

Summary

2024 budget manoeuvre: PBO's analysis of the final legislative texts

The Focus Paper provides an overview of the financial and economic impacts of the measures of the Budget Law approved by Parliament on 29 December 2023, as analysed together with the law converting Italian Decree-Law 145/2023 and the legislative decrees related to the tax reform that as a whole constitute the budget manoeuvre. The financial effects with respect to the 2023-26 scenario under unchanged legislation, the impact on beneficiaries and economic bases, and the main changes introduced during the parliamentary process are analysed.

The Focus Paper notes that the impacts on the fiscal balances featured in the initial version of the manoeuvre have been substantially confirmed, with only a slight improvement in the deficit in the 2024-26 three-year period, i.e. less than EUR 50 million in the first year and EUR 100 million in each of the two subsequent years. Compared to the trends under current legislation, the manoeuvre will worsen the public deficit in the 2023-25 three-year period and improve it in 2026.

Compared to the trend framework, net revenues have increased, with the exception of 2024 (as a result of the cut in employee social security contributions and the revision of IRPEF); net expenditure will increase throughout the four-year period. The return of the deficit to below 3 per cent of GDP planned in the EFD Update for 2026, given the increase in current expenditure, derives from an increase in net revenues and a reduction in capital expenditure.

With regard to the main beneficiaries of the manoeuvre, the Focus Paper highlights the year-by-year net impacts on each of the three macro groups of measures: those for households, those for businesses and the self-employed, and the 'general' ones, i.e. those aimed at several types of subjects at the same time. In 2024, households will benefit most from the manoeuvre, especially those with employees among their members, with net benefits totalling EUR 16.4 billion, of which EUR 3.4 billion for public employees alone. Also in 2025 and 2026, the main beneficiaries of the manoeuvre will be households (about EUR 6.4 billion and EUR 6.9 billion, respectively), especially civil servants. For the 2024-25 period, albeit to a lesser extent, net resources have also been earmarked for general interventions and purposes (net benefit of 4 billion). On the other hand, the net impact on businesses and the self-employed is restrictive, contributing to the improvement of the balance in all years of the 2024-26 period compared to the scenario under unchanged legislation.

In 2024, compared to the trend scenario, labour-related revenues will decrease significantly, and consumption revenues will decrease to a lesser extent; capital-related

revenues will increase instead. In 2025-26, revenue on all economic bases will increase, most markedly on capital.

On the net expenditure side, the largest net increase concerns defence, healthcare and other expenditures that cannot be clearly classified for 2024, while in 2025-26, the largest net increase will be directed to health, non-classifiable expenditures, social protection and general government services.

On the other hand, in the 2023-24 period, expenditure savings will be concentrated mainly in the general services function of the public administration, while in 2026 significant expenditure savings will be provided for the economic affairs and defence functions.

Overall, after the parliamentary procedure, the approach of the budget manoeuvre remained unchanged: indeed, the changes made to the budget law by Parliament had a marginal impact on the balances and the numerous new measures were of a limited magnitude. Finally, there were limited changes to Decree-Law 145/2023, and none to the two legislative decrees related to the tax reform.

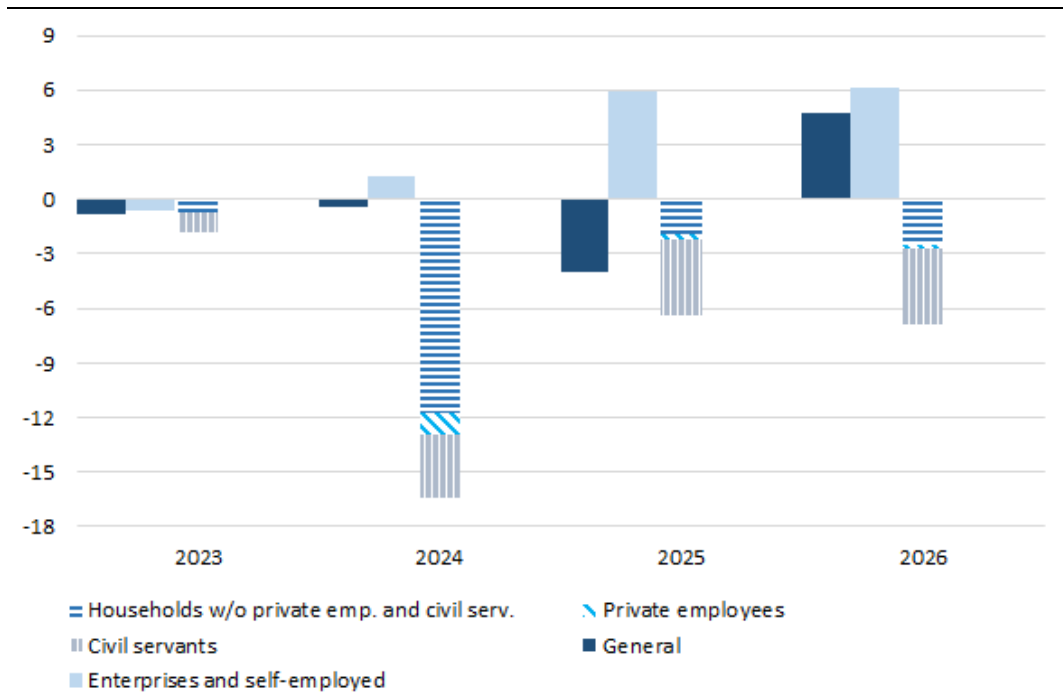
Table 1 – Converted Italian Decree-Law 145/2023, Budget Law for 2024, Italian Legislative Decree-Law 209/2023 and Italian Legislative Decree 216/2023: manoeuvre for 2024-26 and effects on 2023 of Italian Decree-Law 145/2023 (EUR million and percentage of GDP)

