SEPTEMBER 10th 2026

Note ON THE ITALIAN ECONOMY

- Global economic divergences narrowed in the second quarter. In the United States, GDP growth slowed but remained robust, supported by consumption and investment in AI; in the euro area, the economy rebounded after the first three months of stagnation; China, by contrast, showed signs of deceleration.
- The international outlook remains uncertain; the ongoing conflicts, especially between the United States and Iran, continue to negatively affect the global supply chains.
- In Italy in the second quarter, gross domestic product growth of 0.2 per cent compared with the previous three months was confirmed, driven by private consumption and investments. The expansion phase that began in the third quarter of 2025 thus continues. The projected growth rate for 2026 stands at 0.8 per cent.
- Industrial production returned to growth. Following the two declines recorded in May and June (-0.2% and -1.1% month-on-month, respectively), the seasonally adjusted industrial production index increased by 0.7% in July compared to the previous month
- In July, the number of people in employment remained broadly unchanged at 24,370,000. This figure reflects an increase amongst men and those aged 35–49, offset by a decrease amongst women and in all other age groups. On a month-on-month basis, the overall unemployment rate – which remained stable at 6.4 per cent in the euro area – fell to 5.8 per cent.
- Energy prices are fueling a rise in inflation: according to preliminary estimates, in August the Harmonised Index of Consumer Prices (HICP) rose by 3.2 per cent year-on-year (+3.3 per cent in the euro area), up from 2.9 per cent in July.

***Focus**: Between 2021 and 2026, the Italian labour market showed a positive trend, with a rise in the employment rate and a fall in unemployment. Employment growth mainly concerned the 50–64 age group (+7.8 percentage points), driven by the population's progressive ageing and pension reforms. In terms of employment contracts, stable employment is becoming more established, with an increase in permanent staff and a parallel reduction in those on fixed-term contracts.*

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	**0.2**	**0.6**	**Q2 2026**	**0.3**	**0.0**
Industrial production	0.7	0.0 (June)	Jul. 2026	-1.1	0.3
Production in the construction sector	0.0 (May)	-1.3	Jun. 2026	0,8	0.2
Retail sales (volume)	-0.5	-0.6	Jul. 2026	-0,1	0.2
Producer prices in the industry – domestic market	3.0	1.6	Jul. 2026	0,0	-0.3
Consumer prices (HICP)*	3.2	3.3	Aug. 2026	2,9	2.9
Unemployment rate	5.8	6.4	Jul. 2026	5,8	6.4
Economic Sentiment Indicator**	0.8	1.3	Aug. 2026	0,3	1.5

*Year-on-year variations **Absolute differences compared to the previous month *Source: Eurostat. European Commission. Istat*

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THE INTERNATIONAL FRAMEWORK

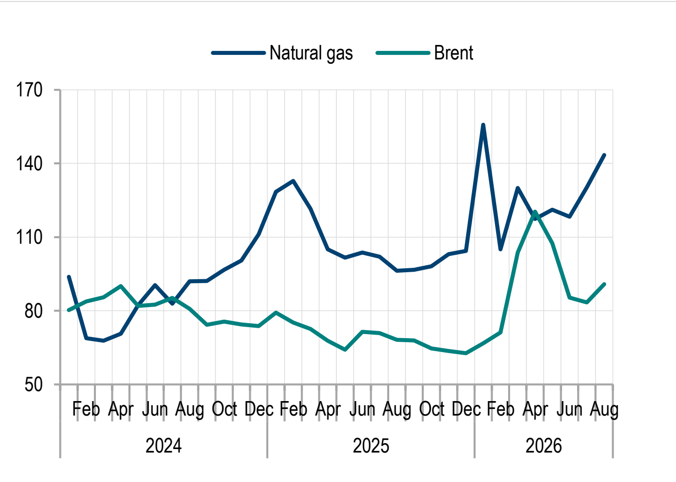
International outlook remains uncertain. The conflict between the United States and Iran continues to negatively affect global supply chains. Inflation began to rise again in August, driven by a new surge in energy commodity prices. Oil prices, in particular, are proving highly volatile due to the risk of supply disruptions from the Middle East amid persistent tensions in the region.

