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.

In this edition:

Italy's Macroeconomic Outlook

In April 2025, the **turnover of Italian industry**, net of seasonal factors, increased by **1.5%** in value and by 1.6% in volume compared to the previous month. In the services sector, the month-on-month growth was 0.5% in value and 0.4% in volume, with a positive trend observed both in wholesale trade (+0.4% in value and +0.9% in volume) and in other services (+0.7% in value and +0.1% in volume).

Growth across industrial sectors was evident **among all business groupings**: there was a month-on-month increase for consumer goods (+1.6%), for energy (+2.0%), for capital goods (+2.5%), and, to a lesser extent, for intermediate goods (+0.5%).

In the quarter from February to April 2025, on a seasonally adjusted basis, industrial turnover rose both in value (+0.5%) and in volume (+0.2%).

Over the same period, services recorded a slight increase in value (+0.3%) and a decrease of 0.2% in volume.

Comparing data from April 2025 with the same month of the previous year, industrial turnover showed an increase of 1.1% in value and 0.3% in volume.

There were increases of 1.3% on the domestic market (+0.3% in volume) and of 0.4% on foreign markets (+0.3% in volume).

In April 2025, within the services sector, year-on-year growth amounted to 2.1% in value and 0.3% in volume. In wholesale trade, both value (+1.2%) and volume (+0.9%) rose, whilst in other services, annual turnover grew by 3.1% in value, with volume remaining stable.

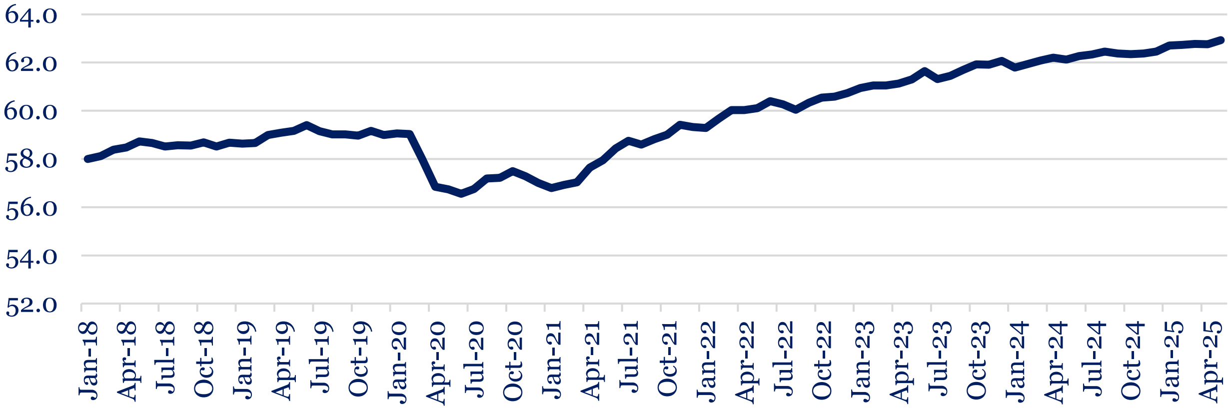
Source: TEHA Group elaboration on Istat data

Over the past three years, Italy has witnessed a **marked recovery in its employment rate, ultimately exceeding the levels recorded in 2018.**

By the first quarter of 2024, Italy reached a record-high employment rate — 62.9% for the 15–64 age group, in May 2025, — surpassing both pre-COVID figures and the domestic historical benchmark.

This resurgence reflects a strong rebound following the sharp contraction in employment during the pandemic, with national employment levels rising steadily since early 2021.

Moreover, unemployment has declined to around 6.8% by May 2024 — 3 percentage points below the pre-pandemic rate — while inactivity rates have also fallen to record lows.

