The European House
Ambrosetti

Business Insights from Italy

A Letter to International Investors

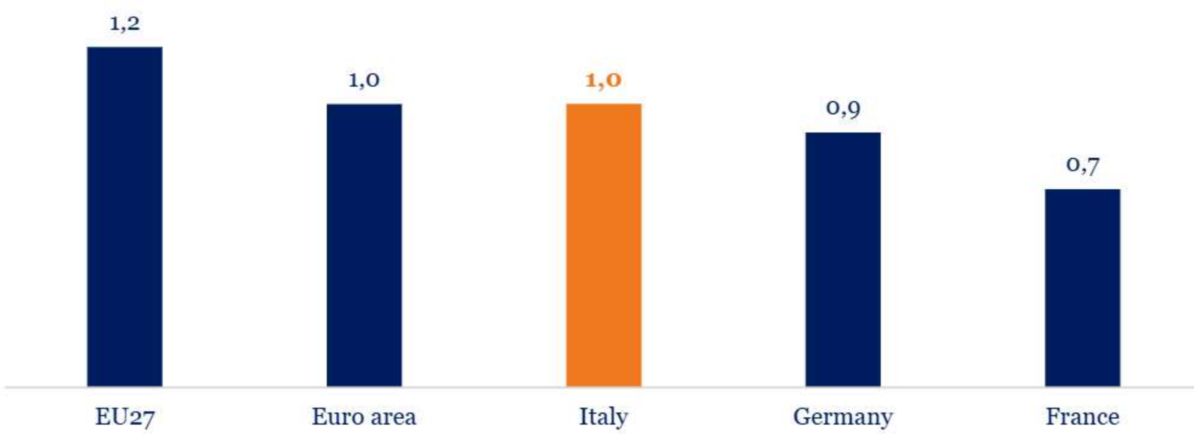
Business Insights from Italy is a publication by **The European House - Ambrosetti**, produced in collaboration with leading Italian institutions. The publication provides updates on the Italian macroeconomic scenario, on Italy's industrial sectors and on policies directed to foreign investors.

In this edition:

Italy's Macroeconomic Outlook

Second-quarter data point to stronger-than-expected growth for the Italian economy. GDP increased by 0.2% compared with the previous quarter and by **1.0% year-on-year, accelerating from the 0.8% recorded in the first quarter**. The annual growth rate was in line with that of the euro area and higher than those observed in France and Germany.

The positive quarterly performance was driven by the services sector, while value added declined in agriculture and industry. On the demand side, domestic demand, including changes in inventories, provided a positive contribution to growth, more than offsetting the negative contribution from net exports.

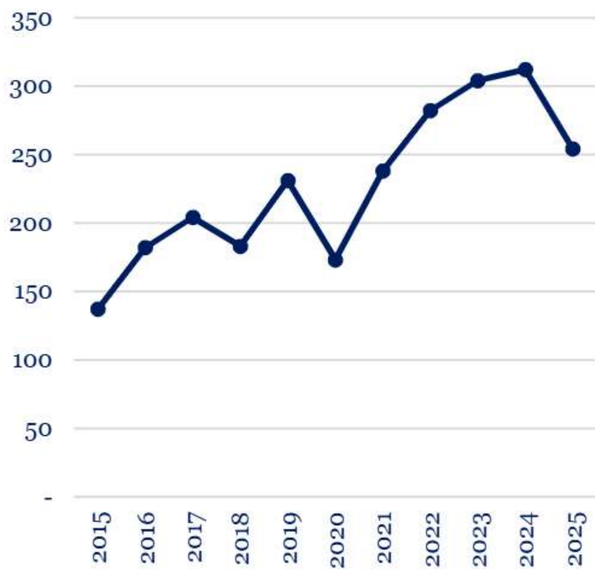


Quarterly GDP growth (percentage change compared to same period in previous year), 2026Q2

