

Italy

The Italian economy continued to normalise in 2023. After the strong post-pandemic recovery, there was a slowdown in growth, which was influenced by various factors such as high inflation, rising interest rates and geopolitical uncertainty. Nevertheless, GDP grew albeit at a more moderate pace than in previous years (+0.7%, +4.7% in 2022). Although inflation was lower than the highs reached in 2022, it remained a cause for concern and affected households' purchasing power and companies' investment decisions.

In 2023 bank lending showed a negative trend, mainly due to the effects of restrictive monetary policy and weak demand from firms and households. Specifically, bank loans to customers in Italy amounted to €1,677 billion at the end of last year, with an annual change of -3.3%. Loans to the private sector amounted to €1,430 billion, showing a decrease of 2.8% compared to the previous year. Loans to households and non-financial companies amounted to €1,288 billion, which corresponds to an annual change of -2.5%.

The decline in total loans primarily reflected the fall in loans to non-financial companies (-3.7%), which were influenced by rising interest rates on the one hand and lower borrowing requirements, due to the economic slowdown and ample corporate liquidity, on the other. The dynamics of loans to households also weakened in 2023 and showed negative rates of change from July onwards, mainly due to a slowdown in mortgage loans for home purchases. Specifically, loans to households fell by 1.3% in December 2023 (+3.3% at the end of 2022); in terms of components, loans for home purchases remained broadly stable in 2023, while consumer loans grew by +3.5%.

Despite the slowdown in economic activity, the volume of non-performing loans reported in bank balance sheets continued to fall in 2023. Over the course of the year, their value (net of write-downs) fell from €33 billion to €30 billion and from 1.5% to 1.4% of total loans, thanks to the low inflow of new non-performing loans and continued disposal measures (around €9 billion over the year as a whole).

In 2023, total bank funding (deposits from customers and bonds) in Italy recorded a slightly negative trend. On the one hand, there was significant growth in medium- and long-term funding, particularly bonds, due to rising interest rates, which made these investment instruments more attractive to savers. On the other hand, deposits recorded a slight decline. More precisely, total funding amounted to €2,041 billion at the end of 2023, which corresponds to a decrease of 0.9% compared to the previous year. Specifically, customer deposits amounted to €1,794 billion, a decrease of 3.0% on the previous year, while medium- and long-term funding via bonds amounted to €247 billion, an increase of 18.3% on the previous year.

In 2023, the capitalization of banks operating in Italy continued to improve: the highest quality capital (Common Equity Tier 1, CET1) corresponded to 15.6% of total risk-weighted assets (15.3% in 2022), in line with the average of European banks. Liquidity remained high despite the repayment of long-term refinancing operations. Profitability increased compared to the previous year: return on equity (ROE) rose from 9.0% to 12.9%.

The restructuring plans and the consolidation of the Italian banking sector, started in past years, continued in 2023. At the end of the year, Italy's banking industry (comprising bank holding groups and independent banks) consisted of 98 active banks. Banks have also continued to reorganize the distribution network: in 2023 the number of branches fell by 3.9% (to 20,160) and the number of employees by 0.8% (to 262,250).