

ANNUAL REPORT 2018

The state of the Nation

Summary

read by Istat President Giorgio Alleva
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of Palazzo Montecitorio



Expenditure Households Relationships Institutions South and Islands Participation Men Enterprises Growth Youth Labour market areas People Elderly Children Social security Citizens Services Relatives Job-seeking Support Ties Schools Employment Unemployment Hardship University Italians Parents University graduates Foreigners Income Well-being Knowledge

RAPPORTO ANNUALE 2018

La situazione del Paese

Sintesi

letta dal Presidente dell'Istat Giorgio Alleva
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Networks and relations in today's Italy

Every year, the ISTAT Annual Report, now in its 26th edition, offers the Parliament and the citizens a documented reflection on the situation of the country in its different realities, identifying risks and opportunities for the future.

Our country has undergone profound changes. ISTAT analyses observe them from an original research perspective, through a great wealth of statistical information, and thanks to the capacity to integrate it into a coherent framework.

Such changes are far-reaching and have ancient roots. Their effects sometimes have been triggered or accelerated by the recession. They are mainly demographic changes, such as population ageing, transformation of family structures, and evolution of life cycles, resulting not only in delayed transition to adulthood, but also in the modification of their sequence. Our country has also experienced changes in the labor market and businesses ("the fourth industrial revolution"), the irruption of digital technologies, and the effects of welfare *policies* and organisation, which although did not act in a disruptive way, "gently changed" individual and collective behaviors.

The 2018 Report illustrates these dynamics by analysing networks and relations among people, between people and social actors (enterprises, institutions, formal and informal groups) and among social actors.

Before presenting the main results of our analyses, it is appropriate to summarise the Country's economic performance of the last year and the early months of the current year, which was the focus of the recent hearing on the Economic and Financial Document before the Special Committees for the examination of Government acts of the two Chambers of Parliament.

The current situation: population, economy, labor market, well-being

As of 1 January 2018, the resident population is estimated at 60.5 million, including 5.6 million foreign citizens (8.4 percent). For the third consecutive year, the total population decreased: almost 100 thousand less than the previous year. Births,

in particular, have been declining for nine years in a row: in 2008, they were 577 thousand, in 2017 464 thousand, a new historical low after that of the previous year. Three quarters of this decrease is caused by densely populated generations of women exiting childbearing age. The remaining quarter is due to a decrease in the propensity to procreate. In addition, late parenthood spread more and more. For women, the average age at first birth, 26 in 1980, in 2016 rose to 31.

In 2017, about 100,000 newborn babies had at least one foreign parent, more than a fifth of the total, although the contribution of the foreign population to growth had started decreasing too, as early as 2012. The average number of children born to foreign women remains higher than that of Italian women (1.95 children per woman vs. 1.27), but decreases due to older age structure as compared to the past and changes in the size and composition of migration flows.

Italy is one of the highest longevity countries in the world: a newborn baby today has a life expectancy of almost 81 years for males and 85 for females. In the presence of a falling birth rate, however, the demographic imbalance increases: with almost 170 elderly people (people aged 65 and over) per 100 young people (between 0 and 14 years), Italy is the second oldest country in the world after Japan.

The migration balance, positive for over twenty years, albeit gradually decreasing, has slightly recovered over the last two years (+184 thousand in 2017): between 2007 and 2017, annual registrations in the Registry Office from abroad decreased from 527 thousand to 337 thousand. Of these, 13 percent were Italian citizens returning to the country. Almost half of the new arrivals came from nine countries (Romania, Pakistan, Nigeria, Morocco, Albania, China, Bangladesh, Brazil, and India). In the same period, the number of outgoing migrants abroad tripled, from 51,000 to 153,000.

In 2017, the Italian economy benefited from an expanding international context (the International Monetary Fund estimated 3.8 percent global growth). Our country's Gdp volume increased by 1.5 percent, with a marked acceleration compared to 0.9 percent in 2016. The Italian growth, however, was still lower than the other major European economies. The preliminary estimate for the first quarter of 2018 indicates a 0.3 percent short-term variation, slightly lower than that of the Emu. Gross domestic product increased by 1.4 percent over the same period of 2017, and the growth overhang for 2018 by 0.8 percent.

Gdp growth and the budget control have resulted in an improvement in public finance indicators: net borrowing fell below 40 billion euro, from 2.5 to 2.3 percent of GDP, and the debt-to-GDP ratio was reduced by two-tenths of a percentage point, to 131.8 percent.

In the first few months of 2018, qualitative indicators on household and business confidence continued to show positive, albeit slightly weaker, signs. The European Commission forecasted that, in 2018, the economic growth rate in Italy and the Emu would remain at similar levels as compared to 2017, with an increase in investments and a reduction in net foreign demand.

Growth in 2017 was mostly sustained by internal demand components and, after three years of negative impact, the foreign component also contributed positively (+0.2 points).

Gross fixed investment was the most dynamic component of the domestic demand, with a 3.8 percent increase (3.2 percent in 2016). The increase was driven by investments in means of transport, but involved all components of capital goods, and all business sectors. In 2017, the share of companies and sectors that claimed to have increased their physical and intangible capital increased compared to 2016, both in manufacturing and in services.

Compared to the main European countries, Italian investments are imbalanced in favor of tangible investments. On the other hand, intangible investments, such as research and development, software and databases are now recognised as an essential component of productivity dynamics, and therefore, of the competitive capacity and growth potential of our production system.

The volume of households' consumption grew by 1.4 percent and, following the moderate recovery in inflation, their purchasing power increased by only 0.6 percent (1.0 percent in 2016). Accordingly, households' propensity to save in 2017 fell from 8.5 percent to 7.8 percent.

