

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

In January 2025, Italy recorded a marked acceleration in industrial production. Seasonally adjusted industrial turnover increased on a month-on-month basis by **3.8%** in value and **4.0%** in volume.

These gains were broad-based, with growth recorded both in domestic demand (+3.9% in value and volume) and in foreign demand (+3.6% in value and +4.4% in volume). More moderate, yet positive, developments were also observed in the services sector, which registered **monthly increases of 1.2% in value** and 0.9% in

volume.

This upward trend was evident in wholesale trade (+0.9% in value and +0.3% in volume) as well as in other service activities (+1.6% in value and +1.3% in volume).

On a year-on-year basis, in January 2025, calendar-adjusted industrial turnover recorded an increase of 1.7% in value (+1.3% in the domestic market and +2.5% in foreign markets) and 0.9% in volume (with no change in the domestic market and a 2.9% increase in foreign markets).



*Year-on-year growth rate of manufacturing and services (%),
January 2025*

In February 2025, **trade with non-EU27 countries increased**, both in exports (up by +2.8% compared to the previous month) and imports (+0.8%). The month-on-month increase in exports is mainly due to **higher sales of consumer goods**, both durable (+8.4%) and non-durable (+8.0%), as well as capital goods (+2.2%). On the other hand, exports of energy (-19.9%) and intermediate goods (-1.5%) declined.

On the import side, the increase is mainly driven by higher purchases of energy (+18.0%); imports of non-durable consumer goods also rose (+2.6%), while those of capital goods (-10.4%), intermediate goods (-5.8%), and durable consumer goods (-5.1%) decreased.

In the December 2024–February 2025 quarter, compared to the previous quarter, **exports grew by 3.9%**; the increase affected all product categories except durable consumer goods, which fell by 8.7%. In the same period, imports rose by 6.7%, mainly due to increased purchases of energy (+14.2%).

In February 2025, **the trade surplus with non-EU27 countries amounted to €4,707 million** (€6,885 million in the same month of 2024). The energy deficit (-€4,800 million) was larger than a year earlier (-€3,779 million).

The surplus in the trade of non-energy products decreased from €10,664 million in February 2024 to €9,508 million in February 2025. In February 2025, exports to Turkey (-10.6%) and the United States (-9.7%) showed significant year-on-year declines. Sales to **Switzerland** (+17.3%), **OPEC countries** (+12.9%), the **United Kingdom** (+8.5%), and **ASEAN** countries (+7.4%) increased.

Imports from OPEC countries (+34.3%) and China (+18.3%) registered strong year-on-year growth; purchases from ASEAN countries and the United Kingdom also increased (both +11.7%). Conversely, imports from the United States (-4.9%), Turkey (-4.6%), and Switzerland (-2.0%) declined.



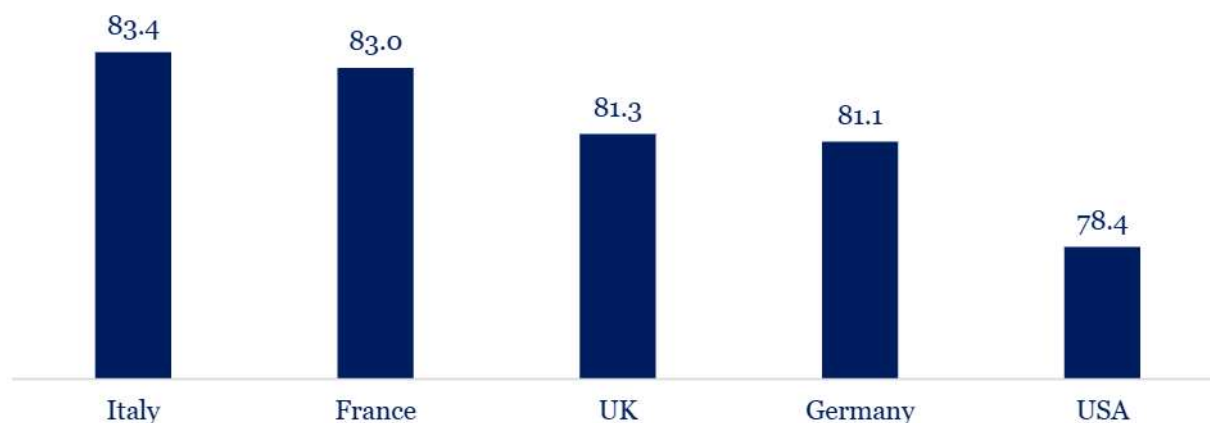
Year-on-year growth of the construction sector (%)

The **construction sector** also shows remarkable dynamism: over the past twenty-five months, year-on-year changes in the aggregate turnover of companies in the sector have been positive in twenty-

three cases. The composite index summarizing the overall sectoral performance grew by **17.6% between January 2023 and January 2025**.

