



Survey on Inflation and Growth Expectations

8 April 2025

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www.bancaditalia.it/statistiche/index.html

Main results

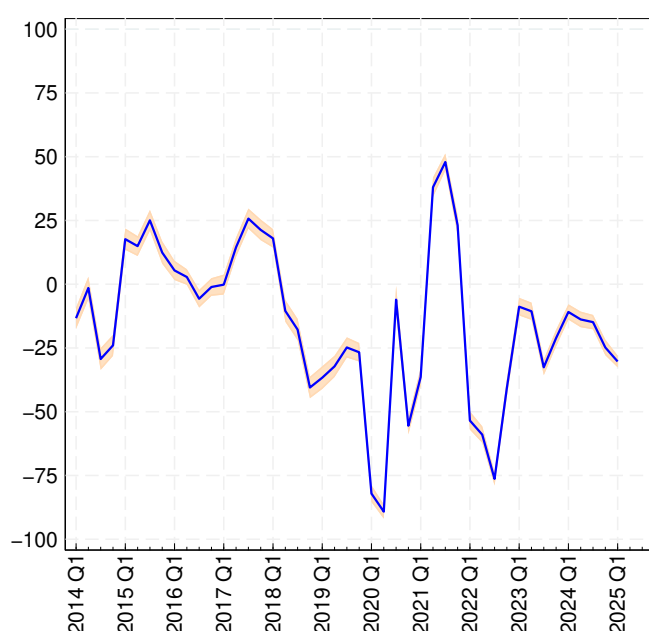
The survey was conducted between 21 February and 19 March 2025 among Italian industrial and service firms with 50 or more employees. As of this round, the sample has been expanded from 1,500 to 2,500 units.

In the first quarter of this year, firms' perceptions of a deterioration in both the current overall economic environment and their own short-term business conditions continued to prevail. However, assessments of sales trends for the current and the next quarter improved, particularly in manufacturing, driven by foreign demand. Employment is also expected to grow across all sectors in the next quarter, with largely moderate wage increases. Uncertainty and concerns over the direct or indirect effects of US trade policies are weighing on the business outlook for the current year.

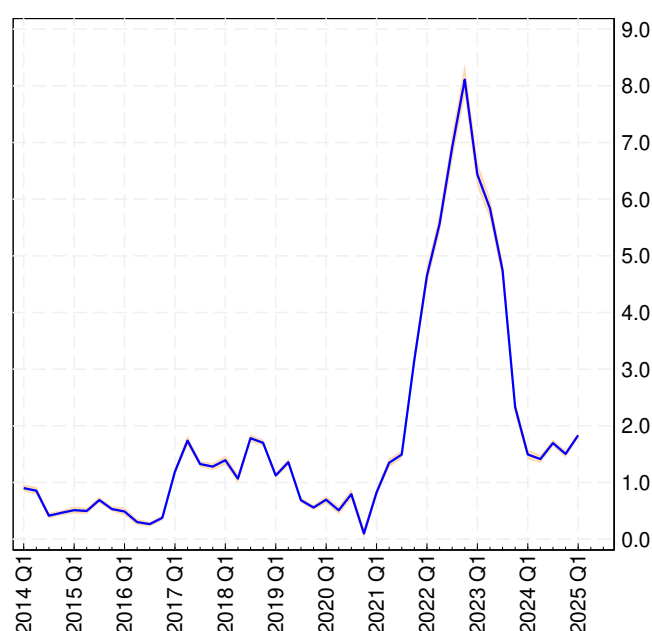
In construction, assessments of demand and business conditions remain more upbeat than in the rest of the economy, though there was a slowdown in business for firms operating mainly in residential building. While firms still consider investment conditions unfavourable, they expect nominal investment spending to rise in 2025, in line with their forecasts in the previous survey round. Assessments of access to credit are stable and the liquidity position is deemed adequate overall.

Firms' selling prices over the last 12 months rose at a marginally faster pace in industry and slowed down in services and construction; price growth is predicted to remain moderate as a whole over the next 12 months. Firms' expectations for consumer price inflation rose across all time horizons, although they remained below 2 per cent.