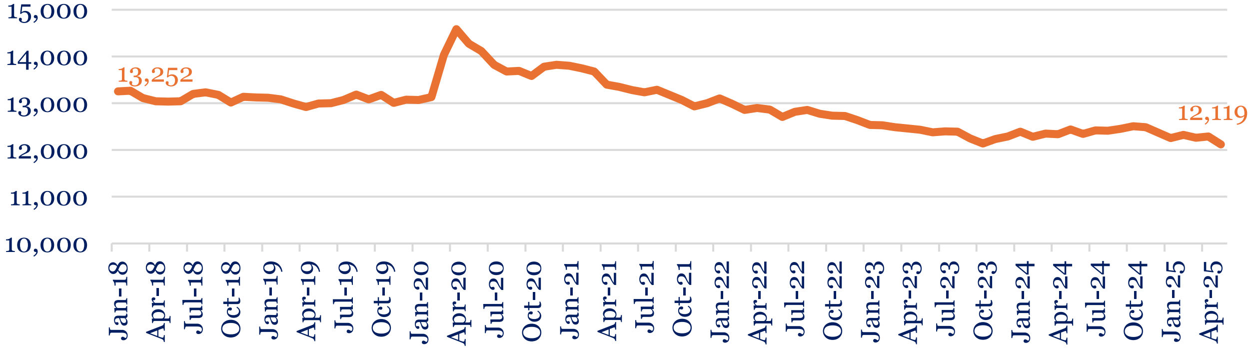


Employment rate (%), Jan 2018 – May 2025

ISTAT data from May 2025 indicate that the number of inactive individuals — those neither employed nor actively job-seeking — **fell by approximately 320,000 compared with May 2024**, equivalent to a 2.6 percentage point reduction in inactivity.

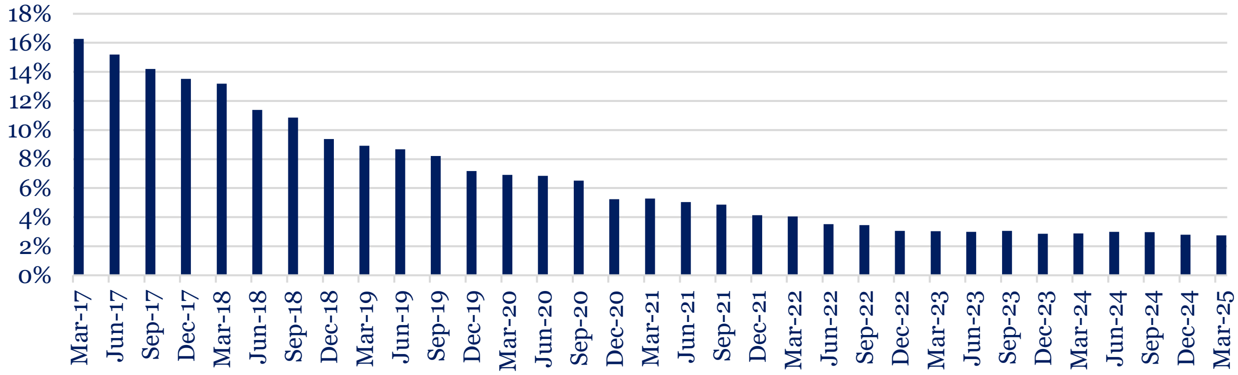
Concurrently, by May 2025 the inactivity rate stood at 32.6%, down from around 33% in April, reflecting a sustained influx of previously disengaged individuals into the labour force. This shift has contributed to rising employment and unemployment rates, as more people are now participating in the job market.

The decline in inactivity underscores a broad-based improvement in Italy's labour market engagement, underpinned by increasing confidence among individuals to re-enter work or start seeking it.



