The European House
Ambrosetti

Business Insights from Italy

A Letter to International Investors

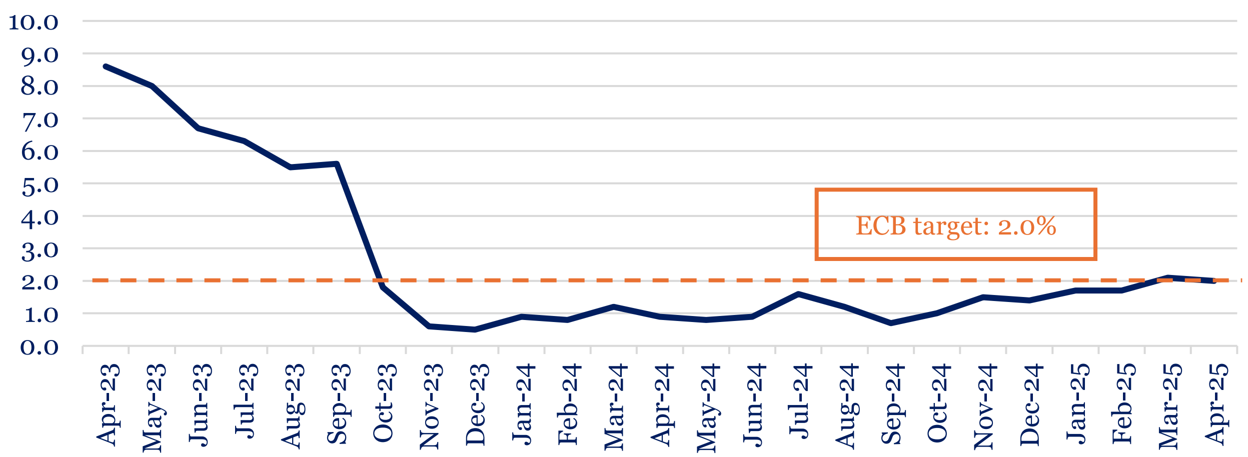
Business Insights from Italy is a publication by **The European House - Ambrosetti**, produced in collaboration with leading Italian institutions. The publication provides updates on the Italian macroeconomic scenario, on Italy's industrial sectors and on policies directed to foreign investors.

In this edition:

Italy's Macroeconomic Outlook

The revision of Italy's economic growth estimates developed by the National Institute of Statistics highlights that in the first quarter of 2025, GDP grew by 0.3% compared to the previous quarter and **by 0.7% compared to the first quarter of 2024**. The preliminary estimate, released a month ago, had indicated a year-on-year growth of 0.6%.

The upward revision also impacted the **acquired growth for 2025, now at +0.5%**, marking an increase of 0.1 percentage points compared to the initial release. Growth was driven by all main components: compared to the last quarter of 2024, household consumption rose by 0.1%, gross fixed investments by 1.6%, imports by 2.6%, and exports by 2.8%.



Monthly inflation rate
(percentage change compared to same month in previous year)

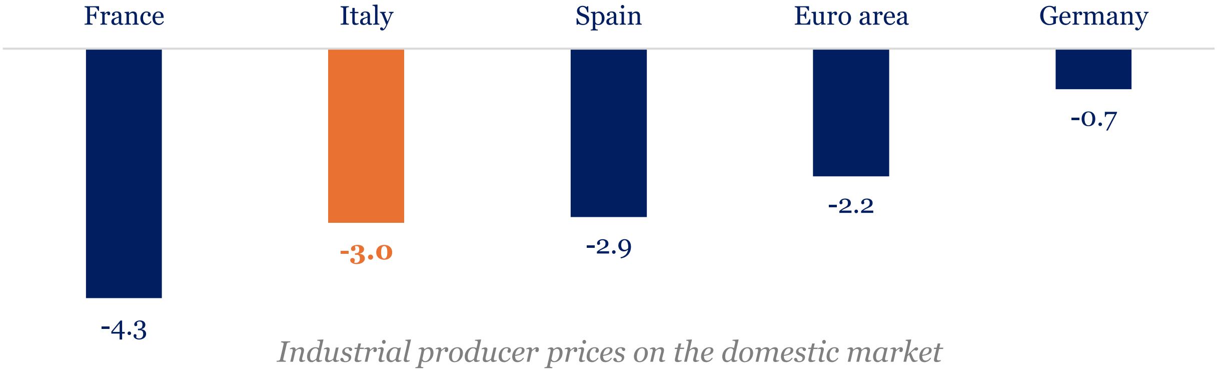
Source: TEHA Group elaboration on Istat data

The ongoing decline in inflation is also reflected in producer prices.