General state of the economy (1)
(balance between positive and negative assessments
with respect to the previous quarter)



**Consumer price inflation expectations
over the next 12 months (1)**
(percentage changes on the preceding 12 months)



(1) The shaded areas represent the 95% confidence intervals of the estimates. See Tables s1 and s4 of the statistical appendix.

Survey on Inflation and Growth Expectations¹

Assessments of the overall economic environment worsen in services and construction ...	The balance between assessments of an improvement and those of a deterioration in Italy's overall economic environment, which has been negative since early 2022, widened further in the first quarter of 2025 (to -30 percentage points, compared with -25 points in the previous survey; Table 1). The balance worsened above all among service providers (from -19 to -29 percentage points) and, in construction, among firms operating mostly in the residential sector, while it remained stable at low levels in industry excluding construction (-32 percentage points).
... amid still weak demand	For sales made in the previous quarter, the negative balance between assessments of an increase and those of a reduction shrank (from -4 to -1 percentage points), reflecting a decline in services (from 4 to -2 percentage points) and in construction, where it remained extremely positive nonetheless (from 23 to 20 percentage points), against a surge in industry (from -16 to -4 percentage points). The balance for exports alone turned positive after the sharp deterioration recorded in the last quarter, with a marked improvement across all sectors.
Demand is expected to grow across all sectors over the next three months ...	The share of firms expecting sales to expand in the second quarter exceeds that of firms anticipating a contraction: the balance is 22 percentage points in industry excluding construction (from 10 percentage points in the previous survey), 24 percentage points in services (from 16) and 32 percentage points in construction (from 35). In industry excluding construction and in services, expectations continue to be boosted by foreign demand. In construction, most firms still expect to benefit from measures under the National Recovery and Resilience Plan (NRRP) in 2025, in line with the previous survey.
... with a positive impact on employment	The improvement in demand expectations was associated with a more favourable outlook for employment in the second quarter of the year, especially among smaller firms. In industry excluding construction and in services, the share of firms planning to hire rose significantly, from 17 to 21 per cent and from 22 to 28 per cent respectively, while the share of those anticipating a reduction in staff fell. In construction, the share of firms expecting an increase in the number of workers remained broadly unchanged (at 30 per cent), compared with a reduction of 2 percentage points (to 7 per cent) in the share of firms expecting a decrease. The share of firms planning to raise their employees' hourly wages over the next 12 months rose both in construction and, to a limited extent, in industry excluding construction and in services. Wage increases are expected to be small overall, not exceeding 2 per cent for 64 per cent of firms.
Firms' expectations for their own business conditions are being affected by global trade policy uncertainty	Despite some progress, firms' expectations for their own business conditions over the next three months remain weak overall, with uneven patterns across sectors: the negative balance between assessments of an improvement and those of a deterioration narrowed considerably in industry excluding construction (to -8 percentage points, from -16 points in the previous survey), while it worsened marginally in services (to -6 percentage points); the balance remained barely positive in construction. The outlook is still primarily affected by economic and political uncertainty and by developments in the prices of gas, electricity and, to a lesser extent, oil. Firms also reported growing concerns about the global outlook, especially in industry excluding construction. More specifically, 44 per cent of exporting firms expect tighter US trade policies to have a negative impact on their sales volumes in the US market over the next 12 months, with around two thirds of them anticipating it to be of medium or high magnitude. Concerns are more pressing among firms in the North-West of Italy.
Investment conditions remain unfavourable ...	The balance between favourable and unfavourable assessments of investment conditions was more or less equally negative across all sectors (on average -17 percentage points, compared with -11 percentage points in the last quarter of 2024; Figure 3). It improved slightly in industry excluding construction, while it worsened significantly in services and in construction, shedding 12 and 9 percentage points

¹ The survey report was prepared by Marco Bottone and Valentina Apriglieno.

The survey data were collected exclusively for the purpose of economic analysis and have been processed in aggregate form, in compliance with privacy regulations. We would like to thank the 2,444 firms with 50 or more employees (of which 1094 in industry excluding construction, 1107 in services and 243 in construction) that participated in the survey.