Cyclical divergences between the major economic regions are easing. In the United States, GDP growth in the second quarter, whilst slowing, remains solid (+0.4 per cent quarter-on-quarter, down from +0.5 per cent in the first three months of the year), supported by private investments – particularly in AI – and the resilience of consumer spending. In the euro area, over the same period, GDP recovered markedly (+0.6 per cent quarter-on-quarter) after stagnating in the first three months of the year. China, by contrast, recorded a marked slowdown in the second quarter compared with the previous period (+0.9 per cent quarter-on-quarter, down from +1.3 per cent in January–March).

Global trade on the rise. The volume of international trade in goods rose by 2.0 per cent in June compared with the previous month (+0.5 per cent). Sustained pressure from global demand for semiconductors, chips, and components for digital infrastructure continues to drive trade flows, despite ongoing logistical challenges.

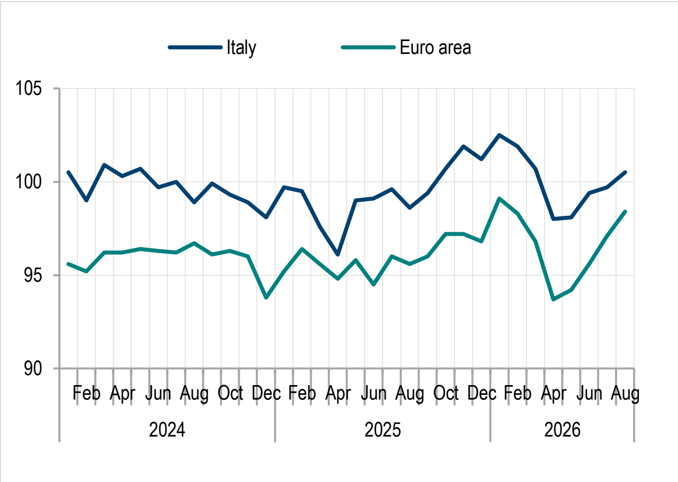
Volatility in the energy commodities market. Following the sharp spikes in the first half of 2026 linked to the temporary blockade of the Strait of Hormuz, volatility in oil and natural gas prices has continued in recent months. Thanks to diplomatic agreements and the resulting resumption of commercial shipping, Brent prices fell slightly in July ($83.4 per barrel, down from $85.4 in June) before rising sharply again in August (to over $90 per barrel). After a slight, temporary fall in June, the natural gas index resumed its upward trend in July and August (up around 10 per cent in both months) (Figure 1).

FIGURE 1. NATURAL GAS BRENT PRICE TRENDS.
Brent: US dollars per barrel. Natural gas: index (2010 = 100)



Source: World Bank

FIGURE 2. ECONOMIC SENTIMENT INDICATOR (ESI).
Seasonally adjusted data



Source: European Commission. DG ECFIN

The euro has depreciated moderately. The nominal exchange rate of the euro against the dollar depreciated between May and June (from 1.17 to 1.15 dollars per euro, respectively), consolidating this trend in July (1.14 dollars), before recovering (to 1.16) in August. The renewed appreciation in August reflects the narrowing divergence in growth prospects between the United States and the euro area and, consequently, greater alignment on future monetary policy decisions by the Federal Reserve and the ECB; both central banks are expected to raise interest rates in the near future.

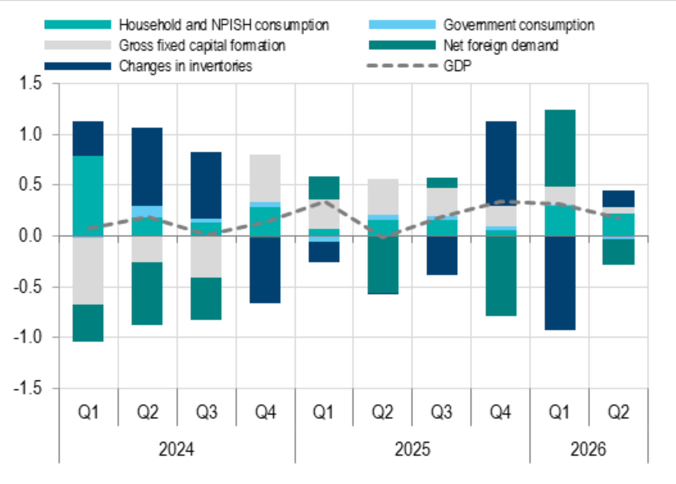
Confidence in the euro area economy is improving: the European Commission's Economic Sentiment Indicator (ESI) showed an improvement in August compared with the previous month (+1.3 points, Figure 2), driven by greater confidence in industry, services and the retail sector, whilst the index remained broadly stable in the construction sector and amongst consumers. Although it remains below the long-term average, the indicator is at its highest level since last January. Among the major economies, the ESI improved in France (+2.3), Germany (+1.3) and Italy (+0.8), whilst it fell sharply in Spain (-2.2 points).

