BRICS.

On the other hand, others in the Panel have confidence in the epochal change brought about by the elections (29.8%) and expect a result that should reward the pro-European sides. This would lead to a greater commitment to a unified defence and tax policy and an acceleration in the digital and environmental transition process.

In any case, the next mandate of the EU parliament should necessarily pursue the common defence policy (43.9%), an effective plan for immigration regulated and shared by all Member States (38.6%), the implementation of the European Green Deal and the achievement of climate neutrality for European industry (36.8%). A fairly broad consensus is then attributed to the need to proceed to the sharing of public debt among all the countries of the EU (35.1%) and, simultaneously, to face the challenges of dual transition and military spending through the issuance of Eurobonds (53.6%).

Talking about Italy, the Panel continues to stress the importance of exploiting the NRPP's resources (56.1%) well and quickly, but at the same time the persistence of inflation is a major factor in the Italian economic situation (57.9%) that continues to contract the purchasing power of Italian households, depressing domestic demand and weakening a growth that already appears weak in 2024 and even more so, according to the most reliable forecasts, in 2025.

What plays against the efforts to recover a growth rate at least in line with that of the other countries of the Eurozone are energy prices and raw materials that are still very high, the situation of the German economy, on which depends a large share of Italian manufacturing, and the rules' restoration of the Stability and Growth Pact that finds in the level of Italian public debt an unreachable constraint, in the coming months, compared to the possibility of activating resources to stimulate growth.

Essentially, in many respects and at all levels, 2024 could be a central year in the evolution of relations between states and in the possibility of building a framework of stability, finally overcoming the many crises that have occurred in recent years and restarting the processes of economic integration between the different areas of the planet.

From this perspective and reading between the lines of the opinions expressed by Aibe Panel, however, it seems to transpire a tendential scepticism if not a veiled pessimism.

## 1. GEOPOLITICAL TENSIONS DO NOT HELP GLOBAL GROWTH

Between January and April, the International Monetary Fund's estimates of global growth for 2024 were revised upwards by a tenth of a point, from 3.1% at the beginning of the year to 3.2% today. The projections also confirm an expected growth of 3.2% for 2025.

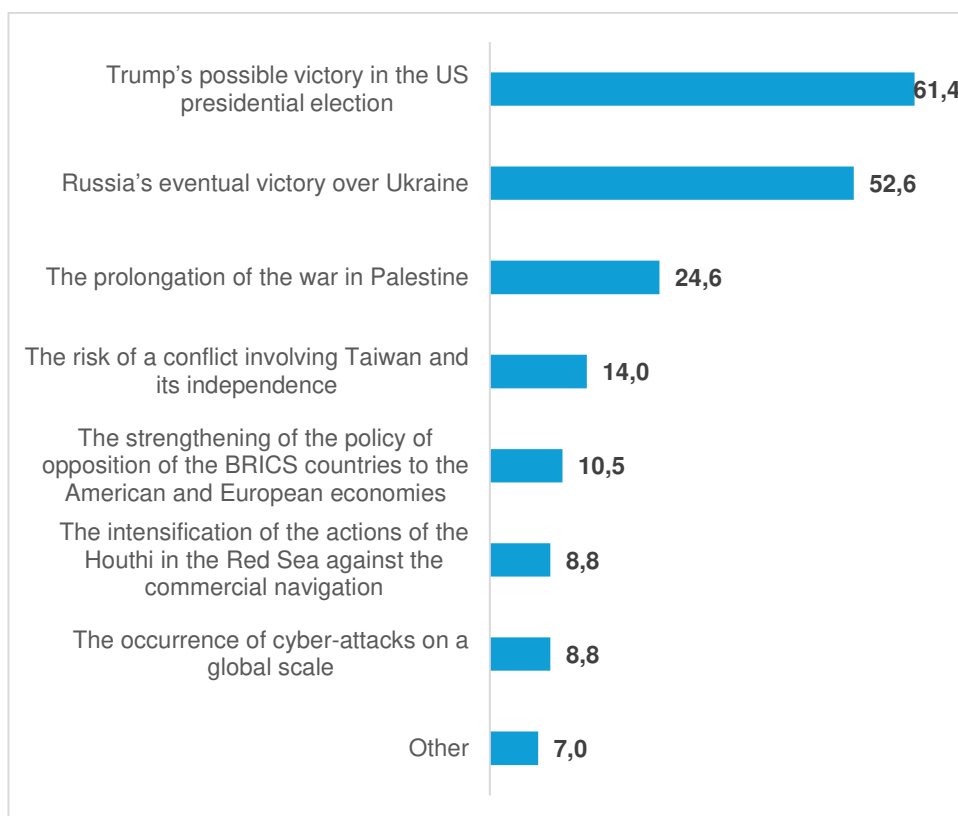
The global economic situation has improved since the end of 2023, and the slight increase in the 2024 forecast generates optimism about the strength of the world economy. However, we must recognise the presence of geopolitical uncertainties that could jeopardise this positive trend. In addition to the conflicts that have arisen or intensified in various regions of the world in the last two years, 2024 is also characterized by the fact that political elections will be held in many countries, and this could introduce other factors of uncertainty on international balances.