The survey questionnaire, the statistical appendix and the methodological note are available on the Bank's website:

https://www.bancaditalia.it/statistiche/basi-dati/bird/inflazione-e-crecita/questionario-inflazione/documenti/en_quest_1_trim_2025.pdf?language_id=1

https://www.bancaditalia.it/pubblicazioni/indagine-inflazione/2025-indagine-inflazione/03/dati_2025_03_eng.zip?language_id=1

https://www.bancaditalia.it/pubblicazioni/metodi-e-fonti-note/metodi-note-2025/IAI_methods_and_sources.pdf?language_id=1

respectively; the decline was particularly sharp (22 percentage points) among construction firms operating mostly in the residential market. According to firms in industry excluding construction and in services, credit standards held broadly stable, as did the overall liquidity position, which for more than 90 per cent of respondents did not point to significant problems in the next quarter. In the construction sector, by contrast, the assessments of credit standards worsened slightly, and the share of firms that believed the overall liquidity position to be sufficient rose from 68 to 73 per cent, largely to the detriment of the share of those that considered it to be more than sufficient.

... and investment growth forecasts remain unchanged overall

Firms continue to expect nominal investment spending to increase this year. The balance between expectations of an expansion and those of a contraction in investment remained around 13 percentage points overall, as it went up from 8 to 13 percentage points in industry excluding construction, while it fell in services (from 17 to 14 percentage points) and especially in construction (from 18 to 10 percentage points). The balance narrowed for larger firms.

Selling prices are expected to continue to rise moderately

In the first quarter of 2025, year-on-year growth in firms' selling prices was stable overall, up by 0.2 percentage points in industry excluding construction (to 1.6 per cent), and down by 0.3 percentage points in services (to 1.8 per cent) and by 0.2 percentage points in construction (to 3.1 per cent). Over the next 12 months, selling price growth is expected to remain moderate in industry and services (at 1.7 and 1.9 per cent respectively) and to be higher in construction (3.6 per cent). Higher labour costs and commodity prices are the key factors affecting price expectations.

Inflation expectations are up across all time horizons, but still below 2 per cent

Consumer price inflation expectations edged up across all time horizons, averaging 1.8 per cent over the six- and twelve-month horizons (from 1.4 per cent and 1.5 per cent respectively) and 1.9 per cent over the 24- and 48-month horizons (from 1.5 and 1.6 per cent respectively). Firms' expectations remain similar across sectors, size classes and geographical regions.

Table 1

Main findings (1)								
(per cent and percentage points)								
	Industry exc. const.		Services		Construction		Total	
	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1	2024 Q4	2025 Q1
	per cent							
Inflation expectation 6 months ahead	1.4	1.8	1.4	1.8	1.5	1.8	1.4	1.8
Inflation expectation 12 months ahead	1.5	1.8	1.5	1.8	1.6	1.9	1.5	1.8
Change in own prices 12 months ahead	1.5	1.7	2.1	1.9	3.3	3.6	1.9	1.9
Balance between reports of improvement and deterioration (percentage points)								
<i>Judgments on the previous quarter</i>								
General economic situation	-31.9	-32.3	-19.0	-29.4	-17.9	-23.4	-24.8	-30.3
Total demand	-16.2	-3.8	4.4	-1.8	23.4	20.0	-3.8	-1.3
Foreing demand	-10.8	0.5	-1.3	9.8	—	—	-7.9	3.1
Investment conditions	-18.8	-17.1	-5.0	-17.2	-5.3	-14.1	-11.3	-17.0
<i>Forecast 3 months ahead</i>								
Total demand	9.6	21.7	15.9	24.2	35.5	32.0	14.3	23.6
Foreing demand	11.0	17.8	12.4	18.8	—	—	11.4	18.1
Firms' economic conditions	-16.0	-8.0	-4.7	-6.3	1.7	1.1	-9.4	-6.6
Employment	2.6	10.4	11.4	20.0	23.2	23.3	8.1	16.0
<i>Forecast of investment expenditure</i>								
H1 2025 on H2 2024	4.1	10.1	20.4	14.7	21.6	19.4	13.1	13.0
2025 on 2024	7.7	12.6	17.1	14.1	17.7	10.2	12.9	13.2

