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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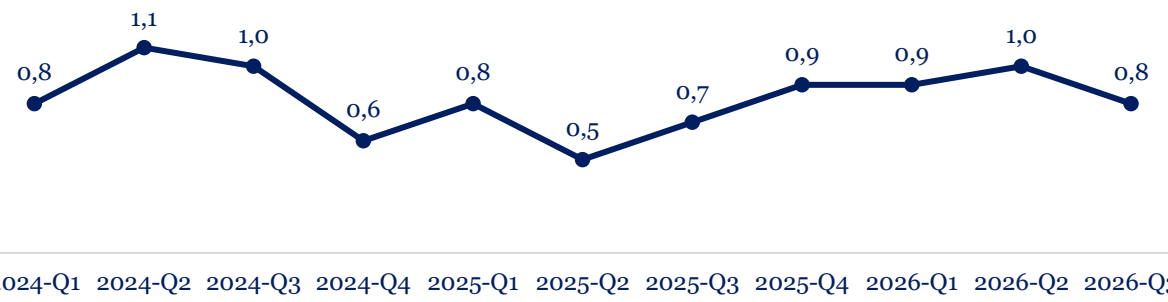
Italy's Macroeconomic Outlook

The international economic environment remains characterised by significant uncertainty. According to the Bank of Italy, the main sources of instability include the conflict in the Middle East, tensions in energy markets, uncertainty surrounding US trade policies and tighter financial conditions.

In early October, oil prices exceeded USD 100 per barrel, while natural gas prices reached their highest levels since the outbreak of hostilities, contributing to higher production costs and consumer prices. Rising bond yields have also added pressure to financing conditions, with potential implications for investment and economic activity.

These developments reflect a series of external and cyclical factors, largely beyond the direct control of Italy and other European economies, which are weighing on economic performance across the region.

Against this backdrop, the latest figures published by the Italian National Institute of Statistics (Istat) point to a slowdown in the Italian economy, although economic activity continues to expand on an annual basis. **On a year-on-year basis GDP grew by 0.8% compared with the third quarter of 2025**.



GDP growth (percentage change compared to same period in previous year)

Source: TEHA Group elaboration on Eurostat data

The annual GDP growth rate already secured for 2026 stands at 0.8%. Meanwhile, inflation has accelerated: in October, the annual increase in consumer prices reached a provisional 5.4%, up from 4.2% in September, mainly driven by rising energy prices. Nevertheless, **core inflation, excluding energy and fresh food, remained more moderate at 2.0%.** The labour market has shown greater stability: in September, employment reached 24.3 million, approximately 198,000 more than a year earlier (+0.8%), with an employment rate of 63.0% and an unemployment rate of 6.3%.

Despite these signs of economic weakness, several indicators continue to highlight the resilience of the Italian economy. International trade remains an important area of strength: **in the first eight months of 2026, exports increased by 5.0% in value compared with the same period in 2025**, while the trade surplus reached €34.7 billion, up from €32.5 billion a year earlier. Particularly noteworthy is the performance of non-energy products: in September, Italy's trade surplus with non-EU countries in these sectors reached €8.6 billion, compared with €6.3 billion in September 2025. These figures underline the continued contribution of non-energy industries to Italy's external trade balance, despite the increase in energy import costs.

Domestic demand has also provided support to economic activity. According to Istat's preliminary GDP estimate for the third quarter, domestic demand, including changes in inventories, made a positive contribution to growth. Although this does not indicate uniform growth across consumption and investment, it suggests that domestic economic activity has continued to provide a degree of stability amid weaker external conditions.

Some positive developments have also emerged in the construction sector: in the second quarter of 2026, the number of dwellings covered by building permits increased by 8.0% compared with the same quarter of 2025, while authorised residential floor space grew by 7.3% and non-residential floor space by 5.1%. Although these figures refer to permits rather than completed buildings, they provide an indication of potential future construction activity.

