

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 latest macroeconomic data (page 1)
- Invitalia: Italy's National Agency for Development (page 4)
- *Sector insight*: the pharmaceutical and API sector in Italy (page 6)
- Favourable tax regime for new residents (page 8)

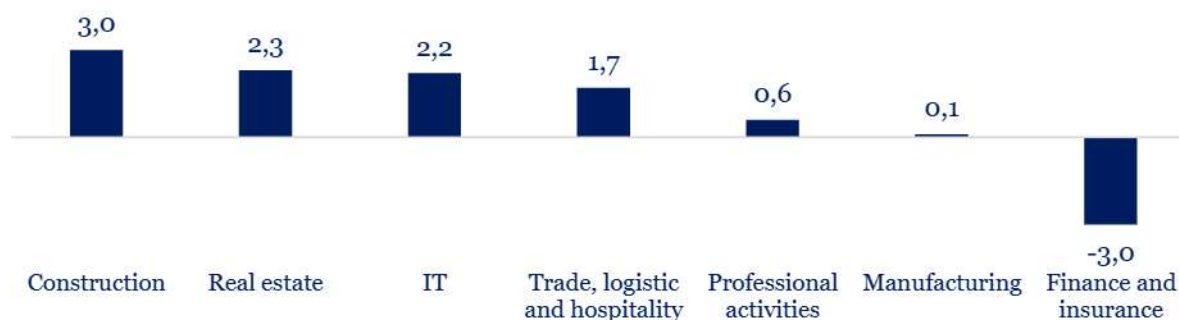
Italy's Macroeconomic Outlook

In the first quarter of 2026, Italy's Gross Domestic Product (GDP), measured in chain-linked volumes, increased by 0.3% compared to the previous quarter and by **0.8% year-on-year**. This performance is broadly in line with that recorded by other major European economies over the same period, with GDP growing by 0.9% in France, 0.3% in Germany and 0.8% across the Euro Area as a whole.

More complete data for the quarter led to a slight **upward revision of the preliminary GDP** estimate published on 30 April 2026, which had reported growth

of 0.2% compared with the previous quarter and 0.7% year-on-year. **The carry-over growth for 2026 is now estimated at 0.6%.**

Compared with the previous quarter, all major components of domestic demand recorded positive dynamics. Final national consumption expenditure increased by 0.4%, while gross fixed capital formation rose by 0.7%. At the same time, imports declined by 0.7%, whereas **exports recorded robust growth of 2.2%**, providing further support to overall economic activity.



Year-on-year growth of value added in the main sector of Italian economy

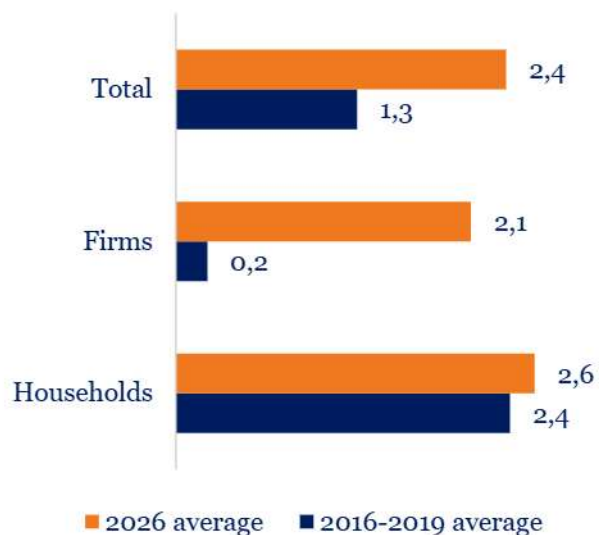


12-month growth rates of bank lending, by borrower category

Bank lending to both households and businesses returned to growth in 2026, signalling **renewed confidence among economic actors** and a strengthening of domestic economic activity.

The recovery in credit demand reflects improved investment prospects for firms and a more favourable environment for household spending decisions, supported by easing financial conditions and a progressively more stable macroeconomic outlook. A longer-term perspective further reinforces this positive trend.

Excluding the exceptional dynamics observed during the pandemic period, which led to a temporary surge in corporate borrowing driven by emergency liquidity measures, followed by a marked correction in subsequent years, current lending growth rates stand **well above the average**



Comparison between the 2026 average and the pre-pandemic average growth rates of bank lending

levels recorded between 2016 and 2019. This suggests that the recent expansion in credit is not merely cyclical, but rather reflects a broader normalisation and revitalisation of economic activity across the Italian economy.

