

- The uncertainty surrounding the international framework is increasing further. In addition to the frequent updates on U.S. trade policy, there has been an escalation in geopolitical tensions in the Middle East.
- Growth prospects for international trade, although showing signs of recovery in May and June, remain negative. The trend in economic activity varies significantly across regions: moderate growth in China, a decline in the United States, and a decrease in industrial production in the euro area.
- In May, the seasonally adjusted industrial production index recorded a month-on-month decline of 0.7%. However, in the March-May quarter, the index rose by 0.6%.
- In June, business confidence increased for the second consecutive month, while consumer confidence, after improving in May, declined again, with a broad-based drop.
- In the first four months of the year, exports and imports of goods overall increased on a year-on-year basis in both EU and non-EU countries.
- The labour market remains solid, with the number of employed persons rising by 0.3% in May compared to the previous month. Growth was observed among both permanent employees and self-employed workers, while it declined among temporary employees.
- Household spending on final consumption increased on a quarterly basis in the first quarter, alongside an increase in gross disposable income and in the saving rate of consumer households, which rose by 0.6 percentage points.
- The Harmonised Index of Consumer Prices (HICP) recorded a year-on-year increase of 1.7% in June, unchanged from May and two-tenths of a percentage point lower than that of the euro area. Inflation for the shopping basket (food products and goods for household and personal care) accelerated, rising by 3.1% in June compared to 2.7% in May.

**Focus:** The trends of the domestic and foreign components of the turnover of Italian manufacturing firms between January 2000 and April 2025 differed from those observed in Germany and France. Variations among countries are also linked to the differing national impacts of the three main international exogenous shocks that occurred during the period under review: the global financial crisis (2008–2009), the sovereign debt crisis (2011–2013), and the COVID-19 pandemic (2020).

**TABLE 1. MAIN ECONOMIC INDICATORS FOR ITALY AND THE EURO AREA** - q-o-q and m-o-m % variations.

INDICATORS	ITALY	EURO AREA	PERIOD	ITALY PREVIOUS PERIOD	EURO AREA PREVIOUS PERIOD
GDP	033	0.6	Q1 2025	0.2	0.3
Industrial Production	-0.7	-2.4 (Apr)	May 2025	0.9	2.4
Production in the construction sector	2.4	1.7	Apr. 2024	-0.6	-0.2
Retail sales (volume)	-0.5	-0.7	May 2025	0.6	0.3
Producer prices in the industry – domestic market	-0.7	-0.6	May 2025	-3.0	-2.2
Consumer prices (HICP)*	1.7	2.0	Jun. 2025	1.7	1.9
Unemployment rate	6.5	6.3	May 2025	6.1	6.2
Economic Sentiment Indicator**	0.2	-0.8	Jun 2025	2.8	1.0

\*Year-on-year variations \*\*Absolute differences compared to the previous month

Source: Eurostat, European Commission, Istat

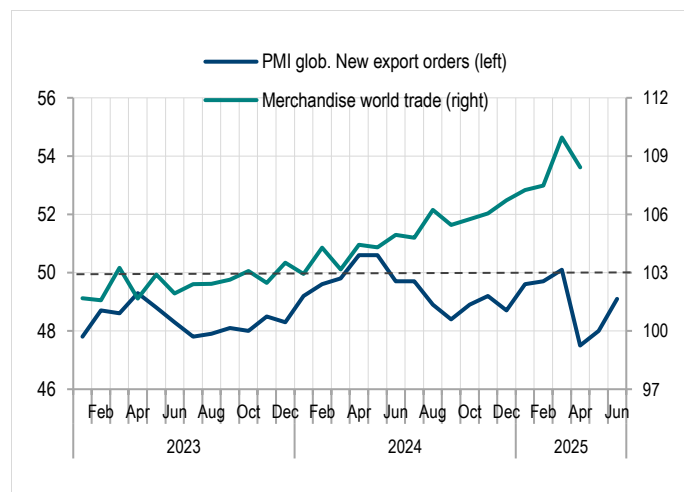
## THE INTERNATIONAL FRAMEWORK

**Uncertainty in the international landscape continues to grow.** The frequent and often contradictory announcements regarding U.S. trade policy have been compounded by escalating geopolitical tensions, including the “12-day war” that broke out on June 13 between Israel and Iran.

