

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

The latest Global Economic Outlook published by the International Monetary Fund highlights that *"the global economy is adjusting to a landscape reshaped by new policy measures. Some extremes of higher tariffs were tempered, thanks to subsequent deals and resets."* A consequence of such policies is a generalized decline in economic growth: the latest **global growth projections**, despite being revised upward compared to the estimates of April 2025, **continue to mark a downward revision** relative to the pre-policy-shift forecasts. The IMF conclusion is that *"global growth is projected to slow from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026, with advanced economies growing around 1.5%"*.

In such complex scenario, Italy's GDP in the third quarter grew by **0.4%** compared to the same period in 2024.

The overall stability of the economy, as suggested by the preliminary short-term estimates, reflects a mix of trends: growth

in the primary sector's value added, a modest decline in industry, and steady performance in services.

GDP growth depends on the performance of its key components. Household spending, which alone accounts for more than 60% of total GDP, remained stable in the second quarter and rose slightly over the summer months, **supported by improved consumer confidence and a solid labor market**. However, uncertainty remains high, leading to cautious spending behavior and a **stronger tendency to save**.

Investment continued to grow in the third quarter, still driven by tax incentives and other measures linked to the National Recovery and Resilience Plan (NRRP). In particular, spending on machinery and equipment was boosted by the Transition 5.0 plan incentives, which are set to expire at the end of this year and have seen a sharp increase in applications since last spring.

In September 2025, Italy's trade with non-EU countries saw a **strong month-on-month increase** for both exports and imports - slightly higher for imports (+6.1%) than for exports (+5.9%).

The jump in exports was mainly driven by higher sales of capital goods (+14.7%), especially marine vessels. Consumer goods also performed well, with non-durables up by +6.3% and durables by +0.6%. On the other hand, exports of energy products (-16.9%) and intermediate goods (-0.5%) went down.

On the import side, the overall rise was almost entirely due to higher purchases of non-durable consumer goods (+22.2%) and intermediate goods (+8.3%).

Looking at the third quarter of 2025 as a whole, **exports grew by +1.8%** compared to the previous quarter, mainly thanks to strong energy sales (+27.3%), capital goods (+6.9%), and intermediate goods (+4.1%). Imports were also up by +0.9%, with growth

across nearly all categories - except for energy, which dropped by 5.9%.

In September 2025, Italy recorded a **trade surplus of €2.7 billion with non-EU countries**, down from €3.8 billion in the same month last year. The energy deficit narrowed to €3.4 billion (from €3.9 billion a year earlier), while the surplus in non-energy goods fell from €7.7 billion to €6.2 billion.

Exports to the United States surged by +34.4% year-on-year - or +12.0% when excluding marine vessels - marking a strong overall rebound. Sales also increased sharply to OPEC countries (+23.8%), Japan (+15.6%), and Switzerland (+10.0%), while exports to Turkey dropped significantly (-33.9%). Imports from the United States soared by +76.8% compared to September 2024. Strong gains were also seen in imports from China (+32.3%) and India (+28.6%). On the other hand, purchases from the United Kingdom (-3.1%) and Switzerland (-1.0%) declined slightly.

Job market

In September 2025, the number of people employed in Italy reached **24.22 million**, showing an increase compared to the previous month. Permanent employees rose to 16.55 million, while temporary workers declined to 2.47 million. The number of self-employed remained largely unchanged at 5.20 million.

Compared with September 2024, **total employment grew by 176,000**. This reflects strong **gains in permanent employment** (+417,000) and among the self-employed (+76,000), offset by a sharp drop in temporary contracts (-317,000).

Month-on-month, the **employment rate climbed to 62.7%**, while the unemployment rate rose slightly to 6.1%. The inactivity rate, meanwhile, edged down to 33.1%.

Contrary to common belief, Italy is actually one of the European countries with the **lowest overall debt levels**.

