# 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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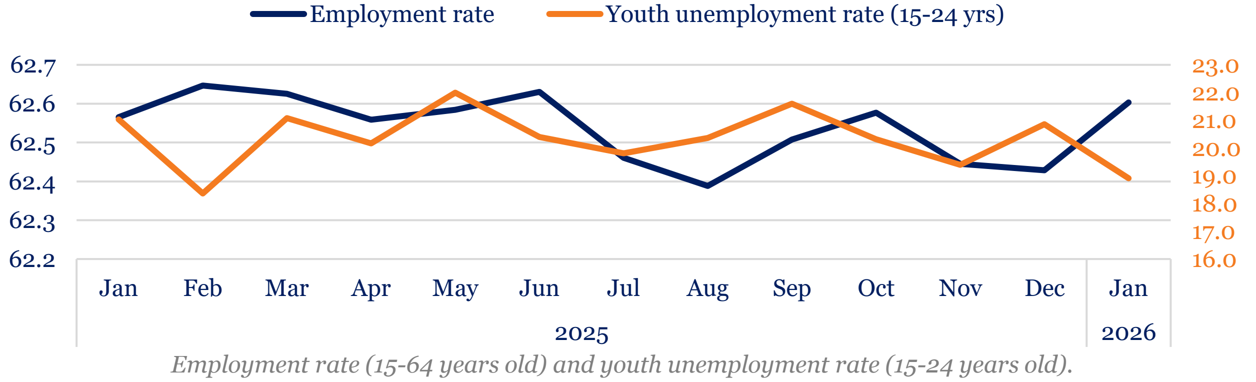
## Italy's Macroeconomic Outlook

In Q4 2025, Italy's GDP grew +0.3% quarter-on-quarter and +0.8% year-on-year, above consensus forecasts. Full-year 2025 GDP reached +0.7%, driven by domestic demand and strong housing investment (+7.1%). The 2026 carry-over stands at +0.3%, accounting for over 40% of the government's annual target. Consensus for 2026 clusters around 0.7–0.8%, supported by NRRP investment and recovering household consumption.

Italy's **labour market** delivered a record-low unemployment rate in January 2026, with joblessness falling to 5.1%, down 0.4 percentage points from December 2025 and 1.4 points year-on-year.

The figure marks the lowest unemployment rate since the current monthly series began in 2004 and came well below market expectations. **Youth unemployment** (15–24) also **declined sharply to 18.9%**, down 1.9 points month-on-month, while total employment rose to 24.18 million people, increasing by 80,000 over the month. The employment rate for the 15–64 population edged up to 62.6%, broadly stable compared with a year earlier.

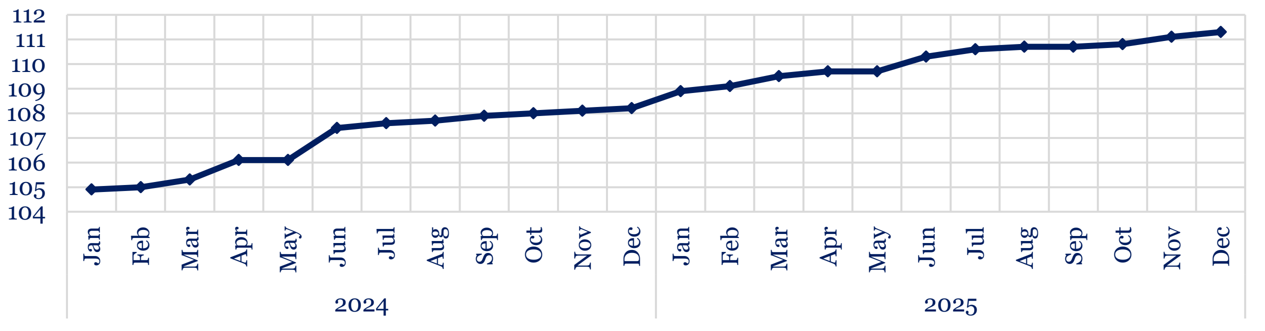



*Employment rate (15-64 years old) and youth unemployment rate (15-24 years old). (%), Jan 2025 - Jan 2026 (latest data available).*

*Source: TEHA Group elaboration on Istat data*

Beneath the headline improvement, however, the labour market shows mixed structural signals. **Permanent employment increased** by 71,000 year-on-year, and **self-employment surged by 195,000**, while **temporary contracts declined** by 196,000, suggesting a **shift toward more stable forms of work**.

At the same time, the number of inactive individuals rose by 322,000, offsetting part of the decline in unemployment and indicating that some labour-market slack persists. Structural challenges also remain pronounced: Italy continues to record the largest gender employment gap in the EU (19.4 percentage points) according to Eurostat, with employment rates of 70.9% for men and 54.0% for women. Regional disparities also remain significant, with female employment in Southern regions still roughly 20 percentage points below the Centre-North.