**Global merchandise trade volumes declined by 1.4% in April** compared to the previous month (+2.3% in March). As for imports, the most notable figure was the sharp drop recorded by the United States (-20.0%), which, however, followed high import levels in the first three months of the year, partly due to anticipatory effects related to expected U.S. tariff introductions or increases.

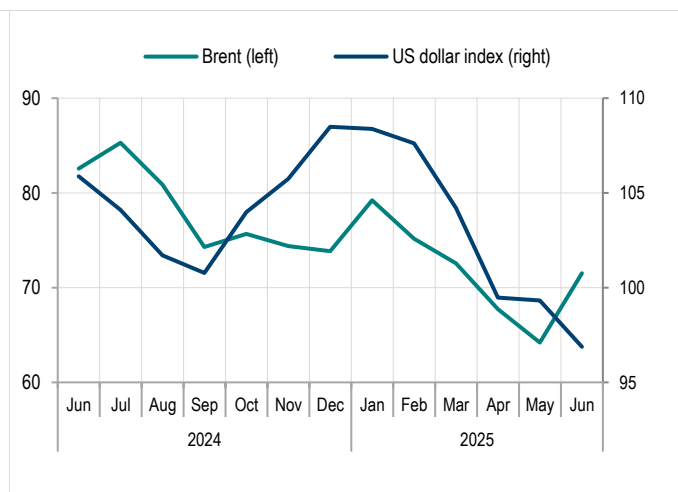
**The outlook for global trade remains negative:** the global composite Purchasing Managers’ Index (PMI) for new export orders—which serves as a leading indicator for international trade dynamics—while recovering in both May and June, remained below the expansion threshold of 50 points (48 and 49.1, respectively, see Figure 1).

**FIGURE 1. MERCHANDISE WORLD TRADE IN VOLUME AND PMI GLOBAL COMPOSITE NEW EXPORT ORDERS.** Index 2021=100, >50 = growth



Source: CPB and IHS

**FIGURE 2. US DOLLAR INDEX AND OIL PRICE.** Brent: US dollars per barrel; USDX: index number\*



Source: World Bank and Marketwatch

\* The USDIX index is calculated as the weighted geometric mean of the value of the U.S. dollar against the euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc.

**The U.S. dollar is depreciating against major currencies.** In the first half of the year, with few exceptions, the U.S. currency continued to weaken. The U.S. Dollar Index, which tracks the dollar’s performance against a basket of major currencies (Figure 2), recorded a significant decline (from about 108 in January to around 97 in June). The drop was steady, with an acceleration between March and April. The depreciation was driven by a climate of growing mistrust toward the U.S. economy, fueled by the often contradictory announcements—especially regarding trade policy—of the new administration, fears of a sharp economic slowdown, and the potential acceleration of inflation resulting from the introduction of tariffs, which could lead to higher interest rates. Lastly, additional pressure stems from the prospect of a rising public debt, linked to the tax cuts approved under the budget law (i.e., The One Big Beautiful Bill), which are not offset by adequate savings in public spending.

**The downward trend in gas and oil prices has come to a halt.** The combination of geopolitical instability—such as reports of the escalation of conflict between Ukraine and Russia and the uncertain situation in the Strait of Hormuz, through which a large share of global oil exports passes—has led to an increase in average oil prices in June (from \$64.2 to \$71.5 per barrel) and gas prices (index value up from 101.6 to 103.8). Following the end of the conflict with Iran, however, daily prices—though still volatile—of major energy commodities have started to decline again. As for oil, the production increases announced

by OPEC+ for August and September are generating additional downward pressure on international market prices.

**In China, economic activity shows moderate dynamism.** The latest data indicate an improvement in household consumption, supported by the May holidays and early June sales, though this effect may prove temporary. On the supply side, while services production remained strong, industrial output and investment slowed down, likely due to export tariffs and weakness in the real estate market. In June, China's manufacturing PMI remained below the expansion threshold for the third consecutive month, while the services PMI remained slightly above 50 (50.3).

**U.S. GDP growth in the first quarter was revised downward** to -0.13%, reflecting a weakening of domestic demand compared to initial estimates. Due to high uncertainty, the Federal Reserve left interest rates unchanged at its June meeting. The U.S. central bank's new projections show a downward revision of growth forecasts for 2025 and 2026, along with an upward revision of unemployment and inflation expectations.

