Macro Rapid Response

Italy: inflation accelerates further, much more than expected

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A further, significant rise in Italian inflation was recorded in October, reaching 5.4% on the NIC and 5.6% on the HICP. In addition to energy – driven mainly by electricity and gas tariffs – prices for fresh food, transport services and industrial goods are rising, whilst core inflation has returned to 2%: the effects of rising energy costs are beginning to spread to the rest of the basket. Petrol prices, on the other hand, are slowing, in line with the cap on pump prices announced by some retailers. We believe that inflation has essentially peaked, but that it will remain high for longer than previously estimated. Based on the national data released so far, eurozone inflation is expected to have risen to 4% y/y in October (the figure will be released by Eurostat on Wednesday 4 November).

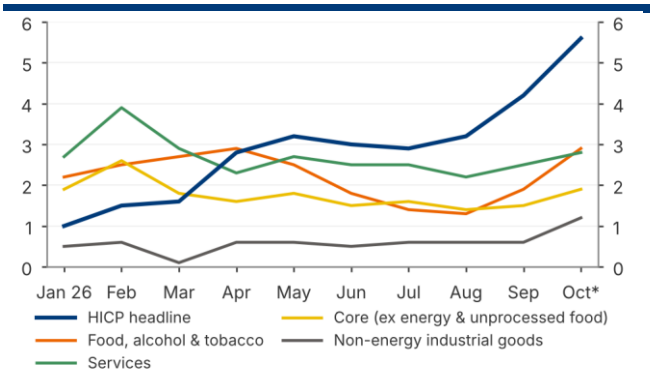
Italian inflation rose again significantly, far more than expected, in October: the HICP rose from 4.2% to 5.6% y/y (+1.2% m/m), whilst **the national NIC index rose from 4.2% to 5.4% y/y** (+0.9% m/m). These are new three-year highs.

- **Energy remains the main driver of the rise**, with a further acceleration (in the NIC) from +22.6% to +31.4% (+5.9% m/m). This time, price rises are much more pronounced for regulated energy supplies (+18.8% m/m, from +25.8% to +59.5% y/y), mainly due to the surge in electricity prices on the protected market (+34.1% m/m, from +9.7% to +60.2% y/y), whilst gas prices on the protected market are rising even faster (+5.5% m/m, from +47% to +56.8% y/y). There were also significant increases for unregulated energy prices (+4.9% m/m, from +22.5% to +29.4% y/y), particularly for gas on the open market (+16% m/m, from +16.7% to +35.7% y/y) and electricity on the open market (+5.5% m/m, from +22.8% to +32% y/y). As regards fuels, heating oil rose to +45.6% y/y and transport fuel to +37.7% y/y (+1.6% m/m), whilst **petrol prices slowed** (-2.5% m/m, from +21.8% to +19.4% y/y), likely due to the cap on pump prices announced by several retailers.
- Looking at the National Consumer Price Index (NIC), the breakdown by expenditure category confirms that the acceleration is mainly due to the categories most closely linked to energy, namely "housing, water, electricity, gas and other fuels" (from 11.4% to 18.7% y/y; +5.9% m/m) and, to a lesser extent, transport (from 8.5% to 9.3% y/y; +0.5% m/m). **However, food prices are also rising significantly** (from 1.9% to 2.9% y/y; +1.1% m/m), driven by fresh food (from 5.5% to 7.5%, with sharp price rises for fruit and vegetables), whilst the decline in processed food prices eased (from -0.6% to -0.2% y/y, +0.5% m/m). Of note is the **surge in prices for information and communication** (from 1.8% to 4% y/y; +1.3% m/m), likely driven by price rises for memory chips linked to the Artificial Intelligence cycle. Within services, transport costs in particular are accelerating (from 1.6% to 3.1% y/y), driven by air transport (from -6.1% to +8.8% y/y, +12.6% m/m), a sign that higher fuel costs are being passed on. Overall, **inflation in services as measured by the NIC rose from 2.6% to 2.9% y/y**, but the acceleration was much more pronounced for goods (from 5.4% to 7.5%).
- Again based on the NIC, **core inflation rose by four-tenths of a percentage point to 2% y/y**, whilst inflation excluding energy alone rose from 2% to 2.5%. The so-called 'shopping basket' (grocery and unprocessed food) accelerated by one percentage point, from 1.5% to 2.5% y/y, whilst inflation on frequently purchased goods rose from 5.2% to 5.8% and that on moderately frequently purchased goods from 4.3% to 6.8%.
- On the harmonised index, inflation in services rose from 2.5% to 2.8% y/y and **core inflation from 1.5% to 1.9% y/y**. Of note is the doubling of inflation on non-energy industrial goods, from 0.6% to 1.2% y/y (+1.4% m/m), only partly due to seasonal price rises in clothing (+3.5% m/m, compared with +2.8% a year ago).
- In summary, the rise in October was much larger than we had expected. In addition to the latest surge in energy prices, **the first indirect effects of the energy price rises are beginning to**