(1) The statistical appendix is available at http://www.bancaditalia.it/pubblicazioni/indagine-inflazione/2025-indagine-inflazione/03/dati_2025_03.zip?language_id=1

Figure 1.1

Expected and actual changes in selling prices and demand (1)
(industry excluding construction)

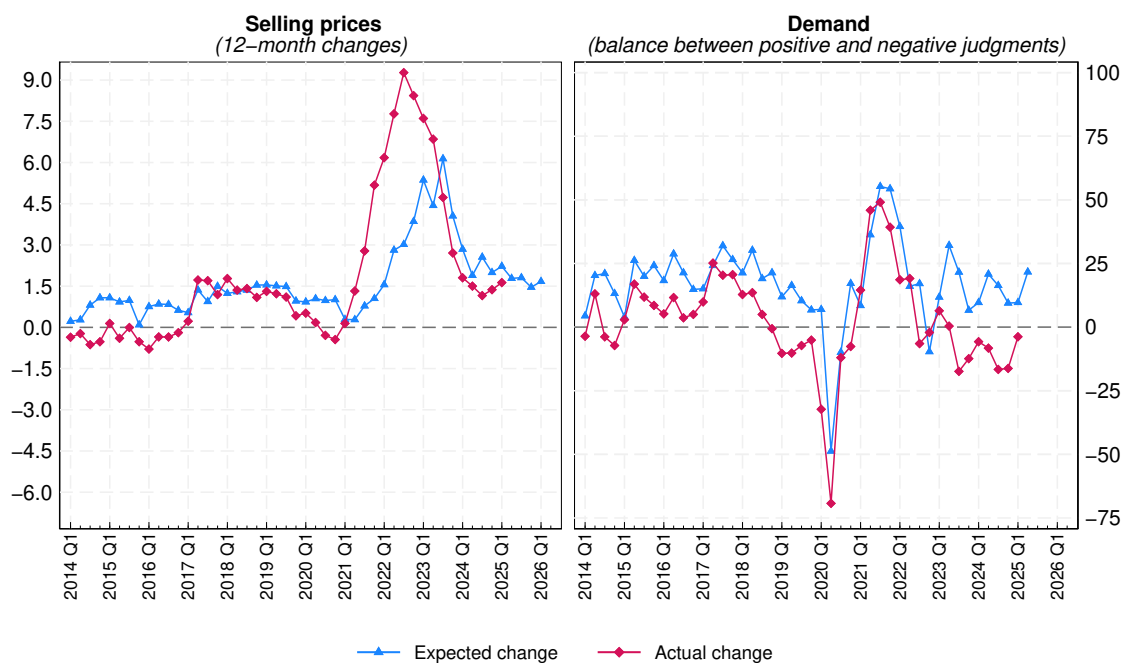


Figure 1.2

Expected and actual changes in selling prices and demand (1)
(services)