THE ITALIAN ECONOMIC SITUATION

Italian GDP continues to grow… The latest data from the National Accounts have confirmed the preliminary estimates: in the second quarter, gross domestic product (GDP), expressed in chained values with 2020 as the base year, adjusted for calendar effects and seasonally adjusted, rose by 0.2 per cent compared with the previous three months, continuing the growth trend started in the third quarter of 2025. The year-on-year change for 2026, net of calendar effects, stands at 0.8%.

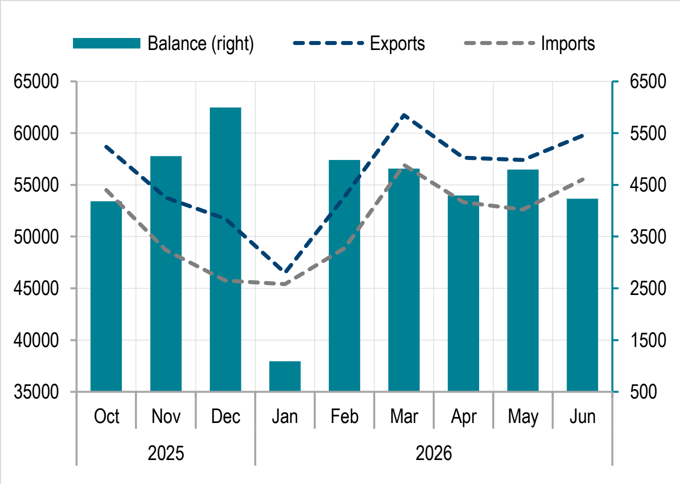
…thanks to the contribution from consumption… In detail, final national consumption grew by 0.3% compared with the previous quarter, contributing two-tenths of a percentage point to quarter-on-quarter GDP growth. This result was driven, on the one hand, by a slight fall in general government expenditure (-0.1% quarter-on-quarter) and, on the other, by a marked increase in expenditure by resident households and non-profit institutions serving households (NPISH) (+0.4%), which builds on the strong rise already recorded in the previous quarter (+0.5%). As for household expenditure within the economic territory, durable goods were the most dynamic component, growing by 0.9 per cent, while expenditure on non-durable goods remained stable. Consumption of services and semi-durable goods both increased by 0.4 per cent.

FIGURE 3. CONTRIBUTIONS TO GDP GROWTH. Quarter-on-quarter changes and percentage points



Source: Istat

FIGURE 4. ITALY'S TRADE IN GOODS. Values in millions of euros, seasonally adjusted data



Source: Istat

…and investment. Investment also contributed positively (by one-tenth of a percentage point) to the quarter-on-quarter change in GDP (+0.3 per cent), although its growth momentum has slowed significantly compared with the rates observed since the end of 2024. Growth was limited exclusively to expenditure on non-residential buildings and other construction works (+7.4 per cent) and on intellectual property products (+1.0 per cent). By contrast, investment in housing and in plant, machinery and armaments fell by 7.0 per cent and 2.3 per cent respectively. As regards investment in housing, this contraction follows the sharp fall already recorded in the previous quarter (-5.7%).

Opposing contributions from inventories and net external demand. Inventories contributed 0.2 percentage points to growth, whilst net external demand made a negative contribution of 0.3 percentage points. This result is attributable to a stronger increase in imports than in exports of goods and services, with quarter-on-quarter changes of 1.7 per cent and 0.8 per cent respectively. By contrast, domestic demand, net of stocks, contributed positively (+0.3 percentage points, Figure 3).

On the supply side, in the second quarter, value added in Industry (excluding construction) fell significantly (-1.0 per cent), while construction grew by 1.5 per cent. Overall, the services sector also grew, albeit more modestly (+0.4 per cent). Within this sector, value added in information and communication services rose by 1.2 per cent, outpacing growth in the trade, transport, accommodation and catering sector (+0.7 per cent). The increase in professional services was more modest (+0.5 per cent), matching that observed in other services.

