Note

November 12nd, 2025

ON THE ITALIAN ECONOMY

Istat

- The global economy is experiencing a moderate slowdown and international trade is exhibiting a volatile trend, which is partially attributable to the enduring high degree of instability in trade policies.
- In the third quarter, both China and the euro area displayed a modest acceleration in GDP on a seasonally adjusted basis. Expectations for a moderation in the pace of economic growth and inflation in the United States supported the interest rate reduction in October.
- According to preliminary estimates, Italian GDP was stationary on average between July and September with respect to the preceding three months, achieving a result comparable to that of Germany and falling below the averages for the euro area, France, and Spain.
- The performance of exports during the summer months, despite a contraction in August, was overall favorable (+1.2% compared to the previous three months), while imports experienced a slight decline (-0.3%).
- The seasonally adjusted index of industrial production in September increased by 2.8% in comparison to August, thereby compensating for the significant decline observed in the preceding month (-2.7%). Nonetheless, the index recorded a 0.5% quarterly decrease in the third quarter.
- Employment rose in September, with growth limited to female employees and all age groups except for individuals aged 35-49. By professional category, employment increased among permanent employees, decreased among temporary workers, and remained relatively stable among self-employed individuals.
- In October, the harmonized index of consumer prices (HICP) demonstrates, according to preliminary estimates, a year-on-year increase of 1.3%, which is lower than the euro area average of 2.1% and signifies a considerable slowdown in comparison to the preceding months.

Focus: *From October 2021 to October 2025, food prices in Italy experienced an increase of 24.9%, nearly eight percentage points above the general harmonised consumer price index (17.3%). The considerable growth observed during 2022-2023 was notably influenced by the energy price shock, which significantly impacted the unprocessed food sector, both directly due to its substantial reliance on energy inputs and indirectly by raising the costs of essential intermediate products, such as fertilisers. Over the preceding two years, the momentum of growth has moderated, with support stemming from the recovery in profit margins for agricultural enterprises.*

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	**0.0**	**0.2**	**Q3 2025**	**-0.1**	**0.1**
Industrial Production	2.8	-1.2 (Aug)	Sep. 2025	2.7	0.5
Production in the construction sector	-1.6	-0.1	Aug. 2025	0.7	0.5
Retail sales (volume)	-0.5	-0.1	Sep. 2025	-0.3	-0.1
Producer prices in the industry – domestic market	0.2	-0.1	Sep. 2025	-0.7	-0.4
Consumer prices (HICP)*	1.3	2.1	Oct. 2025	1.8	2.2
Unemployment rate	6.1	6.3	Sep. 2025	6.0	6.3
Economic Sentiment Indicator**	1.4	1.2	Oct. 2025	0.7	0.2

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

Source: Eurostat, European Commission, Istat

www.istat.it

Ufficio Stampa
Tel. +39 06 4673.2243/44
ufficiostampa@istat.it

Contact Centre
Sportello media

THE INTERNATIONAL FRAMEWORK

The global economy continues to exhibit substantial uncertainty, notwithstanding potential resolutions to conflicts in the Middle East and the mitigation of adverse effects from tariff increases, facilitated by agreements and strategic adjustments. Furthermore, the factors that previously supported economic activity in the first half of the year, such as companies' precautionary purchases and sales in anticipation of tariff implementation, are waning. According to the most recent forecasts from the International Monetary Fund, global GDP growth is anticipated to moderate, with projected rates of +3.3% in 2024, +3.2% in 2025, and +3.1% in 2026.

International demand remains volatile due to ongoing fluctuations in tariff rates and the product categories they affect. Data from the Central Plan Bureau indicate that international trade in goods declined 0.4% quarter on quarter in August, following a 1.5% increase in July. Also notable in August was the quarterly decline in imports to the United States (-7.2%, from +6.7% in July), which concurrently experienced a reduction in exports (-1.5%). Similarly, imports to Japan declined (-1.4%), whereas imports to emerging Asian countries and China increased (+2.4% and +1.3%, respectively).

The global trade outlook appears unfavorable. The global composite Purchasing Managers' Index (PMI) component for new export orders, which serves as a forecast of international demand, declined for the seventh consecutive month in October, remaining below the threshold for expansion. New orders contracted across both the manufacturing and services sectors.

Oil prices continued their downward trajectory. A reduction in international demand, coupled with production increases announced by OPEC+ countries, has exerted downward pressure on crude oil prices. In October, the cost of Brent crude decreased by 4.8% from the previous month's average, settling at $64.7 per barrel, down from $68. In contrast, natural gas prices rose 1.6%, with the index rising from 96.7 in September to 98.3 in October, thereby maintaining levels consistent with the third-quarter average (98.4).

The euro has ended the appreciation against the dollar that had been underway since the beginning of the year. In October, the average exchange rate of the European currency depreciated relative to September (1.16 dollars per euro, compared with 1.17 dollars in the preceding month). This trend intensified in daily data between the end of the month and the beginning of November, attributable to the reduced likelihood of an additional Federal Reserve interest rate reduction in December.

GDP growth exhibited moderation in both China and the euro area. In the third quarter, China's GDP growth rose 1.1% quarter on quarter (compared with 1.0% in the second quarter). Data from September indicate a recovery in industrial production; however, persistent stagnation in investment and retail sales remains evident. Further support measures for households and businesses will be essential to prevent a deceleration in domestic demand and to maintain annual growth in proximity to the government's target of 5.0%.

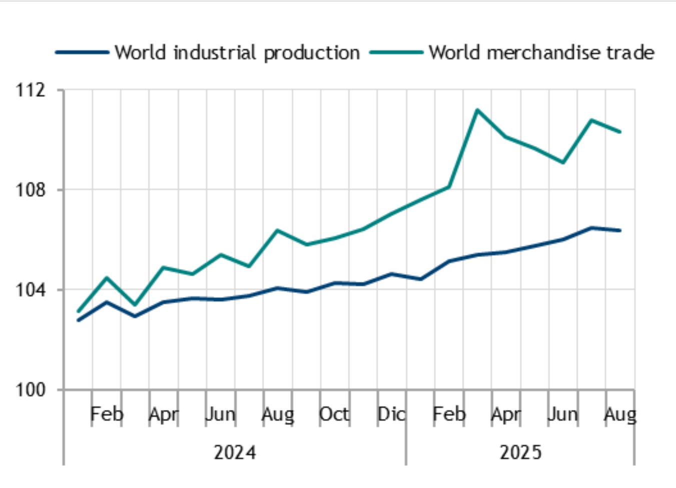
In the United States, the ongoing government shutdown[1] inhibits the release of third-quarter GDP data. Following lower-than-expected consumer price inflation figures in September (+3.0%), the Federal Reserve opted to decrease interest rates by 25 basis points, bringing the Fed Funds benchmark rate to 3.75-4.0%.