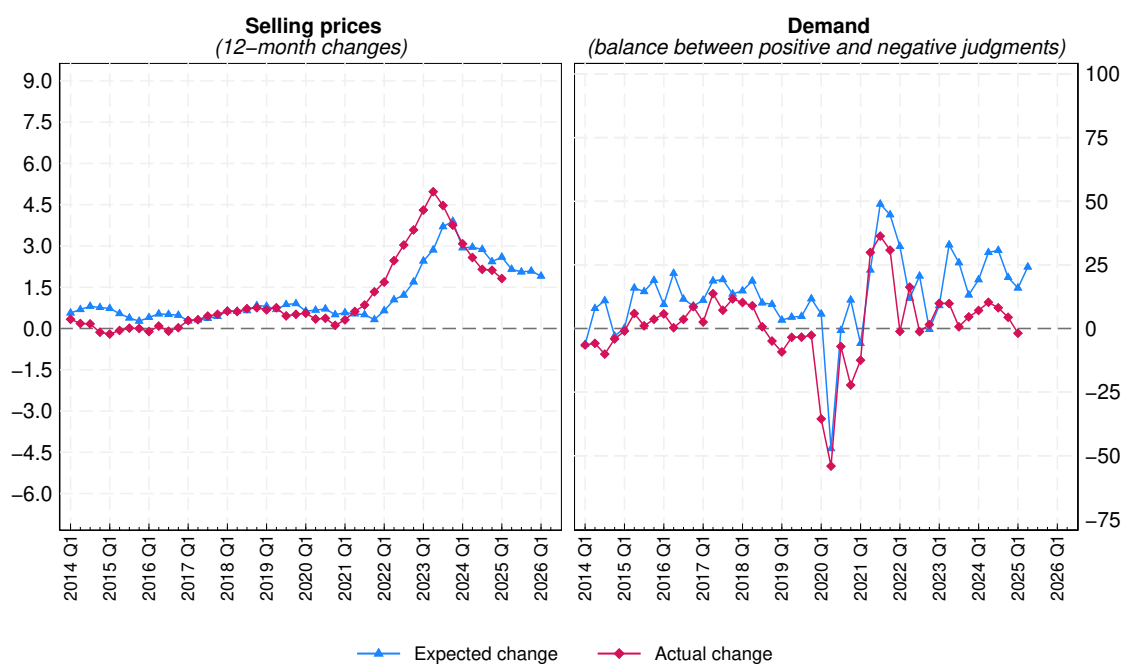
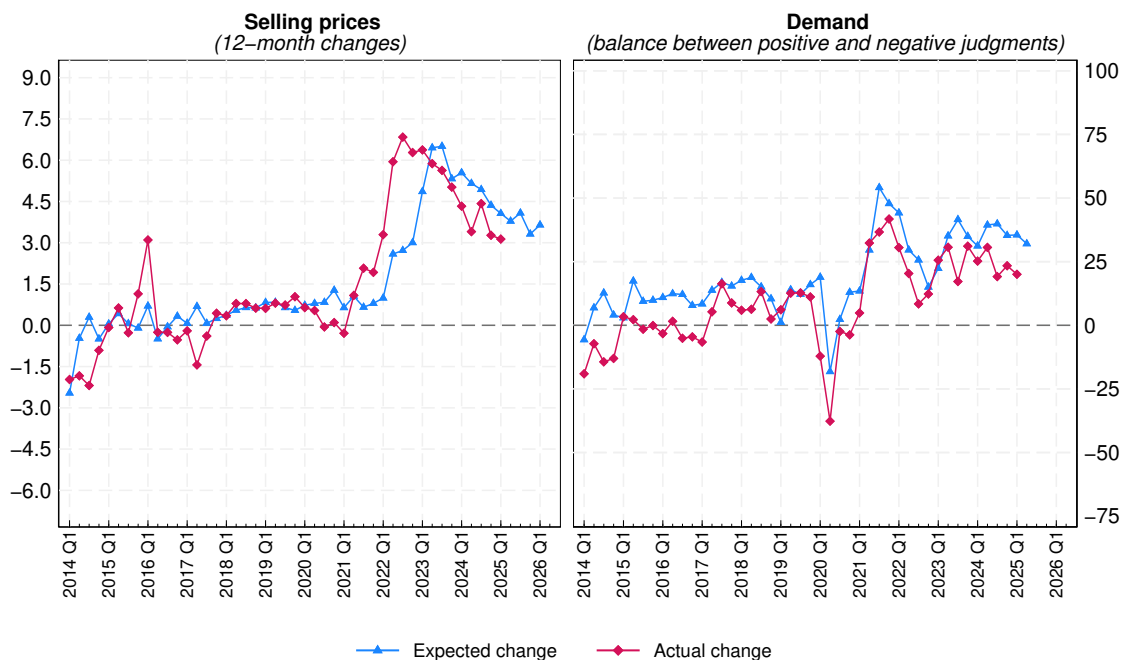