Considering the complexity of the global economic and political landscape, the opinions gathered at the AIBE Panel in April this year highlight two key factors that could significantly influence the dynamics of the international community: 61.4% indicate the possible Trump re-election in the US presidential elections and 52.6% the eventual victory of Russia against Ukraine (fig. 1).

In addition to these focal points, the Panel also attaches importance to the continuing war in Palestine (24.6%), especially given recent developments linked to tensions with Iran, raising questions about *the possible escalation* of the extension of regional involvement. At the same time, it is concerned about the risk of a conflict involving Taiwan and its independence.

Events that alarm the Panel to a lesser extent include the strengthening of the policy of opposition of the BRICS countries to the American and European economies, the intensification of the actions of the Houthis in the Red Sea against commercial navigation, and the growing risk of cyber-attacks on a global scale.

**Fig. 1 - Events and phenomena that could mainly affect the political and economic situation worldwide in the course of 2024, according to the AIBE Panel (\*) (val. %)**



(\*): multiple answers possible

Source: AIBE-Censis survey, 2024

## **2. WHAT WILL THE EUROPEAN UNION BE LIKE AFTER THE JUNE ELECTIONS?**

Regarding the euro area, the latest forecasts in the IMF's World Economic Outlook have reported a revision of gross domestic product growth estimates. The 2024 forecast suffers a downward correction of a tenth of a point (from 0.9% last January to the current 0.8%). The 2025 forecast also dropped by two tenths of a point, from +1.7% to +1.5%.

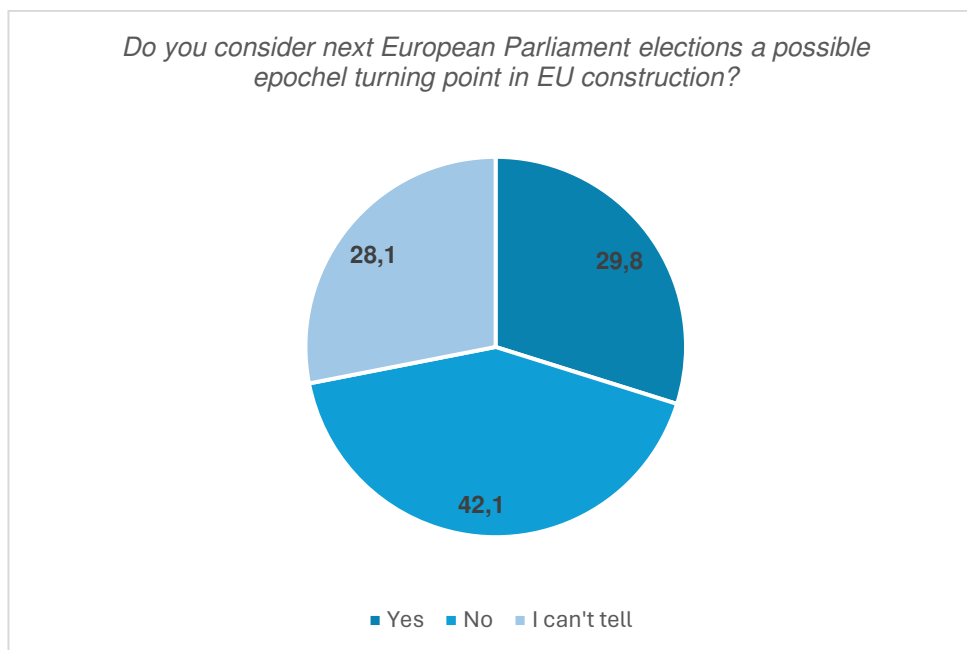
The European Union is currently facing a series of complex challenges arising both from its internal situation and from the global geopolitical context. In addition to the consequences of the pandemic, which in the recent past has amplified economic and social fragility, the EU now faces increasing trade and political tensions in the region, which threaten European integration and cohesion.