In April 2024, the entire Eurozone experienced a **decrease in industrial producer prices**, particularly pronounced in France and, to a lesser extent, in Italy.

Industrial producer prices recorded a month-on-month decline and a slowdown in year-on-year growth, **mainly driven by further reductions in energy prices** on the domestic market.

Excluding the energy sector, prices remained virtually stable on a monthly basis (+0.1%) and increased by 1.1% year-on-year.



Industrial producer prices on the domestic market
(% change compared with the previous month), April 2024

At the end of May 2025, the rating agency Moody's confirmed Italy's Baa3 rating, **upgrading its outlook from *stable* to *positive***.

Moody's press release highlights that this outlook revision to positive is due to "improved fiscal prospects, in a context of better-than-expected fiscal performance in 2024 and a stable domestic political environment, which increases the likelihood that fiscal metrics will continue to improve, in line with the government's medium-term structural fiscal plan."

Italy's fiscal outlook has improved: the main factor behind the better budget result was a reduction in expenditure, mainly due to the gradual phasing out of tax credits for high energy-efficiency building renovations, but also to strong revenue growth, primarily from personal income taxes and other taxes.

This positive revision of the outlook also **boosted the credit ratings of 16 Italian banks**:

- an upgrade from "Ba2" to "Ba1" of the baseline credit assessment (bca) for MPS, BNL, Banca Sella Holding and Banca Sella S.p.A.
- an upgrade from from Ba1 to Baa3 for Credit Agricole Italia and Mediocredito Trentino-Alto Adige
- an improvement to "positive" of the outlook for UniCredit, Intesa Sanpaolo, Banco BPM, BPER Banca, Mediobanca, Credem, CC Raiffeisen, BNL, Credit Agricole Italia, Credit Agricole Auto Bank, CDP and Invitalia.

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

The improvement in Italy's credit rating is reflected in the growing interest that Italian government debt securities are attracting among international investors.

At the end of March, the amount of debt held by foreign investors rose to €982.8 billion, an increase of **€18.2 billion compared to the previous month**. This represents **32.4%** of Italy's public debt — a level not seen since February 2020.

Already in the early months of the COVID-19 pandemic, a combination of prudent disinvestment and, above all, the launch of the ECB's Pandemic Emergency Purchase Programme (PEPP) led to an increase in the share of debt held by national institutions.

It is worth noting that all ECB bond purchase programmes are, in practice, implemented by the individual National Central Banks: the actual holder of the securities purchased under the PEPP was, materially, the Bank of Italy.

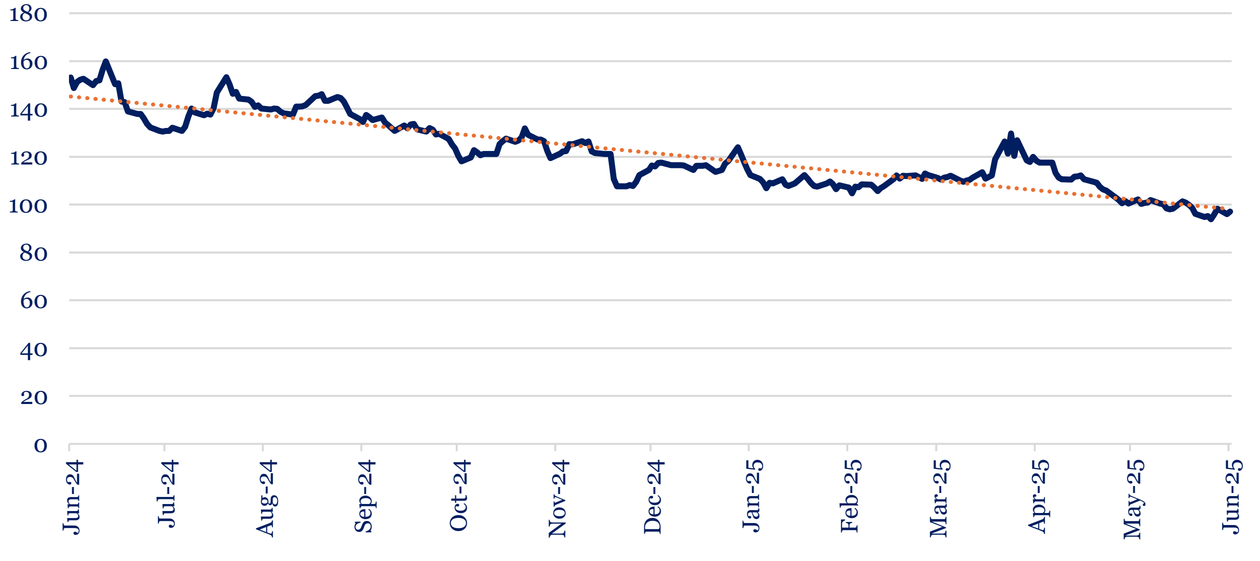
This dynamic is also reflected in the BTP-Bund spread, which measures the risk differential between Italian and German government bonds — the latter being considered the eurozone's preferred safe asset.

