ITALY

2026–2027 SCENARIO

Quarterly – June 2026

ECO
ÉTUDES ÉCONOMIQUES GROUPE

SOFIA TOZY

Italy – No worse, not yet better

As a matter of fact, 2026 is off to a more promising start, despite a bout of turbulence on the international stage through March. Growth has proved more dynamic than expected. The carry-over for 2026 growth has been revised upwards, and first-quarter domestic demand remains robust, in both household consumption and investment. In such a volatile geopolitical environment, avoiding the worst has become cause enough for relief.

Should tensions in the Middle East show further signs of easing over the coming months, global oil markets would certainly not normalise overnight, but price pressures should start to ease, making the inflationary shock scenario look more transitory than lasting. Inflation is nonetheless expected to peak towards year-end, translating into a rise of 2.6% over 2026, well above the disinflationary trend of the past two years. Under a milder shock scenario, growth for 2026 has naturally been revised upwards, from 0.3% in the April scenario to 0.5% today. The second and third quarters should still bear the weight of the US-Iran standoff and its effect on confidence, together with elevated inflation and the onset of monetary tightening. Growth over this period is likely to be flat, if not negative, which is why the annual forecast falls below the carry-over.

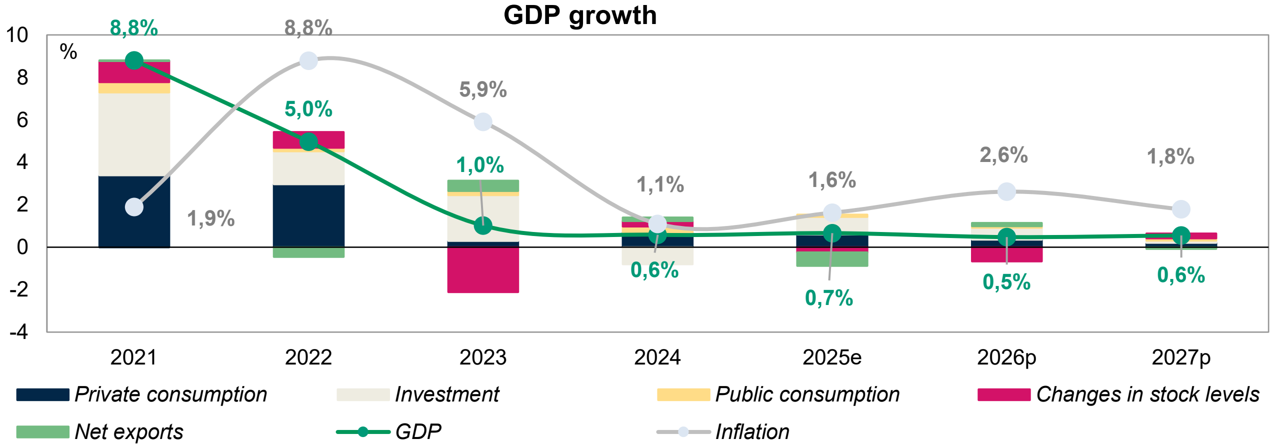
Consumption, which regained some colour early in the year, is likely to suffer as a result, at least in 2026, leaving a negative carry-over into 2027. Were the labour market to keep supporting household disposable income, signs of cracking after three years of sluggish growth could still translate into a slight rise in unemployment next year. Unemployment would nonetheless remain at a historically low level in 2026.

The investment growth cycle, which has carried much of the resilience of the past two years, could gradually fade. The recent combination of monetary easing, well-received government incentives and early returns on transition-related investment is likely to lose steam over time. The cycle should still be underpinned by the National Recovery and Resilience Plan (PNRR), which, before drawing to a close, will keep fuelling public investment in 2026 and, to a lesser extent, in 2027.

Oil shock: a reprieve, not a resolution

The first signs of a resurgence in inflation, linked to rising energy prices, began to emerge as early as April; however, the inflationary shock may be less severe than had been anticipated in our previous scenario. Following the announcement of the memorandum of understanding between the United States and Iran, signs of a de-escalation in the Middle East have led to a reduction in pressure on Brent crude prices, with spot prices now trading below $80, compared with a peak of over $100 per barrel last March. Market expectations also point to an extension of the ceasefire and a gradual resumption of shipping traffic through the Strait of Hormuz in the coming weeks, as reflected in the futures curve, which suggests prices will stabilise at around $72 by 2027. **Whilst the news on this front is certainly more encouraging, several factors continue to pose an upside risk to these expectations.**

On the one hand, the protocol opens up a long and complex negotiation process that remains, in practice, fragile. What's more, even if traffic through the strait were to resume, it would still face the task of clearing mines from sensitive areas, along with issues relating to marine insurance and the return of oil tankers and LNG carriers that have been redeployed to the Atlantic



Sources: ISTAT, forecasts by Crédit Agricole S.A./ECO

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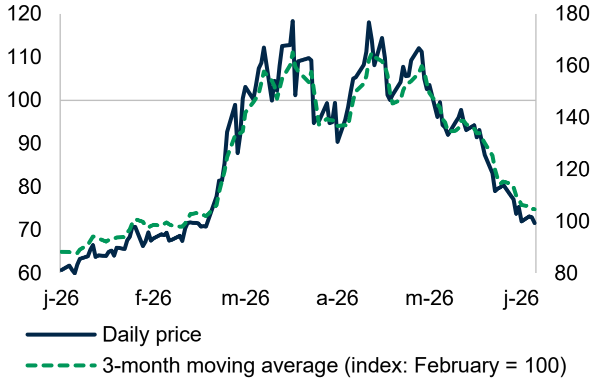
basin. Given these constraints, traffic is expected to remain 20 per cent below its pre-crisis level for the foreseeable future, with freight rates for tankers and LNG carriers easing back from their peak, though staying above their pre-crisis levels. Beyond the normalisation of traffic, regional oil and gas production is a further concern. Damage to oil and gas infrastructure in the Gulf caused by the clashes means production in the region is likely to normalise only gradually. Finally, in the event of a further prolonged shutdown, the risk that oil stocks could run out by the end of 2026 cannot be entirely ruled out.

