

Business Insights from Italy

A Letter to International Investors

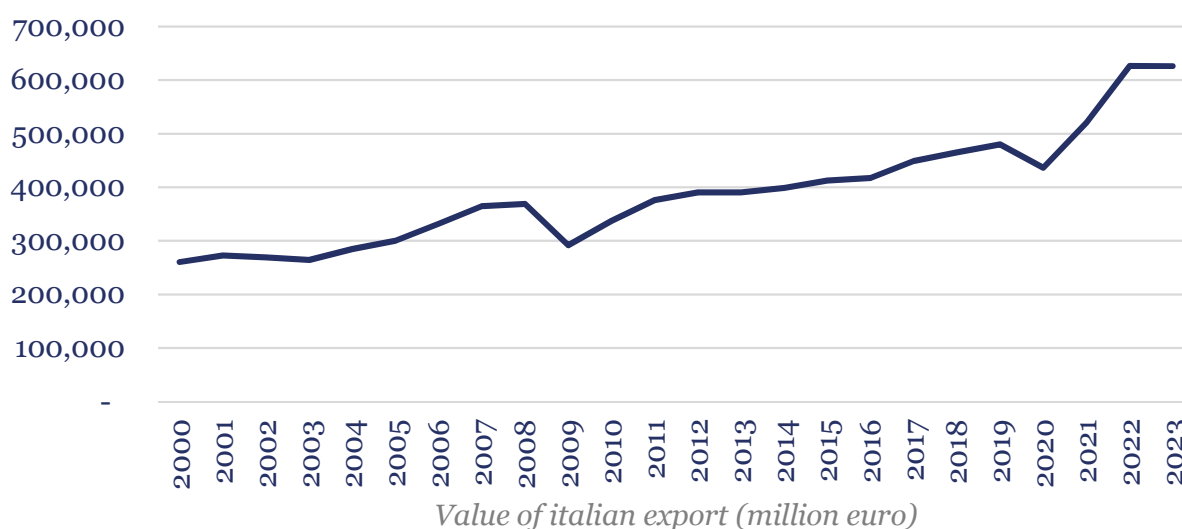
Business Insights from Italy is a publication by **The European House - Ambrosetti**, produced in collaboration with leading Italian institutions. The publication provides updates on the Italian macroeconomic scenario, on Italy's industrial sectors and on policies directed to foreign investors.

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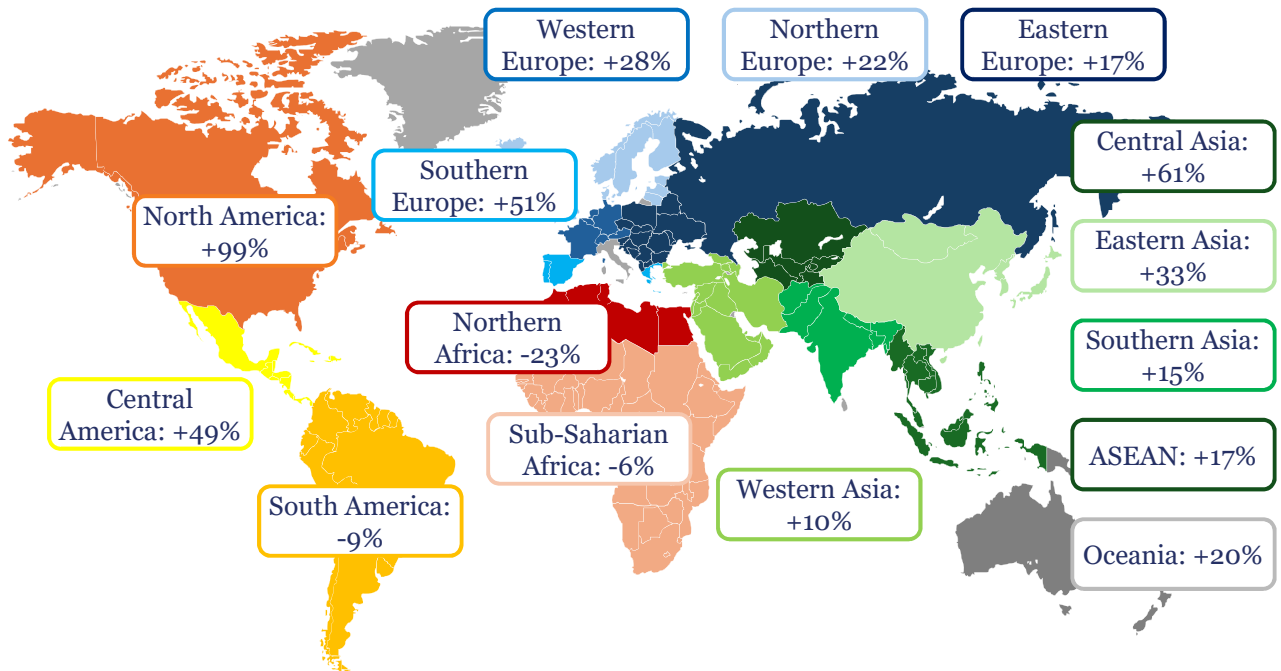
Italy's Macroeconomic Outlook

