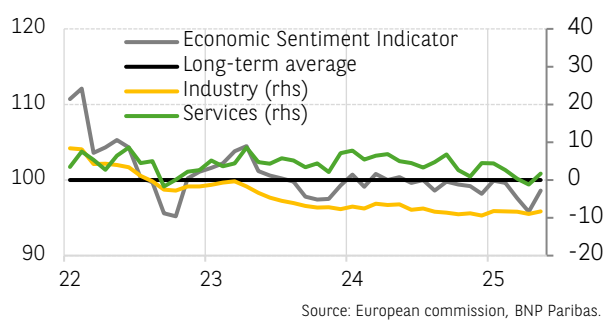
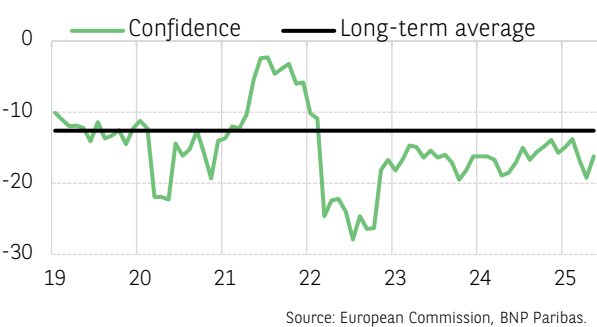


Italy: Growth expected to remain limited

Business climate: Economic Sentiment Survey



Household Confidence



A slow improvement. The business climate indices improved slightly in May for all sectors (industry, services, retail, construction). The economic sentiment index is close to its long-term average (+2.8 points to 98.6). Industrial production recorded a modest rise in Q1 (+0.5% q/q), putting an end to five consecutive quarters of contraction.

Household confidence rose by 3 points in May. This rebound only partially erases the decline of the previous months. Retail sales fell in March (-0.5% m/m) to their lowest level in four and a half years. This has not prevented household consumption of goods and services (national accounts) from rising over the last three quarters (Q3 2024-Q1 2025), with an increase of 0.2% q/q in Q1.

Labour market: Unemployment Rate



Inflation (% change y/y)



The labour market remains buoyant. The unemployment rate decreased from 6.0% in March to 5.9% in April, the lowest level for over 20 years. Employment remained stable, while the employment rate (15-64 year-olds) dropped very slightly to 62.75%. Basic hourly wages have slowed (3.6% y/y) but are moving well above inflation. They are thus supporting household purchasing power.

Harmonised inflation fell back below 2% y/y in May (1.9%) as a result of greater energy deflation (-1.8%) and a slowdown in services (2.6%). Core inflation also went back to 2%. Producer prices slowed, from 3.9% y/y in March to 2.6% y/y in April.

GDP growth q/q : actual, carry-over, forecasts										
Actual				Carry-over	Actual	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0,2	0,2	-0,0	0,2	0,2	0,3	0,2	0,3	0,5	0,8	1,3

Source: Refinitiv, BNP Paribas

Growth is expected to remain limited and relatively stable throughout 2025. The final estimate for Q1 confirmed a 0.3% growth, highlighting the good performance of investment (+1.6% q/q and a ratio to GDP at its highest since 1996). As in 2024, and despite strengthening, growth should remain below the European average in 2025, before matching it in 2026.

Guillaume Derrien (completed on June 5, 2025)