Oil prices



Sources: Refinitiv; Crédit Agricole S.A./ECO

The gas market faces a similar situation. Qatar's liquefied natural gas (LNG) production capacity has also been partially reduced, depriving Europe of part of its LNG supply and thereby slowing the replenishment of stocks. Stocks currently show a shortfall of 18 billion m³, smaller than the shortfall seen during the 2022 energy crisis. A delayed resumption of supplies from Qatar could put further pressure on European gas prices as early as this summer.

The inflationary shock therefore risks bearing more heavily on growth prospects in the eurozone. Despite relatively robust fundamentals, growth is forecast at 0.8% in 2026 (excluding Ireland) and 0.9% in 2027. Inflation is expected to remain above 3% until February 2027 before converging towards 2.4% in 2027, with second-round effects remaining limited. Against this backdrop, the ECB, having raised its deposit rate to 2.25% on 11 June, could deliver one or two further rate rises in 2026, with French and Italian yields not expected to rise significantly above 4%.

The US economy, meanwhile, stands out as an exception due to its status as a net exporter. Whilst household consumption is expected to slow, weighed down by inflation that remains high at 3.2 per cent in 2026, economic activity is likely to remain buoyant thanks to continued substantial investment in artificial intelligence and the fiscal support provided by the "Big, Beautiful Bill". Growth is forecast at 2.1 per cent in 2026 and 1.9 per cent in 2027. Inflation is expected to ease gradually in 2027, with second-round effects remaining contained, to reach 2.3 per cent. Against this backdrop, the Fed, which recently appointed its new chair, is not expected to change its interest rates throughout 2026, with the upper bound of the Fed funds rate remaining at 3.75 per cent, despite a stance that remains cautious and focused on price stability.

Robust domestic demand

Given this new context, **Italian growth could turn out to be higher than anticipated at the start of the year,** with the forecast being revised upwards. The broader context is not the only factor behind the revision. Despite the deterioration in the international environment and its negative effects on household and business confidence, the first few months of the year were characterised by robust economic activity. During the first quarter, growth rose by 0.3 per cent, a pace comparable to that observed in Q4 2025. This upwardly revised growth rate has also pushed up the annual growth figure, which now stands at 0.6%. However, this momentum is expected to slow in the coming quarters, with a contraction anticipated in Q2 and stagnation in Q3, bringing the annual average growth rate down to 0.5%.

In contrast to the previous quarter, net external demand added 0.9 percentage points to GDP growth, driven by a recovery in exports, which grew by more than 2 per cent following a 1 per cent decline in the previous quarter. Imports, however, contracted by 0.7 per cent. Monthly export data for the first quarter help explain this trend: trade data in value terms show year-on-year growth of 1.3 per cent, driven mainly by the rise in sales in the metals sector, which benefited from a very strong rebound, particularly to Switzerland. These flows alone account for more than half of the growth in the value of overseas sales. The fall in imports appears to reflect a decline in energy imports, whilst other goods segments continue to grow.

Domestic demand was also a key factor in the recovery at the start of the year, contributing 0.5 percentage points to GDP, whilst inventories subtracted nearly 1.1 percentage points from growth. This momentum is primarily driven by a rebound in consumer spending, following a lacklustre 2025 (0.2 per cent on average) despite a significant recovery in real disposable income (+1.0 per cent over the year). The 0.5 per cent quarter-on-quarter increase in Q1, the sharpest rise since Q4 2024, may suggest that Italian households had put off some purchases in previous quarters. This acceleration remains uneven across different categories, however: whilst services, up 0.6% after two quarters of stagnation, are the main driver with a contribution of 0.3 percentage points, durable and non-durable goods also contributed, rising by 1.1% and 0.7% respectively. Semi-durable goods, on the other hand, were the only component to decline, falling by 0.8 per cent.

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Investment, for its part, rose by 0.7 per cent, although this was down on the sustained pace of 2025. This slower pace masks diverging trends across components. Whilst the slowdown in gross fixed capital formation (GFCF) is mainly due to the decline in residential construction, with the housing component falling by 2.7% over the quarter, marking a break from the very sharp rise seen in 2025, it remains unclear whether this decline will persist, as it could reflect either a post-Superbonus normalisation or merely a temporary correction. Year-on-year growth nevertheless remains substantial at +6.8%. Construction works and buildings, on the other hand, have regained positive momentum (+1.3%, following three consecutive quarters of decline), driven by projects under the recovery plan. Investment in machinery and equipment, meanwhile, rose by 2.3% after a decline at the end of the year, thereby returning to the pace recorded in mid-2025.

A supply-side breakdown completes this picture. Growth in value added is driven by services, whilst industry in the broad sense is stagnating and agriculture is down by 0.5 per cent. Within the industrial sector, two opposing trends are evident: construction fell by 0.3% over the period, breaking a run of more than a year of consecutive increases, whilst manufacturing rose modestly by 0.1%, slowing compared with the previous quarter. Services recorded the sharpest rise, at +0.4 per cent, driven by the recovery in property activities (+1.3 per cent) and telecommunications, as well as the arts and entertainment sector (+1.5 per cent). Growth in trade and distribution remains modest, however, whilst finance and insurance declined.

