

Snap | 29 April 2026

ITALY

Italy's April confidence data signals sweeping effects of Middle East war

The softening in Italy's confidence data extended from consumers to businesses in April, with intentions to raise prices set to grow over the next few months. A flat second quarter is still possible, but the risk of a contraction is increasing



April's confidence data suggests that the risk of a broader pass-through of energy price pressures in Italy is rising by the month

The impact of the Middle East war and the stalemate in negotiations keeping the Strait of Hormuz almost closed to navigation is apparently spreading through the Italian economy, affecting both consumers and businesses.

Consumer confidence falls further

In March, consumers were the first to feel the hit of the consequences of war in the Middle East. April data shows that the picture has not improved, despite news of the ceasefire. Consumer confidence dropped further to 90.8, the lowest level since January 2023, dragged down by deteriorating expectations for the economic situation. Consumers are increasingly worried about future unemployment and expect higher inflation down the road. This combination is well reflected in decelerating intentions to purchase both durable goods and houses and in growing intentions to save. The stabilisation in retailers' confidence, meanwhile,

suggests possible resilience in non-durable consumption.

Manufacturers also feeling the brunt

In manufacturing, the contained deterioration in the orders component and a low level of inventories resulted in a very slight softening in current and expected production. Both the order and production indicators worsened further for instrumental goods – a warning shot for short-term machinery investment development. Interestingly, businesses signalled increasing intentions to revise their prices upwards in the future. For the time being, the war in the Middle East and its energy disruptions seem to point to a pause in the tentative recovery rather than a new plunge into a manufacturing recession.

Construction also hit, but infrastructural exception persists

The deterioration is more marked in the construction sector, where confidence fell by almost three points (though remained above the January 2026 low), dragged down by deteriorating current and expected orders/construction plans. The survey details show that the bulk of the deterioration rests in the residential building component.

The fourth consecutive gain in confidence in the civil engineering component, meanwhile, likely reflects the approaching deadline (end of June) for part of the infrastructural investments foreseen by the EU-funded national recovery plan. Against a backdrop of cooling demand, builders point to higher prices ahead; the inflationary impact of the energy disruption on costs is now also showing up in the construction sector.

Services no longer immune, with tourism most affected

The last bit of bad news is the broad-based decline in market services confidence. After proving resilient in March, confidence fell more than three points in April, dragged down by the tourism component, with transport and storage, services to businesses and information and communication all firmly in negative territory. The tourism drop is likely due to disruptions in flight routes and jet fuel availability, plus prices driven by the war in the Middle East.

As we've seen in other sectors, price pressures are seemingly hitting service sector businesses, which in April signalled increasing intentions to revise prices up later down the road.

A soft second quarter looks increasingly likely

All in all, April's confidence data shows that the impact of the war in the Middle East and related energy price pressures is now impacting all broad sectors of the Italian economy and that the risk of a broader pass-through of energy price pressures is rising by the month. Growth-wise, the second quarter likely started on a weaker footing. We are tentatively pencilling in a flat GDP reading, with substantial risks of contraction if the deadlock in the Strait

of Hormuz persists for another few weeks.

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