Since 2000, **Italian exports have been steadily on the rise**, with the only exceptions registered during the Great Recession of 2008 and the pandemic crisis of 2020. The export of high-quality products originates from sectors traditionally associated with the "Made in Italy" brand – such as fashion, agri-food, furniture – but also from more advanced sectors such as machinery, pharmaceutical and automation.



In 2023, Italy exported goods worth \$626 billion. This value is estimated to **grow by 3.7% in 2024**, followed by a further acceleration in 2025, with an anticipated growth of **4.5%**. Notably, Italy ranks among the leaders in exporting low-carbon

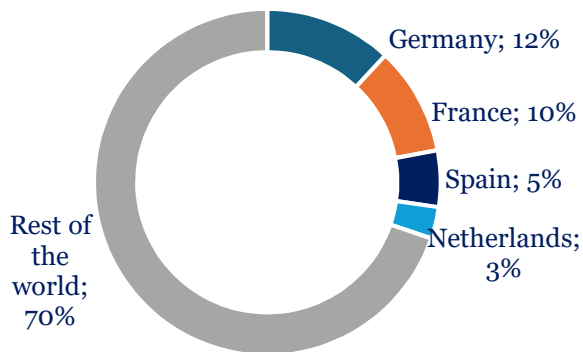
technologies (LCT). Last year, **LCT goods exports reached a value of €35 billion** and are expected to grow at a double-digit rate in the coming years (+11.1% this year and +13.7% next year).



Evolution of Italian export between 2013 and 2023 by macro-area (%)

In the past decade, Italian exports have captured significant market shares in **various strategic areas**, consolidating its presence in Developed Countries (particularly in North America, while maintaining a prominent position within intra-European trade) and expanding into new regions, such as ASEAN, Central and

East Asia. A key aspect to consider is the distinctive nature of Italian exports, characterised by **high- and ultra-high-end products**, both in consumer goods (such as clothing and automotive) and in intermediate or capital goods (such as industrial machinery for packaging, the food industry, and other sectors).



The main destinations of Italian export in 2023 (%)

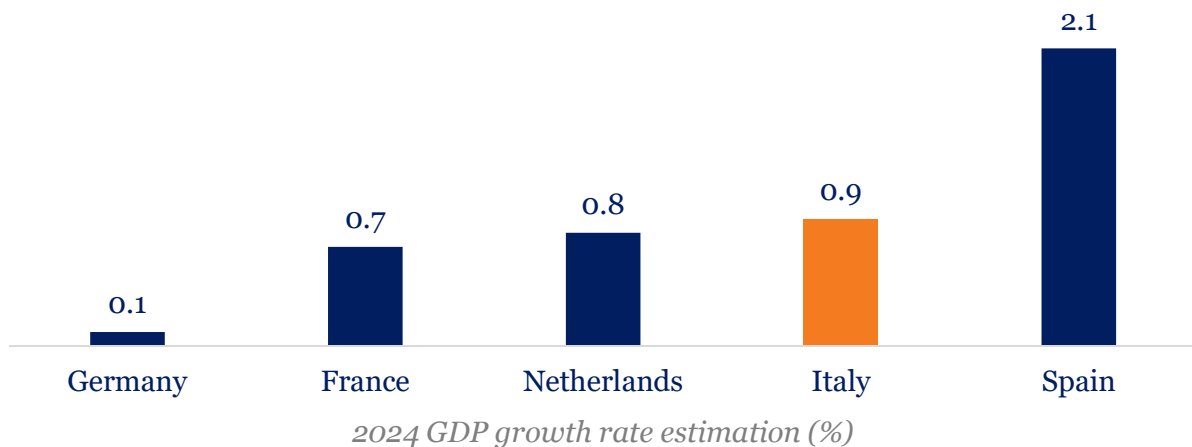
As a result, Italian export is particularly linked to the economic conditions of each destination country. In markets characterized by a slowing economic growth, high-end goods – such as Made in Italy ones – tend to be more exposed.

