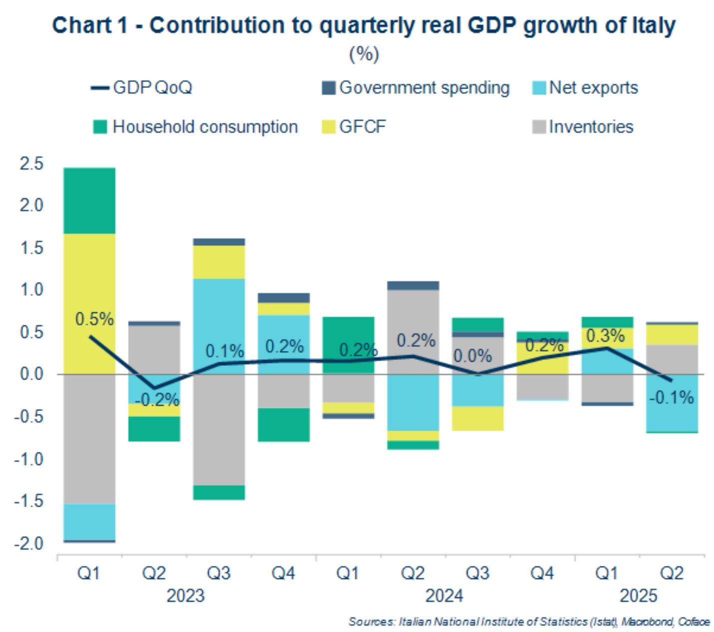
PRESS RELEASE

Italy: despite flattering comments on its performance, the economy is not taking off

Singapore, 9 September 2025 – Despite recent encouraging indicators on employment and public finances, the Italian economy is struggling to take off. Behind the façade, growth remains fragile, hampered by stagnant productivity and persistent structural challenges.

Sluggish growth slows post-pandemic rebound



In the second quarter of 2025, Italian GDP fell by **0.1%** compared to the previous quarter, its first contraction in two years, confirming the fragility of its growth (the country did not return to its pre-2008 crisis GDP level until the end of 2024). This contraction is primarily due to the fall in external demand, a consequence of the weakness of its main trading partners and geopolitical uncertainties. Goods exports fell by **2.2%** in the second quarter, after a temporary surge linked to the anticipation of new US customs duties. At the same time, household consumption remains sluggish, held back by low confidence and purchasing power that is struggling to recover despite the stabilization of inflation.

Investment: the only bright spot

Investment, supported by European funds from the NGEU (Next Generation EU) plan, remains the main driver of growth. The country, the largest beneficiary in absolute terms, has already received **€122 billion, or 63%** of the total resources allocated to it, well above the EU average (49%). These resources, which are geared towards structural reforms and investments in long-term strategic areas such as digital transformation, ecological transition and social cohesion, should have a lasting multiplier effect.

Employment: progress that is deceptive

The labor market is at an all-time high, with an **unemployment rate of 6% and an employment rate of 62.8%**. But these figures mask a more nuanced reality: job creation is concentrated in low-productivity sectors (construction, retail, hospitality) and mainly benefits the over-50s. As a result, per capita productivity is declining, exacerbating the vicious circle of sluggish growth.

Public finances: a fragile improvement

Thanks to fiscal discipline and the gradual reduction of the 'Superbonus'[1], the public deficit was halved in 2024 to **3.4% of GDP**. This improvement reassured the markets, causing sovereign borrowing rates to fall. But debt remains high and fiscal room for manoeuvre limited, especially as potential growth remains weak.

"Italy has been at the heart of the post-pandemic recovery in Europe, but its economy is falling back into its old ways: domestic demand is stagnating, foreign trade is under pressure and the country is struggling to transform temporary momentum into sustainable growth," **Laurine Pividal, Southern Europe Economist, Coface.**

[1] Introduced in 2020 by the Conte government, the Superbonus offered generous tax incentives of 110% for energy-efficient home renovations.

MEDIA CONTACTS

COFACE SINGAPORE

Tay Caris: +6568278767

caris.tay@coface.com

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