During the third quarter, preliminary estimates indicate that euro area GDP increased by 0.2% quarter-on-quarter (an increase of 0.1% in the previous quarter). At the national level, Germany and Italy recorded zero growth, whereas France and Spain demonstrated expansions of 0.5% and 0.6%, respectively. Tariffs and currency appreciation have compromised the competitive position of European industry. Conversely, declining energy commodity prices have contributed to lower inflation and lower business expenses.

[1] A "shutdown" in the United States refers to the partial interruption of federal government services resulting from Congress's inability to enact the budget bill required to finance administrative activities. This situation leads to the cessation of non-essential services and the suspension of compensation to federal employees classified as non-essential.

The Eurozone economy is expected to grow moderately. The European Commission's Economic Sentiment Indicator (ESI) increased by 1.2 points in October in the euro area (see Figure 2), driven by enhanced confidence across nearly all sectors, including industry, retail trade, and construction, as well as among consumers. The index exhibited relative stability within the services sector. On a national scale, the ESI showed notable improvement in France (2.5 points), Italy (1.4 points), and Germany (1.0 points), whereas a decline was observed in Spain (-0.9 points).

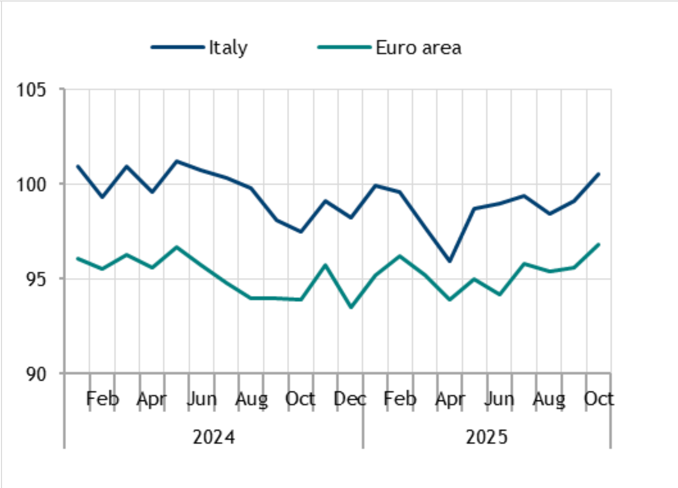
FIGURE 1. **FIGURE 1. WORLD MERCHANDISE TRADE BY VOLUME AND WORLD INDUSTRIAL PRODUCTION.** Index 2021=100



Source: CPB

FIGURE 2. ECONOMIC SENTIMENT INDICATOR (ESI).

Seasonally adjusted data



Source: European Commission, DG ECFIN

THE ITALIAN ECONOMIC SITUATION

Gross Domestic Product (GDP) exhibited stability in the third quarter. According to preliminary estimates, Italian GDP remained stable in the third quarter compared with the preceding three months. This performance was inferior to that of France and Spain, but comparable to that of Germany (Figure 3). Domestic demand (before inventories) exerted a negative influence, while net foreign demand exerted a positive influence. The absence of quarter-on-quarter variation can be attributed to an increase in agriculture, a contraction in industry, and a state of stationarity in services. The anticipated change for 2025 is +0.5%.

Industrial production recovered in September, as evidenced by the seasonally adjusted index of industrial production, which increased by 2.8% from August, thereby offsetting the significant decline observed in the preceding month (-2.7%). However, on average, production decreased by 0.5% in the third quarter relative to the previous three months. This decline can be attributed to the pronounced contraction in the energy sector (-6.2% quarter-on-quarter). This downturn was not mitigated by the modest gains (+0.1% and +0.5%) in the production of intermediate and capital goods. In contrast, consumer goods production increased by 0.8% during the same period.

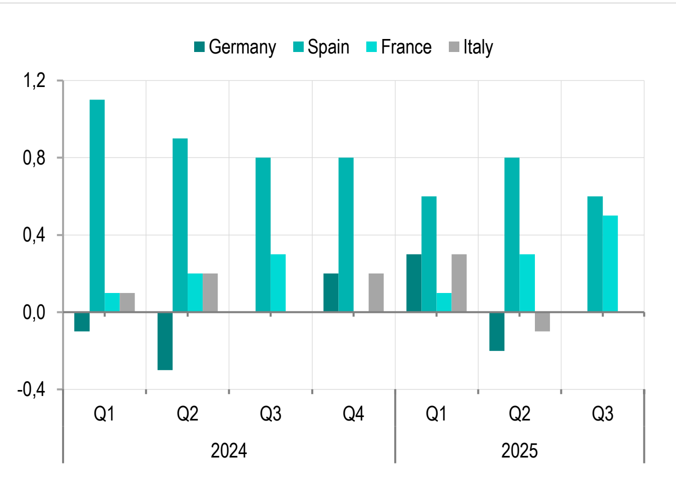
The construction sector is currently experiencing deceleration. The seasonally adjusted construction production index experienced a decrease of 1.6% on a quarter-on-quarter basis in August, representing its lowest level since last March. Nevertheless, when assessed on a rolling quarterly basis, the change remains favorable, with an increase of 0.4% from June to August compared with the preceding quarter. For the first eight months of 2025, the calendar-adjusted index recorded an overall increase of 4.7% in trend terms.