Figure 1.3

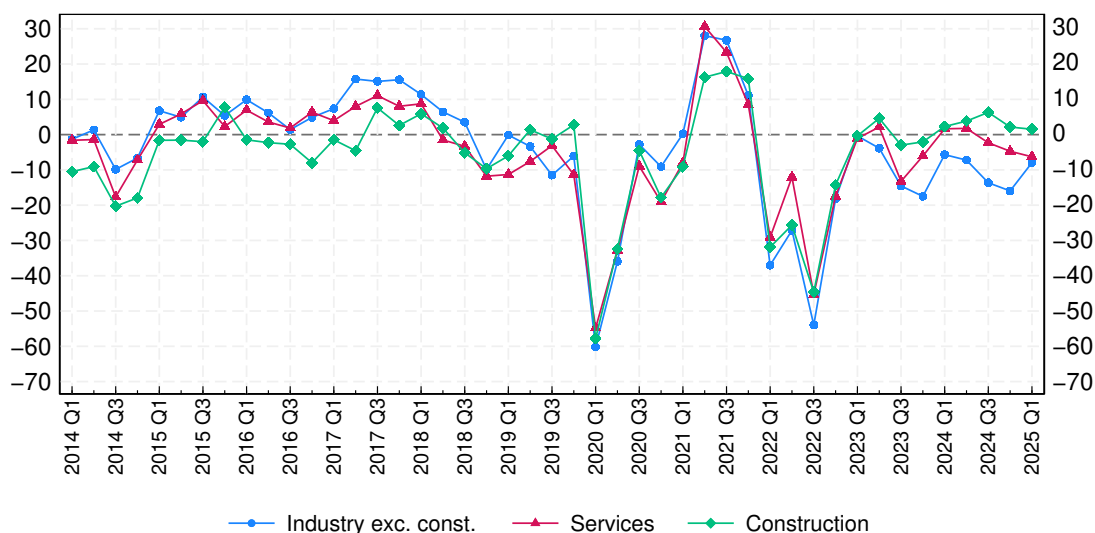
Expected and actual changes in selling prices and demand (1)
(Construction)



(1) Winsorized estimates: values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles. For selling prices, the actual change (red line) refers to price changes in the previous 12 months, while the expected change (blue line) refers to forecasts over a 12-month horizon, made in the same quarter of the previous year. For demand, the balances refer to changes observed over the reference quarter (red line) and to the forecasts made in the current quarter for the following three months (blue line).

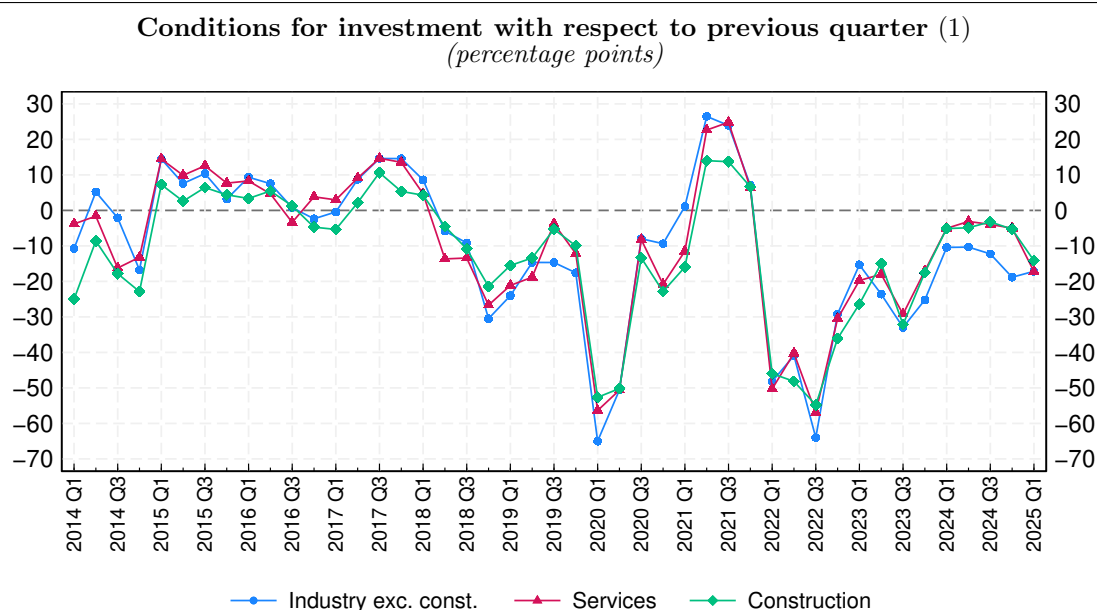
Figure 2.3

Three-month forecast of the firm's business conditions (1)
(percentage points)



