

MACROECONOMIC PROJECTIONS FOR THE ITALIAN ECONOMY

(EUROSYSTEM STAFF MACROECONOMIC PROJECTIONS)

12 June 2026

This note presents the macroeconomic projections for Italy for the three years 2026-28 prepared by staff members of Banca d'Italia as part of the Eurosystem coordinated exercise. The projections for the euro area were published on the ECB's website on 11 June. The key findings are as follows.

- According to our estimates, GDP growth will remain subdued both this year and the next, and then strengthen again in 2028. Economic activity is set to be affected by weaker domestic demand, held back by the surge in energy prices and even higher geopolitical uncertainty. GDP will grow by an annual average of 0.5 per cent in 2026, 0.4 per cent in 2027 and 0.9 per cent in 2028 (Table 1).
- Consumer prices are projected to rise by 3.1 per cent on average in 2026, 2.0 per cent in 2027 and 1.9 per cent in 2028. Inflation excluding food and energy is expected to remain close to 2 per cent over the entire three-year period.

As agreed for the coordinated exercise, the projections are based on information available at 21 May (for the technical assumptions) and at 27 May (for other data). Therefore, they do not include the national accounts data released by Istat on 29 May, in which GDP growth was revised upwards by 0.1 percentage points for the first quarter of 2026 compared with the preliminary estimate published on 30 April. Taking this revision into account, and all other things being equal, GDP growth is expected to stand at 0.6 per cent in 2026. In particular, consumption and exports are expected to grow more strongly.

Based on futures contracts, energy prices are set to rise significantly in 2026 and then decline gradually over the following two years (see the box 'The assumptions'). Growth in international trade is projected to slow this year, constrained by commodity price hikes and heightened uncertainty, before recovering gradually over the next two years. Borrowing costs for firms and households are expected to increase over the projection horizon.

GDP is estimated to remain broadly stable over the rest of the year, before gradually returning to growth in early 2027. In terms of annual average rates, GDP is projected to grow by 0.5 per cent in 2026, 0.4 per cent in 2027 and 0.9 per cent in 2028. Compared with last April's projections, these estimates have been revised marginally downwards for 2027 – mainly on account of the effects of higher commodity prices on consumption – and upwards for 2028.

Household spending is estimated to weaken considerably in the second half of this year and to regain momentum in 2028. Investment is expected to be affected by the uncertainty surrounding the geopolitical situation, the worsening outlook for demand and the rise in financing costs, while continuing to be buoyed by capital expenditure for the digital and energy transition and by the completion of NRRP projects.

Export growth is assumed to remain moderate this year, owing to the weakening of international trade and the effects of the past appreciation of the euro, before picking up in the next two years, in line with the acceleration in foreign demand. Import growth is set to be affected by the gradual weakening of domestic demand, while remaining relatively strong overall. The contribution of net foreign demand to GDP growth, still negative this year, is expected to be virtually nil in the two years ahead. The current account balance is estimated to decline to 0.5 per cent of GDP this year, mainly owing to the wider energy balance deficit, before returning to just above 1.0 per cent on average in the two years 2027-28.

Employment is projected to continue to expand over the three-year period, though at a much slower pace. The unemployment rate is expected to decrease this year, mainly due to lower labour market participation, and then stabilize.

Table 1 – Macroeconomic projections for the Italian economy
(percentage changes on the previous year, unless otherwise specified)

	June 2026				April 2026			
	2025	2026	2027	2028	2025	2026	2027	2028
GDP (1)	0.7	0.5	0.4	0.9	0.7	0.5	0.5	0.8
Household consumption	1.1	0.4	0.3	1.3	1.1	0.5	0.6	1.2
Government consumption	0.6	0.7	-0.2	0.1	0.6	0.2	-0.7	-0.3
Gross fixed capital formation	3.8	1.7	0.8	0.5	3.8	1.5	0.8	0.7
of which: in capital goods	3.6	0.7	0.5	0.5	3.6	0.5	0.6	0.5
in construction	4.0	2.5	0.9	0.5	4.0	2.5	1.0	0.7
Total exports	1.4	0.9	2.4	2.9	1.4	1.0	2.4	2.9
Total imports	3.9	2.8	1.9	3.3	3.9	2.5	2.4	3.0
Current account of the balance of payments (2)	1.1	0.5	1.0	1.3	1.2	0.7	1.1	1.3
Consumer prices (HICP)	1.6	3.1	2.0	1.9	1.6	2.6	1.8	1.9
HICP net of energy and food	1.9	2.0	2.0	1.9	1.9	2.0	1.8	1.8
Employment (hours worked)	1.5	0.5	0.2	0.5	1.5	0.6	0.4	0.6
Employment (persons employed)	0.8	0.2	0.2	0.5	1.3	0.4	0.3	0.5
Unemployment rate (3)	6.1	5.4	5.5	5.5	6.1	5.7	5.8	5.8

Sources: Based on Banca d'Italia and Istat data. Forecasting scenario for Italy based on information available at 21 May (for the technical assumptions) and at 27 May (for other data).