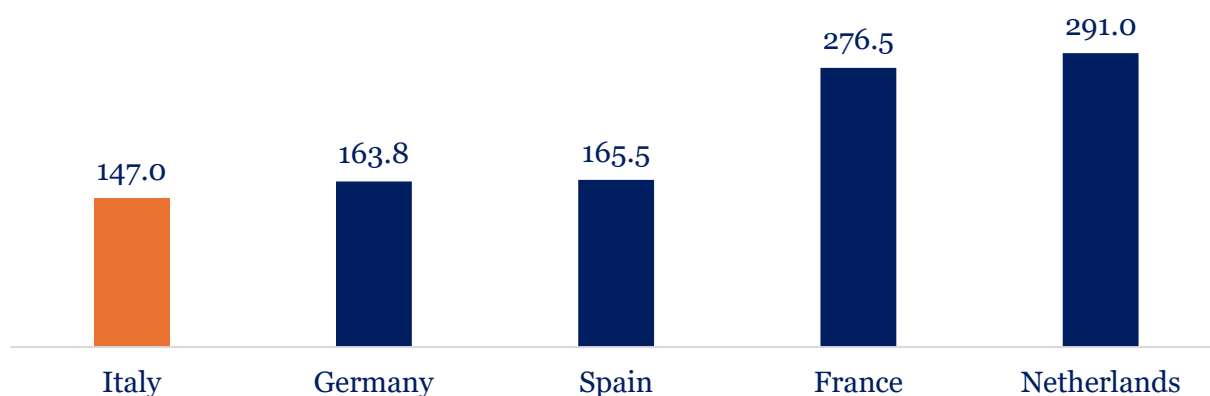
While public debt often draws attention, private debt in Italy — particularly that of businesses — is remarkably low compared to most EU economies.

In relation to GDP, both household and corporate indebtedness remain well below

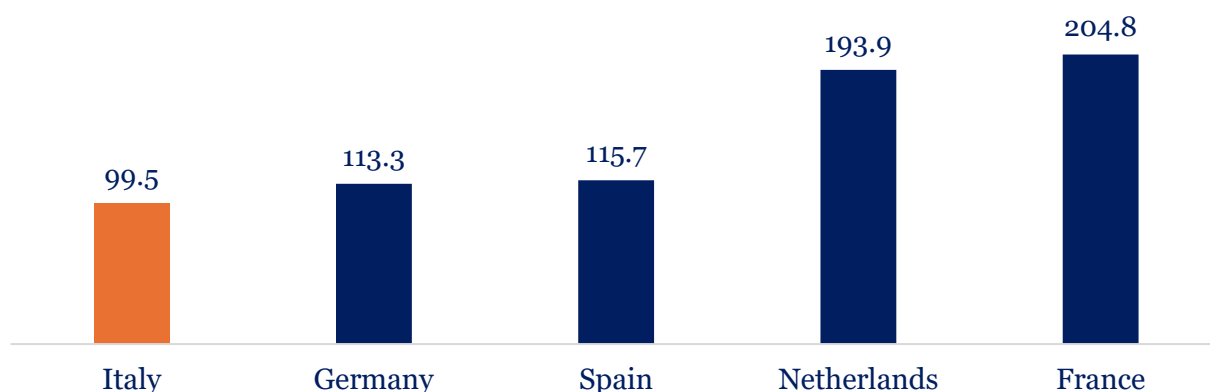
the European average: this reflects a traditionally cautious financial culture, with families and firms tending to avoid excessive leverage and favoring long-term stability over short-term expansion.

As a result, Italy's private sector enters each economic cycle with relatively solid balance sheets, offering an important counterweight to the high levels of government debt often highlighted in public debate.

Total private debt



Non-financial corporations debt



Private debt as % on GDP, 2024

Italy's Artificial Intelligence Law



On 23 September 2025, the Italian Parliament approved in final reading the country's first comprehensive **Law on Artificial Intelligence (Law No. 132/2025)** - a milestone that places Italy among the **first EU Member States to establish a national legal framework consistent with the forthcoming EU Artificial Intelligence Act**. The law, promoted by the Ministry for Technological Innovation and Digital Transition, sets out the principles, governance structure, and policy tools that will guide the ethical, economic, and industrial development of AI in Italy.

The legislative process has been closely aligned with the European timetable. Following the European Parliament's endorsement of the AI Act in March 2024 and the Council's adoption in July 2024, Italy's national law was designed to ensure early compliance while introducing complementary mechanisms to support innovation and safeguard rights. Its approval in both Chambers, with broad cross-party consensus, marks a significant

step in translating EU-level regulation into a country-specific strategy.