Labour market: resilience on the surface

Q1 growth was accompanied by a 0.3 per cent rise in hours worked over the quarter, driven by agriculture (+0.5 per cent), industry (+0.4 per cent) and, to a lesser extent, services (+0.3 per cent), whilst hours worked remained flat in construction. Employment also rose by 0.3% at the start of the year, still driven by the self-employed, which accounted for most of the increase recorded in Q1, whilst salaried employment stagnated due to a decline in permanent contracts, barely offset by a slight recovery in temporary contracts. At the same time, the number of unemployed fell by more than 7 per cent over the quarter, taking the average unemployment rate to 5.3 per cent. Whilst labour market data appear robust, the number of people outside the labour market nevertheless rose by 0.4 per cent compared with the previous quarter, taking the average inactivity rate to 33.7 per cent. The April figures continue this trend: after stagnating in March, employment rebounded by 0.5 per cent month-on-month, driven by permanent employees, the self-employed and a recovery in fixed-term contracts. The unemployment rate fell further to 5.1 per cent, whilst the employment rate reached 63.1 per cent and the number of economically inactive people declined following its rise in the previous quarter.

“ In such a volatile geopolitical environment, simply being glad that the worst has not happened is becoming the norm. ”

Yet this resilience raises questions in the face of a sluggish growth cycle that is below potential. Whilst the slowdown in employment is becoming evident, it is still accompanied by a fall in the number of unemployed. The nature of post-2020 growth – which is highly employment-intensive and driven by services and construction – partly explains this fall in unemployment of more than five percentage points compared with its pre-Covid level. But this argument is no longer sufficient to account for the labour market’s resilience as it enters a third cycle of weak growth, now compounded by an energy shock. The signs of weakness are nevertheless clear. The vacancy rate stood at 1.7 per cent in Q1, down 0.4 percentage points year-on-year. Flow data point in the same direction: the transition rate from employment to unemployment fell to 0.56 per cent over the period Q1 2025–Q1 2026, compared with 1.5 per cent four years earlier.

The Italian labour market is, in fact, undergoing a period of structural change in which several factors are at play. On the supply side, the shrinking labour force automatically reduces the number of unemployed people, regardless of economic conditions. The inactivity rate, up by 0.4 per cent in Q1, partly reflects the withdrawal of workers who do not pass through the unemployment stage. Furthermore, the pool of potential workers is shrinking due to unfavourable demographic trends: the number of 25–34-year-olds, including both those in employment and the unemployed, has fallen by more than 30 per cent since 2004, thereby automatically reducing upward pressure on unemployment. According to the Bank of Italy, this trend is expected to continue over the entire forecast horizon for this age group.

In response to these changes, businesses are prioritising job retention, particularly for older workers.

	2024	2025	2026	2027
GDP (y/y, %)	0,6	0,7	0,5	0,6
Domestic demand (contribution to GDP, pps)	0,2	1,5	1,0	0,4
Stockbuilding (contribution to GDP, pps)	0,3	-0,2	-0,7	0,2
Net exports (contribution to GDP, pps)	0,2	-0,6	0,1	-0,1
Private consumption (y/y, %)	1,2	1,1	0,6	0,4
Investment (y/y, %)	-3,5	3,8	2,5	0,5
Inflation (y/y, %)	1,1	1,6	2,6	1,8
Unemployment rate (%)	6,6	6,1	5,6	6,2
Fiscal balance (% of GDP)	-3,4	-3,1	-3,0	-2,9

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Consequently, the job retention rate reaches 97.4 per cent over the period Q1 2025–Q1 2026, its highest level since 2021. Eurostat's employment retention indicator confirms this picture: after fluctuating around 6.5 in Italy in autumn 2025, it rose to 7.4 in April, then to 8.2 in May. In other words, companies are absorbing the slowdown by maintaining their workforce levels.

These retention effects are safeguarding jobs, but raise questions about how long they will last and about the quality of those jobs. Following a period of stabilisation driven by permanent contracts, the labour market is becoming increasingly rigid, with a rise in the number of fixed-term contracts. Furthermore, the rate at which fixed-term contracts are converted into permanent contracts has plummeted to 11.8 per cent – its lowest level since 2021, when it exceeded 23 per cent – whilst the rate at which workers remain on fixed-term contracts has reached 79.9 per cent, a record high for the series. The fall in the number of unemployed has not been accompanied by a proportional fall in job vacancies, a sign, amongst other things, of a deterioration in labour market matching, which has resulted in an upward shift in the Beveridge curve[1] since the second half of 2025. This is all the more so as the shift towards inactivity suggests that the proportion of long-term unemployed is falling, not because they are finding work, but because they are leaving the labour market. In the shorter term, employment expectations in confidence surveys deteriorated in May in manufacturing, construction and market services.

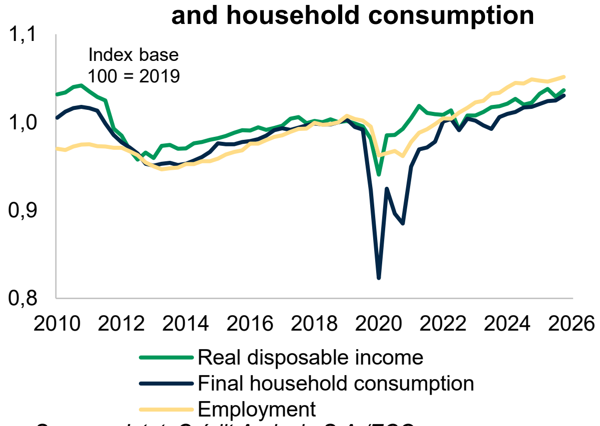
Against this backdrop, **the labour market situation is expected to deteriorate slightly in the wake of this new energy shock.** The unemployment rate is expected to remain at 5.5 per cent on average for 2026, before rising gradually to 5.7 per cent in 2027, as non-renewed fixed-term contracts begin to weigh on labour market flows.

Households without a safety net

The new energy crisis linked to the conflict in the Middle East brings an end to the period of disinflation seen in 2024 and 2025. Following a first quarter of low inflation, the effects of rising Brent crude prices – which exceeded $100 per barrel last March – led to a drove energy inflation up to +9 per cent from April onwards, pushing the overall index up from +1.7 per cent in March to +2.7 per cent year-on-year. May confirmed this trend, with the inflation index rising above the 3 per cent mark and energy inflation crossing the 10 per cent threshold. For the time being, these effects are limited to goods directly affected by energy costs, although a slight upward trend has also been observed in services. Inflation forecasts suggest this trend will continue, with a potential peak expected in late 2026, followed by a gradual easing of prices during 2027.