Industrial production returned to growth. Following the two declines recorded in May and June (-0.2% and -1.1% month-on-month, respectively), the seasonally adjusted industrial production index increased by 0.7% in July compared to the previous month. However, on average for the May–July period, a slight decrease in the level of production was observed (-0.1% compared to the previous three months). With the exception of the energy sector (-0.9%), growth in July affected all main industrial groupings, being most pronounced for consumer goods (+2.1%) compared to capital goods (+0.2%) and intermediate goods (+0.5%).

Business confidence rose in August, continuing the trend of growth that began in June, although it remains below the levels recorded in the first three months of the year. The improvement was seen across all sectors, albeit to varying degrees. The construction sector saw the most marked increase, following the sharp decline recorded in the previous month. Confidence also rose significantly in market services, driven mainly by tourism services and transport and warehousing activities; by contrast, the information and communication sector declined. In manufacturing, the improvement was more modest: a deterioration in assessments of orders and stocks of finished goods was offset by a marked improvement in expectations regarding production levels.

Robust trade in the first half of the year. In the first half of 2026, the value of goods trade recorded strong year-on-year increases of a similar magnitude (+4.5 per cent for exports and +4.3 per cent for imports, Figure 4), with a similar pace of growth for sales to both EU and non-EU countries (+4.6% and +4.4% respectively), whilst purchases were more dynamic outside the Union (+5.5%, compared with +3.4% for imports from EU countries)..

Manufacturing exports rose in the first half of the year (+4.4% year-on-year). Performance was positive across most sectors: sales of metal products rose by double digits (+28.9%) and, in particular, coke and refined products (+23.3%), the latter boosted by high prices. Also worth noting is a recovery in sales of transport equipment (+2.5 per cent), driven by exports of motor vehicles (+8.3 per cent); by contrast, sales of goods in traditional sectors (textiles and clothing, wood, paper and printing, and furniture) fell slightly.

The sectors that have provided the greatest support to exports are also the most dynamic in total purchases by the manufacturing sector (+4.4 per cent): base metals (+17.2 per cent) and, above all, coke and refined products (+28.3 per cent). By contrast, imports of chemicals and pharmaceuticals fell (-13.3%), as did purchases of traditional goods, including food and drink (-4.0%).

Exports to the United States remain positive (+2.0 per cent compared with the first six months of 2025). However, the trade balance has narrowed (17.7 billion in the first six months of 2026, compared with 20.3 billion in the corresponding period of 2025) due to a very strong rise in imports (+21.7 per cent). Sales to China (+19.0%) and Switzerland (+39.3%) continue to grow strongly.

On the imports side, notable increases were seen in purchases not only from the United States but also from OPEC countries (+17.2 per cent; led by coke and refined products) and Mercosur (+20.8 per cent, driven by metal products), whilst imports from Japan fell (-8.3 per cent).

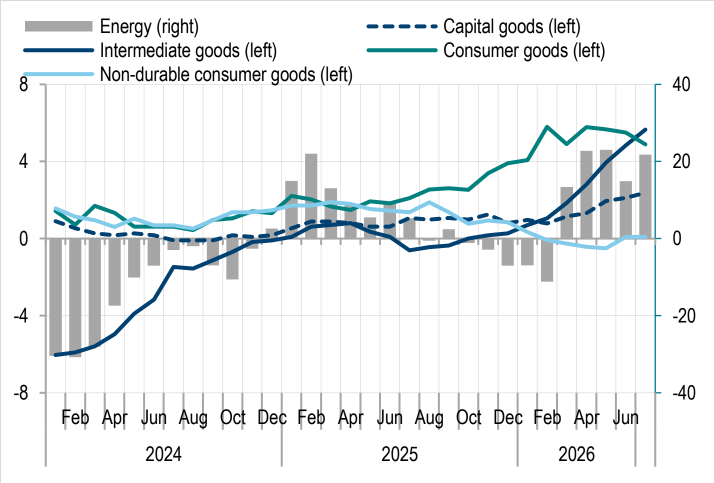
Employment is stabilising. In July 2026, the number of employed people remained essentially unchanged from the previous month, standing at 24,370,000. This reflects an increase among men and those aged 35–49, offset by a decline among women and in all other age groups. By employment status, employment is rising amongst permanent employees and the self-employed, whilst it is falling amongst fixed-term employees, continuing a trend that has been underway for several years (for further details, see the Focus 'The labour market in Italy in the period 2021–26').

