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Italian confidence data improves further in August

The improvement is widespread, affecting consumers and businesses alike, highlighting the resilience of the Italian economy and lending further support to our forecast of 0.9% GDP growth in 2026

Consumer confidence in Italy rose for a third consecutive month

In the second quarter of 2026, the Italian economy managed to post a surprising 0.2% quarterly GDP growth, proving more resilient than expected.

July's rise in consumer confidence and the aggregate economic sentiment indicator pointed to continued resilience in the third quarter. Today's August data strengthens that view, with further gains in consumer confidence and across all components of business sentiment.

Consumed confidence posted another modest gain

The first encouraging signal comes from consumer confidence, which rose for a third consecutive month. At 94.5, up from 94.2 in July, it has recovered to its highest level since the US strike on Iran, though it remains three points below its pre-conflict level.

The details are also reassuring: households reported a more favourable view of both the general economy and their own financial situation, concerns about future unemployment eased, and confidence in their ability to save improved. That said, a decline in willingness to purchase durable goods suggests consumers remain cautious, preferring to postpone major purchases until inflation cools further.

Retailers' confidence remained stable at relatively elevated levels, suggesting consumers may still be favouring non-durable goods over larger purchases. The business outlook also continues to improve, with the composite confidence index rising for a fourth consecutive month to 96.9, its highest level since April.

Manufacturing confidence continues to point to a slow bottoming-out

Notwithstanding a modest monthly gain in August, confidence in manufacturing reached 89.9, the highest level since June 2023. The improvement was driven by accelerating production expectations, which compensated for cooling orders and rising stocks of finished products.

The improvement was driven by accelerating production expectations, which compensated for cooling orders and rising stocks of finished products. Sector-wise, it was the investment goods domain to shine, whilst intermediate goods set back. Overall, the manufacturing front continues to move along the slow-bottoming-out path which started in mid-2024, irrespective of tariff and geopolitical threats.

The fairly volatile construction sector data recorded a rebound in August, which more than compensated the sharp July fall. The rebound was led by the specialised construction works component, where both orders and expected employment improved substantially. The civil engineering component, which incorporates infrastructural works linked to the now expired recovery fund, unsurprisingly cooled down, driven both by the order and employment expectations components.

Tourism gains the main driver of service confidence improvement

Another relatively bright spot relates to the service sector component. Confidence in market services came in at 99.5 (from 98.2 in July), reaching the highest level since March, driven by gains in transport and storage and, even more markedly, in tourism.

The gain in the tourism component reflected improvements in current business activity, current orders and expected orders. It seems that the long-lasting heatwave, which hit many Italian seaside spots, had no negative impact whatsoever on tourism activity, a relevant value-added generator for the Italian economy.

GDP growth of 0.9% in 2026 looks increasingly within reach

All in all, August confidence data supports previous evidence of economic resilience to external shocks. We were surprised by the 0.2% quarterly GDP growth preliminary reading for the second quarter, and we would not be surprised if it was confirmed in the third quarter.

After today's batch of data, we are sticking with our forecast for average 2026 GDP growth at 0.9% for the Italian economy.

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