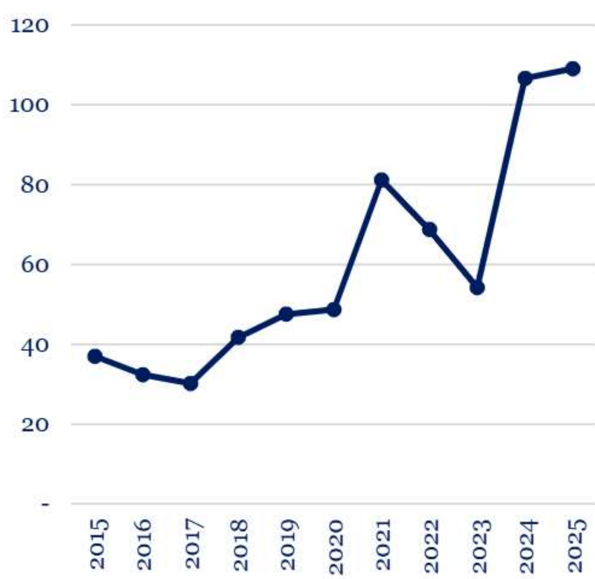
Source: TEHA Group elaboration on Eurostat and Istat data

Despite a slight slowdown compared with the previous quarter, the Italian economy therefore maintained a positive growth trajectory. **The stronger-than-expected result also led to an upward revision of the annual carry-over growth rate for 2026, from 0.6% to 0.8%.**

Overall, the data highlight the resilience of the Italian economy, supported primarily by domestic demand and services, while the industrial sector and foreign demand remained comparatively weaker.



Number of announced greenfield FDI projects



Average value of announced greenfield project (mln $)

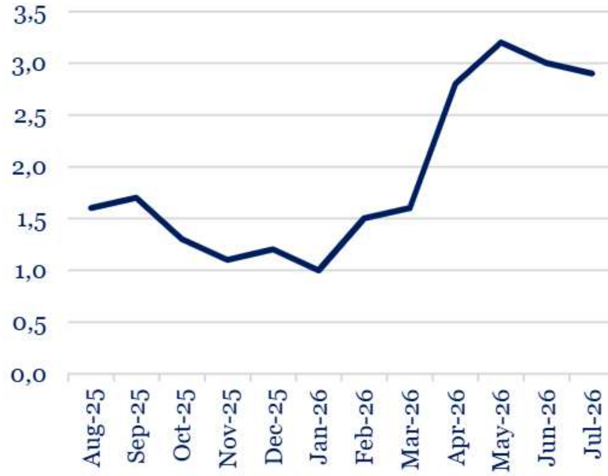
Italy has significantly strengthened its ability to attract greenfield investment over the past decade. Both the number and the overall value of announced projects have increased substantially, while the average size of individual investments has also risen, thus showing a growing capacity to attract larger and more capital-intensive initiatives.

The long-term trend is therefore strongly positive and points to a progressive improvement in Italy's positioning as a destination for new productive investment.

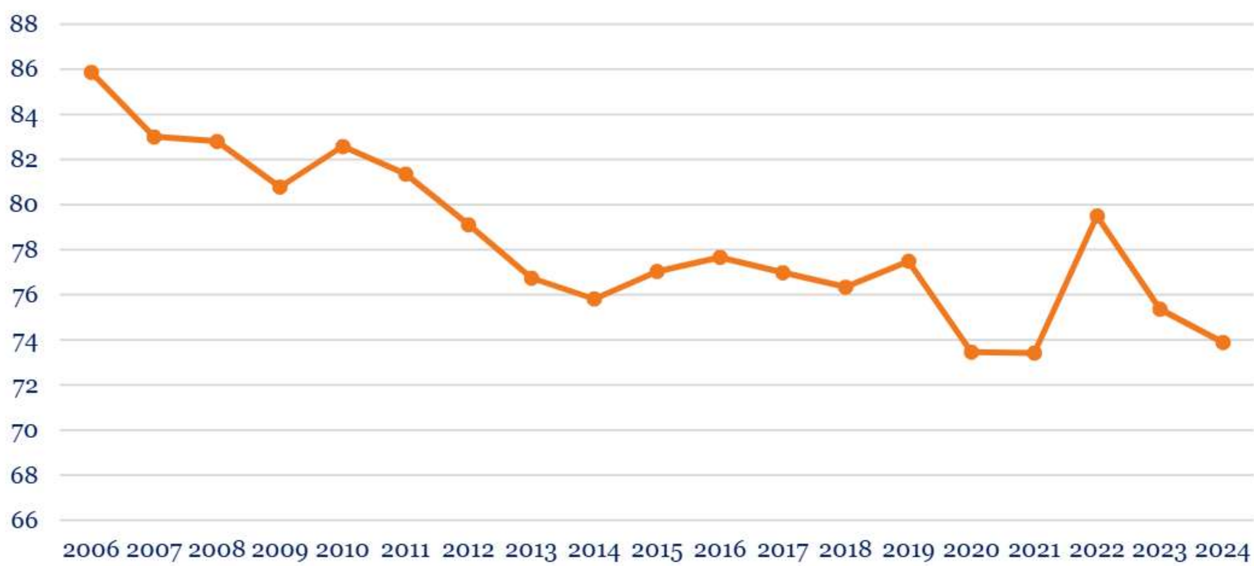
A greenfield investment is a form of foreign direct investment through which a company establishes a **new business operation** or **expands productive capacity** in another country from the ground up. It may involve the construction of new factories, offices, logistics facilities, data centres or other infrastructure, as well as the creation of new jobs and operating activities. Unlike mergers and acquisitions, which involve the purchase of an existing company or asset, greenfield projects generate additional productive capacity and are therefore particularly relevant for assessing the ability of a country to attract new capital, technologies, skills and employment.

