The European House Ambrosetti

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 the second quarter of 2025, Italy's gross domestic product (GDP), measured at chain-linked values with 2020 as the reference year and adjusted for calendar effects and seasonality, recorded a **slight decline of 0.1% compared with the previous quarter**, while still marking a **year-on-year increase of 0.4%** relative to the second quarter of 2024.

The **acquired growth for 2025 as a whole currently stands at 0.5%**, pointing to a modest expansionary trajectory for the year.

When examining the main components of domestic demand in comparison with the previous quarter, **final national consumption remained broadly stable**, whereas **gross fixed capital formation expanded by 1%**, reflecting a degree of resilience in investment activity. On the external side, **imports grew by 0.4%**, while **exports contracted by 1.7%**, signalling a deterioration in net trade dynamics.

Looking at the contribution of the various demand aggregates to the quarterly change in GDP, **domestic demand excluding inventories added 0.2 percentage points**.

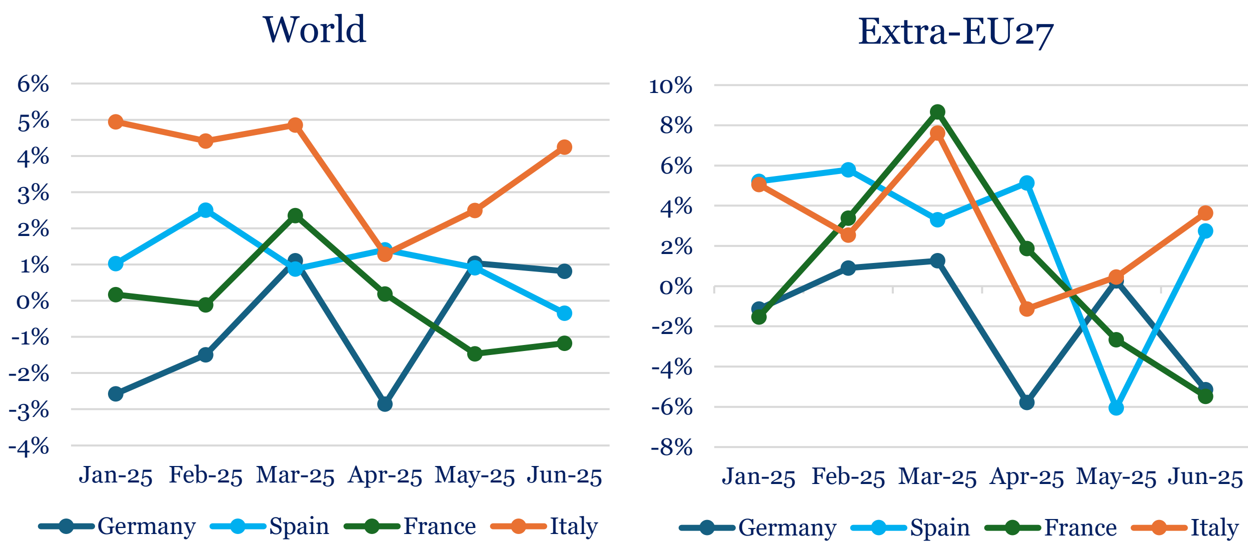
Within this, the contribution of household consumption, expenditure by non-profit institutions serving households (NPISH), and general government spending was neutral, whereas **gross fixed capital formation provided a positive contribution of 0.2 percentage points**. Inventories also contributed positively, by **0.4 percentage points**, partially offsetting the negative effect of the external sector, where **net exports subtracted 0.7 percentage points** from overall growth.

