

Snap | 28 January 2026

ITALY

Italian confidence data gradually improves in January

The first bit of data on the Italian economy for 2026 points to a continuation of a gradual recovery, with services and manufacturing as a supply-side driver



Consumer marginally more upbeat in January, but still prudent

Consumers are reporting fewer worries about future unemployment, yet they are holding back on immediate purchases of durable goods. Instead, they are increasingly inclined to buy these items later, anticipating cooler inflation and an improvement in their household budget prospects.

Consumers' prudence seems to remain the name of the game at the beginning of 2026, and the concurrent fall in retailers' confidence affecting both small shops and big retailers provides consistent evidence of this.

Services confidence the standout, but manufacturers also more upbeat

The composite business confidence index has strengthened overall, though trends vary by sector: sentiment has risen sharply in market services, edged up in manufacturing, but

declined in construction and retail.

Market services are the brightest spot in today's confidence release, as the relevant index reached the highest level since December 2021. The improvement is particularly strong in transport and storage and in tourism services, where the imminent Milano-Cortina Winter Olympics might have a say.

The other bit of good news comes from the manufacturing sector. No big confidence jumps here, but a gradual increase in confidence supported by an improvement in orders. Interestingly, the improvement is more marked among producers of investment goods, where an increase in the order sub-index is accompanied by a reduction in inventories. This is tentative evidence of a continuation of the recovery in machinery investment.

Construction confidence falls, dragged down by the residential component

The decline in confidence in the construction sector deserves attention. In January, confidence in construction fell to the lowest level since April 2021, driven by the residential component, while the infrastructure component held up decently well.

This is not surprising, as it, on the one hand, reflects the protracted negative effect on the residential part of the tapering of past generous tax incentives for renovation, and on the other hand, the push on the infrastructure component coming from the implementation of the investment part of the EU-funded recovery plan, whose deadline is getting close.

The balance between the two will ultimately be relevant in determining the contribution of investment to GDP growth over 2026.

A slow but steady recovery as 2026 begins

All in all, today's confidence release supports our view of a very gradual recovery for the Italian economy in 2026. We ended 2025 with hard data suggesting that both services and manufacturing could be growth drivers for the economy. Today's data seems to suggest that this could remain the case at the beginning of 2026.

From the demand angle, consumers' prudence seems to suggest that, notwithstanding ongoing gains in disposable income, an acceleration in consumption is not yet in the offing.

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