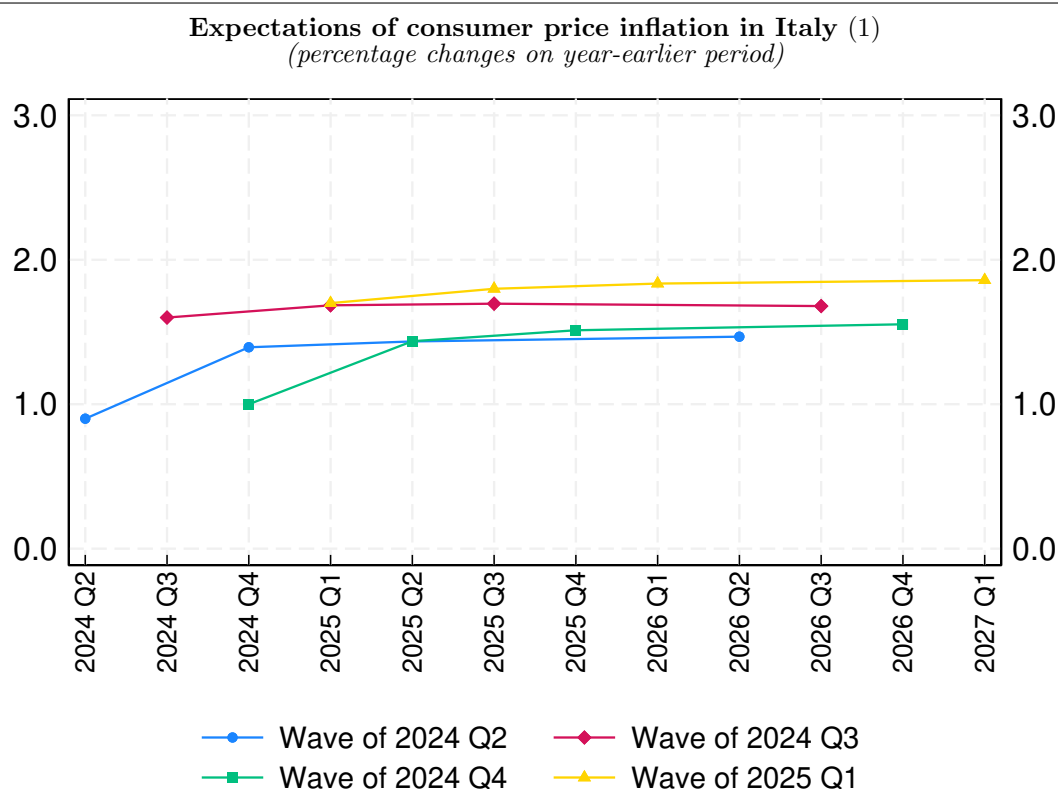
(1) Balance between expectations of an increase and expectations of a decrease.

Figure 3



(1) Balance between positive and negative judgments.

Figure 4



(1) The first point in each curve is the latest definitive inflation data available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next six months; the third point is the average of the interviewees' forecasts for the next twelve months; the fourth point is the average of the interviewees' forecasts for the next twenty-four months.