The law rests on **three pillars**: governance, innovation, and protection. First, it establishes the **National Authority for Artificial Intelligence**, a dedicated supervisory body responsible for monitoring compliance, coordinating with the EU AI Office, and issuing guidelines for risk assessment and algorithmic transparency. The Authority will operate alongside existing digital and data-protection regulators, ensuring coherence between AI oversight, cybersecurity, and privacy frameworks. Second, the law creates the **National Strategic Programme for AI**, financed through both national and EU funds. This programme will support applied research, startup acceleration, and the integration of AI across key sectors - from healthcare and education to manufacturing, public administration, and cultural heritage. A particular focus is placed on SMEs and public institutions, which will receive targeted support for the adoption of trustworthy AI systems.

Italy's Digital Infrastructure & Governance Ecosystem (2025)

An integrated framework combining governance, identity, innovation and investment - positioning Italy as a European leader in digital transition and AI regulation.

Governance

AGID - Agency for Digital Italy
ACN - National Cybersecurity Agency
Ministry for Technological Innovation and Digital Transition

Identity & Access

SPID - Public Digital Identity System
CIE - Electronic ID Card
PagoPA - Unified platform for public payments

Innovation & Regulation

Law No. 132/2025 – National AI Law
AI National Authority
Strategic Programme for AI

Investment & Infrastructure

NRRP Digital Transition Components
National cloud infrastructure
Data Governance Act

Third, the law defines a **Charter of Fundamental Principles**, embedding safeguards on human oversight, non-discrimination, and explainability. It expressly prohibits the use of AI for social scoring, mass surveillance, or manipulative profiling - aligning with the EU's high-risk classification approach. Public administrations deploying AI systems will be required to publish risk-impact assessments and maintain human-in-the-loop procedures for all decision-making processes.

From an institutional standpoint, the law represents a **convergence of digital policy and industrial strategy**. It complements the existing National Digital Transition Plan 2026, the Cybersecurity Decree, and the NRRP digitalisation objectives, creating an integrated ecosystem that links research, innovation, and public trust. The governance architecture explicitly encourages collaboration between government, academia, and the private sector, particularly through innovation sandboxes and joint research hubs.

Economically, the measure seeks to position Italy as a European hub for **applied and ethical AI**. By combining regulatory clarity with investment incentives, the law aims to attract international R&D partnerships and strengthen domestic value chains.

The government expects that this framework will accelerate the adoption of AI technologies in sectors such as advanced manufacturing, life sciences, energy management, and creative industries - all areas where Italy already holds competitive advantages.

Compared to previous digital policy instruments, the 2025 AI Law stands out for its institutional maturity and anticipatory approach. It transforms fragmented pilot initiatives into a coherent national system of governance, ensuring consistency with EU obligations while leaving room for flexibility in implementation. The forthcoming months will be crucial: the government must appoint the members of the National AI Authority, adopt secondary legislation detailing certification and auditing procedures, and coordinate with the European Commission on interoperability standards.

In essence, the new AI Law is not merely a compliance act. It is a strategic positioning tool, designed to link innovation policy with industrial competitiveness and public accountability. For international investors, it signals that Italy is moving decisively towards a balanced framework - one that safeguards ethical standards while fostering a pro-innovation environment within the broader European AI landscape.

Focus: The European AI Act



Adopted in July 2024, the EU Artificial Intelligence Act is the **world's first comprehensive AI regulation**, introducing a risk-based framework that classifies systems from "unacceptable" to "minimal" risk. It bans social scoring and manipulative surveillance while imposing strict transparency and human-oversight rules on high-risk uses. A new European AI Office will coordinate national authorities to ensure uniform enforcement. Italy's Law No. 132/2025 aligns fully with this framework, serving as its national implementation pillar within the EU model for trustworthy and human-centred AI.

Focus on a sector: Urban Regeneration 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 Urban Regeneration sector .