Source: TEHA Group elaboration on UnctadStat data

The war involving the United States, Israel and Iran has so far had a comparatively moderate impact on inflationary pressures in Italy. The main transmission channel, the increase in international energy prices, has affected production costs, but its pass-through to the broader economy has remained contained. In June, **core inflation** excluding energy and fresh food **eased from 1.7% to 1.6%**, while inflation excluding energy products declined more markedly from 2.1% to 1.9%, indicating that the energy shock did not trigger a generalised acceleration in underlying prices.



Inflation rate



Italian energy imports dependency (% on total consumption)

This resilience reflects the gradual transformation of Italy's energy system: despite its limited domestic availability of fossil fuels, the country has progressively reduced the energy intensity of its economy, diversified its supply and expanded renewable generation. **The energy intensity of the Italian economy declined by 15% between 2005 and 2021**, while renewable sources have become an increasingly important component of domestic electricity production. Over the past two decades, Italy's energy import dependency has fallen by approximately ten percentage points compared with the levels recorded in the mid-2000s. This long-term shift towards greater efficiency and domestically generated renewable energy **has reduced the exposure of Italian production to external energy-price shocks**, helping to limit the inflationary repercussions of the conflict.

Source: TEHA Group elaboration on Eurostat and Istat data

The new hyper-amortization scheme for productive, digital and energy investments

Among the measures recently introduced to support business activity, a central role is played by the **new hyper-depreciation scheme** established by the 2026 Budget Law and made operational through the Interministerial Decree of 7 May 2026.

The measure represents the main horizontal instrument of the new Transition 5.0 Plan and is designed to strengthen the productive capacity of Italian companies, while simultaneously accelerating their digital transformation and transition towards a more energy-efficient system that is less dependent on fossil fuels. Unlike incentives limited to specific sectors or geographical areas, the hyper-amortization scheme has a potentially very broad pool of beneficiaries and **supports companies' investment programmes over a multi-year horizon, covering investments completed between 1 January 2026 and 30 September 2028**. The instrument operates through an enhanced tax-deductible value of the acquisition cost of new capital goods. It is therefore neither a direct grant nor a tax credit that can be immediately offset through the F24 tax payment form. Instead, companies may deduct from their taxable income depreciation allowances or financial leasing payments calculated on a value that is higher, for tax purposes, than the actual cost incurred.

The benefit therefore materialises through a reduction in taxable income for corporate income tax purposes, spread over the depreciation period of the asset. In this way, the measure improves the economic return on the investment and reduces its net cost for the company, without affecting the accounting value recorded in the financial statements.

The intensity of the incentive is structured through progressive investment brackets.

For the portion of investment up to €2.5 million, the acquisition cost is increased by 180%; for the portion exceeding €2.5 million and up to €10 million, the increase amounts to 100%; while the portion between €10 million and €20 million benefits from a 50% increase.

This means, for example, that for an eligible investment worth €1 million, a company may calculate its tax deductions on an overall value of €2.8 million, since the original cost is supplemented by a 180% increase.

Assuming the same tax rate and the ability to use the deductions in full, the benefit is therefore particularly significant for small- and medium-sized investments, while remaining substantial for larger investment programmes, up to a maximum eligible amount of €20 million per year.

Source: TEHA Group elaboration on MIMIT data

The measure supports two main categories of investment.