This slowdown has affected both the residential and non-residential sectors. According to building permit data from the second quarter of the year, the residential sector recorded a quarter-on-quarter increase of 1.5% in the number of dwellings and 2.1% in usable floor space, following a substantial decline in the previous quarter. Conversely, the growth in the non-residential sector was more significant, totaling 13.6%, rebounding from an unfavorable first-quarter figure of -10.6%. In the residential sector, preliminary data from the first six months of 2025 indicate that both the number of dwellings and the usable floor space diminished by 12.4% and 6.9%, respectively. The floor space of non-residential buildings also experienced a slightly lesser decline of 6.5% during the same timeframe.

…as well as in services. The turnover of services index declined in August (-0.8% compared with the prior month), a decrease more pronounced than in July (-0.2%). The slowdown was particularly notable in wholesale trade (-2.1%), while it was more moderate in other services (-0.5%). Conversely, accommodation and food services, along with information and communication services, exhibited monthly increases (+0.1% and +0.3%, respectively). The seasonally adjusted index for total services registered a slight average decrease (-0.1%) during the June-August quarter.

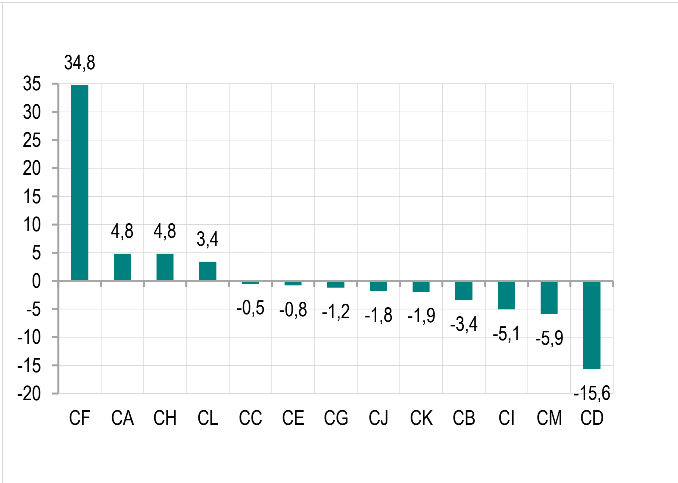
Business confidence rose in October, with broad-based gains across all sectors except services. All components within manufacturing, construction, and retail trade primarily stimulated growth. In market services, however, declining assessments of orders and business performance were counterbalanced by heightened expectations for orders.

FIGURE 3. GDP TREND IN MAJOR EUROPEAN COUNTRIES.. Quarter-on-quarter % variations



Source: Eurostat and Istat

FIGURE 4. EXPORT BY MANUFACTURING ACTIVITY*. January–August 2025. Year-on-year percentage changes



Source: Istat

** CA = Food, beverages and tobacco. CB = Textiles, wearing apparel and leather products. CC = Wood and wood products; paper and printing. CD = Coke and refined petroleum products. CE =Chemicals and chemical products. CF = Pharmaceutical products. CG = Rubber and plastic products. CH = Basic metals and fabricated metal products. CI = Computer, electronic and optical products. CJ = Electrical equipment. CK = Machinery and equipment n.e.c. (not elsewhere classified). CL = Transport equipment. CM = Other manufacturing*

Foreign trade exhibited continued positive performance. Notwithstanding the decline in foreign sales observed in August, export growth during the summer months (June-August) was overall favorable, reflecting a 1.2% increase in comparison to the preceding three months, particularly within European markets, which experienced a growth of 2.3%, contrasted with a modest 0.1% increase in non-EU markets. Conversely, import activities displayed a pronounced weakness, declining by 0.3%, attributed to a stagnation in EU markets and a 0.7% decrease in non-EU markets. Preliminary data on non-EU trade for September further suggest increases in both exports and imports.

In the first eight months of 2025, overall trade dynamics showed a positive trend for both flows: the value of goods exports increased by 2.6% year on year between January and August, while imports rose by 4.1%. Notably, there were particularly robust incoming flows from certain countries; for instance, imports from China surged by 24.5% year on year during the January-August period.

The growth in foreign sales of Italian products, however, was predominantly restricted to a limited number of sectors: there was a notable increase in the sales of pharmaceuticals (+34.8%) and, to a lesser extent, food, beverages, and tobacco products, as well as metals and metal products (+4.8%). The vehicles sector also exhibited positive performance (+3.4%), notwithstanding a considerable decline in motor vehicle sales (-9.3%) (Figure 4). Sales of pharmaceutical products, a sector characterized by a substantial multinational presence, were particularly robust in both EU and non-EU markets (+34.7% and +34.8% respectively); among the non-EU markets, the United States emerged as a standout, accounting for significant flows (63.2%), with this market alone representing 43.9% of direct sales outside the EU and 22.9% of the total exports of the sector.

Conversely, exports of coke and other refined petroleum products (-15.6%), computers and electronic equipment (-5.1%), and several key "Made in Italy" sectors, such as textiles, clothing, and footwear (-3.8%), as well as other manufacturing industries (-5.9%) and machinery (-1.9%), experienced declines during the period under consideration.

Geographically, with respect to exports to the United States, which serves as the primary non-EU destination for Italian products, trade dynamics have been significantly influenced since the beginning of the year by frontloading activities in anticipation of the implementation of tariffs, in conjunction with continuous fluctuations in decisions regarding tariff levels, which resulted in prolonged uncertainty. Notwithstanding the contraction observed in August, the overall export performance remains robust (+6.9% in the initial eight months of 2025, alongside a +30% increase in imports). The rise in sales encompassed not only the goods above but also traditional textiles, clothing and footwear, electrical appliances, and rubber products. On the import front, acquisitions of pharmaceutical products were particularly pronounced (+79.2%).

Employment continues to exhibit growth, with the total number of employed individuals reaching 24,221,000 in September. Notably, this growth was observed exclusively among women across all age groups, except those aged 35 to 49. In terms of professional categories, employment increased among permanent employees, decreased among fixed-term employees, and remained largely stable among the self-employed. The employment rate rose to 62.7%. Conversely, unemployment also rose relative to the previous month, driven solely by increases among men and across all age groups, except those aged 35 to 49. Compared with the last month, the overall unemployment rate, which remained unchanged in the Eurozone at 6.3%, increased to 6.1% (+0.1 percentage points), while the youth unemployment rate rose to 20.6% (+0.9 percentage points). Furthermore, relative to August, the inactivity rate declined to 33.1% (-0.3 percentage points). When comparing the third quarter of 2025 to the preceding quarter, employment rose by 0.1%, adding 31,000 individuals and affecting both men and women, as well as permanent employees, the self-employed, and individuals aged 50 and over. The observed employment growth in the quarterly comparison correlates with a reduction in the number of job seekers (-4.5%, or -73,000) and an increase in the number of inactive individuals (+0.3%, or +36,000).

