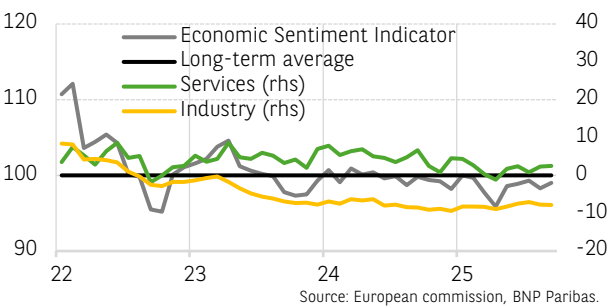
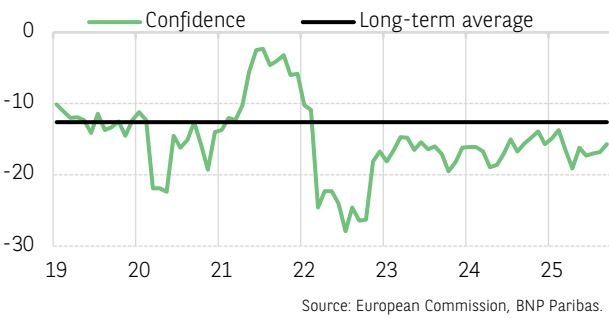


Italy: Economic conditions improving

Business climate: Economic Sentiment Survey



Household Confidence



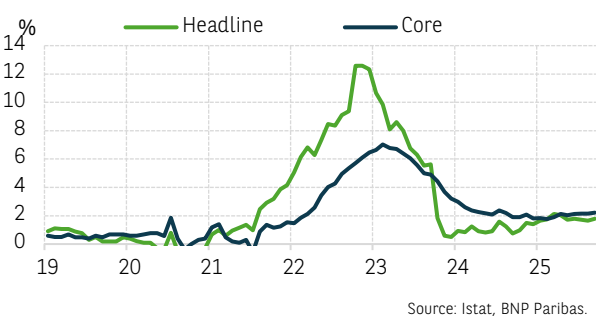
Business climate penalised by industry. In September, the economic sentiment index remained below its long-term average (99; +0.7 points m/m), held back by industry (-7.8; -0.1 points) with a production index still in negative territory (-17.4) and production forecasts declining (-0.9). This contrasts with the rise in industrial production (+0.7% y/y in July). In services, sentiment is improving (+2.5; +0.2 pts) but activity is struggling to take off. However, expectations for demand in the coming months are rising (6.3, the highest since April 2024; +4.6 pts).

Household confidence improved significantly (+1.1 pts m/m to -15.7) but remains three points below its long-term average. Households anticipate a sharp improvement in the economic and financial situation over the next year. This, combined with the feeling that prices will fall over the coming year, is strengthening their intentions to make major purchases.

Labour market: Unemployment Rate



Inflation (% change y/y)



The labour market is developing favourably. The unemployment rate rose slightly in August (+0.1pp to 6.0%; -0.4pp y/y). At the same time, the employment rate continued to rise (62.8%; +0.5pp y/y), thanks to an increase in the number of people in employment (24.2 million). Hourly wage growth has slowed significantly since March (+2.8% vs. +4.0% y/y). However, it remains above inflation, which continues to support household purchasing power.

Inflation rebounded slightly in September (+1.8% y/y; +0.2pp m/m) after falling over the last three months. Core inflation remained stable for the second consecutive month at 2.2%. It is expected to decline due to the ongoing slowdown in producer prices (+0.2% y/y in August versus +1.6% in July).

GDP growth q/q: actual, carry-over and forecasts

Actual			Carry-over	Actual		Forecast		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0.2	0.0	0.2	0.2	0.3	-0.1	0.1	0.2	0.5	0.6	1.1

Source: Refinitiv, BNP Paribas

Real GDP growth will remain limited in 2025. After recording a negative change in Q2 (-0.1% q/q) due to a sharp decline in net exports, Italian growth is expected to remain modest in the second half of the year (0.1% and 0.2% in Q3 and Q4). On average for 2025, growth is expected to reach 0.6% and remain below that of the Eurozone (1.3%).

Lucie Barette (completed on October 2, 2025)



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