In this dynamic context, the European elections of June 2024 are of fundamental importance, as they will outline the future path of the EU and its capacity to thrive, or not, in a politically and economically unstable world.

On this level, the opinions gathered at the AIBE Panel on the forthcoming elections for the new European Parliament reveal that less than a third (29.8%) are optimistic and consider the elections as a possible turning point in the construction of the European Union (fig. 2). 42.1% are rather pessimistic, while 28.1% of the Panel do not feel able to express a definitive opinion on the matter.



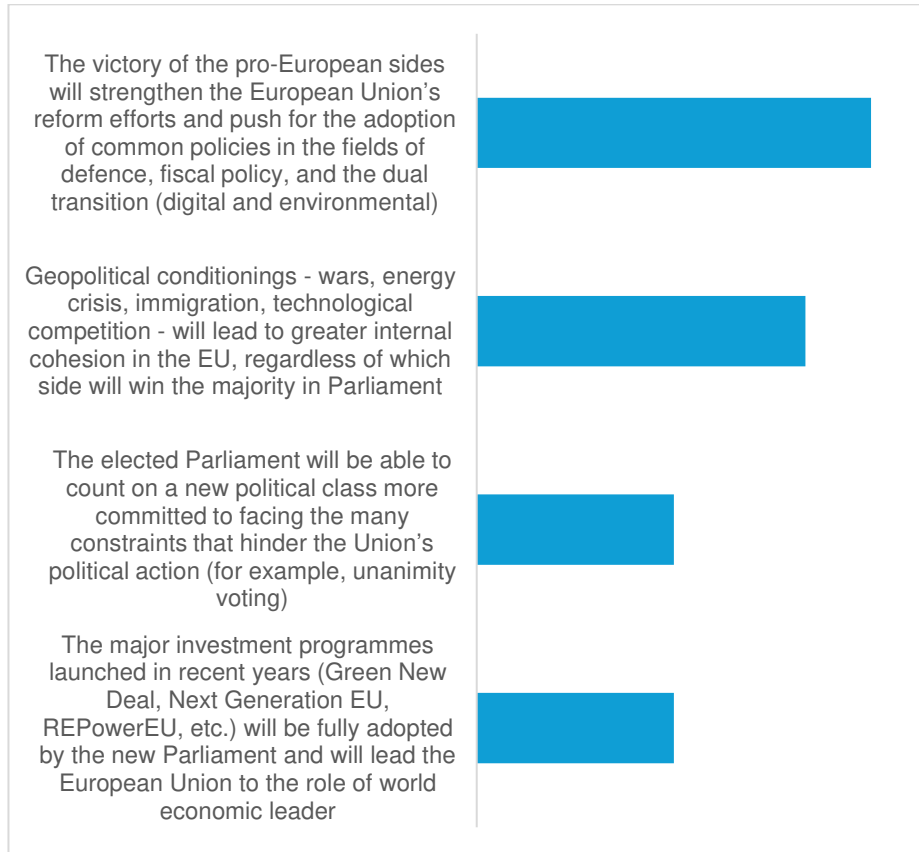
**Fig. 2 - Opinions of the AIBE Panel on a possible breakthrough in the construction of the European Union following the next elections to the European Parliament (val. %)**



Source: AIBE-Censis survey, 2024

The conviction of part of the AIBE Panel that the next elections can mark an epochal moment in the construction of the European Union is mainly fuelled by the prospect of a victory of the pro-European sides. This victory is expected to strengthen the EU's reform efforts and promote the adoption of common policies in crucial areas such as defence, fiscal policy, and dual transition management. Moreover, the Panel believes that geopolitical conditionings will play a significant role in encouraging greater internal cohesion, regardless of the election result. Elements such as the renewal of the political class and the full implementation of the investment programs started in previous years are instead considered by the Panel less decisive (fig. 3).