On a year-on-year basis, there was an increase of 176,000 employed individuals in September (+0.7%), accompanied by a rise in the employment rate by 0.3 percentage points (see Figure 5). The trend in the number of unemployed individuals is also positive, with an increase of 16,000 during the same period as the previous year, representing a 1.0% rise. Compared with last year, the unemployment rate remains stable overall, while rising by 1.7 percentage points among the youth. Additionally, the number of inactive individuals decreased by 1.3% (or 167,000), alongside a 0.3 percentage-point reduction in the inactivity rate over the year.

Final consumption and household disposable income rose in the second quarter: consumption increased by 0.5% from the preceding quarter, while household disposable income rose by 0.8%. The propensity to save among households is estimated at 9.5%, up 0.3 percentage points from the first quarter. Furthermore, between April and June, household purchasing power increased by an average of 0.3%, despite a 0.5% rise in prices, as indicated by the implicit deflator for household final consumption.

Consumer confidence exhibited improvement in October for the second consecutive month, supported by positive expectations regarding both the economic situation—evidenced by an increase in the economic climate index from 98.8 in September to 99.3 in October—and personal confidence, which rose from 96 to 97. There was a significant improvement in prospects as well, with the future climate index rising from 92.6 to 94.1, driven by more favorable assessments of opportunities to save and purchase durable goods.

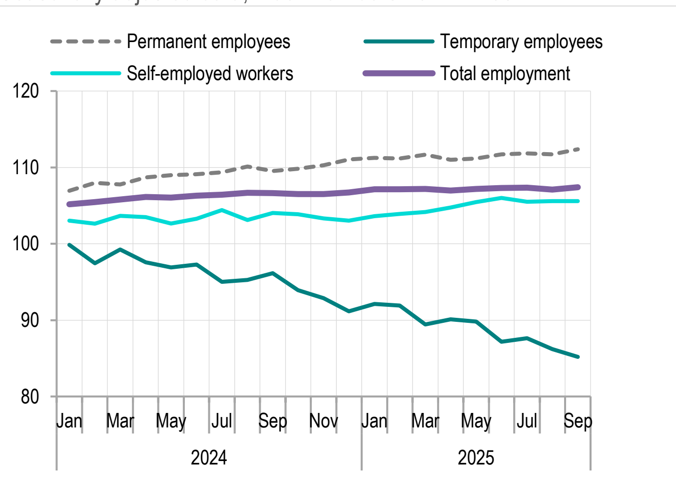
Retail sales declined in September relative to the previous month, falling 0.5% in both value and volume. This downturn impacted food products, which registered a decrease of 0.4% in value and 0.5% in volume, as well as non-food products, which experienced declines of 0.5% in value and 0.6% in volume. Overall, during the third quarter, retail sales increased by 0.1% from the preceding month, while volume decreased by 0.4%. Comparable trends were observed in food sales, which reported a 0.1% increase in value and a 0.9% decrease in volume, as well as in non-food sales, which reflected a 0.1% increase in value and a 0.1% decrease in volume.

In October, expectations for employment in the Construction and Retail sectors improved from the previous month, whereas a slight deterioration was noted in the Manufacturing and Market Services sectors.

The index of hourly contractual wages showed no variation in September compared with the previous month; however, it rose year on year by 2.6%. Notably, employees in public administration experienced a more pronounced increase of 3.3%, compared with industrial workers, whose wages rose by 2.3%, and individuals engaged in private services, whose wages rose by 2.4%.

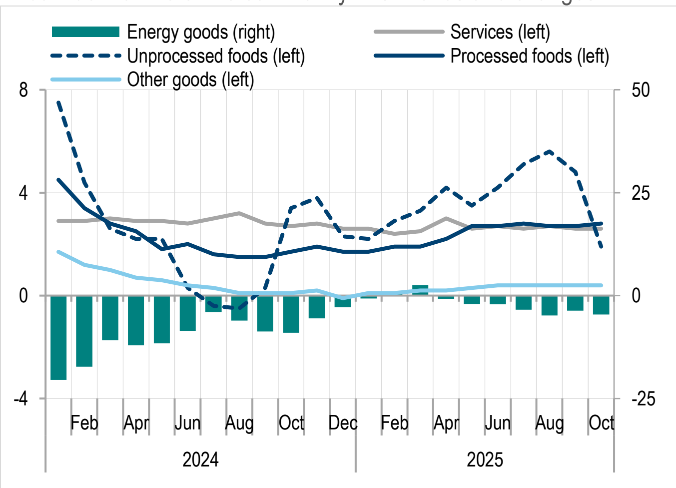
In conclusion, year-on-year growth in contractual wages in the third quarter decelerated relative to the second quarter, though it remained above the inflation rate. This deceleration in wage growth can be ascribed to the substantial stability observed in private services and the significant slowdown in the industrial sector, which was only partially mitigated by a slight acceleration in the public sector due to the distribution of the contractual holiday allowance. Overall, real contractual wages in September were 8.8% lower than the levels recorded in January 2021.

FIGURE 5. EMPLOYMENT BY PROFESSIONAL STATUS
Seasonally adjusted data, index numbers 2021 = 100



Source: Istat

FIGURE 6. CONSUMER PRICE INFLATION IN ITALY.
Price index for the entire community NIC: trends and changes..



Source: Eurostat

Significant deceleration in consumer price inflation. According to preliminary estimates, the consumer price index (CPI) for the entire nation exhibited a substantial slowdown in October on a year-on-year basis, reaching 1.2% (compared to 1.6% in September); every quarter, it recorded the second consecutive decline (-0.3%; -0.2% in the preceding month). The consumer price inflation rate recorded in October 2025 is 1.6%.