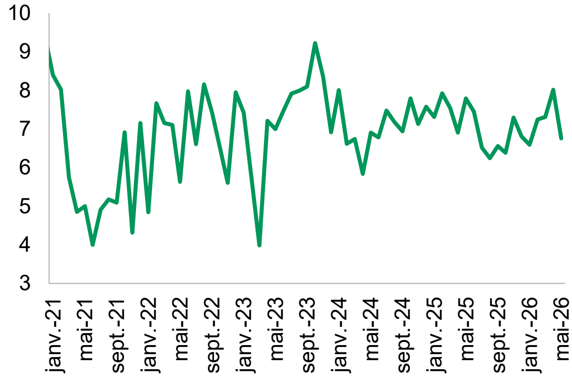
Whilst the inflation scenario does indicate a rise in inflation over the year, the new forecasts for 2026 remain below those in our previous scenario. Indeed, following the memorandum of understanding, Brent crude prices have quickly stabilised at around $80 per barrel; the possible reopening of the Strait of Hormuz during the 60-day negotiation period should should support a partial recovery in oil flows in oil flows from the Middle East. The brief nature of this episode and the current context are also unlikely to give rise to significant second-round effects. The weak economic environment, with rather sluggish demand, is likely to result in squeezed margins rather than a substantial pass-through to prices. Similarly, although the labour market continues to perform well, signs of a slowdown are also unlikely to lead to inflation being passed on to wages, particularly as the ECB has been proactive in launching its cycle of monetary tightening as early as June, which is also expected to continue until the end of the year.

Employment, disposable income and household consumption



Sources: Istat, Crédit Agricole S.A./ECO

***Labour Hoarding* Index**



Sources: Eurostat; Crédit Agricole S.A./ECO

[1] A graph showing the inverse relationship between the unemployment rate and the number of job vacancies as a proportion of the labour force.

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However, the resurgence in inflation is likely to weigh on household purchasing power. Over the course of 2025, real disposable income continued to grow, but at a significantly slower pace than during the catch-up phase of 2024, particularly as it had not yet returned to its 2019 level at the time of the shock. The belated rise in inflation has not yet translated into an increase in the consumption deflator, which remained subdued at 0.8% in Q1. Consequently, against a backdrop of a 1.6% rise in nominal disposable income, real disposable income rose by 0.8% quarter-on-quarter, compared with a 0.7% fall in the previous quarter. Despite the recovery in consumption in Q1, the household savings rate continued to rise, increasing by 0.2 percentage points to stand at 8.0 per cent for households in the strict sense and 10.8 per cent for the institutional household sector.

Whilst nominal wages are expected to continue to benefit from a labour market that remains buoyant, the trend could moderate over the coming quarters, with a negative impact on purchasing power by the end of the year. The nature of this new inflationary shock, which specifically affects frequently purchased goods such as energy and food, is likely, as in 2022, to have asymmetric effects on households, particularly those in the bottom income quintiles, who remain the most vulnerable. These households had partly depleted their savings buffer during the previous cycle, due to a significantly more pronounced erosion of their purchasing power. In its latest annual report, the Bank of Italy demonstrates that a shock to income uncertainty leads to an increase in the savings rate that is nearly twice as high among households facing liquidity constraints as among others. **The decline in confidence recorded since March, which reflects increased pessimism among households regarding the country's economic outlook, is likely to reinforce this precautionary behaviour, thereby holding back consumption.**

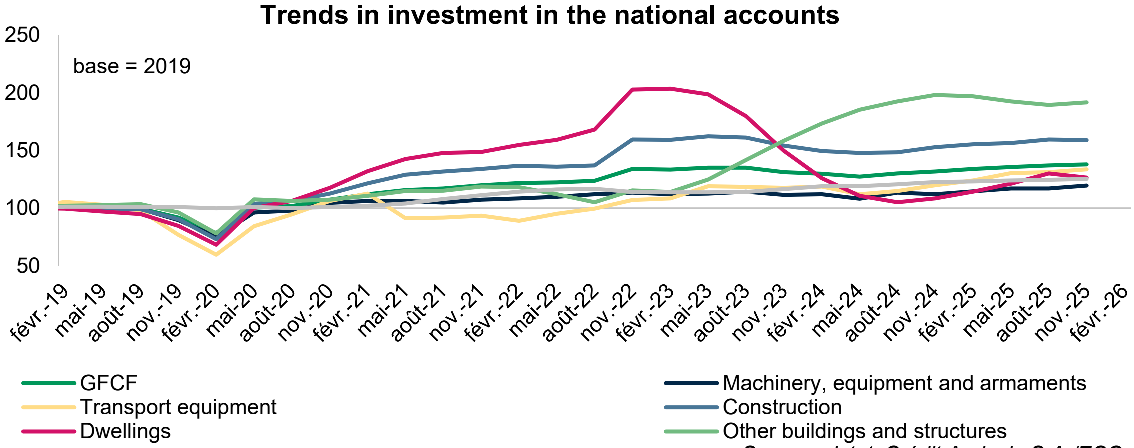
In 2026, consumption is certainly set to rise by +0.6 per cent, but this growth would be driven mainly by the gains made in Q1. The quarterly pattern, meanwhile, is expected to be characterised by two consecutive negative quarters from Q2 onwards. The recovery would remain gradual and subdued, with consumption projected at +0.4 per cent in 2027.