Source: TEHA Group elaboration on Istat data

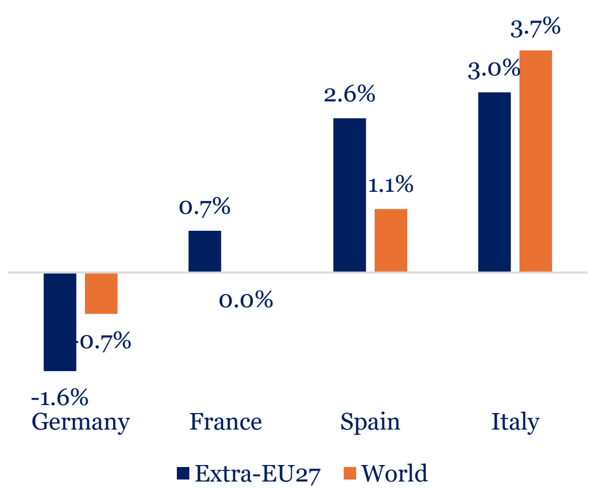
However, some positive signals emerge: in June 2025, the turnover of the industrial sector, once seasonal factors are accounted for, registered a month-on-month increase of **1.2%** in value and 1.9% in volume.

This indicates a tangible strengthening of industrial activity, not only in nominal terms but also in real output.

Turning to the services sector, a similarly positive trajectory is anticipated, with quarter-on-quarter gains of **0.9%** in value and 0.5% in volume. Within this broad category, wholesale trade emerges as a particularly dynamic component, showing an estimated expansion of 1.4% in value and 1.3% in volume. Other services, although recording more modest growth, also contribute positively to the overall picture, with an expected increase of 0.3% both in value and in volume.



Year-on-year monthly export growth, by destination (%)



Variation in exports between H1 2024 and H1 2025 by destination

Source: TEHA Group elaboration on Eurostat data

Despite the broader slowdown in global trade, Italian exports continue to expand at a steady pace. Growth is being driven primarily by trade flows within the European Union, which remain the main engine of Italy's external performance (**+4.4%** in the first semester of 2025 with respect to the first semester of 2024).

Nevertheless, the positive trend is not confined to intra-EU markets: Italian exports are showing solid and sustained growth across all major destinations, underscoring the resilience and competitiveness of the country's production system even in a less favourable international environment.

The countries making the largest contributions to the expansion of Italy's exports include the United States (**+10.3%**), Switzerland (**+18.4%**), France (**+6.7%**), Spain (**+12.0%**), Belgium (**+15.8%**) and the United Kingdom (**+10.1%**). By contrast, the Netherlands (**–9.7%**) and Turkey (**–13.3%**) stand out as the main sources of negative contributions.

The year-on-year growth of Italian exports is primarily driven by a strong increase in sales of pharmaceuticals, chemical-medicinal and botanical products **(+38.8%)**, as well as transport equipment excluding motor vehicles **(+8.7%)**, food, beverages and tobacco **(+5.1%)**, and basic metals and fabricated metal products, excluding machinery and equipment **(+3.4%)**. At the same time, the most significant declines are observed in coke and refined petroleum products **(–22.9%)** and motor vehicles **(–10.3%)**.

In June 2025, Italy's **trade balance stood at a surplus of €5,409 million**, up from €5,150 million in the same month of 2024. The energy deficit widened slightly to –€3,922 million, compared with –€3,581 million one year earlier, while the surplus in non-energy goods trade increased from €8,731 million in June 2024 to €9,331 million in June 2025.

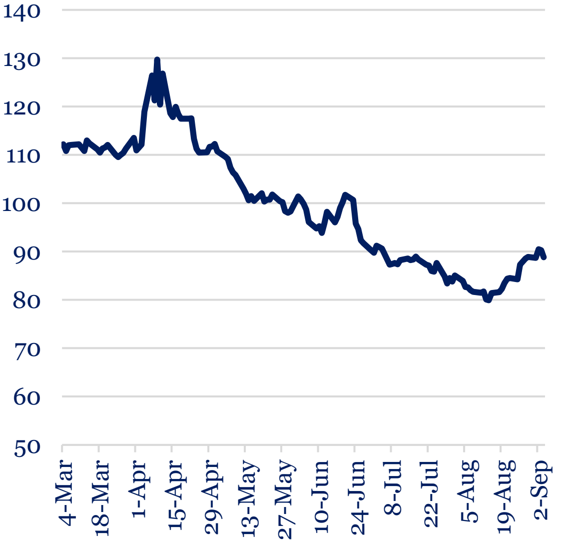
Financial markets

Investor appetite for Italian government bonds remains strong, with these securities increasingly perceived as **safe assets**. This trend is clearly evidenced by the near elimination of the spread between Italian and French sovereign bonds.