Exports of goods and services grew in volume by 5.4 percent, confirming the high and increasing level of competitiveness of our enterprises on the international markets, and imports by 5.3 percent. In value terms, exports increased by 7.3 percent and imports by 8.6 percent. This reflects the deterioration of terms of trade, due to the increase of import prices, in particular oil. The trade surplus showed a slight decrease in 2017 (from 49.6 billion to 47.5 billion euro), while remaining high, and the non-energy balance surplus increased more substantially, from 76.2 billion to 81.0 billion euro.

After three years of stagnation, in 2017 price trends turned positive again (+1.3 percent), driven by the performance of energy goods (+4.5 percent). Core inflation remained contained at +0.8 percent, as in recent years. The general index and core inflation remained two to three tenths below the Emu average, a distance that has been widening since early 2018.

In 2017, economic activity grew in all the productive sectors, with the only exception of agriculture: the increase in the value added was marked in industry in the strict sense (+2.1 percent), sustained in all service activities (+1.5), and moderate in construction (+0.8). Labor input (total hours worked) increased by just over 1.0 percent and hourly productivity by 0.4 percent (+0.6 percent when considering market economy sectors alone).

In the 2015-2016 period, economy resumed growing in the South, after seven years of contraction: GDP by volume increased by 2.4 percent, higher than the national average (+1.9 percent).

In 2017, the employed exceeded 23 million (+265 thousand and +1.2 percent compared to 2016) and the employment rate rose to 58 percent, a value close to the 2008 peak (58.6 percent), but over 8 points below the European average. The unemployed numbered 2.9 million and the unemployment rate dropped to 11.2 percent (11.7 percent in 2016). Taking into account the potential labor force, the number of people willing to work was just over 6 million. Employment growth continued, albeit at a low pace, in the first quarter of 2018, mainly involving young people and men.

The 2017 growth was relatively uniform throughout the country: in particular, it involved women (+1.6 percent against +0.9 percent of men) and, for the second consecutive year, people in the 15-34 age group (+0.9 percent). The South is the only area of the Country where the employment balance was negative compared to 2008 (-310 thousand units, -4.8%); the female employment rate was over 13 points lower than the European average (48.9 percent and 62.4 percent, respectively) and youth unemployment was much more widespread, especially in the 15-24 age group, whose unemployment rate was stable at 34.7 percent (compared to 18.7 percent in the Eu28).

2017 was characterized by an increase in fixed-term work (+298 thousand, +12.3 percent), which involved mainly residents in the Centre and North area and young people up to 34 years. At the same time, the increase in part-time employees, over 4.3 million in 2017, slowed down with a stable incidence on the total. The composition of employment continued to shift more and more from self-employment to employee and permanent work.

The increase in employment was widespread, in varying degrees, in all the economic sectors, and for the first time employment in the construction sector increased again (+0.9 percent). According to some microfounded analyses carried out by ISTAT, the employment growth experienced in 2015-2017 was mainly driven by enterprises with a greater endowment of human capital and a greater propensity to innovate.

An overall assessment of the interaction between productive development, living conditions, public policies and well-being, equity and sustainability is provided by 12 socio-economic and environmental indicators elaborated by ISTAT (indicators of Equitable and Sustainable Well-Being). In 2017, for the first time, they were included in the Economic and Financial Document, thus becoming part of the Government's economic planning cycle, as an important expansion of the country's economic policy, fully implemented in 2018. The first country to comply with the requirements agreed at the international level, Italy included important quality of life aspects in its Budget Law, integrating the traditional economic performance indicators.

Last year, the level of well-being of the Italians, measured in the Economic and Financial Document, improved significantly in five out of its twelve indicators, and decreased or stagnated in the remaining seven. On the positive side, there have been positive trends over the past three years or more in reducing predatory crime, improving labor market participation and reducing the duration of

civil suits. On the negative side, income inequality and absolute poverty have increased. The latter, according to preliminary estimates in 2017, affects 6.9 percent of households and 8.3 percent of residents (from 6.3 percent and 7.9 percent in 2016, respectively), almost 1.8 million households and 5 million individuals in absolute terms.

The networks perspective

The picture that emerges from economic data shows the consolidation of the economic recovery, albeit with different intensities in different regions and social groups.

The perspective of networks and relationships permits an innovative, in-depth analysis of Italian society. We are convinced that this change of perspective will enrich the analysis and allow us to respond to some research questions that we will also deal with in this summary: for example, are networks an evolutionary factor? Do they contribute to the resilience? Are they a factor of social protection, strengthening and growth?

The concepts of network we refer to are many, vast and have a plurality of meanings. We are social animals: "No man is an island, complete in himself", the English poet John Donne wrote in 1624 in his 17th meditation. We simply cannot survive on our own. Immersed in social relations, instead, we prosper.

In the last quarter of the last century, the ICT network has become so pervasive that all the other networks and relationships in which we are immersed have moved to the background.

Yet, people are involved in a number of different systems of relationships and networks, in which they participate with varying intensity, at different stages of their life, family structure, social status, work, income. They are generally informal networks, which makes to analyse them particularly difficult. Moreover, the subjective component is strong: what meaning do their members give to the networks they belong to? How formal are the relationships among them? How large, intense and frequent are the relationships? What are the factors behind their size? What emotional meaning or investment is given to them?

People's networks

To better understand all these aspects, we analysed the networks of kinship, friendship and neighborhood taking into account close relatives (grandparents, parents, brothers and sisters, partners, children and grandchildren), other relatives (uncles, children of brothers, cousins, brothers-in-law, in-laws and others), neighbors, friends and anyone willing to provide practical help.