

## Italian business and consumer confidence rebound in May

We've seen improvements in Italy's data for May among consumers and service providers, but less so for manufacturers. These latest developments align with the overall picture of decelerating – but still positive – GDP growth in the second quarter



Rome, Italy. We see GDP growth remaining positive despite decelerating in Italy this quarter

Italian confidence data is proving volatile as of late, likely affected by shifts in the US tariff story and both its direct and collateral effects. The May release fits this picture. Data collected by Istat shows that confidence posted a rebound among consumers in all main sectors except construction.

### Solid rebound in consumer confidence

The first comforting signal comes from consumers. In May, consumer confidence gained eight points, more than compensating for April's fall. We saw a positive shift in consumers' perceptions about the current and prospective state of the economy and diminishing worries about future unemployment, with the relevant indicator now back down to January's level.

Intentions to purchase durable goods also improved marginally, but a similar development in the

opportunity to save indicator shows that prudential savings might still be hampering an acceleration in private consumption in the current quarter. A highly volatile external backdrop is clearly not helping.

## Service providers also clearly more upbeat

The improvement in services confidence is the main highlight in the business domain. Here, confidence fully recovered from April's three-point fall. The improvement was broad-based, but particularly marked for tourism services, where it likely captured the late Easter effect not picked up in the April release. The improvement was also solid in transport services and services to businesses. This is good news for the supply side, where services have helped support the economy throughout the long-lasting manufacturing recession.

## Confidence still moving sideways in manufacturing...

The confidence improvement in the manufacturing domain was more muted, confirming the picture of an ongoing manufacturing soft patch. The bottom might have been reached here, but it's without clear prospects for a short-term acceleration.

There's no real standout across sectors to note, with orders only marginally improving and inventories marginally down, with expected production very timidly up. It's too little to call for a restart of the inventory cycle and too early to see any relevant impact from the German infrastructure plan. Linger uncertainty surrounding tariff developments and the consequent lack of visibility remain a drag on manufacturing activity.

## ...and marginally down for businesses in construction

If the decline in confidence in the construction sector wasn't surprising enough, its driving factors certainly are. Confidence rebounded among house builders – in principle still affected by the phasing out of the superbonus effect – and declined among infrastructure producers, who should benefit from the investments made under the EU-funded recovery plan. As we've noted previously, the final contribution of construction investment to 2025 GDP growth remains highly uncertain.

All in all, today's confidence release suggests that, in Italy, the necessary conditions remain for decelerating but still positive GDP growth in the second quarter after a surprisingly strong first quarter.

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