Barring a few isolated spikes, **the past year has seen a steady decline in the spread**, which in May fell below the 100-basis-point threshold.

Italian government bonds

The average maturity of Italian public debt equals to 7.03 years, constantly growing since 2014.

Average issuance costs in the first quarter of 2025 settled at 3.02%, down compared to the previous two years



Spread between Italian BTP and German Bund (basis point)

Source: TEHA Group elaboration on European Central Bank and Bank of Italy data

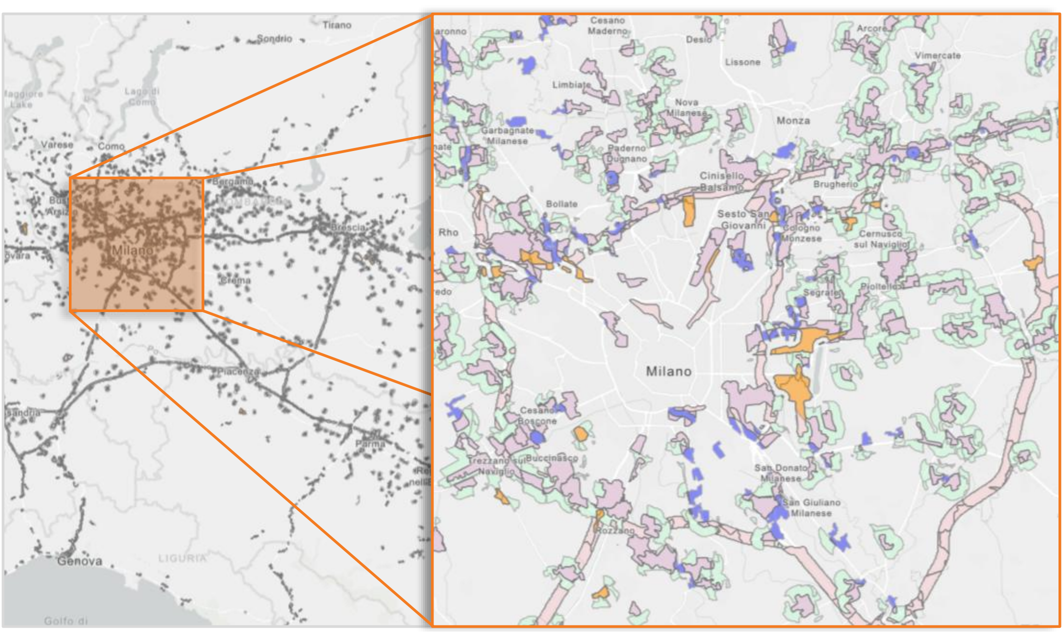
A comprehensive regulatory framework for renewable energy deployment: Italy's new Consolidated Act on Renewable Energy

On 30 December 2024, Italy enacted Legislative Decree No. 190/2024 - known as the "**Consolidated Act on Renewables**" - a landmark reform aimed at unifying and streamlining the country's fragmented renewable energy permitting system. The decree responds to EU infringement procedures and the urgent need to accelerate renewable deployment in line with the European Green Deal and REPowerEU targets.