Start-ups

At the end of 2024, there were **15,379 innovative start-ups** registered in Italy's special registry, marking a **7.2% increase** compared to 2023. Around 38% operated in **digital services** (software, ICT, artificial intelligence), while approximately 17% focused on **environmental technologies** and **cleantech**, driven by the momentum of the green transition. The average **initial capital** stood at **€39,000**, with an average of **3.2 partners per company**.



Life expectancy at birth (years), 2024

The Italian National Institute of Statistics (ISTAT) has recently released the results of the 2024 census survey. Among the many insights, a standout figure is the increase in life expectancy, which reached **83.4 years** – almost 5 months more than in 2023.

Italy boasts one of the highest life expectancies in the world, thanks to a combination of factors. A cornerstone is the **Mediterranean diet**, rich in fruits, vegetables, whole grains, and healthy fats like olive oil, which supports cardiovascular

health. Italy's **universal healthcare system** ensures broad access to medical services, while strong family and social networks contribute to mental well-being, especially among the elderly. Additionally, many Italians maintain active lifestyles and live in environments that encourage walking and outdoor activity.

These elements, combined with cultural habits that emphasize balanced living, contribute to the country's longevity.

The Annual Law for Small and Medium Enterprises

The Italian business landscape is characterized by a large number of small and medium-sized enterprises (SMEs) spread across the entire country.

Their importance to the national economy is significant: **nearly half of Italy's**

exports are generated by SMEs.

Furthermore, 18% of small businesses and 33% of medium-sized ones generate more than half of their turnover abroad, highlighting their strong international drive.

Persons employed

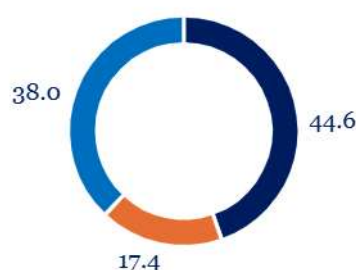


■ Small

■ Medium

■ Large

Value added



Persons employed and value added by firms' size class (% on total), 2024

To strengthen the strategic role of small and medium-sized enterprises and foster their growth, the Italian Government has recently enacted the **new Annual SME Law**. This Law introduces a series of strategic

measures to reinforce Italian SMEs by promoting business aggregation, innovation in the production system, and access to credit.

The measure focuses on four key areas:



Mini
development
contracts



Consortium
hubs



Access to credit



Fiscal incentives



Mini Development Contracts are a tool, funded with an allocation of **100 million euros**, to support investments by SMEs in the fashion sector.

These Development Contracts finance projects ranging from 5 to 20 million euros.

The development plans may involve the creation of a new production unit, the expansion of production capacity in an

existing unit, or conversion and restructuring processes. Eligible expenses are diverse and include company land (up to 10%), construction works (up to 40%), machinery, plants and equipment, consultancy services related to the investment (up to 4%), software programs, patents, and licenses.

Through Development Contracts, **non-repayable grants** are provided covering up to **55%** of the investment for small enterprises and **45%** for medium-sized ones.



Consortium Hubs are an initiative aimed at overcoming the fragmentation of the Italian production system by supporting SMEs in tackling international challenges and promoting the development of associated enterprises.

They represent an **aggregative model of companies** operating in the same sector or production chain, spread across the national territory. These new legal entities, under the supervision of the Ministry of Enterprises and Made in Italy, assist SMEs in their administrative, operational and bureaucratic processes.



The law provides for the regulatory reorganization of the framework governing “*Confidi*” (credit guarantee consortia), which aims to simplify and to streamline the rules that regulate this instrument. This includes revising the registration requirements, expanding the range of permitted activities, promoting aggregation processes through

regulatory incentives and extending the operational possibilities for registered *Confidi*.

The law also introduces measures to **reduce processing costs** in assessing the creditworthiness of enterprises, as well as provisions to facilitate integration among consortia, allowing them to participate in other entities without having to change their corporate purpose.



Finally, **tax incentives** are introduced for companies that join a “*rete soggetto*” (network contract with legal personality), allowing a tax deferral on the share of profits allocated to Investments outlined in the network’s common program. The “*rete soggetto*” is a legal structure that enables collaboration among companies to carry out shared projects

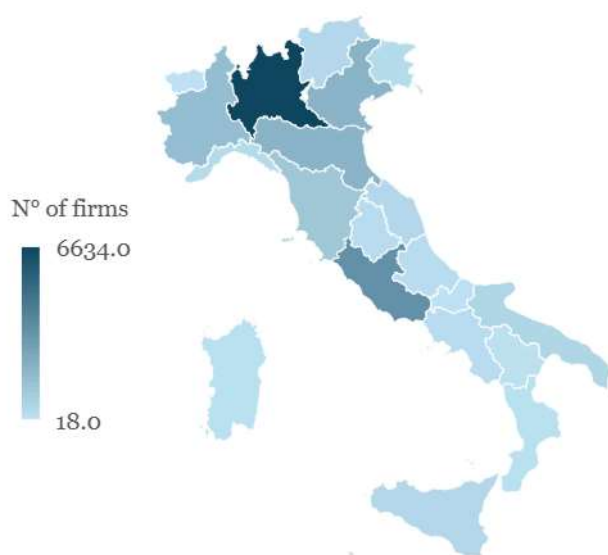
and objectives, aiming to enhance innovation capacity and market competitiveness, while allowing each company to retain its independence, autonomy, and area of specialisation. The incentive, funded with up to **45 million euros** for the period 2027–2029, applies to profits generated between 2026 and 2028 that are allocated to the network’s common fund or to the assets dedicated to the specific project.