In particular, more than a quarter of Italian export is directed towards key European partners.

The figure

Italy is one of the most advanced European countries in recycling. A total of 91.6% of waste is directed towards recycling, compared to the EU average of 57.9%. The rate of material reuse stands at 18.7%, against the EU average of 11.5%

10.7% of Italy's exports are destined for the US market, 4.9% for Switzerland, and 4.2% for the United Kingdom. Three of Italy's four main European partners – France, Netherlands and Germany – are currently experiencing a particularly challenging economic phase, driven by various factors that converge towards a common trajectory of slowing growth. For this reason, and due to the high level of interconnection within the European market, Italy's own macroeconomic data is partly affected by these difficulties.



The European Commission has estimated that Italy will close 2024 with a growth rate of 0.9% – higher than Germany, France, and the Netherlands.

Other institutions, such as the IMF and OECD, forecast slightly lower figures, around 0.7%, still higher than those projected for partner countries. The forecasts for 2025 are affected by various uncertainties linked to the evolving geopolitical context. However, it is important to highlight that Italy is one of

the few European countries **to have already planned and implemented a counter-cyclical investment strategy:** in 2025, thanks to the National Recovery and Resilience Plan, €56 billion will be invested, 30% more than in 2024.

In the following year, 2026, a further expenditure of €39 billion is planned for infrastructure, green and digital transition, training and improving the efficiency of the public administration.

Italy's Attractiveness in the New International Context

The ability to **attract foreign investments**, new production facilities, companies and talent is one of the many pivotal factors that determine the potential growth of an economy. Measuring the attractiveness of different markets is a complex task that, if conducted with methodological inaccuracies, can lead to misleading results.

A well-known example is the World Bank's Ease of Doing Business index, which aimed to measure the ease of investing and, consequently, the appeal of various countries. The Ease of Doing Business index, as highlighted by multiple sources, suffered from significant methodological shortcomings (for instance, the over-reliance on survey-based elements gathered from non-significant and unrepresentative samples), resulting in outcomes that were, at best, debatable. To address these issues, several institutions, including The European House – Ambrosetti, have developed attractiveness indices based solely on quantitative data sourced from the most reputable international organisations, offering a more accurate representation of the attractiveness of countries.

The **Global Attractiveness Index (GAI)** developed by The European House - Ambrosetti is a country index that measures the attractiveness of **146 of the world's economies** from a multi-dimensional perspective.

The index undergoes an **independent annual audit** conducted by the Centre on

Composite Indicators of the European Commission's Joint Research Centre, which assesses its robustness, methodological soundness, and, consequently, the validity of its results. In 2023, the Global Attractiveness Index was included in the Composite Indicators & Scoreboards Explorer, a platform developed by the European Commission that gathers the most important composite indicators.

The GAI is based on the reclassification of many KPIs into **four sub-indices**: a Positioning Index, a Dynamicity Index, a Sustainability Index and a Future Orientation Index.

The Positioning index focuses on four macro-areas (Openness, Innovation, Efficiency and Endowment) and provides the precise rankings. Complementing the rankings, the three additional indices enhance the informational framework. The indices for Sustainability, Dynamism, and Future Orientation are not expressed with a numerical score but are instead categorised into four bands (high, medium, low and critical).

In the GAI 2024, the **United States is in first place**, with a score of 100, **followed by China and Germany**, with scores of 89.6 and 85.0, respectively. The table in the following page summarizes the findings for the top 20 countries. In the current edition, **Italy ranks 17th, gaining 1 position compared with the GAI 2023 ranking and remaining anchored to the top group of highly-attractive countries.**

For further information, please refer to the [European commission website](#). The full report can be downloaded [here](#).


In terms of the overall score, Italy recorded a small loss of 0.5 points, from 60.8 to 60.3. However, Italy **gained ground against 12 out of 19 of the other top-20 countries**. In particular, it gained vis-a-vis the UK (+5.2 points), Australia (+3.6 points), Germany (+2.4 points), France (+1.6 points), Canada (+1.5 points) and Japan (+0.8 points).

Italy's ranking has remained on an **almost continuous trend of improvement since 2020**, when it stood at the 20th position.

By looking at four macro-areas of the Positioning Index, Italy is ranked 29th in Openness, 9th in Innovation, 64th in Efficiency and 19th in Endowment.

As in 2023, **Italy's strength lies in the Innovation area**, where it is among the top 10 countries.