**U.S. consumer confidence declined.** The Conference Board Index sharply and unexpectedly dropped to 93 from 98.4, erasing nearly half of the rebound seen in May. The deterioration mainly concerned the current situation, and expectations fell (to 69), well below the 80-point threshold that has historically signaled a recession.

**Euro area industrial production declined in April**, following increases in March driven by anticipatory production ahead of expected tariffs. The index fell by 2.4% month-on-month (+2.4% in March). This decline was driven not only by Germany (-1.9% from +2.5%), France (-1.4% from +0.1%), and Spain (-0.9% from +0.9%), but also by Ireland, which recorded a sharp drop (-15.2% from +14.3%).

**The growth prospects for the euro area are deteriorating.** In June, the European Commission's Economic Sentiment Indicator (ESI) decreased by 0.8 points. The overall decline in the index for the area was mainly due to a broad decline in confidence in the industrial sector, with a more modest negative contribution from retail trade. Confidence in the services sector and among consumers remained broadly stable, while it continued to improve in the construction sector. At the national level, the ESI declined more significantly in France (-3.4 points), Spain (-1.4 points), and Germany (-0.8 points), while remaining broadly stable in Italy (+0.2 points).

## THE ITALIAN ECONOMIC SITUATION

**GDP growth in the first quarter is confirmed** at 0.3% quarter-on-quarter. This trend was positively influenced by both domestic demand net of inventories and, to a lesser extent, foreign demand, while the change in inventories provided a negative contribution. The carryover effect for 2025 is 0.5%.

**Industrial production is declining.** In May, the seasonally adjusted [industrial production](#) index recorded a 0.7% monthly drop, following a 0.9% increase in April. This result is due to a slowdown in the consumer goods sector (-1.3%) and the intermediate goods sector (-1.0%), stagnation in the capital goods sector, and growth in the energy sector (+0.7%). However, in the March–May quarter, the index rose by 0.6% compared to the previous three months, driven by capital goods (+1.7%) and intermediate goods (+0.8%).

**The construction sector rebounded in April** after two months of decline, with a month-on-month increase of 2.4% in the [seasonally adjusted index](#). In the February–April quarter, construction production also rose on a quarterly basis (+1.7%). In the January–March period, the [House Price Index](#) (HPI) for homes purchased by households for residential or investment purposes recorded a slight quarterly decrease (-0.2%) after three quarters of growth, due to a significant drop in new home prices (-8.7%) and an increase in existing home prices (+1.7%). This trend occurred in a context of expanding residential property sales volumes. In the first quarter, the Revenue Agency's Real Estate Market Observatory reported an 11.2% year-on-year increase, accelerating further from the already positive 7.6% in the previous period.

**Services continued to grow**, albeit at a slower pace (+0.8% in March and +0.4% in April, the respective month-on-month growth rates of the [volume turnover index](#)). However, during the February–April period, the comparison with the previous quarter revealed a slight overall decline of 0.2% in the sector. The worst-performing sectors were real estate activities (-1.9%), accommodation and food services (-0.8%), and professional, scientific, and technical activities (-0.5%).

In the first quarter, the [investment rate of non-financial corporations](#) increased further, reaching 22.4%, a 0.2 percentage point increase from the previous three months. This reflects a more contained growth in value added (+0.7%) compared to that of gross fixed capital formation (+1.4%). During the same period, the profit share of non-financial corporations, which had peaked in Q1 2023, declined for the eighth consecutive quarter, standing at 42.1%, a 0.2 percentage point decrease from the previous period.

**Business confidence improved.** In June, the index rose for the second consecutive month, recording increases in all [sectors](#) except retail trade. In manufacturing, order assessments worsened, while production expectations improved. Inventories were reported to be decreasing. In the construction sector, employment expectations improved, while order assessments remained stable. In the market services sector, assessments of orders and business trends improved, while expectations for future orders remained broadly stable. Among sectors, transport and warehousing showed the most significant increase, while tourism services declined.

**Foreign trade in goods increased in the first four months of the year:** despite the uncertain international context due to U.S. trade policy announcements, [both exports and imports](#) rose in value, by 2.5% and 6.0% respectively compared to the same period in 2024, likely also due to anticipatory effects ahead of potential tariffs.

