

## Italian inflation edges up marginally in February

Volatile components such as energy and fresh food remain the key drivers, but stable core inflation suggests that the risks of a sharp acceleration in Italian inflation in a low growth environment remain low



### Energy still in the driving seat and core inflation confirmed as stable

The preliminary release of Italian inflation in February shows a slight increase in the headline measure to 1.7% on the year (from 1.5% in January), in line with expectations.

According to Istat, the move was driven by an acceleration in regulated energy prices and fresh food, and a reduced deceleration in non-regulated energy prices which more than compensated for the deceleration in transport services, communication services and recreational services.

The core measure was stable at 1.8%, a level it has been hovering around since June 2024. Interestingly, the gap between services inflation (now at 2.4%) and goods inflation (at 1.2%) narrowed to 1.2% (from 1.9% in January).

## Gas prices will remain relevant, but government steps might help to limit upside pressures

Looking ahead, over the rest of 2025 headline inflation remains exposed to multiple factors. Energy prices will be a key one. Given the direct link between gas prices and electricity bills, developments in TTF gas prices will play a relevant role. Should EU gas storage depletion concerns and some optimism about a possible end to the war in Ukraine balance out, the energy impact on inflation could remain limited to the next few months. The Italian government is about to approve a decree intended to soften the blow of energy prices on households and businesses. Should this include a temporary downward revision of VAT on electricity bills, it would further limit the scope for upward inflation pressure stemming from energy.

## Too much uncertainty to pencil in a potential trade war impact

Another obvious source of uncertainty affecting the inflation profile relates to developments on the potential US-EU trade war front. Should President Trump decide to raise new tariffs on EU goods and the EU retaliate with similar measures, some upward pressure on Italian domestic prices could eventually emerge, more likely over the second half of the year. This is a factor that is not explicitly reflected in our current forecasts.

## Businesses sending mixed signals about pricing intentions

Recent business surveys from the EU Commission signal mixed pricing intentions, with a slight acceleration in manufacturing and a slight deceleration in services in February. Businesses have been squeezing margins throughout 2024. It remains to be seen whether they will be able to afford more margin compression down the road, especially if the economy stagnates.

All in all, we continue to believe that Italian headline inflation will very gradually edge up throughout the year, possibly breaking above 2% over the last quarter of 2025. We confirm our current base case of average 2025 headline inflation at 1.8%.

### Author

#### Paolo Pizzoli

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).