On 2 September, the Italian Ministry of Economy successfully placed **€18 billion in BTPs**, consisting of **€13 billion in seven-year bonds** and **€5 billion in thirty-year bonds**.

The issuance attracted an exceptionally high level of demand, amounting to **over €218 billion in total** - of which **€110 billion** was for the seven-year tranche and **€108 billion** for the thirty-year tranche.

According to the results of the placement, investors were offered a yield premium of **8 basis points** above the reference seven-year BTP (maturing in July 2032 with a 3.25% coupon) and **6 basis points** above the reference thirty-year BTP (maturing in October 2054 with a 4.3% coupon). The strong demand made it possible to **tighten the spreads** compared to the initial price guidance, which had been set at **10 basis points for the seven-year** and **9 basis points for the thirty-year** tranche.



Spread between Italian BTP and German Bund (basis point)

The growth of Italy's Attractiveness

The capacity of a country to draw in foreign investment, new industrial sites, businesses, and skilled professionals is widely recognised as a decisive driver of long-term economic growth. Yet, assessing how attractive different markets are is inherently complex: if not conducted with methodological rigour, such evaluations risk producing distorted or unreliable results. To overcome such shortcomings, a number of organisations, among them The European House – Ambrosetti, have designed new frameworks for assessing attractiveness that rely exclusively on quantitative indicators drawn from the most authoritative international sources. This approach ensures a more robust and credible picture of national competitiveness.

In this context, The European House – Ambrosetti has developed the **Global Attractiveness Index (GAI)**, which evaluates 146 world economies through a multidimensional lens. Each year, the index is subject to an independent audit by the **European Commission's Joint Research Centre (Centre on Composite Indicators)**, which reviews its methodological consistency, robustness, and the reliability of its results. In 2023, the GAI was recognised as one of the leading global benchmarks, being included in the European Commission's **Composite Indicators & Scoreboards Explorer**.

The GAI is structured around four complementary components: the **Positioning Index**, the **Dynamism Index**, the **Sustainability Index**, and the **Future Orientation Index**. The Positioning Index - covering four key dimensions (Openness, Innovation, Efficiency, and Endowment) - delivers the country ranking itself. The other three indices provide an enriched perspective: instead of a numerical score, they categorise countries into four levels (high, medium, low, and critical), thereby offering a broader and more nuanced understanding of national attractiveness.

In the GAI 2025, the United States is again in first place, with a score of **100**, followed by China and Germany, with scores of **87.7** and **83.5**, respectively. Specifically, compared with the previous year, China attained second place by overtaking Germany; Singapore is in 4th place having gained three positions to replace the UK, with Japan remaining stable in 5th place.

Compared to the previous year, **German** performance was negative (-4.0 score points vs. 2024), ceding second place in the ranking to China, a decline that reflects a macroeconomic picture marked by industrial stagnation, a slowdown in domestic demand, high energy costs and geopolitical uncertainty. In 2024, it dropped four positions in terms of gross fixed capital formation, saw an increase in the unemployment rate, in contradiction to the trend of the other major European economies (+0.3 p.p. vs. 2024), and registered a 66% collapse in total FDI flows from $130.2 million to $44.2 million, a loss of twelve positions in the ranking. Similarly, **France** also experienced a negative trend in its score.

For further information, please refer to the European commission website. The full report can be downloaded here.

Following a period of stable attractiveness between 2021 and 2024, in the latest report, France once again experienced a decline in this indicator, losing 1.2 points and two places in the Positioning Index, to currently rank 13th (it was 10th in 2020).

The drop in performance is primarily attributable to a significant slowdown in economic growth (reduced by about a third, from +2.5% in 2022 to 0.9% in 2023), but also to a drop of nine places in gross fixed capital formation (now ranked 62nd) and a ten-position drop in tourist flows (28th in the 2025 report vs. 18th in the 2024 report).

