SPRING FORECAST OF ECONOMIC TRENDS 2022

HIGHLIGHTS

The Spring Forecast of Economic Trends was prepared in a situation of high uncertainty related to the war in Ukraine, the escalation of which could pose a downside risk to the assumptions and outlook of the baseline scenario.

We had already projected a slowdown of growth before the start of the war in Ukraine, mainly due to last year's high base as well as increasing price pressures from high energy and commodity prices and supply chain bottlenecks. Moreover, we expect the volume of support measures that have a positive impact on economic growth to be lower this year than last year, even taking into account the measures taken in recent days.

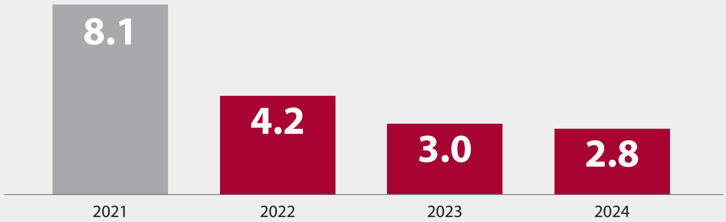
Economic growth this year will largely be driven by growth in domestic consumption. Overall private consumption growth will moderate in the face of higher inflation, while consumption of services will increase sharply. Investment growth will remain high. Growth of goods exports will weaken also due to the war in Ukraine and the related sanctions, which will lead to lower trade with Russia and, through our main trading partners, a slowdown in external demand growth.

RISKS

Since the Russian invasion of Ukraine, the greatest risks to the realisation of the forecast are associated with the unfolding of the war, particularly in relation to impacts on energy prices.

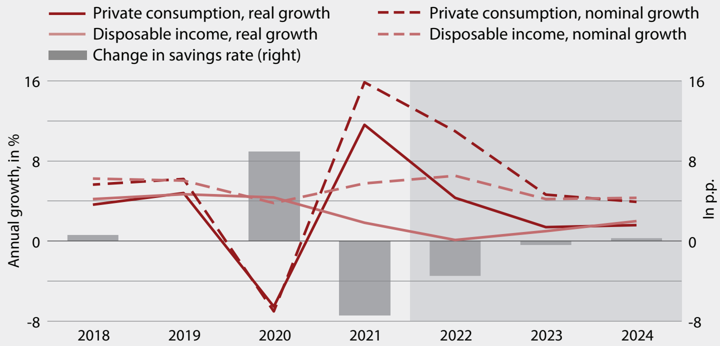
ECONOMIC GROWTH

Real growth, in %



After last year's strong rebound, we expect GDP growth of 4.2% this year, slowing to 3% next year.

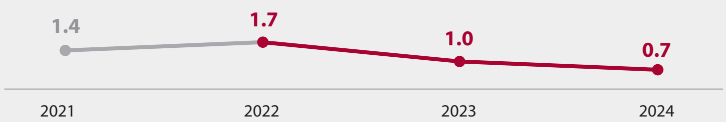
Private consumption



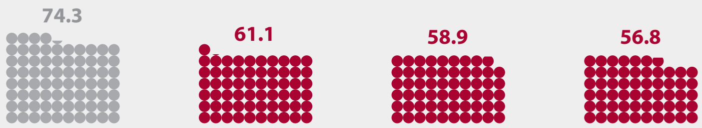
Private consumption growth will be lower this year than last, influenced by higher inflation and consequent real stagnation in disposable income. Therefore we also expect a decline in the savings rate, which rose sharply during the epidemic.

LABOUR MARKET

Employment, growth in %



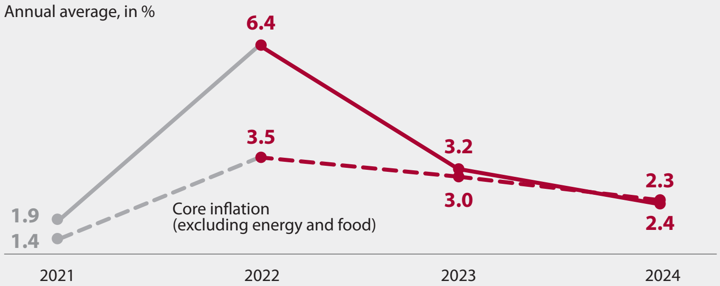
Number of registered unemployed, average in '000



The increase in employment and the decline in unemployment will continue this year and, albeit at a slower pace, over the next two years, although this will be increasingly characterised by constraints related to labour availability impacted by demographic trends.

INFLATION

Annual average, in %



Inflation rose sharply at the end of last year and is expected to remain at a relatively high level for most of this year; provided price pressures ease, it should approach 2% in 2024.

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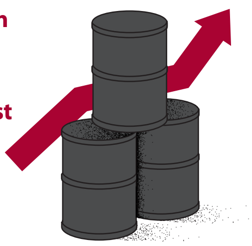
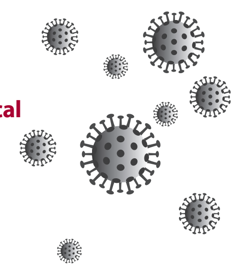
The continuation (of escalation) of the war and sanctions against Russia and consequently higher energy and commodity prices



Longer duration of supply chain disruptions

Significant deterioration of the epidemiological situation and stricter containment measures



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Stabilisation of the situation in Ukraine and a more permanent easing of geopolitical tensions

Permanent improvement in the global pandemic situation

Pace of the absorption of the entire EU funding package