Pharmaceutical products (+38.7%) were the main drivers of export growth during the period, playing a significant role in Italy's trade with both EU and non-EU markets, followed by transport equipment (excluding motor vehicles) (+10.3%), metals and metal products (+5.8%), and food, beverages, and tobacco (+5.3%). Sales of motor vehicles, on the other hand, declined (-11.6%), having already shown signs of weakness in 2024, along with machinery (-2.2%) and coke and refined petroleum products (-28.1%).

Although exports grew in both EU and non-EU markets, the EU showed greater dynamism (growth rates of +2.8% and +2.1%, respectively, in January–April), supported by increased exports to major trading partners (Germany +4.1%; France +1.8%; Spain +10.8%), which together account for more than half of Italy's EU-bound exports.

Among non-EU markets in the same period, trade flows to Switzerland and the United States were particularly dynamic (+13.1% and +8.4%, respectively), while exports to Russia (-15%), China (-10.5%), and Turkey (-17.9%) declined; exports to the United Kingdom were weak (+0.8%). Concerning the U.S. market, growth was primarily driven by pharmaceuticals, which account for over 20% of total exports, as well as food and beverage products.

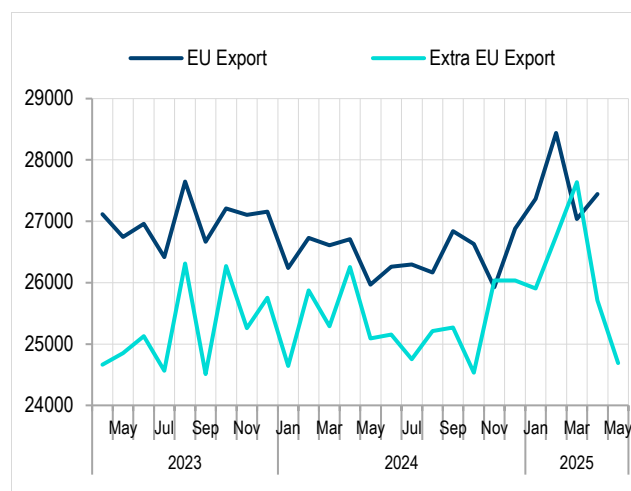
In May, [non-EU trade](#) data showed a second consecutive monthly decline in exports (-3.5% month-on-month, -5.2% year-on-year) (Figure 3), mainly due to weak performance in exports to China, Turkey, and Russia (each down by over 20%), and to the United Kingdom (-9.6%), while exports to Switzerland and the U.S. rose by +9.6% and +2.5%, respectively.

**Employment is increasing**, with the [number of employed persons](#) in May reaching 24.301 million. Growth involved both men and women and individuals aged 50 and over. By job type, employment rose among permanent employees and the self-employed, while it declined among temporary employees. The employment rate increased to 62.9% (Figure 4).

Compared to the previous month, unemployment increased due to a rise affecting both genders and all age groups. On a monthly basis, the total unemployment rate (which in the euro area is up by 0.1 points to 6.3%) rose to 6.5% (+0.4 points), and the youth unemployment rate to 21.6% (+1.7 points). Finally, compared to April, the inactivity rate fell to 32.6% (-0.5 points).