**Fig. 3 - The reasons that, according to a part of the AIBE Panel, will lead to a turning point in the construction of the European Union**



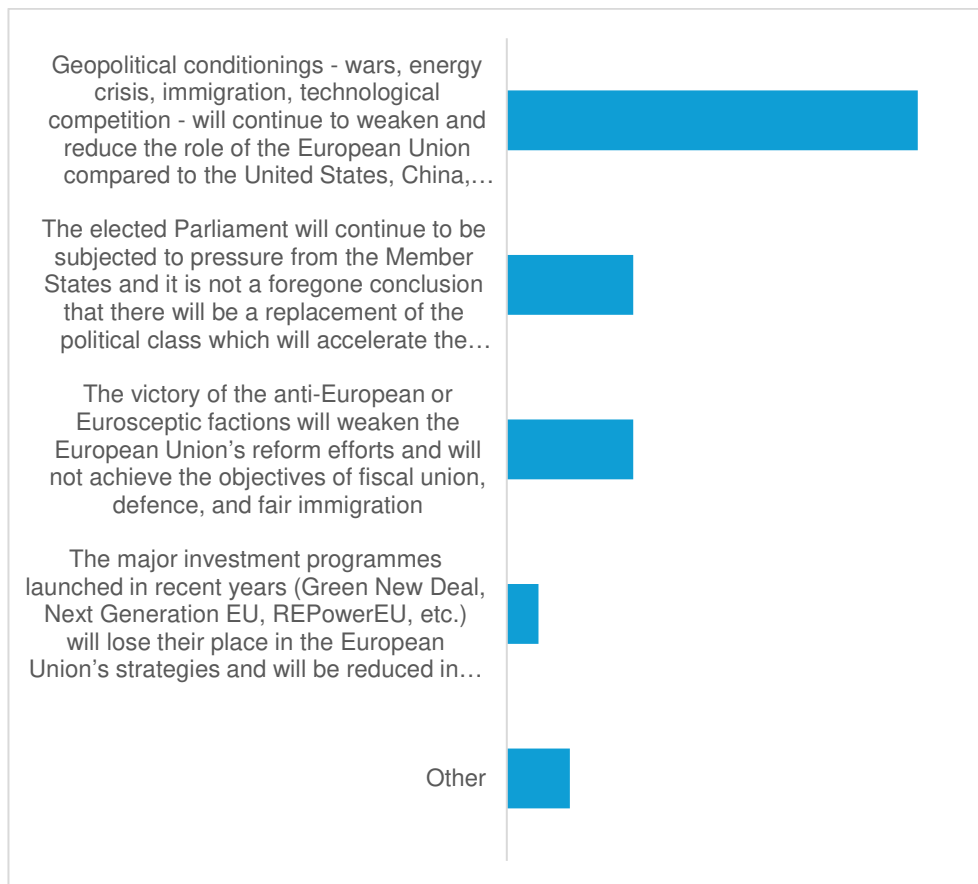
Source: AIBE-Censis survey, 2024

On the contrary, the part of the Panel convinced that there will be no turning point is persuaded above all by one factor: geopolitical conditionings, that is, wars, the energy crisis, immigration, as well as fierce technological competition, will continue to weaken and reduce the role of the European Union vis-à-vis the United States, China and BRICS (Fig. 4).

The Panel attaches less importance to the fact that the elected Parliament will continue to be subjected to pressure from the Member States and that it is not a foregone conclusion that the political class will be replaced in order to accelerate the process of European construction. In the same way, the victory of anti-European or Eurosceptic factions will weaken the EU's reform

efforts, thus preventing it from achieving the objectives of fiscal union, defence, or proper immigration. As a result, large investment programmes could lose importance in EU strategies, with the risk of downsizing resources and planned targets.

**Fig. 4 - The reasons that, according to a part of the AIBE Panel, will prevent a turning point in the construction of the European Union**



Source: AIBE-Censis survey, 2024

However, considering the level of uncertainty in the European continent and surrounding regions that has been created over the last two years, 43.9% of the AIBE Panel underlines the priority need in the next legislative term, strengthening the attention of the European institutions towards the completion of the European Common Defence Policy (Fig. 5). This long-

awaited initiative now appears to be crucial for the progress and unity of the European Union. The implementation of a common European defence could provide greater collective security for Member States. Furthermore, given the current global uncertainty and increasing pressure on security issues, such as the management of cyber threats and the fight against terrorism, the debate on a common defence becomes a subject to be carefully considered for the maintenance of European stability.