The employment rate remains stable at 63.2 per cent. Compared with June, unemployment has fallen, driven by a decrease affecting only men, those aged 15–34, and those aged 50 and over (Figure 5). In a month-on-month comparison, the overall unemployment rate – which stands steady at 6.4% in the euro area – has fallen to 5.8% (-0.1 percentage points), whilst the youth unemployment rate has risen to 18.9% (+0.2 percentage points). Finally, compared with June, the inactivity rate remains stable at 32.8%. In the May–July 2026 quarter, employment rose 0.4 per cent from the previous quarter (91,000 more employed people), affecting men, women and permanent employees only. This employment growth is linked to an increase in the number of jobseekers (+3.4 per cent, equivalent to 49,000 more people) and a decrease in the number of economically inactive people (-1.2 per cent, equivalent to 144,000 fewer people).

FIGURE 5. EMPLOYMENT AND UNEMPLOYMENT RATES. Seasonally adjusted data, percentage values.

Source: Istat

FIGURE 6. TREND CHANGE IN INDUSTRIAL PRODUCER PRICES BY MAIN INDUSTRY SECTORS. Industrial Producer Price Index – total market



Source: Eurostat

Consumer confidence improves in August: the composite index rises from 94.2 to 94.5. The positive trend in the indicator is mainly attributable to improved sentiment regarding the economic climate (which rose from 90.9 to 92.3); both current and future economic sentiment showed favourable changes, albeit of a more modest magnitude (from 97.4 to 97.8 and from 89.8 to 90, respectively). By contrast, personal sentiment remained essentially unchanged (at 95.4). Overall, the data suggest a slight consolidation of expectations and assessments regarding the economic situation.

Retail sales fell month-on-month in July for the second consecutive month, both in value and volume terms (-0.4% and -0.5% respectively). Year on year, growth in value slowed for both the food and non-food sectors, while volumes fell. On a year-on-year basis, in July retail sales increased, both by value and volume, exclusively for large-scale retailers and e-commerce.

The index of contractual hourly wages rose in June, both on a quarter-on-quarter basis (+0.5 per cent) and year-on-year (+2.4 per cent), with the latter showing similar increases for the private sector (+2.4 per cent: +3.2 per cent in agriculture, +2.7 per cent in industry and +2.2 per cent in private services) and for the public sector (+2.3 per cent). In the second quarter of 2026, the average year-on-year increase in contractual wages in the private sector (+2.3%) showed a slight slowdown compared with the first quarter of 2026 (+2.4%); in the public sector, however, wage growth was marginally higher (+2.7%), owing to the renewal of collective agreements covering the three years 2022–2024, but lower than in the first quarter of 2026 (+3.3%). At the same time, the proportion of employees affected by expired contracts has fallen to just over 10 per cent of the workforce.

Consumer inflation on the rise… According to preliminary estimates, in August the harmonised index of consumer prices (HICP) rose by 3.2 per cent year-on-year in Italy, up from 2.9 per cent in July, following a similar trend to that of average inflation in the euro area (+3.3 per cent in August; +2.9 per cent in July). Compared with the main countries in the euro area, it was higher than in Germany (+2.9%; +2.8% in July) and France (+2.7%; +2.4%), and significantly lower than in Spain (+4.5%; +3.9%). The year-on-year change in the national consumer price index for the whole population (NIC) also showed a virtually identical increase: from 2.9 per cent in July, the preliminary estimate for August indicates a rise of 3.3 per cent (the highest figure since October 2023), equivalent to a month-on-month increase of 0.5 per cent (+0.3 per cent in July). The year-to-date inflation rate for 2026 as at August stands at 2.9 per cent.

…due to the sharp rise in energy prices. Consumer inflation accelerated in August, driven by a sharp rise in energy prices, which increased by 2.8 per cent from the previous month (+0.9 per cent in July), returning to levels seen in spring 2023. On a year-on-year basis, energy prices rose 17 per cent (+11.6 per cent in July).