emerge: food prices are accelerating (though climatic factors may also have played a part here), as are transport services and non-energy industrial goods, and core inflation has risen to 2%. Price rises also remain very 'noticeable' to consumers, as highlighted by inflation on goods purchased frequently and moderately frequently, and by the further rise in perceived inflation among households in the Istat confidence survey for October (from 124.6 to 136.7).

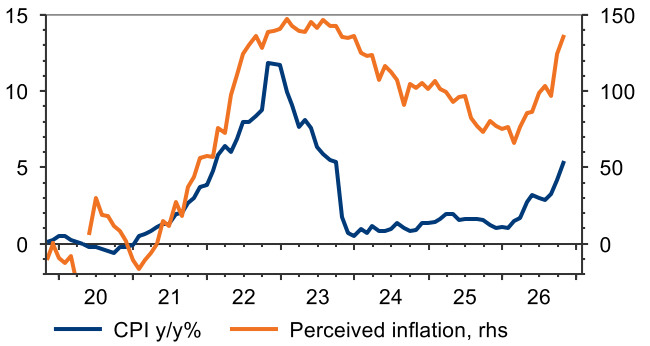
- We believe that inflation is essentially at its peak, but that it will remain high for longer than previously estimated. **October's upward surprise has led to an upward revision of our forecast not only for the current year (to 3.3%) but also for the 2027 average (to 2.9%)**, given that the new year will inherit inflation levels above 5% at the end of 2026.
- Based on the national figures released so far, **inflation in the eurozone is expected to have risen to 4% y/y in October**, up from 3.8% in September (the figure will be released by Eurostat on Wednesday 4 November).

Italy: the rise in harmonised inflation extends beyond energy



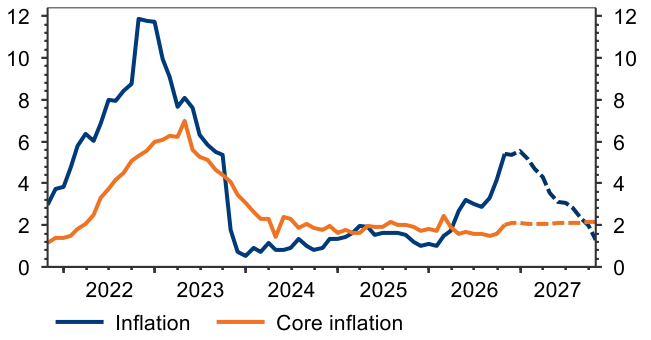
Note: % change y/y; * October figure is preliminary; energy (+31.4% y/y in October) excluded for clarity. Source: Istat

Inflation as perceived by households is already at levels close to the peaks of 2022-23



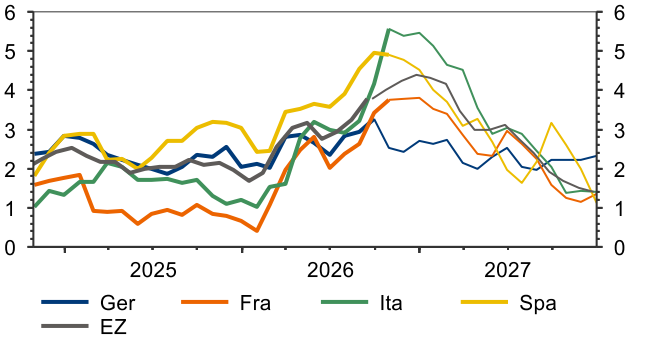
Source: Istat

Inflation is at peak levels, but will remain high (above 2%) throughout 2027



Source: Istat, Intesa Sanpaolo forecasts

Eurozone inflation is expected to peak at over 4% between late 2026 and early 2027



Source: Eurostat, Intesa Sanpaolo forecasts

Appendix

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