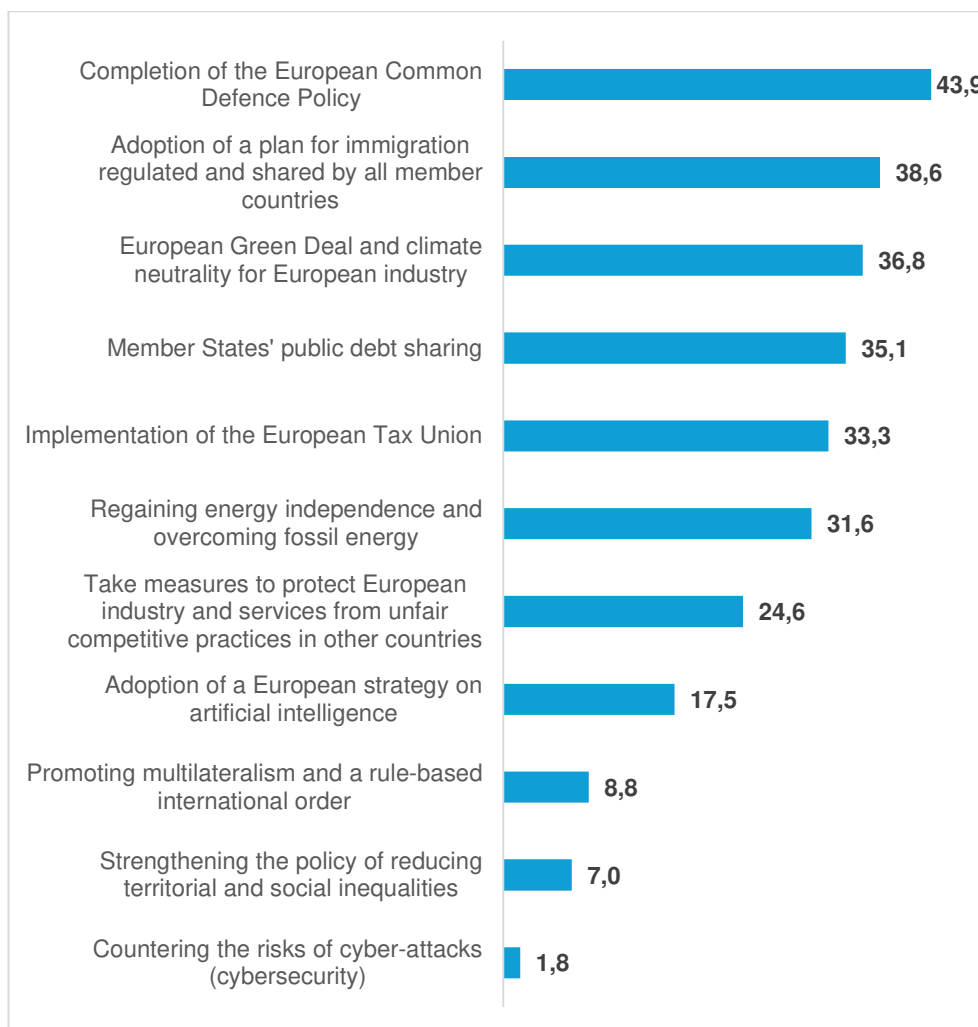
Another policy that has been under discussion for years, a priority for the next legislative term according to 38.6% of the Panel, is the adoption of a plan for immigration regulated and shared by all member countries. Similarly, a greater commitment is being called for by 36.8% regarding the European Green Deal and the achievement of climate neutrality for European industry.

Part of the Panel then turns its attention to economic policy initiatives for which an explicit commitment by the European institutions in the next legislature is required: the sharing of the member countries' public debt (35.1%) and the implementation of the European Tax Union (33.3%). Equal importance is attached to the reconquest of energy independence and the overcoming of fossil energy (31.6%).

In addition to these initiatives considered of greater urgency, Part of the Panel calls for greater attention by the European institutions to take measures to protect the industrial and service sectors from unfair competitive practices in other countries and a European strategy on artificial intelligence.

Of less importance are the promotion of multilateralism and an international order based on rules, the strengthening of the policy of mitigation of territorial and social inequalities and the fight against the risks of cyber-attacks.