Food prices remained stable, with a 1.1% year-on-year change in the overall index in both August and July, though the trends among its components differed significantly: unprocessed food prices rose sharply (+3.7% in August, +3.6% in July), whilst processed food prices fell slightly (-0.2% in both months). On a month-on-month basis, food prices as a whole rose by 0.2% in August (-0.4% in July). As for goods other than food and energy, price changes remained modest (+0.8% year-on-year in August; +0.7% in July; +0.1% month-on-month in each of the two months).

Service inflation is slowing (+2.4 per cent year-on-year in August, down from +2.7 per cent), particularly in recreational, cultural and personal care services (from +3.0 per cent in July to +2.6 per cent in August) and transport (from +1.6 per cent to +0.9 per cent).

Growth in the cost of the shopping basket also remained stable (+1.0% in August, similar to July) thanks to moderate inflationary pressures on food prices; inflation as measured by this aggregate is therefore significantly below the overall figure, with the differential compared to the NIC index standing at 2.3 percentage points in August (1.9% in July).

Core inflation (which excludes unprocessed food and energy) slowed slightly in August (+1.5% from +1.6% in July); the forecast figure for 2026 stands at 1.9%.

Energy prices are driving the rise in the prices of imported industrial goods and production inputs: for the former, the slowdown in June in the overall index (+4.9 per cent year-on-year, down from +6.5 per cent in May) was driven by the less vigorous price growth in the energy sector (+20.5 per cent, down from 35.7 per cent in May), which more than offset the rise in other components (+2.4 per cent, following +2.2 per cent in May). By contrast, producer prices rose sharply year on year in July (+7.8 per cent, from +5.8 per cent in June), again largely due to a marked acceleration in the energy sector (+21.8 per cent; +14.9 per cent in June). The trend in producer prices for intermediate goods (+5.7 per cent; +4.7 per cent in June) and durable consumer goods (+4.9 per cent; +5.5 per cent in June) was buoyant but less sustained; prices for non-durable consumer goods remained broadly stable compared with the same period of the previous year (+0.1 per cent; in both months) (Figure 6).

Expectations of rising inflation are falling. In August, the proportion of consumers who expect inflation to rise over the next 12 months compared with the previous 12 months fell for the fourth consecutive time following April's peak, dropping to 52.5 per cent (from 54.6 per cent in July). As regards businesses, although the net balance between those intending to raise prices and those intending to lower them over the next three months increased across all sectors, there was at the same time a rise in the proportion of firms intending to keep prices stable – a proportion that remains a clear majority: in manufacturing (from 81.1 per cent to 81.6 per cent), in construction (from 80.9 per cent to 83.8 per cent), and in services (from 87.9 per cent to 90.6 per cent); by contrast, a decline was recorded in the retail sector (from 81.9 per cent to 79.2 per cent).

focus

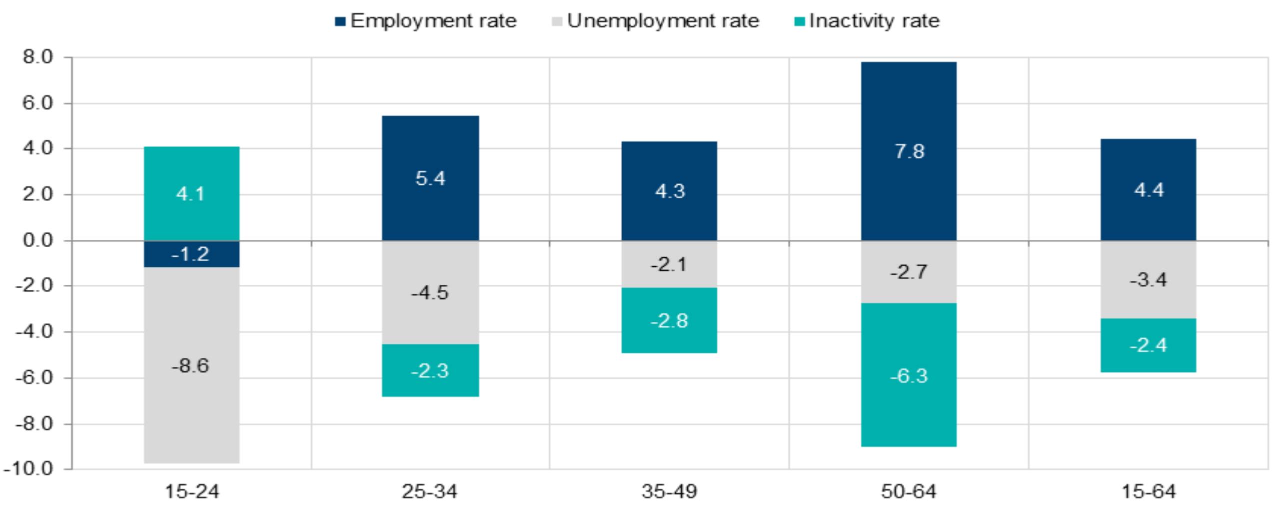
THE LABOUR MARKET IN ITALY IN THE PERIOD 2021-2026*

