Snap | 26 June 2026 ITALY

Italian confidence data sends mixed signals in June

Data mostly collected before the signing of the US-Iran deal still point to consumer vulnerability and mixed improvements among businesses. A clear slowdown in GDP growth in the second quarter seems highly likely

Italians are proving to be fairly downbeat about the general economic situation and their household balance sheet

The Italian economy started the year relatively strongly, but April and May confidence data pointed to a slowdown, albeit still in positive territory. June's reading of 92.4 (from 93.4 in May) appears to confirm this trend. Notably, most June data were collected before the US-Iran Memorandum of Understanding, meaning its full impact on confidence is likely to show up in July.

Vulnerable consumers point to prudence in consumption

Private consumption had been the main positive surprise in the first quarter GDP release, and subsequently the most vulnerable component to the side effects of the war in the Middle East on energy prices and via headline inflation.

After catching up some ground in May, consumer confidence partially backed down in June. Consumers are proving more downbeat about the general economic situation and their household balance sheet. Expectations about future unemployment are stable, but this cannot prevent a more prudent attitude, as higher intentions to save match with sharply declining intentions to purchase durable goods. The concurrent increase in confidence among retail businesses might suggest a temporary shift towards non-durables consumption.

Manufacturers relatively resilient but orders remain subdued

Manufacturers were relatively resilient to disruptions related to the war in the Middle East in April and May. June data points to stable production levels and a marginal improvement in expected production, likely to relate to declining stocks of finished products rather than to orders, whose indicator marginally edged down.

The relative resilience in manufacturing goods suggests that this sector might resume its gradual recovery path if US-Iran negotiations progress well and energy prices converge towards pre-war levels, helping contain the cost base.

Confidence in construction still reflecting recovery plan timeline

The improvement in confidence in the construction sector is driven by specialised works and civil engineering, the latter being likely helped by the imminent deadline for many investments foreseen by the EU-funded recovery plan. On the residential front, the situation seems to be stabilising, as the distorting effect of the very generous "Superbonus" tax incentive finally fades away.

Service confidence only slightly up, thanks to tourism

In April and May, confidence in the service sector had unsurprisingly recorded two sharp falls, highlighting the vulnerability of the sector, and particularly of the tourism component (just think of gasoline and jet fuel prices) to the Middle East war. The small recovery of services confidence in June, mostly backed by a sharp rebound in the tourism component, provides only limited comfort. Over the second quarter, the service sector has likely been an underperformer.

A GDP growth deceleration in the second quarter is now on the cards

All in all, it is reasonable to assume that second quarter Italian GDP growth should have marked a clear deceleration from the first quarter, possibly avoiding the contraction territory. At the heart of it should be a temporary slowdown in private consumption. If the normalisation of oil flows through the Strait of Hormuz proceeds without bumps and energy inflation decelerates, a gradual recovery over the second half of the year could materialise.

On the back of a strong start to the year and of the new reduced inflation profile, we have slightly upgraded our forecast for average 2026 GDP growth to 0.8%.

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