Structured in 41 articles across seven sections, the Act introduces a new permitting regime - the **"Single Authorisation Procedure"** - which simplifies administrative steps across national and regional levels, supported by digital platforms and predefined timelines. It also strengthens the coordination role of the **"One-Stop Shop for Renewable Energy"** and mandates the identification of **"Suitable Areas"** (*Aree Idonee*) within 180 days of the decree's entry into force - by 27 June 2025, as established in Article 6. **These areas will benefit from prioritised permitting and are critical to resolving spatial conflicts that have historically delayed project deployment.** As a key step toward implementation, the GSE published the first national interactive map of these areas on 23 May 2025, offering a foundational tool for regional planning and investor transparency.

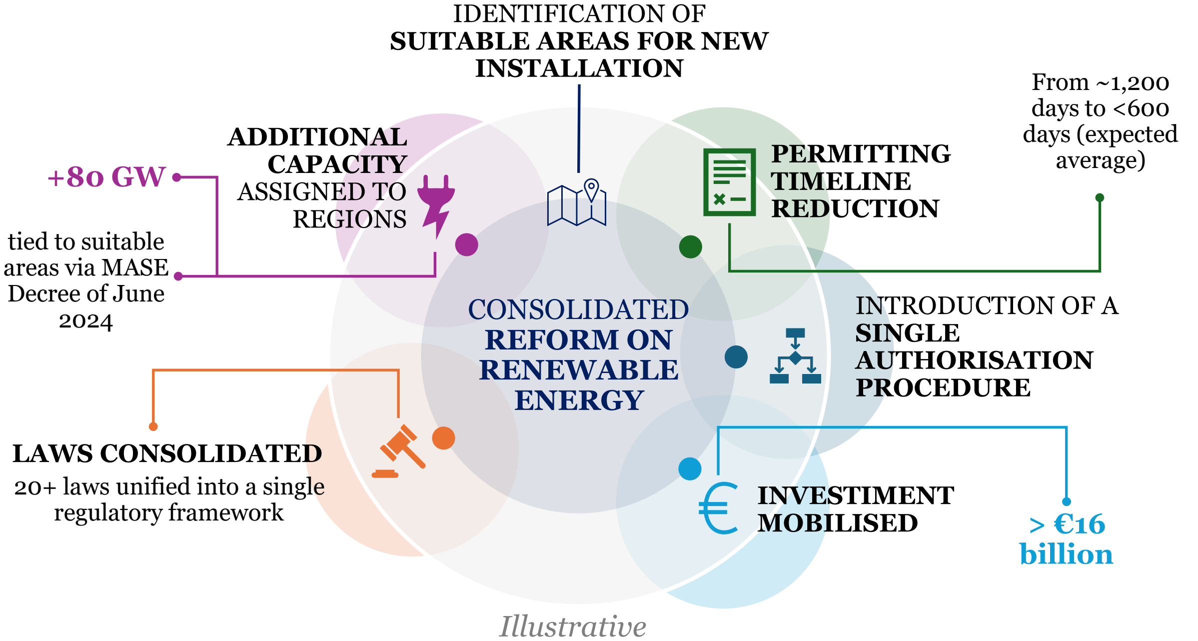
Targets and Capacity Allocation

While the decree itself does not set new capacity targets, it operationalises key provisions of earlier legislation - particularly the June 2024 ministerial decree allocating **80 GW of additional renewable capacity across Italian regions by 2030**. This burden-sharing framework directly supports Italy's overarching goal of reaching 159 GW of cumulative renewable capacity by the end of the decade.



Map of suitable areas for renewables identified by the GSE, (Illustrative), North-Italy, 2025

As of late 2024, Italy had installed just over 75 GW, underscoring the scale of acceleration required. The reform also facilitates the **repowering of existing plants**, the hybridisation of systems with storage solutions, and the integration of citizen energy communities and collective self-consumption schemes. Environmental safeguards are reinforced through a standardised Environmental Impact Assessment process and the creation of a national digital authorisation registry.



