Snap | 30 June 2026 ITALY

Italian inflation slows slightly in June on food and services

The deceleration in Italy's inflation rate is largely due to lower fresh food prices and services inflation, while energy inflation inched up. If the normalisation in oil and gas prices holds – even if not on a straightforward path – headline inflation could hover in the low 3% area over the second half of the year

Fresh food prices provided some relief for Italian inflation in June

The energy shock prompted by the Middle East war since late February has raised doubts about the course of headline inflation in 2026. Uncertainty about the profile has somewhat declined following the Memorandum of Understanding between Iran and the US on 15 June, largely on the assumption that the energy goods push diminishes over the second half of the year if the truce holds and transits through the Strait of Hormuz resume.

Italian inflation data for June, just released by Istat, came in lower than expected at 3% (from 3.2% in May). Interestingly, at the heart of the outcome was a deceleration in inflation for fresh food, cultural and transport services which outweighed the acceleration in regulated and non-regulated energy goods. Core inflation, which excludes energy and fresh food, edged up to 1.7% on the year (from 1.6% in May).

Even if the slight acceleration in energy inflation was expected, the deceleration in services was not. The gap between goods inflation (stable at 3.4%) and services inflation (down to 2.6% in June) widened slightly, suggesting that, for the time being, there is no evidence at all of second-round effects.

Looking ahead after the June release, the starting point is a statistical carryover for 2026 inflation at 2.6% for the headline measure and 1.7% for the core measure. The inflation profile for the rest of the year will still be strongly affected by that of energy goods; here, relying on current spot market prices might lead to overoptimism. According to our commodities strategists, current oil and gas prices seem to be discounting a quick normalisation in the energy market, which is not a given, as it might underestimate the potential for incoming price pressure as countries restore their strategic reserves.

If this is true, knock-on effects from energy on other items might still show up down the road, slowing down the disinflationary process. Looking at pricing intentions as shown in business surveys, we note relatively stable intentions among services businesses, with no apparent upward trend even during the months of ongoing conflict. Manufacturers, more affected by the immediate impact of the war on input costs, saw a jump in their pricing intentions between March and May, but the June reading (with data mostly collected before the US-Iran MoU) showed a slight deceleration. Pressure in the PPI inflation pipeline on consumer goods has so far only shown up in the durable component, with non-durable PPI inflation stable at low levels. After today's release, it is reasonable to assume that headline inflation might move towards the low 3% area over the rest of the year, with average inflation for 2026 now estimated at 2.7%.

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