Macro · Macro Rapid Response Italy: confidence on the rise in August, driven by construction and services

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Macro Rapid Response Macro Based on information available up to 28 August 2026 Please read carefully the important disclosures at the end of this publication. Italy: confidence on the rise in August, driven by construction and services The Istat surveys for August are moderately positive: the construction sector is benefiting from the tail end of works funded by the National Recovery Plan , whilst the services sector is benefiting from a strong summer tourist season, although indicators of household and retail business confidence suggest that c o n s u m e r s remain extremely cautious in their spending decisions. Overall, however, it is possible that Italian GDP, following the better - than - expected performance seen in the first half of the year, may continue to grow in the current quarter, albeit at a further s lower pace. Average growth this year is expected to stand at 0.8 - 0.9 % , which is higher than the forecasts made immediately after the outbreak of the war in Iran . In August, Istat surveys showed a significant recovery in business confidence in the construction and services i n d u s t ries , alongside a very modest improvement in business sentiment in other s ectors and among households. The IESI index (composite business confidence index) rose for the second month running, from 95 . 3 to 96 . 9 , reaching its highest level since April but still below the average for the first four months of the year (97. 3). The increase is attributable to the construction sector (from 96.8 to 102.9, mainly due to specialised construction works) and the services sector (from 98.2 to 99.5 , driven by tourism and transport/ warehousing), both of which reached their highest levels since March . Conversely, improvements were very limited in retail trade and manufacturing . In the manufacturing sector, business sentiment rose for the third consecutive month, albeit only slightly, from 89 . 7 to 89 . 9 , broadly in line with expectations. Following an improvement in July, businesses' assessments of orders have deteriorated once again (from - 17.1 to - 20.4, a low not seen for over a year) . As regards production , current assessments fell significantly once again (from - 17.8 to - 19.6, the lowest level since March last year), but expectations for future output rose for the fourth month running (from 4.5 to 9.6, a record high since February 2022). The composite index is also supported by a rise in stock levels for the second month running, from 2.8 to 3.8 (the highest since Decemb er 2024). Price expectations have changed little (at 15.5, a figure still above the historical average but below the peaks reached in the spring months), whilst employment expectations , following the sharp rebound in July (from - 1.8 to +4.4), have moderated again (to 1.5) . The recovery in confidence is once again being driven by capital goods manufacturers (whose confidence rose from 88.6 to 91.1 , returning to February levels – that is , pre - war levels in Iran) , whilst confidence in the consumer goods sector remained largely stable and fell in the intermediate goods industry . Household morale improved for the second month running , albeit to a more modest extent than in July, rising from 94 . 2 to 94 . 5 (again, broadly in line with consensus forecasts) ; this is, in any case, the highest level since February, albeit still well below the average for the first two months of the year (97.1) . There is greater optimism regarding the economic climate, whilst the personal climate remains unchanged from the previous month; current assessments and expectations for the future have improved equally . With regard to both Italy's economic situation and household conditions , respondents are less pessimistic about the curre nt situation but more concerned about the future . Assessments of household finances are less positive. Households are less optimistic about current opportunities to save but less concerned about future savings prospects (the net balance remains in the red but is at its highest level since February last year). Finally, both perceived inflation over the past 12 months (down to 96.8 from 103.3 in July, which was the highest level since January last year) and expected inflation for the next 12 months (down from 43.1 to 36.6, the lowest level since February) are slowing . 28 August 2026 Research Department Macroeconomic Research Paolo Mameli Economist

Macro Rapid Response 28 August 2026 Produced by the Intesa Sanpaolo SpA Research Department 2 In summary, the August surveys are only moderately positive. The construction sector is benefiting from the tail end of works funded by the National Recovery Plan a nd from the positive summer tourist season (albeit almost exclusively due to visitors from abroad), but the confidence indicators for households and retail businesses suggest that consu m e r s remain extremely cautious in their spending decisions. Furthermore, sentiment amongst manufacturing firms has likely begun to benefit once again from stockpiling in anticipation of potential supply issues following the resumption of clashes in the Middle East ; the capital goods sector continues to be supported by tax incentives and driven by the digital and energy transitions. Overall , however, it is possible that Italian GDP , following the better - than - expected performance seen in the first half of the year (0.3% q/q in the first three months and 0.2% in the spring), may continue to grow in the current quarter, albeit at a further slower pace (to 0.1% according to our estimates) . Average growth this year is expected to stand at 0.8 - 0.9 % (adjusted for working days) , which is higher than the forecasts made immediately after the outbreak of the war in Iran. For the time being, we are maintaining our growth forecast of 0.8 % for next year. The business survey shows that the improvement in sentiment is mainly due to construction and services The consumer survey shows a slowdown in both perceived and expected inflation Source: Intesa Sanpaolo, Istat Note: the Istat confidence series have been interpolated due to a lack of data for April 2020. Source: Intesa Sanpaolo, Istat

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