**FIGURE 3. EXPORTS TO EU AND NON-EU COUNTRIES -**

Seasonally adjusted data, millions of euros

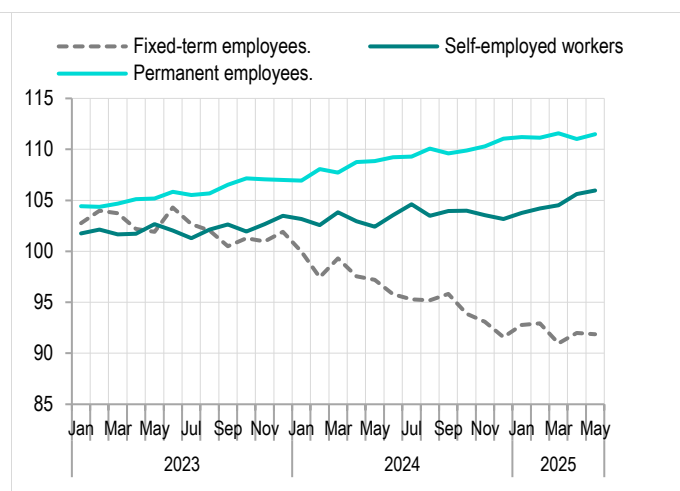


Source: Istat

**FIGURE 4. PERMANENT EMPLOYEES, TEMPORARY**

**EMPLOYEES, AND SELF-EMPLOYED WORKERS.** Index

numbers, 2021 average = 100, monthly seasonally adjusted data



Source: Istat

Comparing the March–May 2025 quarter with the previous one (December 2024–February 2025), there was a 0.4% increase in employment, amounting to a total of 93,000 additional employed persons. This growth involved both men and women, permanent employees, the self-employed, and individuals aged 50 and over. The increase in employment on a quarterly basis was accompanied by a rise in the number of job seekers (+0.8%, or +13,000 individuals) and a decline in the inactive population (-0.8%, or -94,000 individuals).

Year-on-year, the number of employed persons in May increased by 408,000 (+1.7%), with the employment rate rising by 0.8 percentage points. Compared to the same month of the previous year, the overall unemployment rate decreased by 0.1 percentage points, while the youth unemployment rate rose by 1.0 percentage points. Over the reference year, the number of inactive people declined by 2.6% (-320,000 individuals), and the inactivity rate fell by 0.8 points.

**Household spending on final consumption increased** in the first quarter (quarter-on-quarter growth of +1.2%), alongside an increase in [gross disposable income](#) (+1.8%). The household saving rate is estimated at 9.3%, a 0.6 percentage point increase from the previous period (Figure 5). Finally, household purchasing power increased by 0.9%, despite a 0.9% rise in prices (as measured by the implicit deflator of household final consumption).

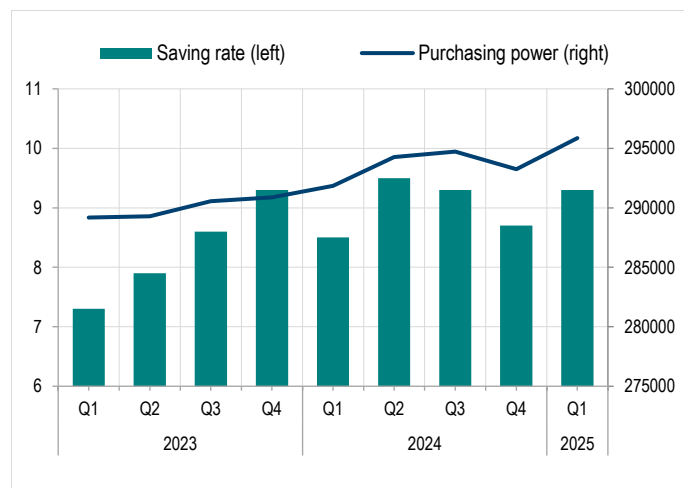
**Consumer confidence worsened** in June, with declines across all components, except for judgments and expectations regarding the general economic situation and unemployment. The [four monthly indicators](#) showed mixed changes: the economic climate improved (from 97.5 to 99.6), the future climate remained stable (at 93.7), while the personal and current climates declined (from 96.1 to 94.8 and from 98.6 to 97.9, respectively).

**Retail sales saw a slight monthly decline** in May, both in value (-0.4%) and volume (-0.5%). In particular, [sales](#) of food products fell (-0.9% in value and -1.2% in volume), while non-food product sales remained unchanged. Over the March–May quarter, retail sales decreased both in value (-0.1%) and volume (-0.5%) compared to the previous quarter. However, food product sales increased in value (+0.4%) but declined in volume (-0.4%). Non-food product sales decreased in both value and volume (-0.3% and -0.6%, respectively).

**Employment expectations improved** in June (compared to the previous month) among [businesses](#), particularly in the Construction and Market Services sectors.