Inactive population (thousands), Jan 2018 – May 2025

Source: TEHA Group elaboration on Istat and Moody's data



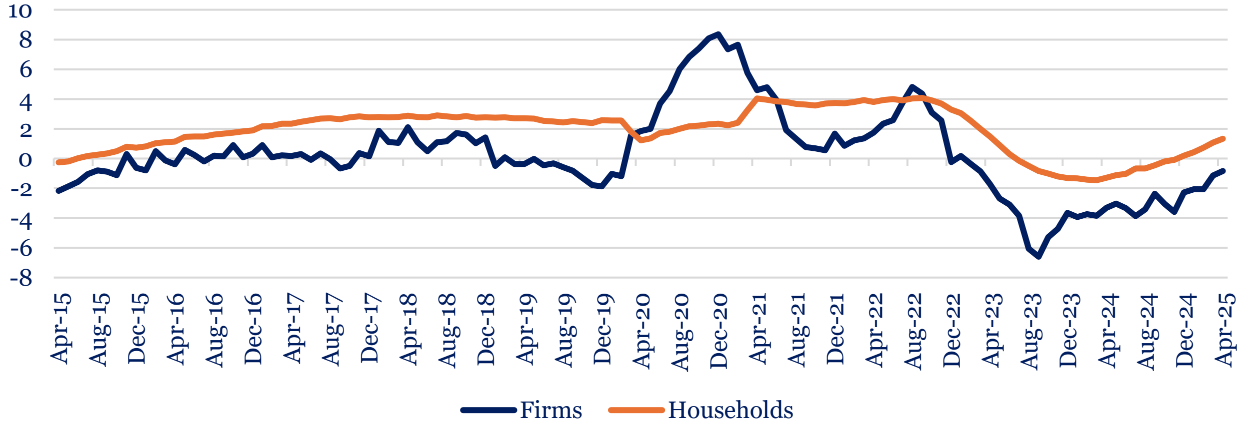
Non performing loans issued by Italian bank (% on total), March 2017 – March 2025

Since 2015, Italy has undertaken a comprehensive set of policies to **reduce the stock of non-performing loans** (NPLs) in the banking sector, addressing one of the most serious legacies of the previous financial crisis. The introduction of the GACS scheme (Garanzia sulla Cartolarizzazione delle Sofferenze) in 2016 provided a public guarantee mechanism to support the securitisation of bad loans, helping banks offload significant volumes of impaired assets from their balance sheets. In parallel, supervisory pressure from the Bank of Italy and the European Central Bank led to stricter provisioning rules and incentives to accelerate NPL disposals.

Over the years, the secondary market for distressed assets has expanded considerably, supported by specialised servicers and investors.

As a result, the NPL ratio in Italy has fallen dramatically, from around 17% in 2015 to below 3% in 2025, strengthening the resilience and profitability of the banking system.

The 12-month growth rate of bank lending in Italy has exhibited a gradual recovery in early 2025, with a notably stronger performance in household credit compared to corporate lending.



12-month rate of change of bank lending (%), April 2015 – April 2015

Source: TEHA Group elaboration on Bank of Italy data

The Mattei Plan for Africa

The Mattei Plan (Piano Mattei) originated as an Italian strategic initiative aimed at **redefining relations with African countries**, with the dual objective of enhancing Italy's energy security and promoting sustainable development partnerships across the continent.

Announced in late 2022 by the Italian government and named after Enrico Mattei — the visionary founder of Eni who championed fair energy agreements with Africa in the 1950s and 1960s — the plan seeks to invest in **infrastructure**, **education**, **renewable energy** and **economic opportunities**, fostering a more equitable cooperation framework. Its genesis lies in the recognition of both Italy's growing need for diversified energy sources following the Ukraine crisis, and the broader geopolitical imperative to stabilise and support African economies through mutually beneficial partnerships.

The qualifying element of the Mattei Plan for Africa is its methodology, **inspired by a global and non-predatory approach** that responds to Africa's needs, recognising the centrality of sharing sustainable socioeconomic development and responsibilities for stability and security as the foundation for lasting, mutually beneficial relations between Africa and Europe.

The "Mattei method" can be summarised by the formula: "**Listen, respect, build together**".

The Mattei Plan develops new projects or actively supports existing initiatives, sharing with African nations the phases of design, definition and implementation, in order to ensure economic and social returns that remain in the territory and serve as a stable lever of resources for further expansions.

The design of the interventions included in the Plan will, in fact, stem from direct preliminary contacts with representatives of African partners, also to ensure full national ownership throughout the entire implementation cycle of the initiatives themselves.

On this basis, the Mattei Plan is structured along six areas of intervention:

- education and training
- Healthcare
- Water
- Agriculture
- Energy
- infrastructure (both physical and digital).