Figure 5

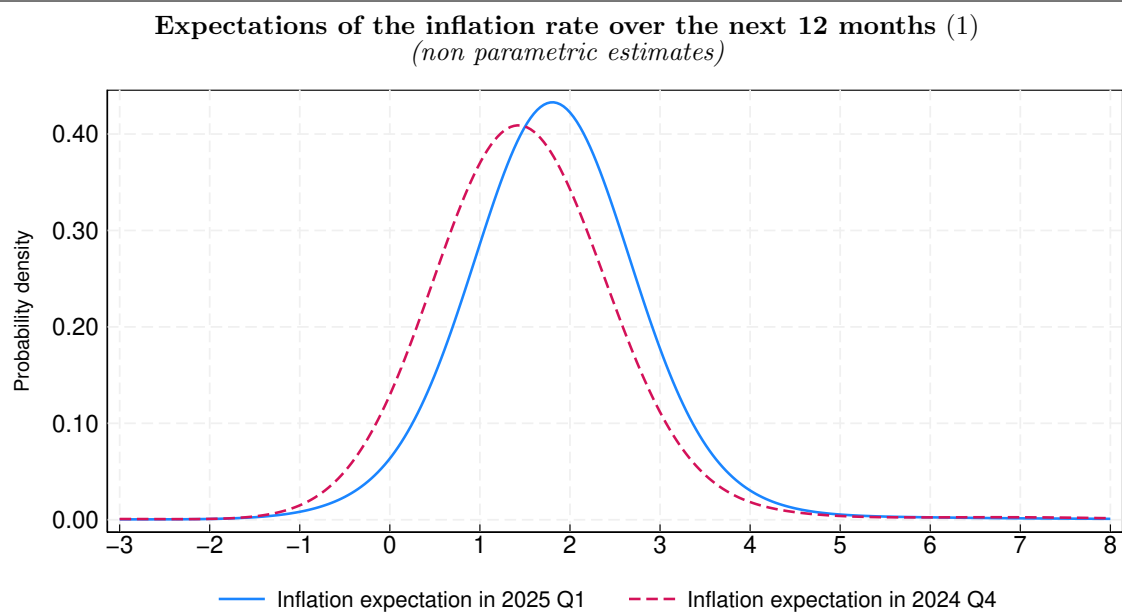
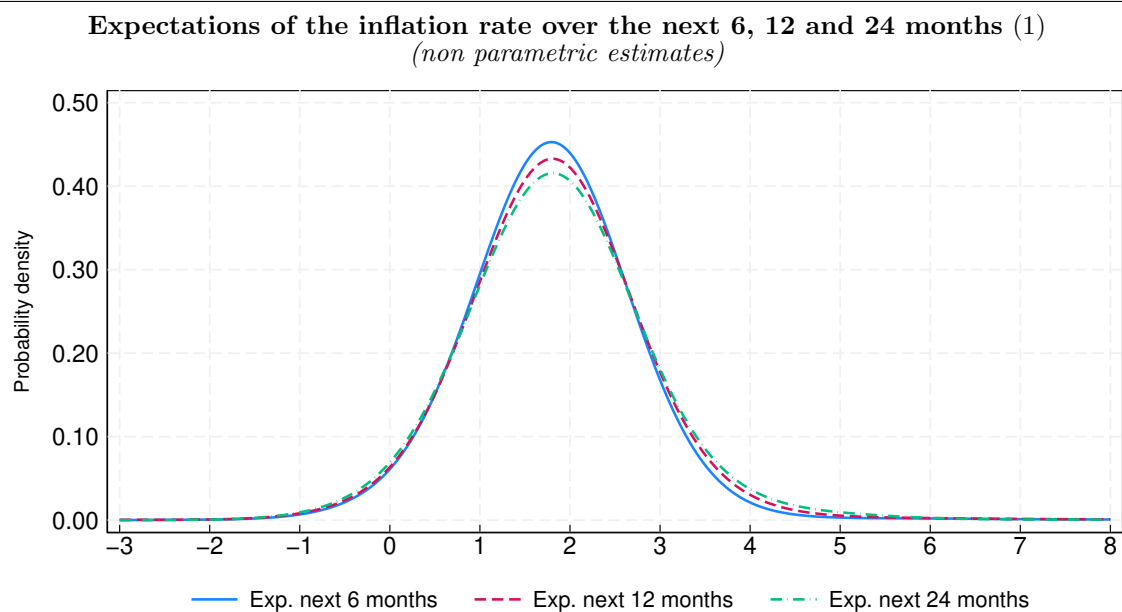


Figure 6



(1) The estimates are obtained using a Gaussian kernel density with a bandwidth equal to 0.75.

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<http://www.bancaditalia.it/statistiche/>

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