Towards the end of the investment cycle

The investment cycle that began in late 2024 has also been a significant driver of growth over the past two years. The upward trend continued during the first quarter, supported in particular by investment in machinery and equipment and investment in construction and public works, whilst the housing sector is beginning to feel the effects of the end of the *Superbonus*. Whilst the main concern relates to a downturn in the housing sector, the revision of the annual accounts last quarter showed that part of the correction in the housing segment took place in 2024. Productive investment, meanwhile, appears to have benefited from a generally favourable environment, despite subdued domestic demand.

Four main drivers can be identified behind this investment cycle. The first relates to the various measures put in place to support businesses, including the *'Transizione 5.0'* tax incentive programme. According to the Bank of Italy, this programme – which was specifically aimed at accelerating the digitalisation of businesses and was partly funded by resources from the National Recovery and Resilience Plan (PNRR) – led to a 3.0 per cent increase in intangible investment in 2025. At the same time, PNRR-related investment acted as a catalyst for investment in non-residential construction and in machinery and equipment, with both components benefiting from the timetable for the execution of public works projects. Furthermore, the effects of the latest round of monetary easing have helped to improve financing conditions, whilst lowering the cost of credit for non-financial corporations, thereby fostering a recovery in lending, particularly in the manufacturing sector. Finally, investment in renewable energy is a significant driver; whilst it forms part of the energy transition policy, its momentum has accelerated against a backdrop of diversification in electricity generation sources and high prices. Whilst the investment cycle is notable for its scale, with the investment realisation rate reaching 101.9 per cent of

Trends in investment in the national accounts



Sources: Istat, Crédit Agricole S.A./ECO

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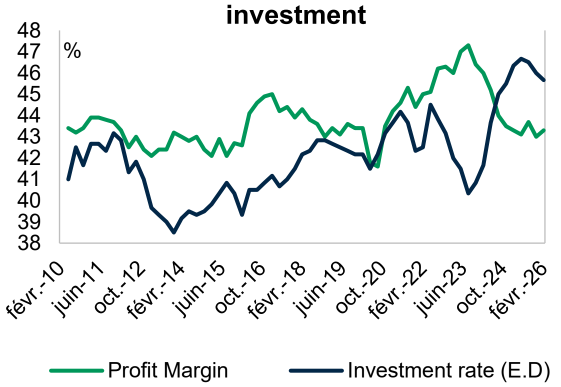
initial plans, this observation must nevertheless be qualified: according to ISTAT, it remains driven primarily by extensive investment (capacity expansion) rather than intensive investment (integration of innovation). Despite the rebound in new technologies, the share of technology-intensive investment tends to stagnate at 18.9 per cent, with a limited overall contribution to potential growth due to lower capital intensity. For example, the difference in the composition of investment compared with Spain in the area of intellectual property – where investment rose by 7.8 per cent, compared with 23.7 per cent between 2022 and 2025 – explains the differences in the projections for the two economies.

Whilst the rise in gross fixed capital formation (GFCF) was particularly strong in 2025, leaving a significant legacy for 2026, the likelihood of this trend continuing remains limited. Even before the onset of the crisis in the Middle East and its impact on energy prices, surveys were already showing signs of a downturn, with investment intentions on the decline. The initial results of the Bank of Italy's INVIND survey, published in the 2026 annual report, illustrate this shift. The report shows a 7.8 per cent reduction in capital expenditure in 2026 for industrial firms, rising to 9.2 per cent for the manufacturing sector alone. The downward revisions mainly affect small firms, which have seen their plans revised down by 18.2 per cent, compared with 4.1 per cent for large firms. The April survey by the Directorate-General for Economic and Financial Affairs (DG ECFIN) confirms this finding and sheds further light on the situation. In the industrial sector, actual investment – recorded in March and April 2026 for the 2025 financial year – stood at 7.3 per cent, even though companies had anticipated a realisation rate of 9.4 per cent. Investment intentions for 2026 have stabilised at 9.7 per cent, a low level with no sign of recovery. The riskiest types of investment remain those relating to land and industrial buildings, which have declined across three consecutive survey rounds. The Commission's survey also provides insights into the services sector, which appears to be taking a different trajectory, with expectations for 2026 rising sharply to 38.2 per cent; however, these figures should be interpreted with caution given the sector's past realisation rates (11.6 per cent in 2025, compared with intended rates of 21.5 per cent). More short-term indicators confirm this picture: the business confidence index has been deteriorating since March across all sectors, with production expectations on the decline. The ISTAT quarterly survey, meanwhile, shows that, despite a one-point rise in the industrial sector's capacity utilisation rate, pressure is mounting regarding constraints on the demand side and the availability of inputs.

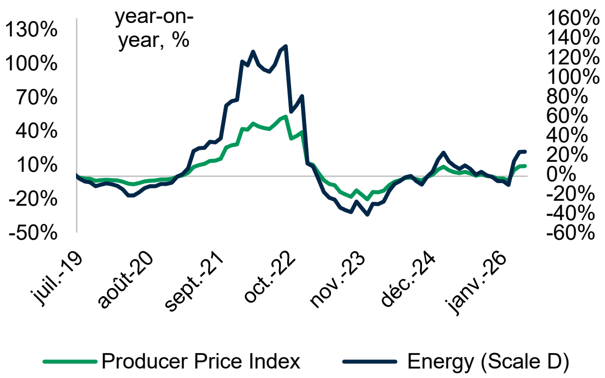
Whilst **a surprise cannot be ruled out due to lag effects, the body of evidence points increasingly towards a slowdown, or even a contraction, in the coming quarters, reflecting the end of the previous cycle.** This assessment is based on several factors: on the one hand, the drivers identified above will be less effective with the end of the Transition 5.0 scheme and a downturn already well established in the housing sector. On the other hand, the acceleration of the PNRR, which is entering its final year and is expected to incorporate the revisions introduced in November 2025 (see box), will continue to support investment. At present, around €24.2 billion remains unallocated, linked to 66 measures, nearly half of which are scheduled for 2027; however, implementation delays remain the PNRR's Achilles' heel. According to the Court of Auditors' report, average processing times have lengthened by nearly two months between the last two surveys, and only just under half of the projects (48.5 per cent) had been completed or were in the testing phase by March 2026. Nevertheless, 47 per cent of companies with ten or more employees still anticipate PNRR-related orders in 2026. The second supporting factor, the effects of which are expected to materialise with some delay, relates to the two new investment incentives provided for in the 2026 Finance Act: *'iperammortamento'*, supplemented by *'superammortamento'*, dedicated to non-technological capital goods (Article 95). Unlike the tax credit introduced by the *Transition 5.0* scheme, this measure increases the deductible depreciation allowances. It is based on a degressive scale by investment bracket (180 per cent up to 2.5 million euros, 100 per cent