Food prices drove this trend. The observed deceleration was notably influenced by the decrease in food price inflation (from 3.5% in September to 2.5% in October on a year-on-year basis). Specifically, the deceleration was pronounced for unprocessed food (from 4.8% to 1.9%), whereas processed food showed little change (from 2.7% to 2.8%). On a quarterly basis, food prices experienced an increase (+0.2%; -0.1% in September), attributable to a rise in processed food prices (+0.4%; -0.5% in the previous month) and a decline in unprocessed food prices (-0.1%; +0.6% in September) (more information in the *Focus* “The primary determinants of food price growth in Italy between 2021 and 2025”).

Energy prices also were on a downward trend in October, declining by 1.3% on a quarterly basis after remaining stable in September. This reduction brought energy prices 8.5% lower than at the beginning of the year (January 2025), marking the lowest level since February 2022. Compared with the corresponding month of the previous year, prices decreased by 4.6% (-3.7% in September). Consumer price inflation is declining once again.

The growth of the shopping basket decelerated, rising 2.3% compared with 3.1% in September, reflecting the prevailing trend in food price inflation. The disparity in inflation between shopping basket prices and the general index widened to 1.1 percentage points, up from 1.5 in September.

In October, service prices rose by 2.6% year on year, consistent with the average over the previous five months; however, they decreased by 0.4% relative to September. This decline was primarily driven by price reductions in recreational, cultural, and personal care services, which fell by 1.2%, and in communications, which decreased by 0.3%. Conversely, housing service prices increased by 0.3%, while transport prices declined by 0.3%.

Core inflation maintained stability at 2.0%. This measure, which excludes more volatile components such as unprocessed food and energy, remained unchanged at 2% in October, consistent with the average recorded over the preceding six months. The forecast for acquisitions in 2025, as of October, is 2%.

Inflation in Italy remains below the euro area average. In October, the harmonized price index in Italy, according to preliminary estimates, exhibited a significant decline in year-on-year terms, reaching 1.3% (a decrease from 1.8% the previous month), which remains considerably lower than the euro area average of 2.1% (up from 2.2% in September). When compared to other major euro area nations, inflation has moderated relative to both Germany (reporting 2.3%, down from 2.4% in September) and Spain (noting 3.2%, an increase from 3.0% in September), while inflation in France has been comparatively lower at 0.9% (down from 1.1% in September).

Import prices declined beginning in August. The prices of imported products fell by 0.6% in August, marking a year-on-year decline of 3%, following two months of modest increases, with cumulative changes of 0.5% in June and July. This decrease was primarily driven by lower energy prices, which fell by 2% in August.

Conversely, producer prices rose in September. Industrial producer prices resumed a slight growth trajectory in September, rising 0.2% after a 0.6% decline in August, and posting a year-on-year increase of 1.1%. This increase is indicative of growth in the energy sector, which rose 0.7% year on year, up from 2.5% the previous year. Producer prices for non-energy goods rose 0.1% year-on-year, up from 0.8% over the same period. In the construction sector, producer prices for buildings decreased by 0.1%, a reversal from the 0.4% increase observed in August, while prices for roads and railways remained stable, declining by 0.2% in the preceding month. Notably, the growth trend for buildings accelerated to 1.9%, up from 1.4%, while roads and railways saw a modest increase, rising to 0.6% from 0.1%.

Consumers are displaying elevated expectations concerning stable inflation. In October, inflation expectations for the next twelve months maintained their predominance, albeit with a slight decline relative to the preceding twelve months (42%; down from 43.5% in September). Anticipations of an increase are recorded at 40.5% (down from 42.5% in September), while those forecasting stability have risen to 15.7% (up from 12.7% in the prior month).

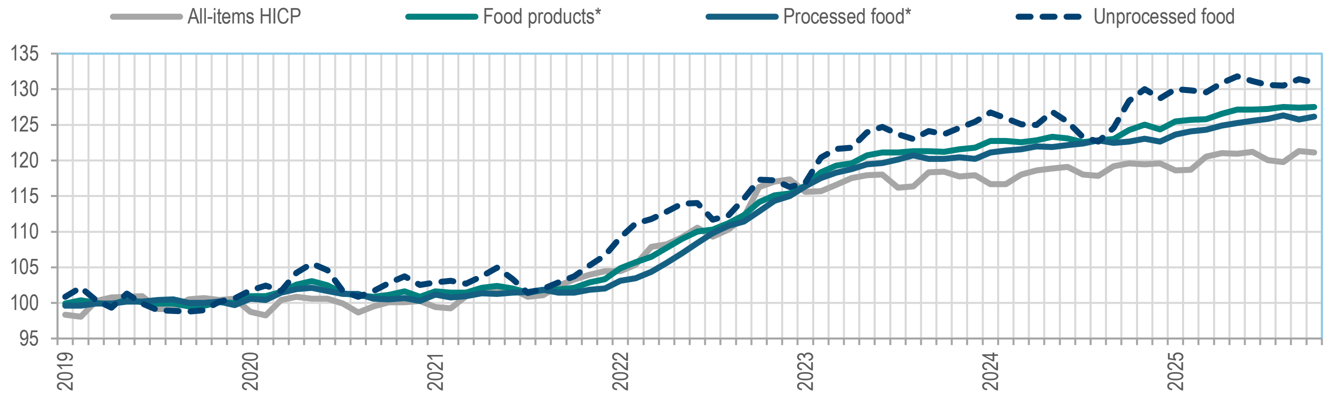
Within the business sector, expectations for price increases are trending upwards. In October, the differential between enterprises anticipating a rise in prices and those foreseeing a decline has improved in the manufacturing sector (from 3.6 percentage points in September to 4.3 in October), in construction (from 3.8 to 5.2), and in trade (from 10.8 to 12.6 points). In contrast, this differential has diminished within the services sector (from 4.8 in September to 2 points). The proportion of firms intending to sustain stable prices over the next three months has declined in the manufacturing sector (from 88.6% in September to 88.1% in October) and in retail trade (from 82.1% to 80.7%), while it has ascended in construction (from 91.1% to 92.3%) and market services (from 88% to 92.2%).

focus

THE PRIMARY DETERMINANTS OF FOOD PRICE GROWTH IN ITALY BETWEEN 2021 AND 2025*[*]

