

Italian GDP growth accelerates in the fourth quarter of 2025

As expected, domestic demand was at the heart of the acceleration in Italian GDP growth in the fourth quarter. The slight positive surprise adds upside risks to our current forecast of 0.8% average GDP growth in 2026



The pick-up in Italian GDP growth was largely driven by strong domestic demand in last year's final quarter

Business and consumer confidence data, along with recent readings on industrial production and the labour market through the final months of 2025, had already pointed to a possible modest acceleration in Italian GDP growth.

Today's preliminary GDP estimate for the fourth quarter, released by Istat, confirms this picture. It shows quarterly growth of 0.3% (up from +0.1% in the third quarter), slightly above expectations. In year on year terms, growth strengthened from 0.6% to 0.8%. As is typical at the preliminary stage, the Istat release does not provide a breakdown of demand components. It only notes that growth was supported by domestic demand excluding inventories, while net exports made a negative contribution. On the supply side, value added increased across all major sectors, with a more pronounced rise in agriculture and industry.

Today's figure is only partially surprising. We had anticipated a rebound in domestic demand,

helped in part by a positive turnaround in inventories, after their particularly negative contribution in the third quarter. While we still believe household consumption likely grew only modestly in Q4, investment may have been somewhat stronger than expected – supported not only by infrastructure related construction but also by machinery and equipment, possibly reflecting early signs of a cyclical recovery in manufacturing. The full picture will become available on 4 March, when the detailed quarterly national accounts are published.

Overall, today's data is encouraging. The 2025 outturn leaves a carry over of 0.3% into 2026. Given our current projected growth profile, our forecast for average Italian GDP growth of 0.8% in 2026 may in fact prove too conservative.

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