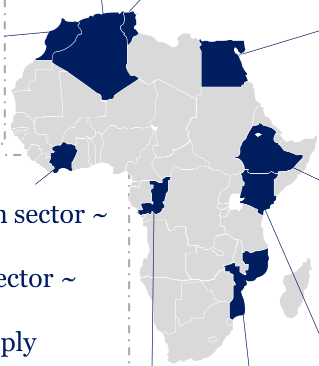
The Plan envisages the involvement of the entire Italian System, starting with the diplomatic and consular network, and the strengthening of synergies with strategic initiatives at European and international level that focus on Africa, in particular with International Financial Institutions, the European Union's Global Gateway, and the G7's Partnership for Global Infrastructure and Investment.

Algeria:
- Rehabilitation of semi-arid land for agricultural production
- Establishment of a vocational training centre with a regional focus

Morocco:
- Pan-African centre of excellence for training in renewable energy and the energy transition
- Support for the healthcare sector through the strengthening of telemedicine capabilities

Côte d’Ivoire:
- Support for the primary education sector ~ €15 million
- Strengthening of the healthcare sector ~ €49 million
- Reinforcement of agricultural supply chains for production intended for domestic consumption ~ €200 million

Republic of Congo:
- Improvement and strengthening of the drinking water supply for the city of Brazzaville ~ €300 million



Tunisia:
- TANIT – Italy–Tunisia Tandem for food security ~ initial contribution of €35.6 million
- TERNA Innovation Zone
- Project for the training, conservation and enhancement of three Tunisian archaeological sites

Egypt:
- Italian School of Hospitality in Hurghada, Enrico Mattei

Ethiopia:
- Support programme for environmental development and the green economy ~ €25 million
- Support for Addis Ababa University in implementing university reform

Kenya:
- Expansion of vegetable oil production for advanced biofuels ~ €194 million (of which €66 million from the Climate Fund)
- Aflatoxin reduction programme: intervention under planning for an amount of ~ €50 million

Mozambique:
- Establishment of an agri-food hub in Manica province ~ €38 million

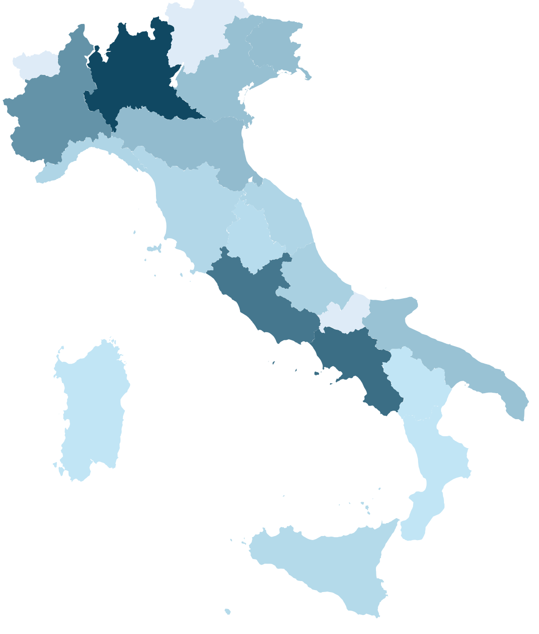
In its initial phase, the initiative was implemented through pilot projects involving nine countries: four in the North African quadrant (Egypt, Tunisia, Morocco, and Algeria) and five in the Sub-Saharan quadrant (Kenya, Ethiopia, Mozambique, the Republic of the Congo, and Côte d’Ivoire), as shown in the figure. In its second phase, the Mattei Plan, following an incremental logic, has also involved Angola, Ghana, Mauritania, Senegal, and Tanzania.

In parallel, the Mattei Plan also supports strategic transnational projects such as the “Lobito Corridor”, a major connectivity infrastructure system in Africa. In particular, the project will connect existing railway infrastructure in the eastern regions of Angola and in Zambia, passing through the Democratic Republic of the Congo. The new line will extend for approximately 800 km, linking the town of Luacano (Angola) to the city of Chingola (Zambia), and will also include numerous projects aimed at strengthening digital and energy connections, with initiatives that duly take into account the needs of the local communities crossed by the Corridor. Initially, Italian financial participation in the project could amount to up to 320 million US dollars.