As for Italy, it ranks **16th** in this year's report, **gaining three positions** compared with the GAI 2024 ranking, remaining firmly within the top group of highly-attractive countries, although at the bottom of the cluster. In terms of the overall score, Italy gained **1.9** points, rising from **58.4** to **60.3** and, comparatively, the country performed better than most of its competitor countries and comparable in economic size. In fact, in the 2025 report, Italy gained ground compared to **sixteen out of nineteen** of the other countries in the top-20.

As in 2024, **Italy's strength lies in the Innovation area**, where it is among the **top-10 countries at the upper end of the rankings**, registering a significant increase in the export of high-tech goods (KPI 8), one of the three areas holding back Italy's albeit excellent performance in the area. **Another of Italy's strengths lies in the Endowment area**, where it ranks among the **top-20 countries at the upper end of the global rankings** and where Gross Fixed Capital Formation to GDP (KPI 20) improved by four positions.

Global Attractiveness Index	GAI rank 2025	GAI score 2025	GAI rank 2024	GAI score 2024	Dynamicity 2025	Sustainability 2025	Future Orientation 2025
USA	1	100,0	1	100,0	Medium	Medium	High
China	2	87,7	3	83,5	Low	Low	High
Germany	3	81,4	2	85,4	Critical	High	High
Singapore	4	80,9	7	75,1	Medium	High	High
Japan	5	78,8	5	77,9	Medium	Low	Medium
UK	6	76,2	4	82,5	Critical	High	High
Hong Kong	7	72,8	9	73,1	Medium	High	Medium
United Arab Emirates	8	72,3	10	71,1	High	High	High
Korea	9	71,4	6	75,2	Critical	Medium	High
Netherlands	10	69,8	14	66,4	Medium	High	High
Switzerland	11	69,1	8	73,3	Medium	High	High
Australia	12	67,5	12	67,9	Low	High	High
France	13	67,2	11	68,4	Low	High	High
Canada	14	66,1	13	66,6	Low	High	High
Austria	15	61,2	15	62,7	Low	High	High
Italy	16	60,3	19	58,4	Medium	High	Low
Luxembourg	17	58,2	21	57,8	Low	High	High
Ireland	18	58,1	16	60,9	Medium	High	High
Spain	19	57,8	24	56,9	High	High	Low
Denmark	20	57,3	17	59,5	Low	High	High

Legenda: High, Medium, Low, Critical

Global Attractiveness Index 2025, countries ranked 1 to 20

Focus on a sector: Microelectronics & Semiconductors 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 Microelectronics and Semiconductors industrial sector .

Italy is emerging as one of **Europe's key pillars** in the **fast-growing microelectronics** and **semiconductor** industry. With 1,823 enterprises active in electronic components manufacturing (*NACE C26.1*), the country represents **18% of the EU total** of 10,327 firms in 2023, second only to Germany. This broad industrial base, tied to sectors such as ICT, automotive, robotics and energy, underpins Italy's role as a strategic hub in Europe's semiconductor value chain.

Backed by the European Chips Act, the National Chips Fund and an ecosystem of universities, research centres and industrial clusters, Italy is **consolidating its position** as both a **manufacturing and innovation leader**. Across the Union, national specializations stand out: Germany leads with 21% of firms, followed by Italy (18%) and Czechia (13%), while France, Spain and Poland each account for 6-8%. Italy's sector is also diverse in scale: in 2023 it counted **84 medium-sized firms** (50-249 employees) and **15 large ones above 250**, providing a solid base for sustained R&D and export growth.

At the EU level, the industry generated over **€100 billion in turnover** in 2023, with Germany contributing €37.2 billion, France €14.5 billion and Italy €9.2 billion. Italy thus ranks **third by revenue**, though its structure relies more on SMEs complemented by a core of larger firms. The Netherlands (€8.9 billion) and Austria (€8.3 billion) stand out with high revenues despite fewer firms, thanks to specialized champions such as ASML.