Focus on a sector: Information and Communication Technology in Italy

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 Information and Communication Technology (ICT) industry .

The Italian ICT (*Information and Communication Technology*) sector is a key pillar of the country's innovation ecosystem and a **crucial driver of digital transformation across industries**. As of late 2024, it encompasses over **132,000 enterprises** and more than **631,500 employees**, reflecting both its economic weight and strategic importance. While Italy's ICT market is relatively smaller than those of global leaders, its dynamism lies in the proliferation of startups and innovative SMEs, particularly in software

development, IT consulting, and emerging digital services. These segments are at the heart of the sector's expansion, supported by sustained public investments, EU digital policies, and a growing demand for digital solutions across both the public and private sectors. Italy's ICT ecosystem is further strengthened by the rise of **specialized digital platforms**, artificial intelligence, and cloud-based technologies, which are redefining the **value chain of Italian industry, services, and public administration**.



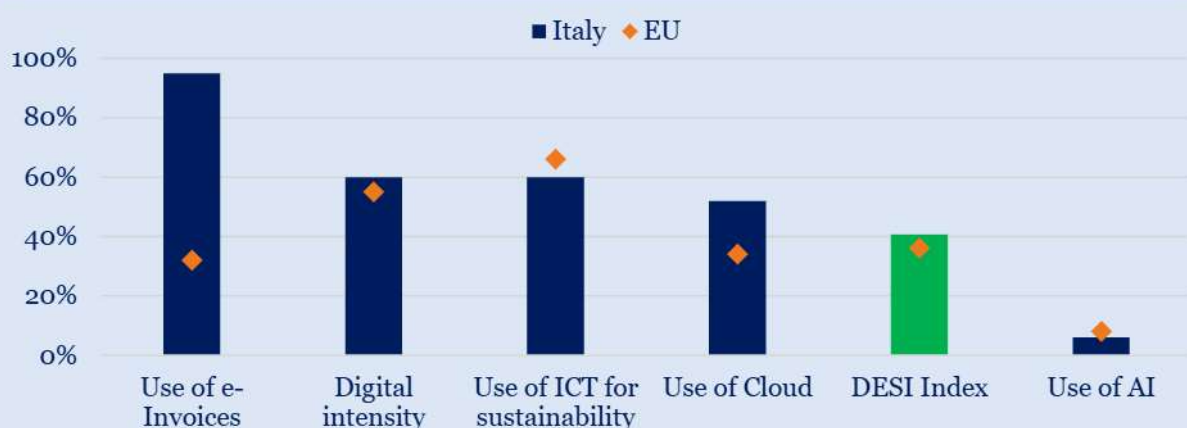
Regional distribution of medium-sized ICT enterprises, 2025

Source: TEHA Group elaboration on bureau van dijk data

The regional distribution of **ICT activities** reveals a strong concentration in **Lombardy** and **Lazio**, followed by **Friuli-Venezia Giulia** and **Veneto**, which lead in terms of enterprise density and innovation capacity. The most dynamic area is clearly **software** and **IT consulting**, which alone accounts for over 56,000 companies and nearly 380,000 employees. The sector has also seen a marked rebound in **telecommunication services**, posting employment growth of over 37% in 2024 after years of stagnation. Although most ICT firms remain micro or small in scale - with only a few hundred exceeding 250 employees or €50 million in production value - the sector is characterized by high **entrepreneurial vitality**, particularly in **the mid-size bracket** and **among digital-native enterprises**.

Italy's ICT sector is being strengthened by **targeted investments** from the **PNRR**, which supports digital infrastructure, public services, and SME innovation. Notably, around **€6.3 billion** are **allocated** to the **digital transition of enterprises**, including the *Transizione 4.0/5.0* programs. These efforts are helping

the acceleration of technology adoption across key industries. However, despite progress - reflected in **Italy's 8th place in the Index for digital integration (DESI-DI)** - advanced technologies like AI and big data remain underused, highlighting the need to close persistent gaps in digital maturity of ICT businesses.



DESI Indicators, Integration of digital technology in businesses, benchmarking, 2023

The Digital Economy and Society Index (DESI) reflects Italy's strong adoption of basic digital tools, thanks to the **ICT sector's enabling role**. Yet, limited use of advanced technologies - especially among SMEs - highlights the ongoing challenge of scaling innovation and deepening digital transformation.

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 identifying 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 partnerships 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.investinitaly.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.investinitaly.gov.it

The Italian Government has recently launched the official www.investinitaly.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.