**Fig. 5 - Priority political initiatives for the EU for the next legislative term, according to the Panel AIBE (\*) (val. %)**



(\*): multiple answers possible

Source: AIBE-Censis survey, 2024

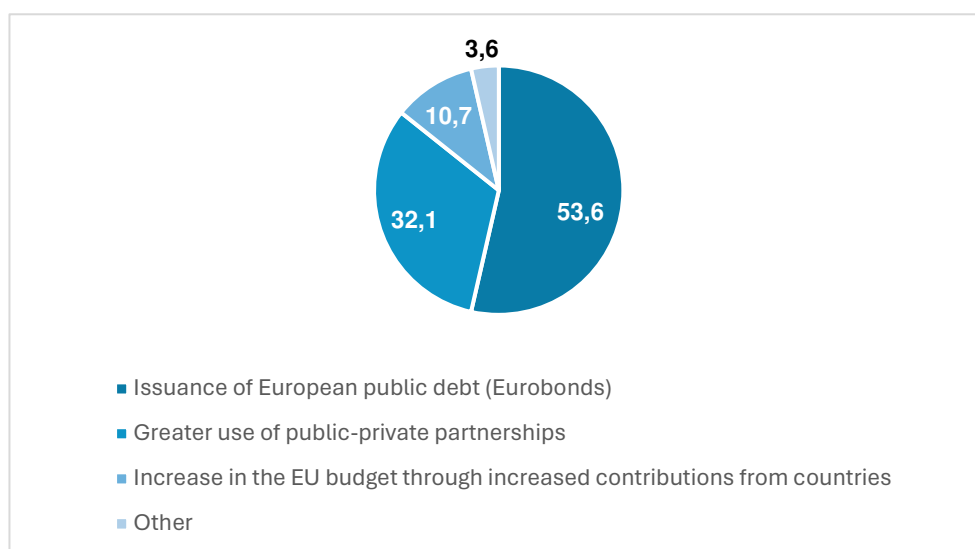
In order to address the challenges of the dual transition (energy and technology), in addition to military spending in the new geopolitical context, it is estimated that annual investment of more than EUR 500 billion is

needed. In this perspective, the AIBE Panel was asked how the EU should intervene to recover new resources.

Although the European Council is once again divided on the possibility of financing the new challenges presented by a new debt issued directly by the EU, most members of the Aibe Panel believe that the issuance of European public debt (Eurobonds) represents a preferential strategy (53,6% fig. 6). From this perspective, this strategy could allow the consolidation of Community finances and access to financing at potentially more advantageous interest rates on international markets. A second resource for the Panel could be increased use of public-private partnerships (32.1%).

Much less plausible, however, is the possibility of obtaining new resources through the increase of the EU budget through greater contributions from countries. The Panel's share of other types of intervention is in a minority.

**Fig. 6 - Participations of the EU in order to obtain new resources in order to guarantee the double transition (energetic and technological) and the military expenses demanded from the new geopolitical context, second the Panel Aibe (val. %)**



Source: AIBE-Censis survey, 2024

### **3. INFLATION AND NRRP DELAYS AFFECT ITALIAN ECONOMIC OUTLOOK IN 2024**

As for Italy, between January and April, the International Monetary Fund confirms the estimates of growth in the gross domestic product in 2024, establishing a rate of 0.7%. However, the forecast for 2025 suffers a significant decline, from 1.1% expected in January to a modest 0.7% today.

If these forecasts were confirmed in 2025, Italy would have the slowest growth among eurozone countries. Estimates indicate an increase of 1.3% for Germany (compared to 0.2% in 2024), 1.4% for France (compared to 0.7% in 2024) and 2.1% for Spain (compared to 1.9% this year). The euro area average will be double that of Italy.

Among the events and phenomena that could mainly affect the economic and financial situation of Italy in the course of 2024, the opinions gathered at the AIBE Panel converge mainly on two factors: the continuation of inflation (57.9%) and delays in the implementation of the PNRR (56.1%) (Fig. 7).

Constant inflation could erode the purchasing power of households, limiting spending and restraining economic activity in the country. At the same time, delays in the implementation of the PNRR and the expected reforms could jeopardise investment and Italy's long-term competitiveness, slowing the economic recovery process.