In 2024, Italy's ranked among the best countries for the Sustainability Index, with an overall increase – over the last two editions – of 1.4 points (from 76.9 to 78.3), gaining three positions in the global ranking (from 31st to 28th).



	GAI rank 2024	GAI score 2024	GAI rank 2023	GAI score 2023	Dynamicity 2024	Sustainability 2024	Future Orientation 2024
USA	1	100.0	1	100.0	High	High	High
China	2	89.6	2	88.9	High	High	High
Germany	3	85.0	3	87.9	Critical	High	High
UK	4	79.2	4	84.9	Critical	High	High
Singapore	5	78.3	7	77.3	High	High	High
Japan	6	76.8	6	78.1	Critical	High	High
United Arab Emirates	7	75.6	5	78.8	High	High	High
Hong Kong	8	75.2	9	74.8	High	High	High
Korea	9	70.8	8	76.8	High	High	High
Switzerland	10	69.6	13	69.5	Critical	High	High
France	11	69.5	10	71.6	High	High	High
Australia	12	66.8	11	70.9	Critical	High	High
Canada	13	65.7	14	67.7	High	High	High
Netherlands	14	63.7	12	70.6	Critical	High	High
Austria	15	60.7	15	64.8	High	High	High
Ireland	16	60.5	17	61.2	Critical	High	High
Belgium	17	60.3	16	61.7	High	High	High
Italy	17	60.3	18	60.8	High	High	High
India	19	59.2	21	58.6	High	High	High
Spain	19	59.2	20	59.1	High	High	High

Legenda	■ High	■ Medium	■ Low	■ Critical
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Focus on a sector: real estate

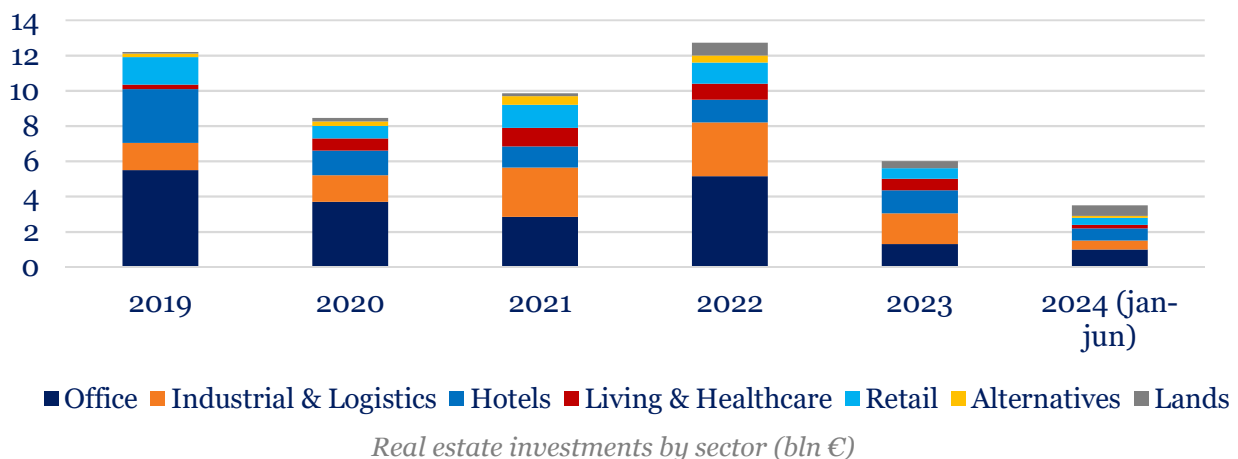
In this section, we examine each month a strategic sector of the Italian economy, providing an overview of the sector's main innovations and most interesting data. In this edition, we focus on the real estate sector.

The real estate sector, which encompasses operators, products, and services related to the property market, is experiencing a significant recovery following the slowdown caused by the substantial rate hike implemented by the European Central Bank in 2022.

In the first six months of 2024, the total value of real estate investments in capital

markets, amounting to **€3.5 billion**, recorded a **66% increase** compared to the same period last year. International capital accounts for 55% of the total.

An additional €3 billion was invested in the third quarter, bringing the cumulative value by September to the total registered in 2023.



In the first half of 2024, the office sector has attracted most investments: €960 million, roughly 27% of total.



The **hotels & hospitality** segment saw a relevant increase with respect to 2023, reaching a total volume of €800 million. Notably, in 2024q2 alone €500 million have been invested, almost double the volume of the same period in 2023.



Retail recorded around €480 million of investments between January and June 2024, confirming signs of a recovery that had already started at the end of 2023. The focus is mainly on out-of-town, especially in the supermarket segment.