Profit margins and business investment



Source: Istat; Crédit Agricole S.A./ECO

Industrial Producer Price Index



Sources: Istat, Crédit Agricole S.A./ECO

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between 2.5 and 10 million, 50 per cent between 10 and 20 million), applicable to investments made from[1]January 2026 to 30 September 2028. Although it came into force at the start of the year, the measure has only been operational since 7 May 2026, whilst the *Gestore dei Servizi Energetici* platform – the sole channel for accessing the scheme – did not open until 12 June. For the time being, preliminary figures available at the end of June suggest that around 2,500 applications have been submitted, representing nearly 900 million euros in reserved investment.

The rise in production costs is likely to have an impact on companies' margins, as they enter a new phase of rising energy costs. Among the indicators, the industrial producer price index rose by 7 per cent year-on-year in May, driven by a 22 per cent rebound in the energy component. Nevertheless, companies are entering this environment with healthy balance sheets and a positive net financial position. According to data from the Bank of Italy, the operational profitability of the manufacturing sector continues to remain at historically high levels, with net financial expenses falling to 7.8 per cent, whilst liquidity remains abundant at 10.2 per cent of liabilities.

Rising costs are nevertheless expected to impact margins, which are already under pressure. In the first quarter of 2026, the profit share of non-financial corporations fell by 0.5 percentage points, particularly as Italian firms face a structural disadvantage linked to the composition of their energy *mix*, which results in costs 17 per cent higher than the European average and more than double those of the United States and China.

Finally, whilst companies had previously benefited from accommodative conditions, the recent rise in key interest rates comes at a time when both the supply of and demand for credit are deteriorating, according to the BLS survey for the first quarter of 2026. Banks also anticipate a tightening of lending conditions for the second quarter of 2026.

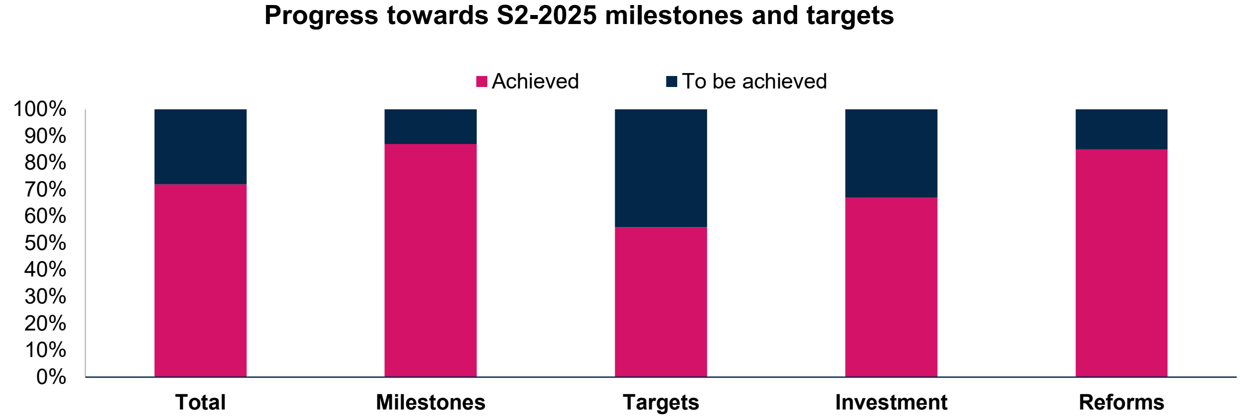
Against this backdrop, **the cycle of productive investment is expected to slow, at least in 2026.** The housing sector is likely to remain in negative territory, but investment in construction is expected to continue to benefit from funding under the National Recovery and Resilience Plan (PNRR). Over the year as a whole, total gross fixed capital formation is projected to rise by 2.5 per cent in 2026,

driven mainly by a carry-over effect from 2025 and the momentum from the first quarter. In 2027, total investment is expected to converge towards a contribution close to zero, with annual growth limited to 0.5 per cent and no structural rebound: productive investment would hover around zero in the second half of the year, whilst the housing sector would stabilise.