Illustrative

Acceleration Zones for Fast-Track Permitting

In parallel, the reform introduces **Acceleration Zones** *(Zone di Accelerazione)*. **These** areas **are chosen** for their high renewable energy potential and low environmental conflict, where **also renewable permitting is expected to proceed even faster**. These zones are mapped and made publicly accessible through the GSE's new dedicated portal, launched as part of the digital infrastructure supporting the decree. They represent a concrete implementation of the **"fast-track" approach promoted by EU Regulation 2022/2577** on permitting acceleration for renewables. Backed by over **€16 billion in EU and national funding** - including the Just Transition Fund and REPowerEU - the reform aims to halve authorisation times (from 1,200 to under 600 days), with particularly strong benefits expected in the solar and onshore wind sectors. **Repowering** alone could deliver over **+8 GW** of additional capacity by 2027, and energy-sharing initiatives may engage up to **500,000 households** by 2030. By consolidating more than 20 pre-existing laws into a single regulatory framework, the Consolidated Act marks a decisive step in aligning Italy's institutional architecture with its climate and energy targets - laying the groundwork for a faster, more transparent and territorially coordinated rollout of renewable energy infrastructure.

Focus on a sector: Green Tech 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 Green Tech sector .

The Italian **green technology sector**[1] has emerged as a vital component of the country's broader economic transformation, contributing both to sustainable development goals and to industrial modernization. As of 2024, approximately **571.000 enterprises** - representing nearly 39% of Italy's non-agricultural business base - have undertaken investments in green products and technologies, signalling a structural commitment to environmental innovation. Despite the ongoing challenges posed by energy market volatility and global supply chain disruptions, the sector demonstrated strong resilience. **Green-related employment** accounted for over **3,1 million** positions in 2023, with green jobs comprising nearly **35% of total new hires** for the year. The value added generated by the Environmental Goods and Services Sector (EGSS) in Italy rose significantly between 2017 and 2022, increasing by 83 basis points to reach **4% of the country's Gross Domestic Product (GDP)**. This growth places Italy as the **fourth-largest economy in Europe** in terms of the scale of environmental protection activities across all NACE sectors.

Moreover, Italy's **recycling rate** reached an impressive **91,6%** in 2022, far surpassing the EU average, while **renewable energy covered 43,8%** of national electricity demand in the first half of 2024. This performance places Italy among **Europe's frontrunners in circular economy implementation**, low-carbon **manufacturing**, and the deployment of **decentralized renewable energy** systems.

Key figures of Italian Green-Tech

91,6%	88%	52,4%	7,3 GW	4th
waste recycling rate	Firms investing in **Net Zero tech**	**Renewable electricity** share	New **renewable capacity** *(+11,3% vs 2023)*	**producer** of **renewable energy technologies** (RET)
Eurostat, 2022	*Excelsior, 2023*	*IRENA, 2024*	*GSE, 2024*	*Eurostat, 2023*

[1] Green tech encompasses technologies, services, and processes that reduce environmental impact and facilitate the shift toward a low-carbon, circular economy. In the absence of formal international classifications, this analysis adopts a cross-sectoral approach and includes exclusively 100% RET (Renewable energy technologies), excluding partial or ambiguous products

Italy has firmly positioned itself as a leading industrial force in Europe's green technology landscape, ranking as the **fourth-largest producer of renewable energy technologies (RET)** in the EU. In 2023, the sector reached a production value of **€3.24 billion -** up 63% from 2020 - reflecting the rapid expansion and competitiveness of Italy's green tech industry.

The country also ranks **7th among global exporters of renewable energy technologies (RET),** underlining its strategic role in international supply chains. This growth is driven by a highly specialized and innovation-oriented industrial base, capable of delivering advanced solutions across the renewable value chain.

Italy excels in the production of **photovoltaic generators**, high-performance **inverters**, lithium-ion **accumulators**, and essential **components for wind and hydroelectric systems**. Several of these segments have seen exceptional growth since 2020: wind-powered generating sets surged by **+172%**, purification machinery by **+164%**, lithium-ion accumulators by **+152%**, and solar semiconductor components by **+144%**. Even more consolidated segments such as heat exchangers grew by 64%, confirming the sector's momentum and industrial depth.

Italy also holds a leadership position in **thermal renewable technologies**, which are critical to decarbonizing both residential and industrial energy uses. This complements its broader role as the EU's **4th country** in terms of **total installed renewable energy capacity** in 2024, supported by a well-diversified mix of sources - including solar, hydro, wind, bioenergy, and geothermal. Notably, Italy ranks **1st** in the **EU** and **4th globally** for installed **geothermal electricity** capacity.

Together, these achievements underscore Italy's strategic role as a **competitive** and **diversified leader** in the **global green tech transition.**

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.