(1) For GDP and its components, changes estimated on the basis of quarterly data adjusted for seasonal and calendar effects. Without this adjustment, the projected GDP growth is 0.6 per cent in 2026, 0.4 per cent in 2027 and 0.7 per cent in 2028. – (2) Per cent of GDP. – (3) Annual averages, per cent.

Inflation, as measured by the harmonized index of consumer prices, is projected to rise to 3.1 per cent on average this year, mainly reflecting the increase in energy prices, before returning to 2 per cent over the next two years. Net of its most volatile components, it is estimated to hover around 2 per cent throughout the three-year period. Compared with the projections published in April, inflation estimates have been revised upwards by 0.5 and 0.2 percentage points for 2026 and 2027 respectively, mainly on account of higher commodity price assumptions.

The growth projections presented here are largely in line with those made by the main forecasters for 2026 and generally lower for 2027. The inflation projections are higher than those of most analysts for both 2026 and 2027.

These projections are subject to a high degree of uncertainty (Figures 1 and 2). Further and more persistent increases in commodity prices would exert greater inflationary pressures and weigh significantly on growth, especially if accompanied by financial tensions and a deterioration in the global economy. By contrast, more favourable developments could stem from a faster decline in commodity prices following a resolution of the conflict, from positive spillovers of policies adopted at the European level to scale up defence spending, and from an intensified upgrading of the stock of productive capital to support the digital and green transitions.

The implications for the Italian economy of the Middle East crisis were assessed using alternative scenarios based on the same assumptions adopted by the ECB for the euro area.¹ The results are presented in the box ‘The consequences of the conflict in the Middle East: alternative scenarios’.

¹ See ECB, ‘Eurosystem staff macroeconomic projections for the euro area’, June 2026.

Figure 1
GDP

(quarterly data; year-on-year percentage changes;
4-term moving averages)

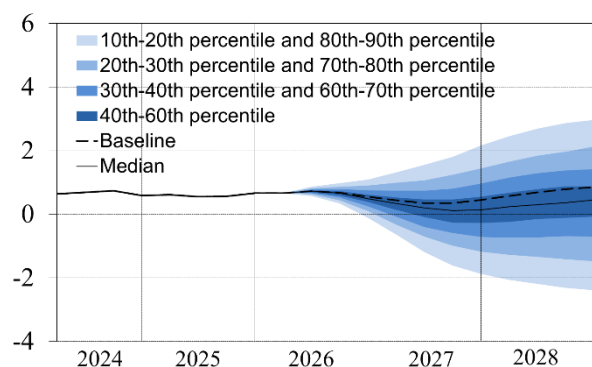
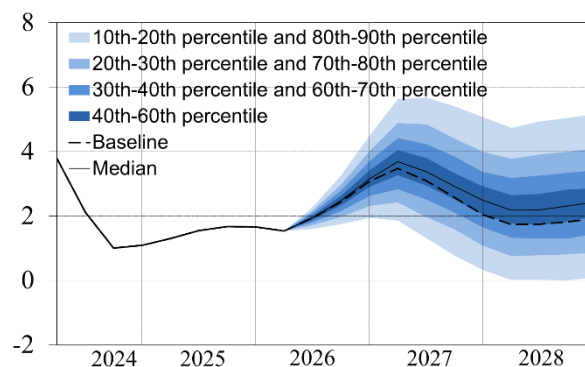


Figure 2

Harmonized index of consumer prices

(quarterly data; year-on-year percentage changes;
4-term moving averages)



THE ASSUMPTIONS

The technical assumptions for exchange rates, commodity prices and interest rates underlying the baseline scenario reflect the developments implied by market prices as at 21 May. The scenario takes into account the information available on the budgetary provisions for 2026-28 and the use of EU funds under the NextGenerationEU programme.