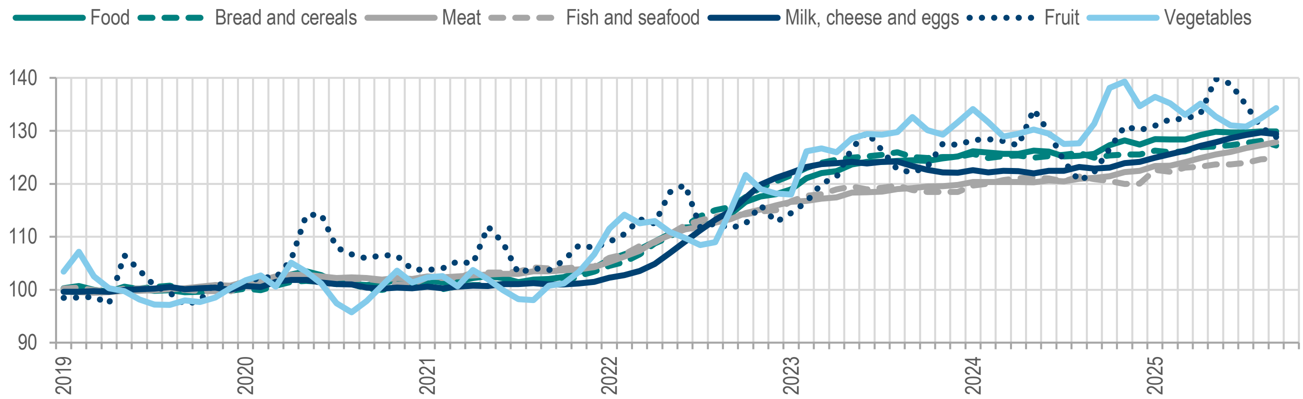
In 2025, food products[2] are projected to constitute over one-fifth of the economic value of goods and services consumed by Italian households[3]. Food alone[4] accounts for an average of 16.6% of total expenditure. Given that these items are primarily necessities; their demand is relatively inelastic to price increases. Additionally, such price increases significantly affect households' purchasing power, particularly those with lower incomes, given the high share of food in their overall consumption. Between October 2021 and October 2025, food prices are anticipated to rise by 24.9%, nearly eight percentage points above the general harmonised consumer price index, which is projected at 17.3% for the same period (Figure F1).

FIGURE F1. FOOD PRICES IN ITALY. 2019-2025 (HICP index, 2019 base)



*including alcohol and tobacco
Source: Istat.

FIGURE F2. CONSUMER PRICES BY TYPE OF FOOD PRODUCTS* Italy. Years 2019-2025 (monthly data, 2019 base indices)



*CP011 (Food) COICOP Consumer Price Aggregate
Source: Eurostat

* The Focus was prepared by Cristina Brandimarte and Piergiuseppe Cossu.

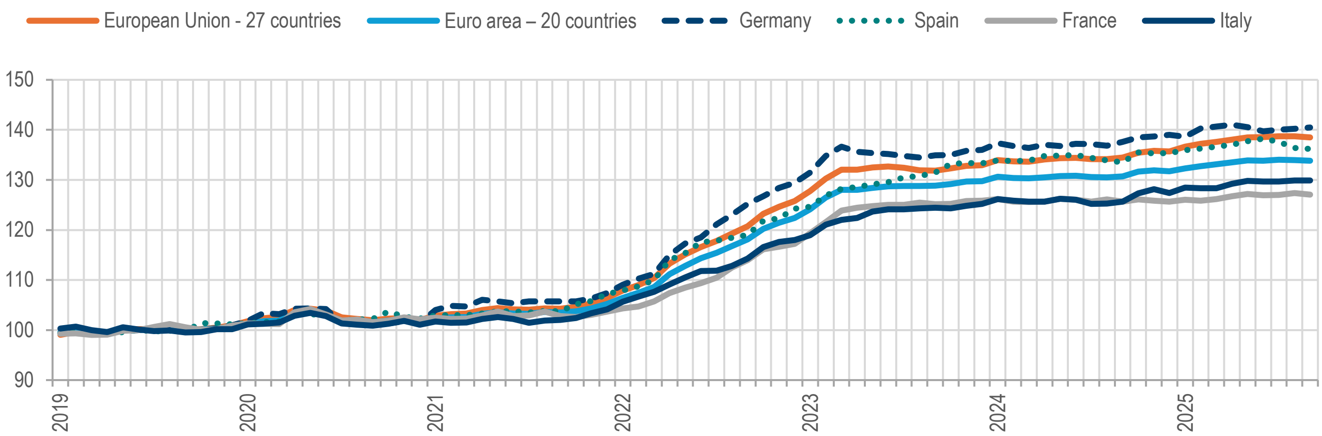
[2] Including food, beverages, and tobacco products.
[3] In detail, processed food products comprise 15.1% of the total, while unprocessed food products account for 6.3%, as indicated by IPCA weights.
[4] The "food" aggregate (COICOP CP011-Food) comprises foodstuffs including, but not limited to, bread and cereals, meat, milk, cheese, eggs, and vegetables. This aggregate forms part of the broader category of foodstuffs, which encompasses both beverages (both non-alcoholic and alcoholic) as well as tobacco

In detail, the prices of fresh (or unprocessed) food rose more sharply than those of processed food, by 26.2% and 24.3%, respectively. Furthermore, food prices overall experienced an increase of 26.8% in September 2025[5], relative to October 2021, with the most significant increases recorded in the categories of plant-based products (+32.7%), milk, cheese, and eggs (+28.1%), and bread and cereals (+25.5%) (Figures F1 and F2).

The upward trend in food prices began in the latter half of 2021 and was marked by a notable surge from early 2022 until mid-2023. Subsequently, prices continued to rise, albeit at more moderate rates.

This phenomenon was not restricted to Italy; rather, it manifested across various European nations, frequently with greater intensity (Figure F3). Specifically, food prices in the euro area increased by 29% during the period under examination, while the EU27 recorded an even larger increase of 32.3%. Notably, Germany recorded a 32.8% increase, whereas Spain recorded a 29.5% increase. In contrast, France experienced a slightly lower increase of 23.9% compared to Italy.