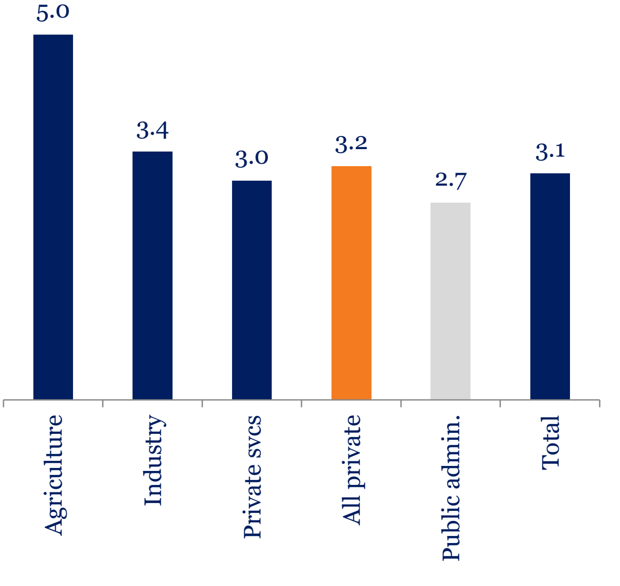



*Hourly contractual wages. Index 100=2021, 2024-2025*

**Contractual wages** in Italy continued to recover in 2025, rising +3.1% year-on-year on average, matching the pace recorded in 2024 and marking a second consecutive year of real wage growth as inflation eased.

Wage dynamics remained slightly stronger in the **private sector** (**+3.2%**), while public administration wages increased by +2.7%, largely reflecting the renewal of contracts covering the 2022–2024 bargaining cycle.

On a monthly basis, contractual wages increased +2.9% YoY in December 2025, comfortably above the +1.6% inflation rate recorded in early 2026, indicating a gradual recovery of purchasing power.




*Contractual wage growth by sector. Average (YoY %), 2025*

Sectoral dynamics show heterogeneous wage growth across industries. Agriculture recorded the strongest increase at +5%, followed by industry (+3.4%) and private services (+3.0%), while overall public administration wages expanded at roughly +3%.

The acceleration in private-sector wages was particularly pronounced in the first half of 2025, with increases of +4.5% in Q1 and +3.3% in Q2, before moderating to +2.5% in both Q3 and Q4. In the public sector, stronger increases were concentrated in areas affected by contract renewals, including ministries (+7.2%), armed forces (+6.9%), and the fire brigade (+6.8%).

Despite the improvement in wage dynamics, collective bargaining remains partially incomplete. At the end of 2025, 48 active collective agreements covered around 7.6 million workers (57.8% of employees), while 27 contracts were still awaiting renewal, affecting approximately 5.5 million workers with an average waiting time of 18.9 months.

Italy's consumer price dynamics showed a moderate acceleration in February 2026, with headline inflation (NIC) rising to +1.6% year-on-year, up from +1.0% in January, according to preliminary estimates from ISTAT. The increase was primarily driven by services inflation, which strengthened to +3.6% YoY (from +2.5%), widening the services–goods inflation gap to 3.8 percentage points.

In particular, hospitality and tourism-related prices surged, with accommodation prices up +10.3% YoY and air travel rebounding sharply from –11.2% to +10.4%, partly reflecting demand linked to the 2026 Winter Olympics. At the same time, core inflation (excluding energy and fresh food) increased to +2.4% YoY, indicating persistent underlying price pressures in the services sector. Food prices also contributed to the upward movement, as unprocessed food inflation accelerated to +3.6%, while processed food inflation eased slightly to +1.7%. By contrast, energy prices continued to exert a strong disinflationary effect, falling –6.6% YoY overall (regulated energy –11.3%, natural gas –14.6%), acting as the main buffer preventing a stronger rise in headline inflation. Overall, the 2026 carry-over inflation stands at around +1.1%, suggesting that price dynamics remain contained but increasingly driven by domestic service sectors rather than goods.