In recent years, Italy's labour market has shown a trend towards rising employment, against a backdrop of significant economic and demographic changes and persistent structural challenges.

Over the five-year period from July 2021 to July 2026, a particularly positive overall picture emerged (Figure F1), characterized by an overall rise in employment (+4.4 percentage point increase in the rate and approximately 1.6 million more employed people) alongside a simultaneous drop in both unemployment (-3.4 percentage points in the rate, with 787,000 fewer jobseekers) and inactivity (-2.4 percentage points in the rate, with roughly 1.05 million fewer inactive individuals)[1].

The most significant rise in employment was recorded in the 50–64 age group (+7.8 percentage points), accompanied by a sharp fall in inactivity (-6.3 percentage points). Conversely, the youth group (aged 15–24), although characterised by a sharp fall in the unemployment rate (-8.6 percentage points), also showed a decline in employment (-1.2 percentage points) and an increase in inactivity (+4.1 percentage points), suggesting that a proportion of young people are leaving the labour force or delaying their entry into the labour market.

FIGURE F1. CHANGES IN EMPLOYMENT, UNEMPLOYMENT, AND INACTIVITY RATES BY AGE. July 2021 - July 2026 (percentage points)



Source: Istat. "Rilevazione sulle forze di lavoro" (Labour Force Survey)

The rise in employment, which over the last five years has returned to pre-pandemic trends, has therefore had a greater impact on older age groups and has been influenced not only by the overall economic situation but also by two main factors. On the one hand, social security policies, characterised by a gradual increase in the state pension age, which has led to people remaining in the labour market for longer. Added to this was the gradual rise in educational attainment, which has delayed entry into the labour market and, consequently, also delayed exit, so that people can meet the minimum contribution requirement. On the other hand, the ageing of the Italian population is significantly altering the country's demographic structure[2].

In particular, the gradual decline in the population aged under 50 has been accompanied by an increase in the number of people aged over 50. This change in demographic composition has also been reflected in the structure of employment, leading to an increasing proportion of older workers within the total workforce. For example, between July 2021 and July 2026, the change in employment for 50–64-year-olds increased by 18.0%, whereas net of the

* Focus by Andrea Spizzichino.

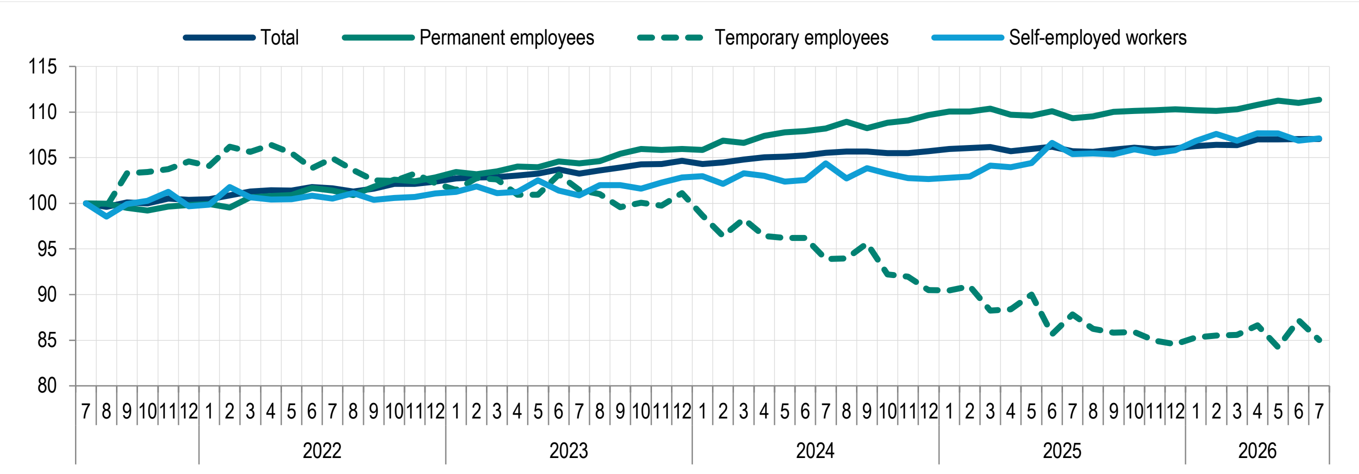
[1] Unemployment rate: the percentage ratio of the unemployed to the corresponding labour force. Inactivity rate: the ratio of the economically inactive to the corresponding reference population. Employment rate: the percentage ratio of the employed to the corresponding reference population.