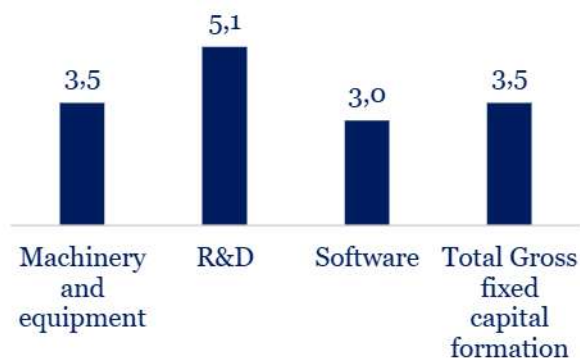
Gross fixed capital formation in Italy returned to growth in 2025, increasing by **3.5%** after contracting by 3.1% in 2024 and contributing to a higher investment-to-GDP ratio. This recovery was supported by **targeted policy measures**, including the Transition 5.0 Plan and investments financed through the National Recovery and Resilience Plan (NRRP), which particularly boosted non-residential construction activity as well as expenditure on machinery, equipment and transport assets.

Higher investment in renewable energy projects also contributed to the expansion of capital spending.

At the same time, **investment in intellectual property products continued its long-term upward trajectory**, reflecting the increasing importance of innovation and intangible assets within the Italian economy. Investment growth was broad-based across firm size classes and major sectors of activity, with particularly strong increases recorded among large manufacturing companies.

On average, **actual investment expenditure slightly exceeded the plans previously reported by firms**, highlighting a more favourable business environment than initially anticipated.

Construction companies also reported an increase in public works activity, although expectations suggest that this momentum may weaken in 2026. Looking ahead, firms' investment plans point to a moderation in capital expenditure growth, with the most pronounced decline expected among medium-sized enterprises employing between 20 and 49 workers.



2025 growth of Italian firms' investment (%)

The digital transformation of Italian businesses continued to advance in 2025, with basic digitalisation now firmly established across the productive system. Within the non-financial private sector, nearly 80% of firms employing at least ten people had achieved a basic level of digital intensity, up from 71% in the previous year. This places **Italy ahead of the other major economies in the Euro Area**, highlighting the significant progress made in recent years in the adoption of digital tools and processes. Advancements have also extended to more sophisticated digital capabilities. The share of firms making use of **data analytics** increased substantially, reaching **43% in 2025 compared with 27% in 2023**, the latest year for which comparable data were previously available. At the same time, the adoption of artificial intelligence technologies continued to expand, reflecting growing awareness of their potential to enhance productivity, innovation and competitiveness. Nevertheless, disparities remain across firm size classes, with larger companies continuing to adopt advanced digital solutions and AI applications at a considerably faster pace than smaller enterprises.

Invitalia: Italy's National Agency for Development

Invitalia is Italy's National Agency for Development. It plays a pivotal role in fostering the country's economic growth by promoting business competitiveness, supporting the development of local territories, and strengthening the strategic sectors of the Italian economy. Through a **wide range of financial instruments,**

investment incentives, and technical assistance services, Invitalia supports enterprises, public administrations, and development projects, contributing to innovation, sustainable growth, and the enhancement of Italy's attractiveness and productive capacity.

As the entity responsible for managing a significant share of Italy's national incentives and support schemes, Invitalia promotes entrepreneurship, business growth, and industrial competitiveness across the country. **The Agency supports companies at every stage of development,** from startups to high-tech firms and large-scale investment projects, facilitating access to financial instruments,

grants, and tailored services. It fosters productive investments, research and innovation, and projects for the digital and green transitions, while strengthening strategic value chains and sustainable mobility. Through **advisory services** and the "Sistema Invitalia Startup" network, Invitalia helps turn business ideas into competitive, innovative, and sustainable ventures.

Invitalia plays a central role in **attracting and facilitating foreign direct investment** into Italy, supporting both international and domestic companies seeking to establish, expand, or relocate business activities within the country. The Agency acts as a **one-stop partner for investors,** helping them **identify the most suitable financing opportunities, incentive schemes,** industrial sites, and strategic partners. It provides tailored assistance throughout the investment process, offering strategic analyses and

guidance on Italy's regulatory, legal, tax, and labour market frameworks. By facilitating interactions with national and local institutions, promoting networking opportunities, and supporting cultural and administrative mediation, Invitalia helps reduce investment barriers and accelerate project implementation. Through these activities, the Agency contributes to strengthening Italy's attractiveness as an investment destination while supporting reshoring initiatives and countering the offshoring of productive activities.

For further information, please refer to the [official website](#)

Some of Italy's key industrial incentive schemes

1

DEVELOPMENT CONTRACTS (Contratti di Sviluppo): Invitalia's flagship incentive for large-scale investments, supporting industrial, environmental, agri-food and tourism projects above €20 million through grants, subsidised loans and financial support packages.

2

NET ZERO DEVELOPMENT CONTRACTS: dedicated to strategic clean-tech manufacturing investments, including batteries, solar panels, wind turbines, heat pumps, electrolyzers and carbon capture technologies, supporting Europe's industrial decarbonisation goals.