The **industrial & logistics** sector closed the first half of 2024 with €500 million of investments, a slight decline with respect to 2023.

More broadly, the real estate sector in Italy has a significant growth potential due to the strong demand within the country. Real estate operations – particularly those focused on urban regeneration – presents high-return opportunities. Urban regeneration allows for the reduction of land consumption: as of the end of 2023, over 21,500 km² of land in Italy had been consumed by cement construction, equivalent to **7.14% of the national territory**, compared to a European average of 4.2%. This places Italy as the 5th worst performer in the EU-27 for land occupancy rate.

In Italy, only 5% of students currently live in **university residences**, compared to a European average of 17%. This is partly due to a limited supply of student accommodation. In major Italian university cities the average is just 4% of the student population, versus an average within the major European university cities more than three times higher (13%).

In the 14 largest Italian cities, nearly **15%** of residents live in neighborhoods requiring regeneration. This percentage exceeds 20% in the Metropolitan Cities of Genoa, Palermo, and Rome. Therefore, the sector offers substantial opportunities for international players to develop community-beneficial and high-return projects.

Moreover, there are several opportunities in less well-known cities. The so called “Borghi”, small medieval towns, are gaining increasing popularity among domestic and international tourists. This niche market is also characterized by lower costs.

In Italy, there are currently approximately 7,800 **assisted living facilities** and **nursing homes** for the elderly. However, the coverage rate meets only 1.9% of demand, compared to an optimal sector standard and EU target of 5%. Considering demographic trends up to 2035, an estimated 600,000 additional beds will be needed in senior living facilities.

A dedicated tutor for international investors

Investors interested in Italy can rely on tailor-made services offered by the *Invest in Italy* team. The Ministry of Enterprise and Made in Italy (MIMIT) provides potential investors with a **dedicated tutor** that supports the entire investment process.

In particular, tutors:

- support investors in finding suitable greenfield and brownfield sites;
- facilitate contacts with central/local administrations to obtain the necessary authorizations and permits;
- facilitate contacts with the Italian supply chain, research centres, universities and technical colleges;
- identify the most suitable incentive schemes to support investments;
- facilitate the search for personnel through relations with regional employment centres and local employment agencies;
- follow the process of obtaining visas, authorisations and work permits for the staff of non-EU foreign investors.

For more information and to get in touch with a dedicated tutor, please visit: www.investitaly.gov.it website.

Favourable tax regime for new residents

New fiscal residents in Italy have the opportunity to apply for a **special tax scheme**, that lasts **for 15 years**:

- Foreign-source income will not be taxed at ordinary rates, but at a yearly substitutive **lump-sum tax of 200,000 euros**.
- All foreign assets will be **exempted from Italian inheritance taxes**.
- No reporting obligations to Italian tax authorities on assets held abroad.
- No wealth taxes on assets held abroad.
- Exemption from Italian CFC rules on foreign companies.

The flat taxation on foreign-source income can also be extended to family members, for 25,000 euros per year per each additional family member.

Should new residents decide to work in Italy, they could apply for a reduction of 50% over their Italian taxable income from employment or self-employment (within an annual limit of EUR 600,000).

Such reduction is granted for a period of 5 years and can be increased to 60% if moving with a minor. Applicants should commit to maintain their fiscal residence in Italy for at least 5 years and should get minimum educational requirements.

Where to find the right opportunities? www.investitaly.gov.it

The Italian Government has recently launched the official www.investitaly.gov.it website.

The platform is designed to provide foreign investors with comprehensive information on the main investment opportunities in Italy. It presents investors with detailed information on the main strategic sectors, incentives, taxation, labour law and immigration.

Moreover, it showcases more than **300 greenfield** and **brownfield public sites** that are immediately available for industrial and logistic projects.

USEFUL TO KNOW:

The **Ministry of Foreign Affairs and International Cooperation** and the **Italian Trade Agency (ITA)** are the first point of contact for all potential investors.

Italian Embassies and Consulates abroad, together with dedicated ITA'S FDI offices, provide information and facilitate any needed dialogue with other Italian institutions.

Please click on the following links to find updated contact details of:

- **Italy's diplomatic-consular network:** [Italian Missions Abroad - Ministry of Foreign Affairs and International Cooperation](#);
- **ITA's FDI offices:** [Invest in Italy | Italian Trade Agency \(ice.it\)](#);
- **Italy's Ministry of Foreign Affairs and International Cooperation** is also available at the following email address: dgsp-03@esteri.it.