	2023	2024	2025	2026
INVESTMENTS ⁽¹⁾⁽²⁾	7,154.0	38,496.2	22,126.8	19,243.0
As a percentage of GDP	0.3	1.8	1.0	0.8
As a reminder: Investments of Italian DL 145/2023	7,154.0	3,690.1	230.8	163.9
As a reminder: 2024 Budget Law Investments		33,733.9	17,829.5	17,151.5
As a reminder: Investments of DLGS 209/2023 and DLGS 216/2023		4,280.1	5,261.2	3,245.4
Higher expenses	7,109.2	16,250.1	19,819.3	18,397.2
Current	5,678.3	12,044.2	17,344.7	15,715.6
Capital account	1,430.9	4,205.9	2,474.6	2,681.6
Minor sources of revenue	44.8	22,246.1	2,307.5	845.8
RESOURCES ⁽¹⁾	3,966.2	22,845.1	17,654.6	23,206.1
As a percentage of GDP	0.2	1.1	0.8	1.0
As a reminder: Resources of Italian DL 145/2023	3,966.2	3,665.6	158.8	59.2
As a reminder: 2024 Budget Law 2024		18,107.3	13,387.1	21,218.9
As a reminder: Resources of DLGS 209/2023 and DLGS 216/2023		4,280.1	5,303.5	3,245.8
Major sources of revenue	1,547.8	9,128.2	10,998.6	9,277.1
Lower expenses	2,418.4	13,716.9	6,655.9	13,929.1
Current	1,700.4	9,397.1	2,016.8	2,038.8
Capital account	718.0	4,319.9	4,639.2	11,890.3
NET REVENUE	1,503.0	-13,117.9	8,691.2	8,431.3
As a percentage of GDP	0.1	-0.6	0.4	0.4
As a reminder: Net revenue of DL 145/2023	1503.0	-125.3	-8.0	57.1
As a reminder: 2024 Budget Law net revenue		-8,712.5	4,781.9	5,276.1
As a reminder: Net revenue of DLGS 209/2023 and DLGS 216/2023		-4280.1	3917.2	3098.0
NET OUTPUTS	4,690.8	2,533.1	13,163.3	4,468.2
As a percentage of GDP	0.2	0.1	0.6	0.2
Current	3,977.9	2,647.1	15,327.9	13,676.8
Capital account	712.9	-114.0	-2164.6	-9208.7
As a reminder: Net output of Italian DL 145/2023	4,690.8	-100.8	64.1	161.9
As a reminder: 2024 Budget Law net output		6,914.1	9,224.3	1,208.7
As a reminder: Net Output of DLGS 209/2023 and DLGS 216/2023		-4,280.1	3874.9	3097.6
NET DEBT	-3,187.8	-15,651.0	-4,472.2	3,963.1
As a percentage of GDP	-0.2	-0.7	-0.2	0.2
As a reminder: Net debt of Italian DL 145/2023	-3,187.8	-24.5	-72.0	-104.7
As a reminder: 2024 Budget Law net debt 2024		-15,626.6	-4,442.4	4,067.4
As a reminder: Net debt of DLGS 209/2023 and DLGS 216/2023		0.0	42.3	0.4
As a reminder: Manoeuvre of SECTION II of the 2024 Budget Law		0.0	0.002	0.0
Refinancing, Reprogramming and Definancing: Effects on Net Debt		3,844.6	3,373.1	9,001.1
Investments, of which:		-2,126.3	-920.7	-943.7
Current expenditure		-1,928.0	-472.4	-187.9
Capital Expenditure		-198.3	-448.3	-755.8
Resources, of which:		5,970.9	4,293.8	9,944.8
Current expenditure		2,997.5	247.5	57.5
Capital Expenditure		2,673.0	4,046.0	9,887.0
Tax/current revenue		300.3	0.3	0.3

Source: elaborations on data from the summary schedules of the financial effects of Italian Decree-Law 145/2023 (converted by Italian Law 191/2023), the Budget Law for 2024, Italian Decree-Law 209/2023 and Italian Legislative Decree 216/2023.

(1) The uses and resources for the 2024-26 three-year period are estimated net of various current expenditure items: of the effects of the Fund intended for the implementation of the 2024-26 budget manoeuvre, established through Italian Decree-Law 145/2023 and used in the Budget Law; of the effects of the increase in the Fund for the implementation of interventions on the reform of the tax system provided for in Italian Decree-Law 145/2023 and used in Italian Decree-Law 216/2023; the effects of the reshaping of the Municipal Solidarity Fund neutralised by those connected with the establishment of the Special Fund for Equity in Service Levels; the effects of the establishment of the Single Fund for the Inclusion of Persons with Disabilities neutralised by those deriving from the repeal of specific Funds that were included in it. - (2) The uses contain the net deficit-increasing effects related to reprogrammings, since the available information does not allow for a distinction to be made between deficit-increasing and deficit-reducing measures (the latter should be included within the resources).

Figure 1 – Converted Italian Decree-Law 145/2023, Budget Law for 2024, Italian Decree-Law 209/2023 and Italian Legislative Decree 216/2023: manoeuvre for the 2024-26 three-year period and effects on 2023 of Italian Decree-Law 145/2023 – Beneficiaries
(net amounts in EUR billion; increases (-) and decreases (+) in the deficit)



Source: elaborations on data from the summary schedules of the financial effects of Italian Decree-Law 145/2023 (converted by Italian Law 191/2023), the Budget Law for 2024, Italian Decree-Law 209/2023 and Italian Legislative Decree 216/2023.