[2] For further details on these aspects, please refer to the analyses contained in Chapter 2 of the Istat Annual Report for 2025 and 2026.

demographic component, it would have been 13.0%. For other age groups, the demographic effect varies: for 15–34-year-olds, the demographic component shows no impact (+4.4% change in the number of employed people), while for 35–49-year-olds, a -3.6% change in the number of employed individuals is recorded, which, net of the demographic component, would be +5.9%[3].

Furthermore, employment trends over the last five years, broken down by occupational category, have followed patterns that appear to be becoming established within the Italian labour market (Figure F2). In particular, the number of permanent employees has been rising steadily since 2021, confirming a trend towards greater stability in employment that has been continuing until July 2026.

FIGURE F2. EMPLOYED BY OCCUPATIONAL STATUS. July 2021 – July 2026 (seasonally adjusted data; index numbers base July 2021=100)



Source: Istat. "Rilevazione sulle forze di lavoro" (Labour fFrce Survey

By contrast, the number of fixed-term employees, having rebounded in the immediate aftermath of the Covid-19 pandemic, began to decline gradually from the end of 2022. Over the last five years, this trend has led to a gradual reduction in the proportion of fixed-term employment relative to permanent employment. Between July 2021 and July 2026, the proportion of permanent employees out of the total workforce rose from 65.4 per cent to 68.0 per cent – an increase of 2.6 percentage points – whilst the proportion of fixed-term employees fell from 12.8 per cent to 10.2 per cent.

The situation is different for self-employment. After showing generally modest fluctuations in recent years – characterised by small increases or decreases – this sector recorded more sustained growth during 2026. In fact, year-on-year increases reached as many as 200,000 in the last year, marking an acceleration compared with the trend observed in previous years: over the five-year period under review, the number of self-employed workers grew by 7.1 per cent.

As regards the labour market, between July 2022 and July 2025, the number of unemployed fell by a total of around half a million, marking a period of sharp and sustained decline. From January 2026 onwards, however, this trend has slowed: the decline has become more modest and has been accompanied by a rise in the number of people seeking work.

In conclusion, between 2021 and 2026, the Italian labor market showed overall growth, supported by permanent employment and a recent recovery in self-employment. Although the increase in the number of employed individuals was mainly driven by the over-50 age group—largely due to demographic aging and pension reforms—the 25–34 and 35–49 age groups also recorded significant increases in their employment rates during the period under review.

[3] The trends in labour market participation by age group are influenced by demographic changes which, in recent years, have shown a progressive ageing of the population. In order to assess the impact of these trends on estimates of changes in the number of employed, unemployed and economically inactive people by age group, techniques for standardising the age composition of the population can be used. Using these techniques, the changes can be broken down into the sum of two components. The first component measures the effect arising from changes in the population, on the assumption that the only factor determining a change in the estimates is the change in the population (that is, it is assumed that the relative distributions by employment status within each age group under consideration remain unchanged). The second component is the 'expected' effect on the variation net of the demographic component, assuming that the variable factor is the relative distribution by occupational status estimated for each age group and that there has been no change in the population.

For technical and methodological clarifications

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OFFICIAL STATISTICS LISTEN TO ITS USERS

On the occasion of the centenary of its foundation, Istat is launching a **public consultation** to gather contributions, observations, and proposals regarding information needs not yet fully addressed by official statistics.

The consultation focuses not on data communication or dissemination methods, but rather on statistical production itself.

The initiative aims to strengthen the quality, relevance, and usability of statistical production, while at the same time fostering transparency and participation.

The consultation is open to institutions, the scientific community, media professionals, businesses, associations, and citizens.

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