The first concerns **new tangible and intangible assets that are instrumental to the technological and digital transformation of the company** and are included in Annexes IV and V of the 2026 Budget Law, which update the lists previously used under the Industry 4.0 framework. This category includes, among other assets, **advanced production machinery and plants, robots and automated systems, digitally controlled equipment, monitoring and sensor systems, solutions for integrating production processes, and software, platforms and applications supporting the management and interconnection of production activities**.

The second category includes investments in **new tangible assets intended for the self-generation of renewable energy for the company's own consumption, including the associated energy storage systems**. The incentive may apply to facilities located at the production site or, subject to the conditions established by the legislation, to off-site facilities connected to the same production structure through consumption points attributable to the company.

In terms of beneficiaries, the hyper-amortization scheme is highly cross-cutting. It is available **to all companies resident in Italy and to Italian permanent establishments of non-resident entities**, irrespective of their legal form, economic sector, company size or accounting regime used to determine business income.

The measure can therefore potentially be used by large manufacturing companies, SMEs, service, logistics and retail businesses, as well as agricultural enterprises making investments that comply with the relevant technical requirements. Access to the benefit takes place through an online procedure managed by the *Gestore dei Servizi Energetici*, or GSE.

In the first phase, the company submits an advance notification for each production facility concerned, indicating its identification details, the type and value of the planned investments, the expected date of interconnection of the digital assets or entry into operation of the energy facilities, and the amount of the requested enhancement. The platform for reserving the benefit has been operational since 12 June 2026.

At the end of the programme, once the investment has been completed and the digital assets have been interconnected, the company must submit a final notification, in any event no later than 15 November 2028. Effective access to the tax benefit is conditional upon the successful completion of the checks carried out by the GSE and the availability of the required technical and accounting documentation.

Source: TEHA Group elaboration on MIMIT data

Focus on a sector: specialised infrastructure construction sector 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 specialised infrastructure construction sector.

Italy's **complex civil engineering and specialised infrastructure construction sector** encompasses high-value activities such as tunnels and underground works, bridges and viaducts, railway and metro infrastructure, special foundations and geotechnics, hydraulic works and other technically demanding civil engineering projects. The sector represents one of Italy's most distinctive industrial capabilities: its competitiveness has been shaped by the country's challenging geography, dense urban fabric and extensive infrastructure network, which have historically required advanced engineering solutions in mountainous areas, complex geological conditions and highly constrained environments. This experience has created a **deep pool of technical know-how, specialised skills and execution capabilities that are difficult to replicate**. Today, Italian construction expertise is deployed globally, particularly in projects where engineering complexity, adaptability and project-management capabilities are more important than cost competitiveness alone.

€40 bln	Civil engineering market turnover	**+61%**	Turnover growth (2021-2024)
+11%	Value-added growth (2024)	**73**	Countries with Italian construction presence
€104 bln	Value of international project portfolio	**640**	International projects involving Italian construction companies

Italy offers international investors access to an **unusually deep ecosystem of capabilities in complex infrastructure construction**. One of its main advantages is the breadth of highly specialised engineering expertise concentrated within the domestic supply chain. Italian operators have developed advanced capabilities in **tunnelling, underground construction, bridges and viaducts, railway and metro infrastructure, geotechnics, deep foundations and hydraulic works**. These are high-barrier activities in which accumulated experience, engineering know-how and execution track record represent major competitive assets.

Source: TEHA Group elaboration on Istat and ANCE data

Italy's **domestic environment** has played a key role in building these capabilities. Its mountainous geography, seismic exposure, complex geological conditions, dense urban areas and extensive infrastructure network have required contractors to **develop solutions for technically demanding, non-standard projects**. This has strengthened expertise in adapting construction methods to challenging local conditions.

A second major strength is the sector's international reach. Italian construction capabilities are deployed across more than 70 countries, with an international portfolio exceeding €100 billion. This reflects a strong ability to transfer engineering know-how, project management and specialised technologies across different regulatory and operating environments, and to compete in mature international markets.

The sector is also well positioned in **infrastructure segments with strong long-term demand**. Urbanisation is supporting metro and underground infrastructure, decarbonisation is driving rail investment, ageing assets are expanding the market for structural rehabilitation, while climate adaptation is increasing demand for hydraulic and resilient infrastructure.

At the same time, **BIM, digital twins, structural monitoring, automated excavation and predictive maintenance** are increasing the technological content of complex construction. Italy's combination of engineering expertise, specialised capabilities and international experience therefore provides a strong platform for investors seeking exposure to a technology-intensive infrastructure market.

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