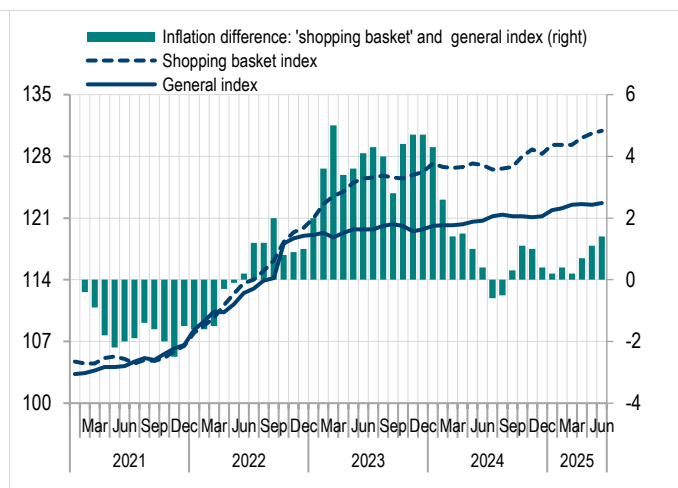


**FIGURE 5. HOUSEHOLD SAVING RATE AND PURCHASING POWER.** Chain-linked values, millions of euros and percentage values



Source: Istat

**FIGURE 6. CONSUMER PRICES FOR THE WHOLE NATION (NIC): GENERAL INDEX AND “SHOPPING BASKET”.** Index numbers and percentage points (differential)



Source: Istat

**Consumer inflation increases slightly.** The trend of the [Consumer Price Index for the whole nation](#) (NIC) rose slightly in June (preliminary estimate), standing at 1.7% year-on-year (1.6% in May). 0.2% month-on-month (-0.1% in the previous month). The acquired inflation for 2025 as of June is 1.4%.

**Energy prices continued to decline,** falling for the third consecutive month in June by 1.2% compared to May (after -5.8% in April and -2% in May), reaching their lowest level since February 2022 (the start of Russia's military intervention in Ukraine). In June, energy prices were 4.7% lower than in December 2024.

**Food prices continue to rise.** Food prices increased by 0.2% in June (+0.5% in May), with a 2.2% increase over the first six months of the year and acquired inflation of 2.9% for 2025. Specifically, prices of unprocessed foods fell by 0.4% in the last month (+0.7% in May), while prices of processed foods rose by 0.6% (+0.3% the previous month). Since the beginning of the year, prices increased by 1.7% for fresh products and by 2.5% for processed ones.

**Shopping basket inflation accelerated** in June (covering food, household and personal care products), reaching 3.1% (up from 2.7% in May). Due to the different composition of the consumer baskets—with the shopping basket having a higher weight of food products (whose prices are rising) and excluding energy goods (whose prices are sharply falling)—the gap between shopping basket inflation and overall consumer inflation has progressively widened over the past three months, increasing from 0.2 percentage points in March to 1.4 percentage points in June. However, this recent trend reflects a longer-term dynamic: compared to the 2021 average level, the price of the shopping basket has increased by nearly 25%, versus a 17% rise in the aggregate Consumer Price Index (NIC). (Figure 6)

**Service prices are on the rise again.** In June, service prices rose by 0.6% compared to May, with the most significant increases in transport services (+1.1%) and recreational, cultural, and personal care services (+0.8%). Overall, service prices grew by 2.8% in the first half of the year.

**Core inflation fluctuates around 2.0%.** Core inflation (excluding energy and unprocessed food) rose in April to 2.1% (from 1.7% in March), then remained stable around 2% in the following two months (1.9% in May and 2.1% in June), with acquired inflation for 2025 at 1.8%.

**Harmonized inflation in Italy remains stable and below the euro area average.** According to preliminary data, [HICP](#) inflation in June was 1.7% in Italy (unchanged from May), 2.0% in the euro area (1.9% in May), 2.0% in Germany (2.1% in the previous month), and 2.2% in Spain (2.0% in May). In

France, harmonized inflation was 0.8% (0.6% in the previous month), affected by government-driven downward revisions to regulated prices.

**Import prices are falling.** In April the decline in import prices is confirmed (-1.2%; -1.0% in March), driven by significant drops in energy goods (-6.6%; -6.0% in March), as well as, to a lesser extent, in intermediate goods (-0.5%; +0.3%) and consumer goods (-0.3% and -0.4%, respectively). Year-on-year, import product prices decreased by 1.5% in April (+0.6% in March).

**Industrial producer prices are declining...** In May, [industrial producer prices](#) continued to fall, down by 0.7%, following significant drops in April (-2.2%) and March (-2.4%). This trend is mainly due to declining prices in the energy sector (-2.4% in May; -7.9% in April; -8.4% in March), while prices in other sectors remained stable (-0.1% in May; +0.1% in the previous two months). On a year-on-year basis, producer price inflation slowed to +1.7% in May, after +2.6% in April and +3.9% in March.