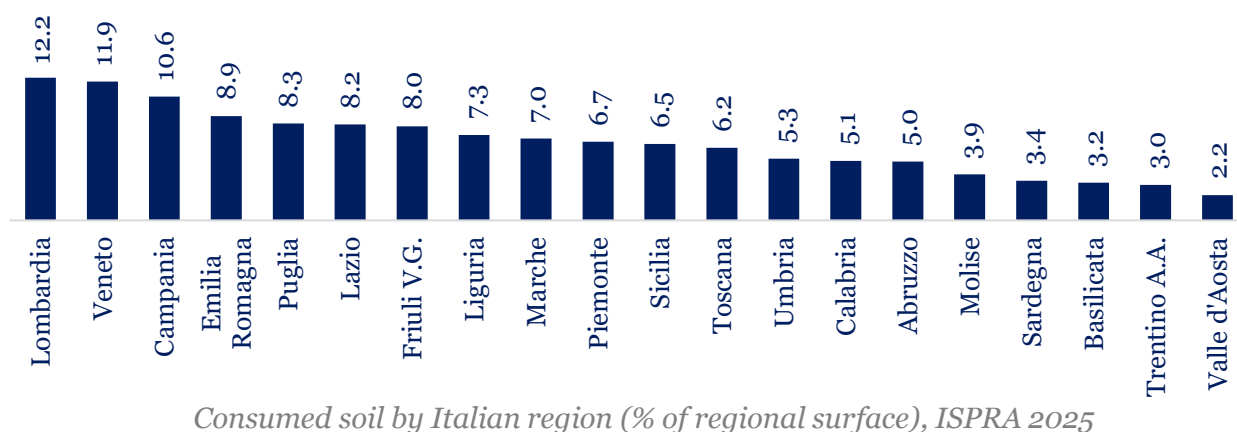
Despite the absence of a clear regulatory and statistical perimeter, Italy’s urban regeneration sector is rapidly taking shape, driven by growing social and environmental pressures linked to the built environment, the reuse of land, and the challenges faced by cities. Once a niche activity, it is now emerging as a **strategic pillar of the national economy**.

By 2024, approximately **12 million square metres** of built surface had been regenerated across Italy, encompassing former industrial sites, public buildings, and private assets. These interventions generated an economic activation of **€51.3 billion**, corresponding to **€22.5 billion in direct GDP** contribution and supporting over **160,000 full-time equivalent (FTE) jobs** - figures comparable to, and in some cases exceeding, established industrial sectors such as utilities or advanced manufacturing.

The overall impact is broader than direct output alone. Including indirect and induced effects along the national supply

chain - from construction and engineering to manufacturing, business services and public administration - the total GDP impact reached €60.1 billion up to 2024, with **€139.9 billion in total economic activation**. This confirms the sector’s systemic role in driving productivity, employment, and local value creation.

Looking ahead, the potential scale is vast. Between 2025 and 2050, an estimated 320 million m² of urban surfaces remain to be redeveloped - one of the largest spatial transformations in recent Italian history. Full implementation of this potential could generate **€1.594 trillion in cumulative GDP impact** (of which €598 billion direct, €830 billion indirect, and €166 billion induced), alongside €3.7 trillion in total economic activity and 14 million FTEs. On an annual basis, this translates into an average €63.7 billion contribution to national GDP, equivalent to **2.5% of Italy’s annual output** - a level exceeding the primary sector and comparable to major industrial branches.



At present, **publicly owned underutilised assets** cover around **353 km²**, valued at roughly **€13 billion** (*current prices*). More than 60% of these are municipal properties, representing a crucial lever for integrated regeneration policies combining housing, social services, infrastructure, and cultural use.

Yet the funding gap remains stark: against a total investment need of about €1.36 trillion by 2050, public resources currently committed amount to less than €3.5 billion, underscoring the necessity of **mobilising private capital through effective partnership frameworks**.

Beyond the economic dimension, the sector touches on Italy's deepest **social, demographic, and environmental challenges**. By 2050, the population is expected to shrink by more than 3 million people, while the ageing rate will rise above 35%. Urban regeneration, through adaptive

housing, accessible services, and improved public space, can mitigate social exclusion and foster intergenerational cohesion. Environmentally, the regeneration of existing stock could **reduce CO₂ emissions by 7.7 million tonnes**, lower energy consumption by 34.7 TWh, and increase renewable production by 8.9 TWh, contributing significantly to EU climate targets.

Ultimately, urban regeneration is evolving into a strategic industry - a cross-sector ecosystem that integrates construction, design, finance, services, and technology. Its future depends on the establishment of a coherent national framework capable of aligning incentives, governance, and investment instruments. If adequately enabled, it could become one of Italy's **strongest levers for sustainable growth**, territorial cohesion, and long-term competitiveness.

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.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.

All previous editions of the Business Insight from Italy newsletter are available on the website ambrosetti.eu/en/business-insights