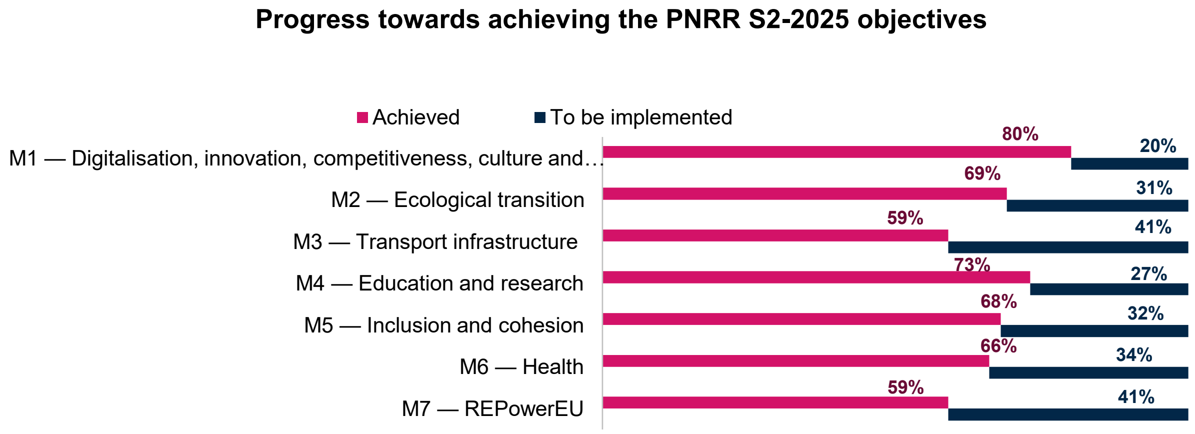
PNRR: the final stretch

As the PNRR enters its final year, the Court of Auditors has taken stock of the progress made on projects included in the recovery plan. By the end of February 2026, commitments had increased significantly, driven by a marked acceleration in the second half of 2025 and early 2026; they now stand at €113.5 billion, representing 58 per cent of the allocated resources, compared with €83 billion in August 2025. The overall progress rate thus stands at 72 per cent, with all fifty European targets set for the second half of 2025 having been met. Over the course of 2025 as a whole, 32 milestones and 50 targets were achieved, relating in particular to payment times by public authorities, the digitalisation of public services, the reduction of tax evasion and the development of high-speed rail lines.

The government also revised the Plan in November 2025 by altering the structure of expenditure without affecting the total budget. This revision marks a significant shift away from public works towards direct aid to businesses and indirect financing instruments such as guarantees or subsidised loans, the effects of which on investment in construction are less direct and are felt over a longer time horizon. Among the new measures introduced is, in particular, a fund dedicated to financing high-speed broadband infrastructure, with a budget of 733 million euros and operational until 2029, the implementation of which requires a minimum of 30 per cent private co-financing. This type of scheme illustrates the overall rationale behind the revision: to prioritise mechanisms that can be activated quickly before the June 2026 deadline, even if actual disbursements take place beyond that date.



Sources: compiled by the Corte dei conti using data from ReGiS, Crédit Agricole S.A./ECO



Sources: compiled by the Corte dei conti using data from ReGiS, Crédit Agricole S.A./ECO

The Court of Auditors also highlights a significant discrepancy between expenditure committed and expenditure actually declared and certified; this discrepancy could complicate the administrative closure of the Plan within the prescribed timeframe. Whilst the deadline for submitting applications to the European Commission is set for 30 September 2026, nearly €24 billion will remain to be disbursed beyond that date. The government is considering reallocating these funds to programmes that allow for gradual disbursement, including the Development and Cohesion Fund, resources from the 2021–2027 European programme and, for interventions not covered by these instruments, the state budget. A significant proportion of the works funded under the recovery plan – ranging from infrastructure to energy facilities – will therefore continue beyond the deadline, without, however, constituting a major source of support for investment over the forecast horizon.

Added to this is the main challenge regarding the disbursement of the final tranche, amounting to €28 billion. Unlike previous stages of the Plan, this will not involve approving a reform or issuing a call for tenders: the European Commission requires evidence of concrete achievements. Although the risk of a full repayment of funds is not among the scenarios envisaged, the risk of partial withdrawal of funding remains a possibility. According to the ANCE PNRR Observatory, the value of projects facing implementation difficulties is estimated to be between 12 and 15 billion euros, with an estimated financial impact of between 5 and 9 billion; the lower end of the range corresponds to payment delays to contractors, whilst the upper end relates to a possible challenge by Brussels regarding the achievement of certain objectives. These difficulties are not evenly distributed: around 45 per cent of projects experiencing delays are concentrated in the Mezzogiorno, but small local authorities are also suffering from a well-documented lack of technical and administrative capacity. The sectors most affected are school construction, regional rail infrastructure and local healthcare facilities, where rising material costs, the cancellation of certain tenders and the complexity of procedures have made it particularly difficult to meet deadlines.

On balance, however, the impact of the growth support plan remains significant. According to an estimate by the Bank of Italy, public works tenders have accounted for an average of 3.6 per cent of GDP over the last five years – double the figure for the previous decade – with around one-fifth of this financed or co-financed by the Plan's resources. It remains, however, to assess the impact of these investments and reform s on potential growth, which will *ultimately* enable us to gauge the success of this four-year process of ramping up public investment.

Completed on 2 July 2026

ECONOMIC AND FINANCIAL FORECASTS

EUROPEAN MACROECONOMIC SCENARIO

International forecasts

	2024	2025	2026	2027	2025				2026				2027			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
Eurozone GDP (YoY, QoQ, %)	0,9	1,5	0,2	0,9	0,7	0,1	0,3	0,2	-0,2	0,1	0,1	0,2	0,2	0,3	0,3	0,3
United States GDP (YoY, QoQ, annualised, %)	2,8	2,1	2,1	1,9	-0,6	3,8	4,4	0,5	1,6	2,5	1,8	1,8	2,0	2,0	1,9	1,9
China GDP (YoY, QoQ, %)	5,0	5,0	4,7	4,5	-	-	-	-	-	-	-	-	-	-	-	-
ECB deposit rate (end of period, %)	3,00	2,00	2,75	2,50	2,50	2,00	2,00	2,00	2,00	2,25	2,50	2,75	2,75	2,75	2,50	2,50
Federal Reserve funds rate (end of period, %)	4,50	3,75	3,75	3,50	4,50	4,50	4,25	3,75	3,75	3,75	3,75	3,75	3,75	3,50	3,50	3,50
Exchange rate (average, EUR/USD)	1,08	1,13	1,14	1,15	1,05	1,13	1,17	1,16	1,16	1,14	1,14	1,13	1,13	1,14	1,16	1,17
Brent (average, USD/barrel)	81,2	69,3	94,3	80,8	76	68	69	64	89	110	91	87	82	85	78	78