**...and construction producer prices too.** In May, construction producer prices also fell, with a 0.2% decline for both buildings and roads and railways. Year-on-year, the growth rate slowed to 1.3% for buildings (1.7% in April) and 0.1% for roads and railways (0.3% in April).

**Among consumers, expectations of rising inflation over the next twelve months are decreasing.** In June, for the second consecutive month, the [share of consumers expecting inflation](#) to rise in the next 12 months dropped to 42.1% (from 46.1% in May), while the share expecting a decrease increased to 39.7% (from 37% in May), and those expecting stability rose to 16.4% (from 14.9% in May).

**More firms plan to maintain stable prices** over the next three months, particularly in manufacturing (85.9% in June, up from 84.2% in May) and construction (92.6%, up from 88.5%). Levels remain almost unchanged in retail and market services. The balance between expectations for price increases and decreases fell to 4.4 percentage points in manufacturing (from 5.8 in the previous month), 4.2 in construction (from 7.9 in May), and 4.8 in market services (from 5.8 in the last month), while remaining around 12.5 percentage points in retail trade.

## focus

### DOMESTIC AND FOREIGN TURNOVER OF THE MANUFACTURING SECTOR IN ITALY, FRANCE AND GERMANY\*

This focus compares the trends of the domestic and foreign components of the turnover of Italian manufacturing firms with those of Germany and France over the period from January 2000 to April 2025.

Throughout the period under consideration, with few exceptions, foreign turnover demonstrated greater dynamism than domestic turnover in all three countries, driven by the intensification of globalization, notably marked by China's accession to the World Trade Organization (WTO) in the early 2000s.

Between 2000 and 2025, the European scenario was characterized by three recessionary episodes caused by exogenous shocks: the global financial crisis (2008–2009), the sovereign debt crisis in Europe (2011–2013), and the COVID-19 pandemic (2020).

These crises had different impacts on the economic activity of the three countries under review, also influencing the trends in the years following each shock.

Between 2000 and 2008, foreign turnover growth was particularly dynamic in all three countries, but more pronounced in Germany (the index rose by 67% from January 2000 to September 2008, compared to 49.5% in Italy and 36.7% in France) (Figure F1).

The economic recovery after the 2008–2009 crisis supported a modest rebound in turnover levels, with growth observed in both domestic and international markets. However, this trend stalled in Italy in 2011 due to a new recession triggered by the sovereign debt crisis, which affected France and Germany less due to their stronger public finances.

Between 2011 and 2013, a noticeable divergence developed in Italy between the domestic and foreign turnover indices. The years following the sovereign debt crisis were marked by weak domestic demand in Italy alongside moderate growth in foreign demand. Between January 2013 and February 2020, the domestic turnover index decreased by 1.7%, while the foreign turnover index increased by 13.8%.

During the same period, Germany also showed a widening gap between the two indicators, driven by foreign demand growing at nearly twice the rate of that in Italy: the growth rates of German foreign and domestic turnover were 23.6% and 6.6%, respectively.

In France, on the other hand, the divergence between domestic and foreign turnover, though also favoring the latter, appeared modest.

The pandemic crisis abruptly interrupted the upward trend of the indicators. The lowest point recorded in all three countries in 2020 coincided with the most severe phase of administrative lockdown measures related to the COVID-19 pandemic, resulting in an unprecedented contraction in both domestic and foreign turnover.

Specifically, domestic turnover in 2020 decreased by 10.7, 10.5, and 8.5 percentage points in Italy, France, and Germany, respectively, compared to the average of the previous year.

The contraction in foreign turnover was even more pronounced, amounting to 11.0, 17.6, and 11.9 percentage points, respectively.

In the years that followed—amid inflationary pressures and geopolitical tensions—the domestic and foreign components of manufacturing turnover continued to show heterogeneous dynamics in Germany and Italy.