MILANO CORTINA 2026

- **1.3 million** tickets sold for the Milano Cortina 2026 Olympic Games
- **725,000** international visitors
- Over **113.5 million** interactions on the official social media channels
- **500,000** visitors in the Fan Villages

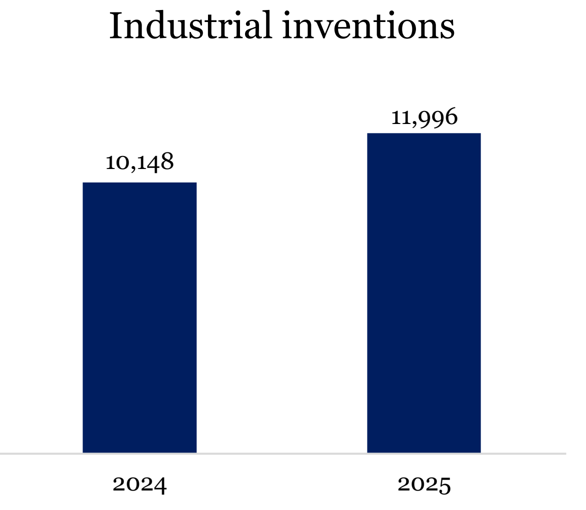
*Source: TEHA Group elaboration on Istat data*

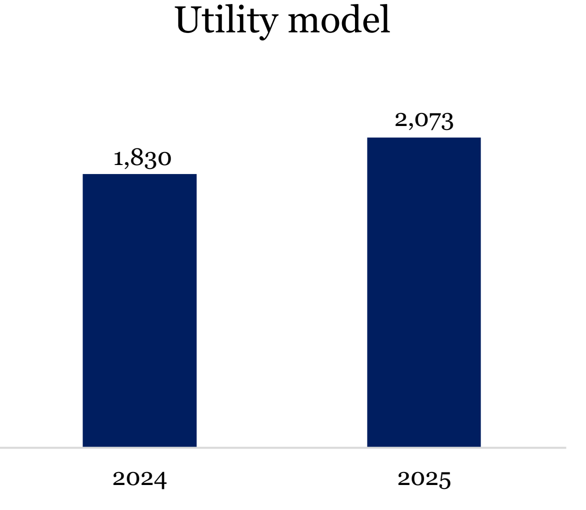
## Intellectual Property Protection in Italy

In 2025, Italy recorded a **marked increase in patent activity**, reflecting the growing dynamism of entities investing in research, development and technological innovation.

Applications for industrial invention patents reached 11,996, while utility model applications totalled 2,073, with the former increasing by more than 18% compared to the previous year. At the same time, requests to enter the Italian national phase from PCT filings remained stable at 238 applications, including 185 for industrial inventions and 53 for utility models, while 14 additional applications concerned new plant varieties.

Particularly noteworthy is the **contribution of universities and public research institutions**, which filed 594 applications for invention and utility model patents in 2025, an increase of 102 applications compared to 2024 (+20.7%). This confirms a steady upward trend in patents originating from the academic sector, supported both by programmes promoted by the Italian Patent and Trademark Office (UIBM) to strengthen universities' technology transfer offices and by the reform of Article 65 of the Italian Industrial Property Code, which abolished the so-called "professor privilege" and assigned ownership of patent applications to universities and research institutions.




*Patent application in Italy*

Alongside national filings, Italy is also increasingly involved in the European patent system: while European patent validations in Italy have declined in recent years, mainly due to trends in patent grants by the European Patent Office (EPO), they are now complemented by the European patent with unitary effect, **which allows a single patent to provide protection across the 18 EU Member States that have ratified the Unified Patent Court Agreement**. As of 31 December 2025, the EPO had granted 78,707 European patents with unitary effect, which are therefore automatically effective in Italy; 5,290 of these patents originated in Italy, representing 6.7% of the total granted.

*Source: TEHA Group elaboration on Ministry of Enterprises and Made in Italy data*

The **2023 reform of the Italian Industrial Property Code** introduced several measures aimed at strengthening the protection and commercialization of intellectual property and reinforcing the link between research and industry. One of the most significant changes was the abolition of the so-called "professor privilege", as previously mentioned.

The reform also introduced provisions to **simplify administrative procedures**, accelerate patent examination processes, and enhance the strategic role of the Italian Patent and Trademark Office (UIBM) in supporting innovation.

In addition, it strengthened the protection of intellectual property during trade fairs and exhibitions, introducing mechanisms that allow exhibitors to obtain temporary protection and to act more quickly against the unauthorized use or imitation of innovations displayed at such events. Overall, the reform aims to improve the protection of innovation, encourage patenting activity, and enhance the capacity of universities and research institutions to valorize research results through effective technology transfer and commercialization.