GDP trends

	2024	2025	2026	2027	2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0,9	1,5	0,2	0,9	0,7	0,1	0,3	0,2	-0,2	0,1	0,1	0,2	0,2	0,3	0,3	0,3
Germany	-0,5	0,3	0,6	0,9	0,4	-0,2	0,0	0,2	0,3	0,0	0,1	0,2	0,2	0,3	0,3	0,4
France	1,4	0,9	0,6	0,8	0,1	0,3	0,4	0,2	-0,1	0,1	0,1	0,2	0,2	0,2	0,3	0,3
Italy	0,6	0,7	0,5	0,6	0,3	0,0	0,2	0,3	0,3	-0,2	0,0	0,1	0,2	0,2	0,4	0,3
Spain	3,5	2,8	2,1	1,6	0,5	0,7	0,6	0,8	0,6	0,3	0,3	0,3	0,4	0,4	0,5	0,5
Netherlands	1,1	1,8	1,0	1,0	0,4	0,3	0,5	0,4	0,1	0,2	0,2	0,2	0,3	0,3	0,4	0,4
Belgium	1,1	1,0	0,7	0,7	0,4	0,2	0,2	0,1	0,2	0,1	0,1	0,2	0,1	0,2	0,3	0,3
Ireland	2,6	12,4	-6,7	5,1	8,8	-1,0	-0,2	-4,2	-12,1	11,2	2,2	1,5	0,0	0,1	0,2	0,2
Portugal	2,2	1,9	1,7	1,6	-0,3	0,7	0,6	0,9	0,0	0,3	0,3	0,5	0,4	0,4	0,4	0,3
Greece	2,1	2,2	1,7	1,5	0,5	0,4	0,6	0,7	0,2	0,2	0,4	0,4	0,3	0,4	0,4	0,3
Finland	0,4	0,2	1,3	0,9	0,1	-0,2	0,0	0,3	0,9	0,1	0,2	0,2	0,2	0,3	0,3	0,3
Luxembourg	0,3	0,6	1,0	1,1	0,4	0,5	1,2	0,0	0,0	0,2	0,3	0,3	0,1	0,3	0,4	0,4
Austria	-0,8	1,0	0,8	0,6	0,4	0,1	0,4	0,2	0,2	0,1	0,1	0,1	0,2	0,2	0,2	0,2
Slovenia	1,7	0,9	2,1	0,7	-0,7	1,0	1,0	0,4	0,7	0,3	0,2	0,2	0,1	0,1	0,1	0,1
Malta	6,2	3,6	2,6	1,7	1,7	1,1	0,9	1,1	1,1	-0,2	-0,2	0,5	0,6	0,6	0,6	0,6

Italy

	2024	2025	2026	2027	2024				2025				2026				2027			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	0,6	0,7	0,5	0,6	0,1	0,2	0,0	0,1	0,3	0,0	0,2	0,3	0,3	-0,2	0,0	0,1	0,2	0,2	0,4	0,3
Domestic demand (contribution to GDP, pps)	0,2	1,5	1,0	0,4	0,1	0,1	-0,2	0,8	0,3	0,6	0,5	0,3	0,5	-0,1	-0,1	0,0	0,0	0,3	0,2	0,2
Private consumption (y/y, q/q, %)	1,2	1,1	0,6	0,4	1,3	0,3	0,2	0,5	0,1	0,3	0,3	0,1	0,5	-0,2	-0,1	-0,1	0,0	0,4	0,4	0,3
Public consumption (y/y, q/q, %)	1,5	0,6	0,4	0,6	-0,1	0,7	0,2	0,3	-0,3	0,4	0,1	0,2	0,0	0,1	0,1	0,1	0,1	0,2	0,2	0,2
Investment (y/y, q/q, %)	-3,5	3,8	2,5	0,5	-2,9	-1,1	-1,8	2,1	1,4	1,6	1,3	1,0	0,7	0,1	-0,2	0,3	0,0	0,3	0,0	0,0
Stockbuilding (contribution to GDP, pps)	0,3	-0,2	-0,7	0,2	0,2	0,8	0,6	-0,7	-0,2	0,0	-0,4	0,7	-1,1	0,0	0,1	0,1	0,1	-0,1	0,1	0,1
Net exports (contribution to GDP, pps)	0,2	-0,6	0,1	-0,1	-0,2	-0,6	-0,4	0,0	0,3	-0,6	0,1	-0,7	0,9	-0,2	0,0	-0,1	0,0	0,0	0,0	0,0
Exports (y/y, q/q, %)	-1,1	1,4	2,2	1,1	-1,4	-1,4	-0,2	-0,2	2,5	-1,7	2,2	-1,0	2,2	-0,3	0,3	0,7	0,2	0,2	0,2	0,2
Imports (y/y, q/q, %)	-1,8	3,9	1,9	1,5	-0,8	0,7	1,1	-0,3	1,9	0,2	2,0	1,3	-0,7	0,2	0,4	1,0	0,2	0,2	0,2	0,2
Inflation (y/y, %)	1,1	1,6	2,6	1,8	1,0	0,8	1,2	1,3	1,7	1,8	1,7	1,2	1,4	3,1	2,9	3,1	2,6	1,4	1,5	1,7
Core inflation (y/y, %)	2,3	1,8	1,9	1,9	2,6	2,2	2,3	2,2	1,9	1,9	1,8	1,8	1,9	1,9	2,0	2,0	1,9	2,0	1,9	1,8
Unemployment rate (%)	6,6	6,1	5,6	6,2	7,1	6,7	6,3	6,2	6,3	6,3	6,0	5,7	5,3	5,5	5,7	5,9	6,0	6,1	6,2	6,3
Current account balance (% of GDP)	1,1	1,1	1,0	1,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,3	1,0	1,0	0,9	1,2	1,3	1,3	1,3
Fiscal balance (% of GDP)	-3,4	-3,1	-3,0	-2,9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	134,7	137,1	138,4	138,6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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