

Italian GDP growth slowed less than expected in the first quarter

Italy's first-quarter GDP growth factored in just one month of war and was supported by the positive impact of the Winter Olympics. The picture looks set to worsen in the second quarter, where we see flat growth and a substantial risk of a contraction should the deadlock in the Strait of Hormuz persist



Tourism helped bolster the Italian economy through the first quarter

The preliminary estimate of Italy's GDP growth in the first quarter of 2026 turned out slightly stronger than expected. According to the Istat release, GDP was up 0.16% on the quarter, while both we and consensus were pointing to 0.1%. The streamlined press release – which, at the preliminary estimate stage, omits the detailed demand breakdown – adds that net exports provided a positive contribution to quarterly growth, whilst domestic demand (gross of inventories) acted as a drag. From the supply side angle, value added increased over the quarter in services and contracted in industry and agriculture.

As expected, the impact of a month of war was not enough to stall economic growth for the entire quarter. Don't forget that February was the month of the Milano Cortina Olympic Winter Games, which prompted an acceleration in foreign tourist arrivals and attendance. This might have helped push net exports via the tourism services channel. As far as the demand components are

concerned, it seems reasonable to assume a negative contribution of inventories after a strong push in the fourth quarter of 2025.

Looking ahead, given the protracted deadlock in the Strait of Hormuz, prospects for the second quarter are of a further deceleration of GDP growth. We are currently anticipating a flat quarter; private consumption is likely to suffer the direct impact of rising inflation on household purchasing power, while gross fixed capital formation may prove more resilient thanks to a likely acceleration in infrastructural investment as the end-June deadline of the EU-funded national recovery plan approaches.

Needless to say, risks to this call are clearly tilted to the downside if the stand-off in US-Iran negotiations continues. April's confidence data, which marked a [widespread deterioration in confidence](#) across the economy, was an unambiguous warning shot.

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