Public policy is strongly aligned with **industrial development**. Italy has committed over €1 billion to Important Projects of Common European Interest (IPCEI), launched a multimillion-euro Chips Fund, and introduced a National Chips Act mobilizing €530 million in R&D tax credits through 2027. In Pavia, the €225 million **CHIPS.IT foundation** has been established as a national design centre, linking academia, industry and research to accelerate innovation.

Public investment is also transforming the industrial map. In **Catania**, *STMicroelectronics* is building a **€5 billion** "SiC Campus," backed by €2 billion in state aid, to produce **next-generation silicon carbide chips** for electric vehicles and renewable energy, alongside a €730 million substrate project expected to create 700 jobs.

In Agrate Brianza near **Milan**, ST has opened its new 300 mm "R3" fab, a **multi-billion-euro facility** set to double capacity in the coming years. Avezzano in **Abruzzo** hosts LFoundry, a high-volume plant supplying sensors and automotive chips. In **Novara**, GlobalWafers is expanding silicon wafer production with public support covering up to 40% of costs, while **Agrate** is also home to a new photomask facility strengthening Europe's lithography supply chain.

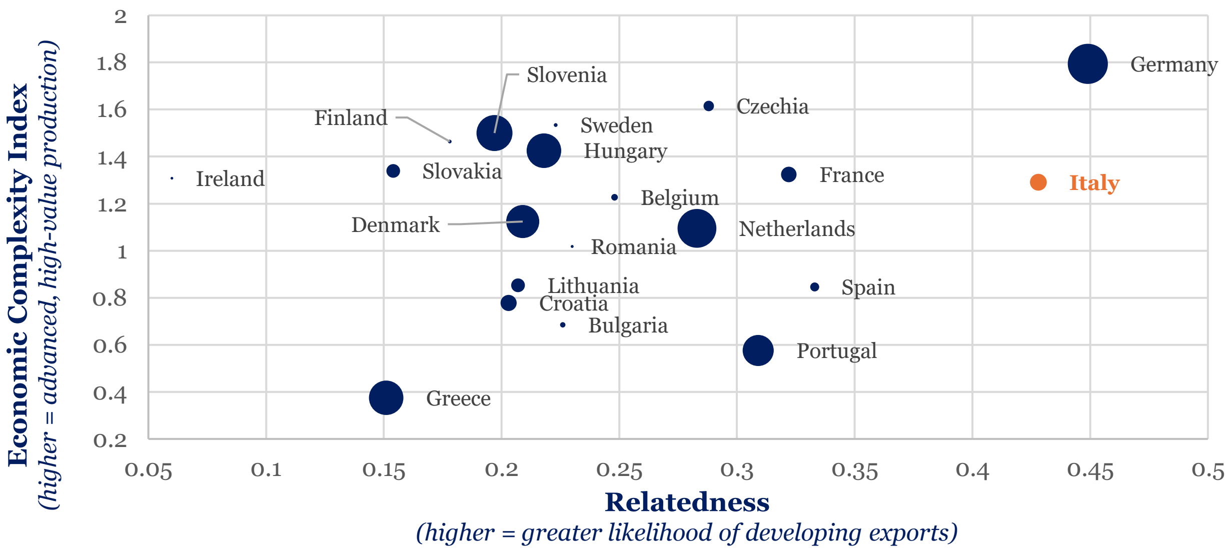
Source: TEHA Group elaboration on Eurostat, Reuters, Italian Ministry of Enterprises and European Commission data

Italy is building a full semiconductor ecosystem, from wafers to finished devices, reinforced by **€1,2 billion in R&D** and strong export growth (+57% between 2018 and 2022). With the European market set to grow at **8,93%[1] annually to 2030**, new plants, partnerships and the green transition position the country to capture this momentum.

The **relatedness-ECI analysis** confirms this potential: Italy ranks just behind Germany in relatedness and matches France in economic complexity, placing it in the top-right of the graph and underscoring both its **readiness to expand** and the **high value such growth would bring**.

Italy's Position in Europe's Semiconductor Potential: Relatedness vs. Complexity, Observatory of Economic Complexity (OEC), 2023

NB. The size of the circles is proportional to the volume of exports of the product in each country.



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.

[1] *according to a report by Maximize Market Research on semiconductor market.*

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.