Assumptions for the main exogenous variables

		2025	2026	2027	2028
Weighted foreign demand	(1)	3.9	2.2	2.9	3.2
Dollar/Euro	(2)	1.13	1.17	1.17	1.17
Nominal effective exchange rate	(1), (3)	-1.9	-0.8	0.0	0.0
Prices of foreign manufactures	(1)	1.1	2.2	2.1	1.9
Crude oil prices	(2), (4)	69.1	96.9	82.3	77.2
Natural gas prices	(2), (5)	36.2	45.6	37.5	27.9
3-month Euribor	(2)	2.2	2.4	2.8	2.7
Interest rate (10-year BTPs)	(2)	3.6	3.8	4.1	4.3

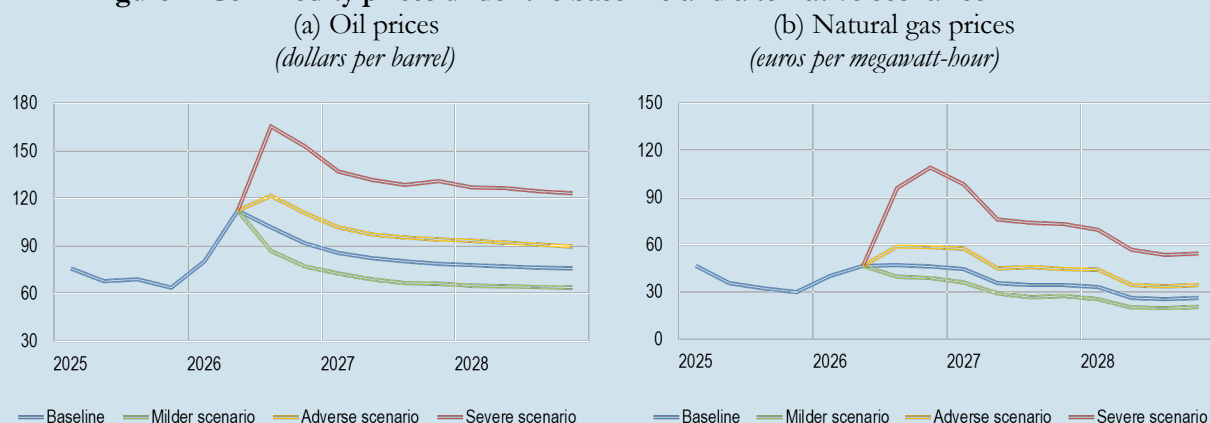
(1) Percentage changes. – (2) Annual averages. – (3) Positive changes indicate a depreciation. –

(4) Dollars per barrel of Brent crude oil. – (5) Euros per megawatt-hour.

BOX – THE CONSEQUENCES OF THE CONFLICT IN THE MIDDLE EAST: ALTERNATIVE SCENARIOS

In light of the uncertainty surrounding the evolution of the crisis in the Middle East, the Eurosystem’s June forecasting exercise has been supplemented with three alternative scenarios to the baseline projections. A more favourable scenario assumes a rapid normalization of gas and oil markets, with energy prices returning to pre-Middle East conflict levels by mid-2027. The repercussions of tighter commodity supply bottlenecks and of further and more persistent price increases are instead examined in an adverse scenario and in a severe one. The assumptions underlying the scenarios are aligned with those used by the ECB in its ‘milder’, ‘adverse’ and ‘severe’ scenarios (see the figure).

Figure – Commodity prices under the baseline and alternative scenarios



Under the severe scenario, oil prices would exceed the baseline by over 60 per cent. Gas prices would more than double. These increases would be accompanied by even higher uncertainty and much weaker international trade. GDP growth would be lower than in the central projections presented earlier in this note by about 0.4 percentage points this year, nearly 1.5 percentage points next year and over half a percentage point in 2028 (see the table). Consumer price inflation would be higher than in the central projections by more than 1 percentage point this year, almost 2 percentage points in 2027 and around half a percentage point in 2028.

The adverse scenario assumes an increase in commodity prices equal to about one third of that underlying the severe scenario, a less pronounced deterioration in international trade and a more contained rise in uncertainty. These assumptions would result in GDP growth being cumulatively lower than in the baseline scenario by just over half a percentage point over the three-year period. Inflation would be higher by 0.3 percentage points in 2026, 0.5 in 2027 and 0.2 in 2028.

Under the milder scenario, oil and natural gas prices would decline rapidly, returning to their pre-hostilities levels by mid-2027; on average, they would stand respectively about 15 and 20 per cent below the baseline. GDP growth would be 0.3 percentage points higher. Inflation would be 0.2 percentage points lower in both 2026 and 2027.

Table – Alternative scenarios: the impact on economic activity and inflation

Baseline scenario (percentage changes)		Differences from the baseline scenario (percentage points)							
		Severe scenario		Adverse scenario		Milder scenario			
		GDP	HICP	GDP	HICP	GDP	HICP	GDP	HICP
2026	0.5	3.1	-0.4	1.1	-0.1	0.3	0.1	-0.2	
2027	0.4	2.0	-1.4	1.8	-0.4	0.5	0.1	-0.2	
2028	0.9	1.9	-0.6	0.5	-0.2	0.2	0.1	0.0	