3

PN RIC 2021–2027 / STEP DEVELOPMENT CONTRACTS: supports large investments in Strategic Technologies for Europe (STEP), including digital technologies, deep tech, clean technologies and biotechnology, with substantial public funding available.

4

PNRR SUSTAINABLE PRODUCTION PROCESSES DEVELOPMENT CONTRACTS: finances large industrial projects aimed at improving energy efficiency, reducing emissions, increasing resource productivity and accelerating the ecological transition of production systems.

5

LAW 181/89 – INDUSTRIAL CRISIS AREAS PROGRAMME: supports productive investments, innovation and business expansion projects in industrial areas undergoing economic restructuring, combining grants and subsidised financing to foster local regeneration.

6

INDUSTRIAL TRANSITION FUND: helps companies implement transformative investments focused on decarbonisation, energy efficiency and circular economy solutions, strengthening industrial competitiveness while supporting climate objectives.

7

CIRCULAR ECONOMY INCENTIVES: supports research, innovation and industrial investments aimed at waste reduction, resource efficiency, recycling and industrial symbiosis, facilitating the transition towards more sustainable production models.

8

STAFF HOUSE PROGRAMME: supports investments for the redevelopment and conversion of properties into accommodation facilities for workers, helping companies address labour shortages and improve territorial attractiveness in strategic sectors.

Focus on a sector: the pharmaceutical and API 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 pharmaceutical and API sector.

The pharmaceutical industry has become one of Italy's most important Made in Italy specialisations.

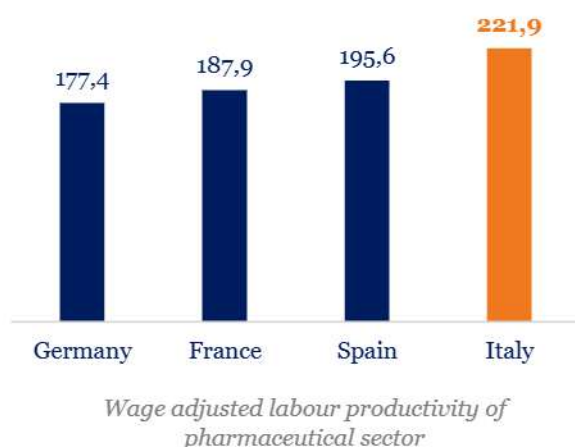
In 2025, the sector recorded an **overall trade surplus of €11.4 billion**, rising to €21 billion when considering medicines, vaccines and other finished products, a result that places pharmaceuticals first among manufacturing sectors after machinery. This specialisation is also reflected in the large and structurally

positive trade balance of chemically synthesised medicines, as well as in the positive balance recorded over the last two years for biotechnology products. This performance has been driven by pharmaceutical export growth above the long-term average, with **Italy ranking second worldwide between 2021 and 2024** in terms of export growth in value, ahead of both the United States and Germany.



In 2025, pharmaceutical companies invested **€4.4 billion in R&D, +91% with respect to 2024**. Between 2019 and 2024, R&D investment in the sector increased by more than **44%**, a dynamic that has generated significant results in several areas of specialisation and has increasingly been driven by partnerships with public research institutions.

Key areas include biotech and chemically synthesised medicines, vaccines, plasma-



derived products, advanced therapies and orphan drugs.

Italy also holds a leading position in Europe in **Contract Development and Manufacturing Organisation**, or third-party pharmaceutical manufacturing, ranking first at European level. Today, the sector generates €4 billion in production value, equal to **24% of the European total**, supported also by sustained investment.

Italy is also an international hub for vaccine R&D and production, combining a strong scientific tradition with a marked export orientation. Over the past ten years, this has

generated a positive trade balance of €9.8 billion, reflecting demand from other countries met by production carried out in Italy.



Active Pharmaceutical Ingredients, APIs, are the biologically active components used in the manufacture of medicines and represent a strategic upstream segment of the pharmaceutical value chain. In Italy, **the API sector comprises 72 manufacturing companies, 109 production sites and 11,900 employees**. Investment in R&D and in health, safety and environment accounts for 4% of turnover and has grown steadily since 2018. As early as 2022, the value of Italian API production exceeded €5 billion, increasing by 12% compared with the previous year and confirming **Italy as the**

leading European producer. The main outlet market is the pharmaceutical industry, across two key segments: active ingredients for generic medicines and custom manufacturing, namely the production and sale of intermediates and APIs for pharmaceutical companies holding product patents. The sector operates on a global market, with a particularly strong focus on North America. Overall, Italy holds a leading international position, **exporting more than 85% of its API production to over 90 countries, equivalent to around €4.5 billion**.

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.investitaly.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