## EXTENSION OF SUCCESSFUL MEASURES SUPPORTING EMPLOYMENT

- The **Youth Bonus for workers under 35** is extended for new hires (or conversions from fixed-term to permanent contracts).
    - The measure provides an exemption from social security contributions for up to 24 months, equal to 70% of contributions for hires and contract conversions carried out between 1 January and 30 April 2026, and 100% where the same hires result in a net increase in employment.
    - The maximum exemption amounts to €500 per month for hires across the entire national territory and €650 per month for hires made at a workplace or production unit located in the regions of Abruzzo, Molise, Campania, Basilicata, Sicily, Puglia, Calabria, Sardinia, Marche and Umbria.
- The **Special Economic Zone (SEZ) Bonus** for Southern Italy – Single SEZ is also extended for hires carried out until 30 April 2026, with the same differentiation provided for under the Youth Bonus.
- The **Women's Employment Bonus** is extended for hires carried out until 31 December 2026, also including the regions of Marche and Umbria. Unlike the Youth Bonus, it does not provide differentiated caps on the contribution exemption, but it requires a net increase in employment.

*Source: TEHA Group elaboration on Ministry of Labour and Ministry of Enterprises and Made in Italy data*

## Focus on a sector: Cosmetics manufacturing 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 cosmetics manufacturing Sector.*

**Cosmetics manufacturing** represents a distinctive and high value-added component of Italy's broader beauty economy. Embedded within a sophisticated value chain, the sector encompasses *skincare*, *fragrances*, *haircare*, *make-up*, *personal hygiene* and *oral care products*, combining deep industrial tradition with continuous investment in research, sustainability and export orientation.

In 2024, Italian cosmetics production reached **€16.5 billion**, a +9.1% increase over the prior year, representing close to 1% of national GDP. Italy ranks **4th globally** and **3rd in Europe for cosmetics export value**, confirming the sector's strategic relevance in the global beauty market.

Although cosmetics account for a concentrated share of manufacturing output, their international positioning and trade balance give the sector strategic relevance.

**Export performance has strengthened markedly in recent years**. Between 2004 and 2024, exports nearly quadrupled, rising from €2.0 billion to €7.9 billion, a **+12%** increase in 2024 alone. Cosmetics now account for 47.9% of total sectoral revenue, up from 24.7% in 2004, reflecting the industry's deepening global integration.

Italy's competitive strength is also confirmed by its **trade balance**. In 2024, the sector recorded a surplus of **€4.7 billion**, placing Italy among the leading cosmetics exporters worldwide. Alcoholic perfumery alone accounts for 32.3% of total exports (€2.6 billion), followed by skincare (20.8%) and haircare (19.3%).


*Trend of the trade balance of Italian cosmetics (€ billions), 2010 – 2024.*

From a territorial perspective, production is concentrated in Northern Italy, particularly Lombardy. The region hosts nearly 54% of all cosmetics companies and generates 66.6% of total sectoral turnover. Emilia-Romagna (10.2%) and Veneto (7.2%) represent the other primary hubs, reflecting the role of specialised industrial districts and integrated supply chains.

Economic performance has accelerated in recent years. Between 2020 and 2024, **sector revenues grew by over +25%**, reflecting both expanding domestic demand and the deepening internationalisation of Made in Italy beauty brands.

**Cosmetics manufacturing** alone generated **€16.5 billion** in revenues in 2024, up more than +25% compared with 2020.

*Source: TEHA Group elaboration on Cosmetica Italia and ISTAT data*

In this category, Italy ranks **1st in Europe** for alcoholic perfumery **exports**, and **3rd overall for cosmetics export value**. The sector is structurally dominated by small and medium-sized enterprises. In 2024, SMEs represented nearly 99% of firms and generated approximately 46% of total revenues, highlighting a production system that is territorially rooted, flexible and highly specialised.

Employment trends mirror economic growth. The cosmetics supply chain, encompassing manufacturing, upstream inputs and distribution, employs approximately **440,000 workers** across Italy. Rising value added and productivity per employee further confirm improving efficiency and economic sustainability.

Internationally, the sector remains strongly export-oriented. The **United States is the leading destination for Italian cosmetics** (€1.1 billion, +19.3%), followed by **France** (€797 million, +13.0%) and **Germany** (€757 million, +8.2%). These three markets alone account for over one-third of total Italian cosmetics exports, confirming both geographic breadth and integration into global value chains.

Emerging high-growth markets are gaining strategic importance. India (+20.7%), UAE (+19.7%), Spain (+24.6%) and Mexico (+17.0%) delivered some of the strongest export growth in 2024, demonstrating the broadening geographic diversification of Italian cosmetics brands beyond traditional European partners.

Finally, the **domestic market confirms** its resilience: Italian cosmetics consumption reached €13.4 billion in 2024 (+6.9%), positioning Italy as the **3rd largest cosmetics market in Europe**. E-commerce is the fastest-growing channel at +13.5%, surpassing €1.2 billion in sales and reflecting a structural shift towards omnichannel beauty retailing.

*Source: TEHA Group elaboration on Cosmetica Italia data*

## 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 300,000 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: dgce02@esteri.it.

All previous editions of the Business Insight from Italy newsletter are available on the website ambrosetti.eu