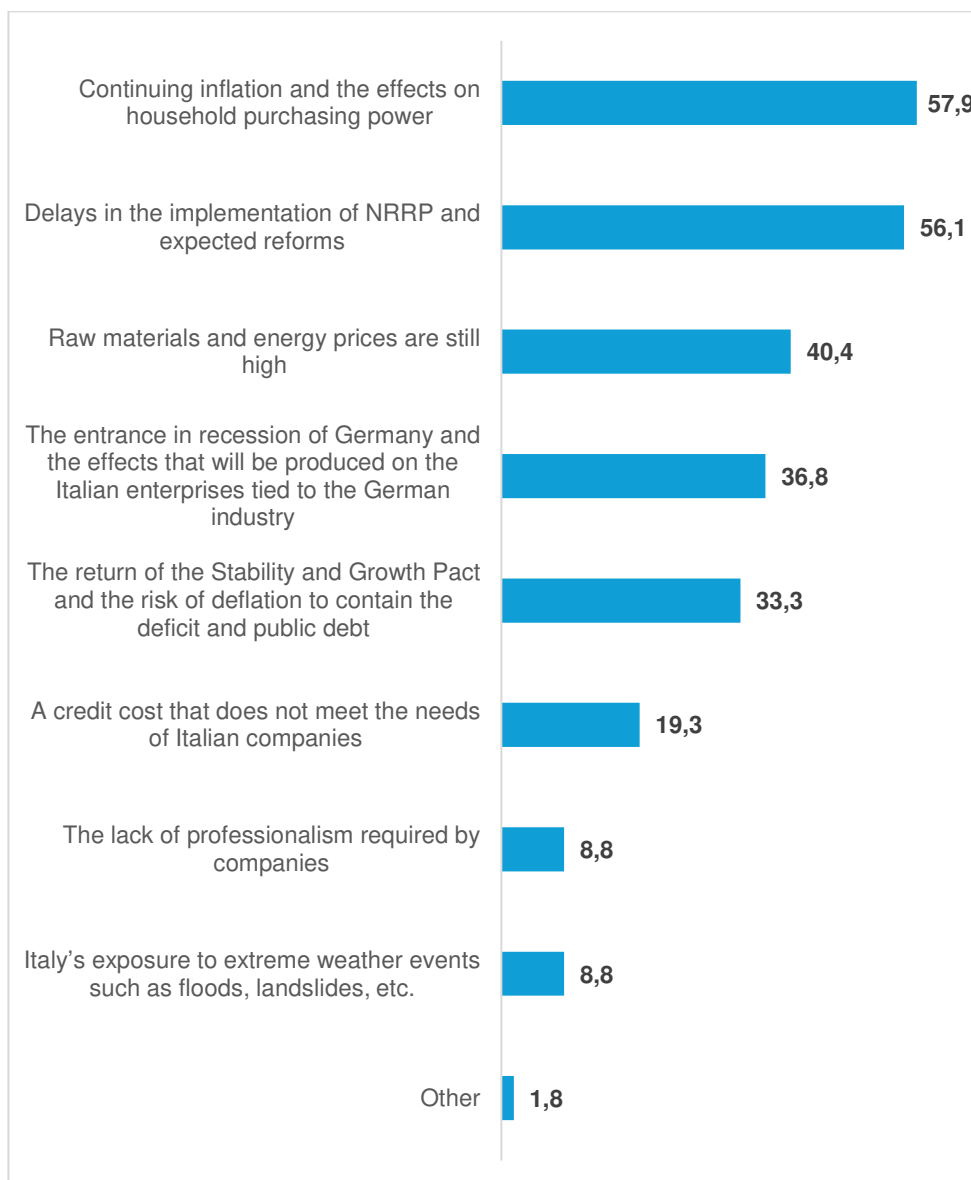
Significant threats are also the prices of raw materials and energy, still high, indicated by 40.4% of the Panel, but also the entry into recession of Germany, indicated by 36.8%, considering the effects that will occur on Italian companies related to German industry. The return of the Stability and Growth Pact and the risk of deflation to contain the deficit and public debt (33.3%) are also worrying.

A smaller part of the Panel highlights the cost of credit that does not meet the needs of Italian companies, thus helping to slow down investment and the overall development of the country. The lack of professionalism required by companies could also represent an additional obstacle for Italian economic growth, limiting the ability of companies to innovate, compete and adapt to the challenges of the global market.

Finally, an increasingly recurring phenomenon in recent years, which could affect the economic and financial situation of the country, is the exposure of Italy to extreme weather events such as floods, landslides, or other natural disasters. This could have profound consequences for infrastructure, agriculture as well as other sectors, creating additional costs for the government and businesses and jeopardising the economic stability of the country.



**Fig. 7 – Events and phenomena that could mainly affect the economic and financial situation of Italy during 2024, according to the Aibe Panel (\*) (val. %)**



(\*): possibili più risposte

Fonte: indagine AIBE-Censis, 2024