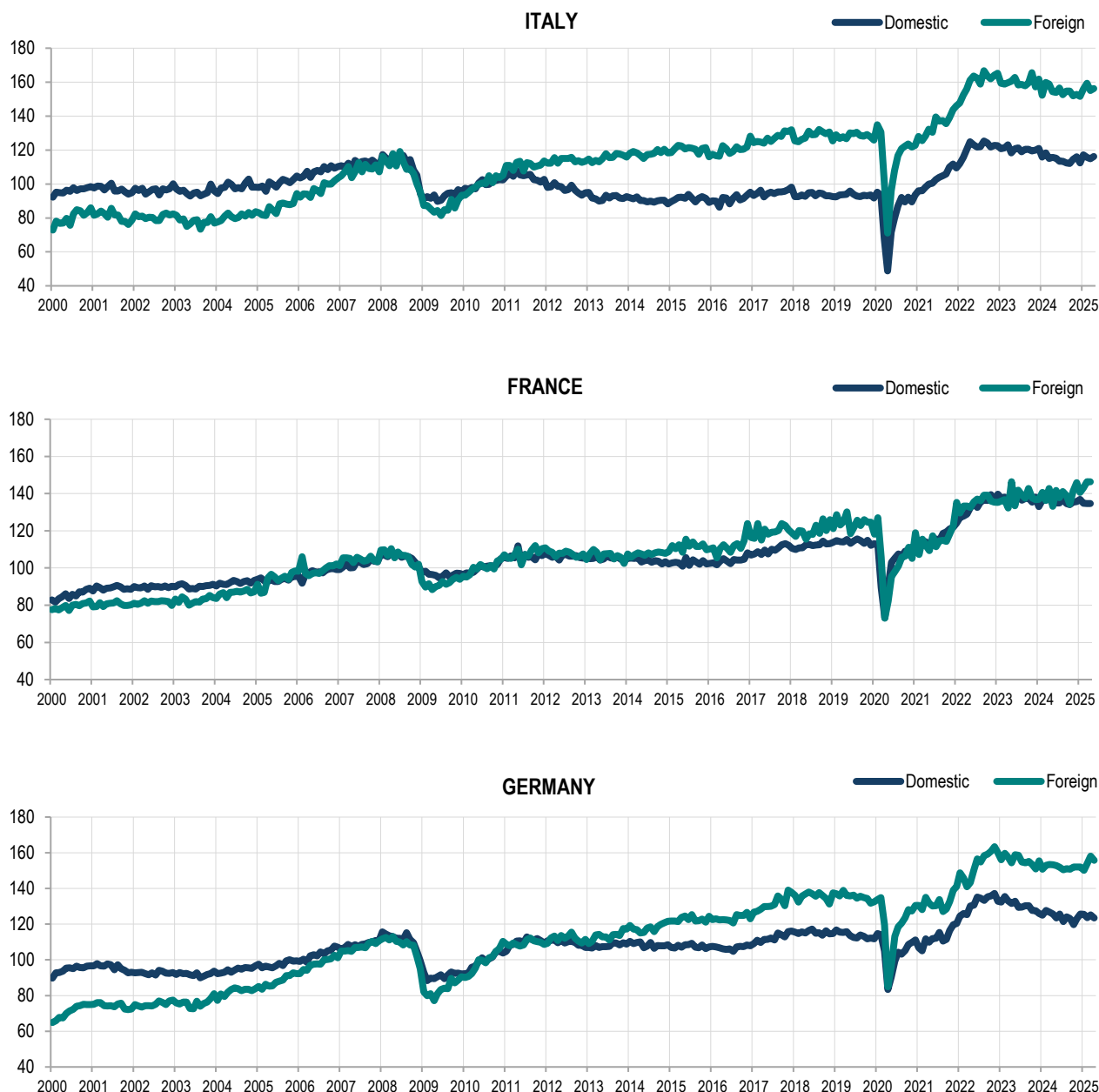
Unlike the previous decade, however, Germany showed weaker performance than Italy during this period, with less dynamic trends in both domestic demand (between January 2021 and April 2025, the domestic turnover index grew by 15.6% in Germany compared to 20.9% in Italy) and foreign demand (19.3% in Germany and 22% in Italy), also affected by two consecutive years of recession.

In France, by contrast, the two indicators continued to follow a similar trajectory (+21.4% and +23.0% growth in domestic and foreign turnover, respectively, over the same period), with only a moderate divergence appearing at the end of 2024, when the foreign component accelerated while the domestic one remained broadly stable.

\* This focus was prepared by Patrizia Margani.



**FIGURE F1. DOMESTIC AND FOREIGN MANUFACTURING TURNOVER IN ITALY, FRANCE AND GERMANY.** January 2000 – April 2025, seasonally adjusted indices (base 2010 = 100)



Source: Elaboration on Eurostat data.

## For technical and methodological clarifications

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