Focus on a sector: Aerospace 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 Aerospace industrial sector .

The aerospace sector represents a strategic pillar of Italy's industrial system, generating over **€18 billion** in **total revenue** in 2023 and employing more than **50,000 workers**. The industry is highly articulated, characterized by a strong prevalence of small and medium-sized enterprises **(SMEs)**, which account for **over 76%** of **all active firms**. Geographically, the sector is primarily concentrated in Lombardy (20.1%), Campania (15.4%), and Lazio (14.3%). Apulia holds 5% of the national total, ranking second among **Southern Italian regions** in terms of the number of active aerospace firms.

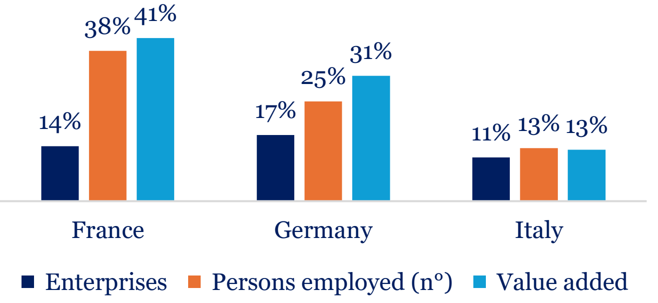


Regional distribution of Aerospace firms (number), 2023
Source: iCRIBIS

Within this landscape, Southern Italy, like the rest of the country, stands to benefit from targeted agreements aimed at fostering innovation and promoting the sector's sustainable growth. Campania and Puglia also distinguish themselves in the **aerospace export domain**, ranking among the **top ten Italian regions** by export value. In 2023, Campania recorded exports amounting to €698.3 million, while Puglia reached €326.0 million. Together, these two regions accounted for **99.3% of Southern Italy's total aerospace exports**, consolidating their position as the region's leading **aerospace hubs** and as key players within the national industrial supply chain. In particular, the aerospace value chain in Campania plays a significantly more prominent role than manufacturing does on average across Italy. The region contributes 58.0% of Southern Italy's aerospace Gross Value Added (GVA) and 18.3% of the national total, compared to Campania's 3.7% share of Italy's overall manufacturing GVA. Similarly, the sector accounts for **61.2% of Southern Italy's aerospace workforce** and **20.7%** of **the national total**.

At the **European level**, Italy plays a central role in the continent's aerospace ecosystem. It ranks **3rd** in **Europe** and **7th globally** in terms of **sovereign space investment** as a **percentage of GDP**.

As of 2024, Italy is the **third-largest contributor** to the **European Space Agency** (ESA), with a national allocation of €881.2 million - equal to **17%** of the **agency's total budget**. Italy also stands as one of ESA's founding members and plays a leading role in multiple missions and development programs through its industrial network. Italy ranks **3rd** in the European Union in terms of both the **number of aerospace enterprises** and the size of its dedicated **workforce**. According to Eurostat (2023), the country hosts **174 active firms** in the sector-



The Aerospace industry, benchmarking, (% of total EU27), 2023. Source: Eurostat

including major system integrators, SMEs, and start-ups - and employs over **50,000 people** in total. This industrial capacity is supported by a dense network of clusters and specialized infrastructure, reinforcing Italy's competitiveness and integration into **European value chains**.

The strength of Italy's aerospace ecosystem also extends to **scientific research** and **technological innovation**. Between 1996 and 2022, Italy ranked **3rd in the EU** and **7th globally** for the number of **citations** in **Aerospace Engineering**, with 227,000 total citations. In Space and Planetary Sciences, it ranked **3rd** in the **EU** and **5th worldwide**, with over 1.6 million citations.

This performance reflects the active role of Italian companies, universities, and research centers in both national and international R&D programs and highlights the sector's capacity to generate globally recognized scientific output.

Note: Analysis refers to activities under NACE Rev.2 code C30.3 (Manufacture of air and spacecraft).

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.