FIGURE F3.. CONSUMER PRICES OF FOOD PRODUCTS* IN THE PRIMARY EU COUNTRIES. Years 2019-2025 (monthly data, base index year 2019)



* Food products correspond to the COICOP consumer price aggregate CP011 (Food).
Source: Eurostat.

The factors contributing to the significant increase in food prices in Italy can be attributed to a convergence of elements, primarily external, that have prompted substantial increases in the international prices of food production inputs. In contrast, domestic factors have exhibited a relatively minimal impact, particularly in recent years.

Beginning in the latter half of 2021, upward pressure on international food commodity prices emerged as the global economy recovered from the pandemic. Within this context, an increase in demand[6] alongside supply disruptions stemming from the reconfiguration of global supply chains in the aftermath of the pandemic led to a contraction in global supply, which was further exacerbated by adverse climatic conditions in key exporting nations[7]. Commencing in February 2022, the invasion of Ukraine and the subsequent international sanctions imposed on Russia, including a ban on natural gas and grain imports, triggered significant inflationary pressures on energy commodities, while food commodity prices continued to increase.

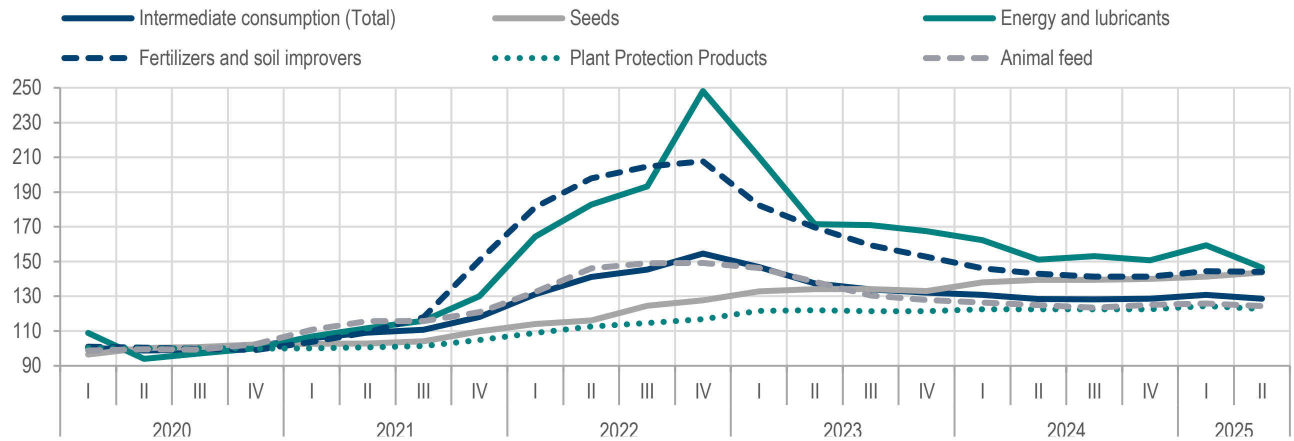
In Italy, the consumer price of energy commodities surged by 76% from October 2021 to November 2022, markedly surpassing the averages for the euro area (38.7%), the EU27 (36.8%), and other major European nations: Germany (42.7%), France (21.1%), and Spain (2.9%). The rise in energy costs has exerted a direct and particularly pronounced impact on the unprocessed food sector, where the proportion of energy inputs in total inputs (5.5%) is more than

[5] Latest available data for the aggregate.
[6] In 2021, the global demand for food commodities experienced an increase attributed to precautionary behavior, characterized by the accumulation of food reserves in response to concerns associated with the pandemic. This rise in demand was further influenced by a significant increase in the demand for feed from China, as well as the necessity for basic food products utilized in the production of biofuels.
[7] In particular, the drought resulting from La Niña during the period of 2020-2021 had a substantial impact on major food-exporting countries, including Argentina, Brazil, and the United States, while also indirectly affecting Ukraine and Russia. Refer to C. Bogmans, A. Pescatori, E. Prifti, "Four Facts about Soaring Consumer Food Prices," IMF June 2021, https://www.imf.org/en/Blogs/Articles/2021/06/24/four-facts-about-soaring-consumer-food-prices.

double the average for other sectors excluding energy (2.2%) and exceeds the overall economic average by over one percentage point (4.4%)[8].

The energy shock also indirectly affected the food sector through increases in the prices of various intermediate products, particularly fertilizers (whose prices more than doubled from the beginning of 2021 to the end of 2022), a crucial input for the agricultural sector (Figure F4).

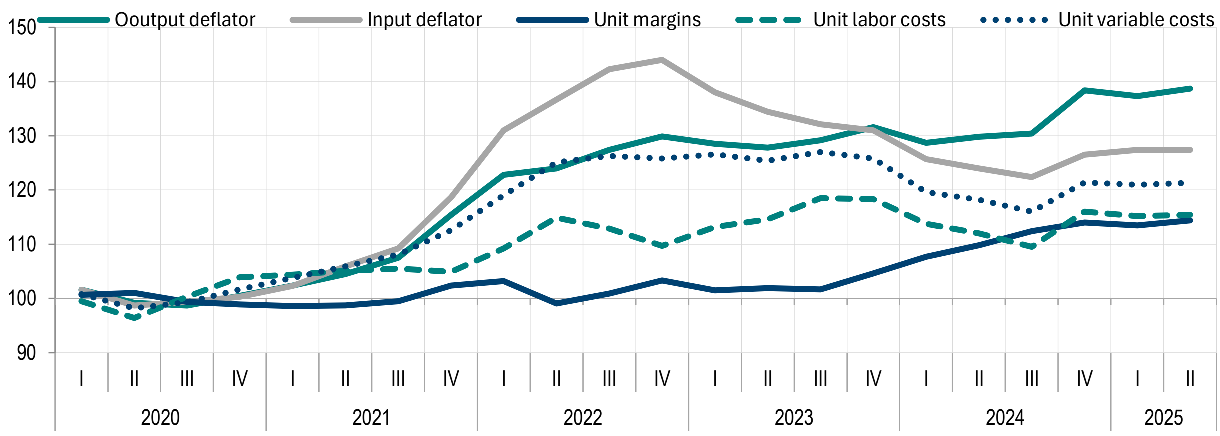
FIGURE F4. PRICES OF AGRICULTURAL PRODUCTION FACTORS IN ITALY, RELATIVE TO INTERMEDIATE CONSUMPTION.. Quarters 2020-2025 (based on 2020).



Source: Eurostat.

During the period marked by a substantial increase in unprocessed food prices, specifically from the conclusion of 2021 to the middle of 2023, domestic factors exerted a relatively minor influence when compared to international factors. In particular, within the primary sector, profit margins[9] remained fundamentally stable until the middle of 2023, while unit labor costs (ULCs)[10] increased, albeit to a lesser extent than total variable unit costs[11]. Between the third quarter of 2021 and the third quarter of 2023, the price of output[12] increased by 20.2%, marginally lower than the input deflator, which rose by 21% (Figure F5).

FIGURE F5. COSTS AND MARGINS FOR THE AGRICULTURE, FORESTRY, AND FISHERIES MACROSECTOR: Quarters 2020-2025.

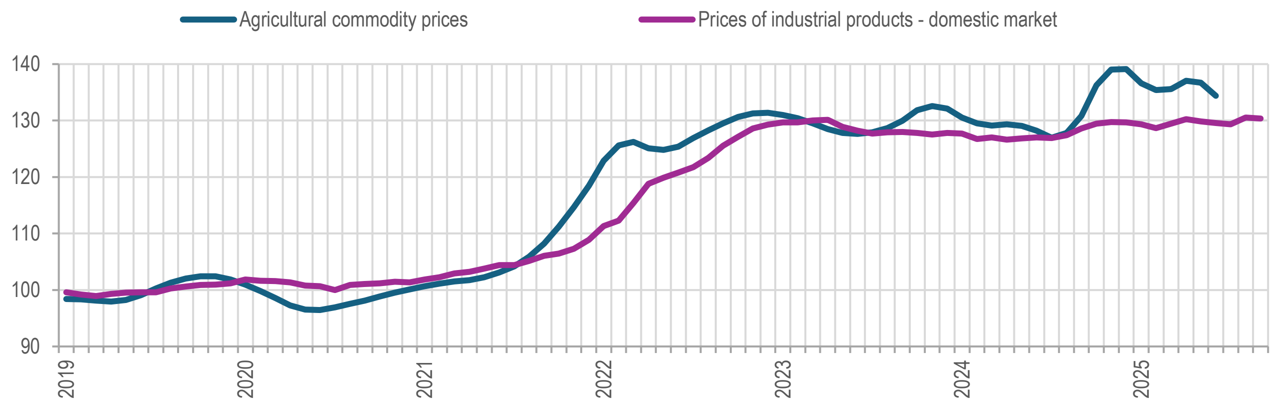


Source: Istat

[8] Based on the 2021 data derived from the Eurostat Input-Output tables
[9] Ratio of output deflator to unit variable costs.
[10] The escalation of unit labor costs (ULCs) within the agricultural sector was influenced by the trend in gross hourly wages, which experienced an increase of 4.7% in 2022, surpassing the average for the overall economy (1.5%; 3.4% within the food industry); conversely, in 2023, these wages grew by 0.4%, which is below the average growth rate of 1.3% (+1.4% in the food industry).
[11] The ratio between the total income derived from employment and the intermediate consumption and production.
[12] The ratio of output at factor cost at current prices to output at chained factor cost.

The escalation in the prices of unprocessed food products was passed through to the processed sector; producer prices within the food industry increased by 21.4% between the third quarter of 2021 and the third quarter of 2023, while agricultural raw materials observed a comparable rise. (Figure F6).

FIGURE F6. AGRICULTURAL COMMODITY PRICES AND FOOD INDUSTRY PRODUCER PRICES IN ITALY*. Monthly Data from 2019 to 2025 (Base Indices for 2019)



**Aggregate (NACE-Rev.2) for C10 Manufacture of food products; aggregate (Agricultural commodity) for agricultural commodity prices (140,000 Agricultural goods).*
Source: Istat (industrial producer prices C10 Manufacture of food products); Eurostat, Food price monitoring tool (-Agricultural commodity prices index (ACP)).

The substantial interconnection between the agricultural and industrial food sectors, with food accounting for a noteworthy share of intermediate inputs (53% processed and 42% unprocessed)[13], has further facilitated the transmission of price effects. In recent years, specifically over the past two years, consumer food prices have continued to rise, albeit at significantly reduced rates (+4.4% from September 2023 to September 2025).

In 2024, amid relatively moderate input prices, profit margins in the agricultural sector recovered, stabilizing at levels above the average of the previous decade during the first half of 2025. Since the commencement of 2024, the dynamics of output prices have consistently outpaced those of input prices[14]. The growth trajectory of producer prices in the industrial food sector decelerated from mid-2023 through the end of 2024; nevertheless, it remained elevated relative to the prices of food raw materials. Subsequently, producer prices remained relatively stable despite observable increases in the cost of food raw materials.

In summary, the pronounced escalation in food prices observed in Italy during 2022-2023 can primarily be attributed to international factors, particularly the energy crisis that followed the invasion of Ukraine. This energy price shock had a direct impact on the unprocessed food sector, primarily due to the substantial energy cost burden, and indirectly exacerbated price increases for key intermediate products such as fertilizers. The price surge in unprocessed food was subsequently transmitted to the processed goods sector due to the high degree of interconnectedness between the two industries. Over the past two years, prices have continued to increase, though at significantly attenuated rates. This trend has been further bolstered by the recovery of profit margins for agricultural enterprises, which remained notably low during 2021-2022.

For technical and methodological clarifications

Roberta De Santis
tel.+39 06 4673 7294
rdesantis@istat.it

Claudio Vicarelli
tel.+39 06 4673 7313

[13] Weights are computed based on the Input Output tables obtained from Eurostat for the year 2021.
[14] The consumer price of energy goods, following the pronounced decrease observed since the conclusion of 2022 (-30% from November 2022 to mid-2024), essentially stabilized until the spring of 2025, prior to experiencing another decline (-9.5% from March to October).

cvicarelli@istat.it