Overall, the latest data portray an Italian economy experiencing slower growth and renewed inflationary pressures, against a challenging international backdrop. At the same time, employment levels, export performance, the contribution of domestic demand and selected indicators of economic and social development point to a degree of resilience.

A broader picture of the country's development emerges from Istat's latest **report on Equitable and Sustainable Well-being** (BES), published in October. Of the 132 indicators comparable with the previous year, **54 improved, 55 remained stable and only 23 deteriorated**. Although these indicators do not directly measure GDP growth, they offer additional insights into social and economic conditions across the country.

Source: TEHA Group elaboration on Eurostat and Istat data

Tourism in Italy: sustained growth and strengthening attractiveness

Over the past two years, Italy's tourism sector has experienced sustained growth, reinforcing the country's position as one of Europe's leading tourist destinations. Italy recorded 160.8 million tourist arrivals in 2025, an increase of 7.7% compared with 2024, and 535.5 million overnight stays, up by 6.0% year-on-year. International tourism has been the main driver of this expansion: overnight stays by foreign visitors increased by 8.0%, compared with 3.5% for domestic tourists, bringing the international share of total overnight stays to 56.3%.This positive performance has also strengthened Italy's competitive position within the European tourism market: **Italy ranked first in the European Union for tourist overnight stays in 2025**, overtaking Spain (512.9 million) and remaining ahead of France (471.7 million). This represents a remarkable improvement compared with 2019, when Italy ranked fourth, behind Spain, France and Germany. Italy's share of total EU overnight stays increased from 15.2% in 2019 to 17.0% in 2025, while its share of international overnight stays rose even more significantly, from 16.2% to 19.6%. **Overall, Italy accounted for more than one-third of the increase in tourist overnight stays recorded across the EU since 2019** and almost half of the growth generated by international visitors.

Preliminary figures for 2026 confirm the continuation of this positive trend, particularly in international tourism. During the first seven months of the year, total overnight stays increased by 2.7% compared with the same period in 2025, driven by a 4.8% rise in international overnight stays, while domestic demand remained broadly stable.

Foreign visitors accounted for 180.8 million overnight stays, representing 58.5% of the total, one percentage point higher than in the corresponding period of 2025. The average length of stay also increased, from 3.27 to 3.41 nights per visitor, suggesting a strengthening of tourism demand not only in terms of visitor numbers but also in the duration of their stays.

The positive trend continued during the peak summer season. In June and July 2026, Italian accommodation establishments recorded **154.6 million overnight stays, including 88.4 million by international tourists and 66.1 million by domestic visitors**. Overall overnight stays increased by 1.2% compared with the same two months of 2025, reflecting a 2.9% increase in international demand that more than offset a 0.9% decline in domestic overnight stays.

Italy's strong tourism performance reflects a combination of structural competitive advantages and specific demand drivers. The country's exceptional cultural heritage, geographical diversity and internationally recognised food and wine traditions underpin its attractiveness across multiple tourism segments, from cultural and urban tourism to seaside holidays, mountain destinations, nature-based experiences and luxury travel. Italy currently boasts 62 UNESCO World Heritage properties, the highest number worldwide.

Source: TEHA Group elaboration on Eurostat and Istat data

Italy revises Corporate Sustainability Reporting Requirements in line with the EU Omnibus Package

Among the regulatory measures adopted in October 2026, a significant development concerns corporate sustainability reporting requirements, with Italy introducing **new exemptions under the Corporate Sustainability Reporting Directive** (CSRD).

On 23 October 2026, Decree-Law No. 193/2026 was issued, entering into force the following day. Article 10 introduces a transitional provision amending Legislative Decree No. 125/2024, Italy's implementation of the CSRD, **anticipating part of the simplification** measures established by the European Union's **Omnibus I package.**

The measure substantially **narrows the scope of mandatory sustainability reporting for financial years beginning between 1 January 2026 and 31 December 2027**. During this period, companies are exempt from preparing and publishing individual or consolidated sustainability reports if they meet at least one of the following conditions:

- **Annual net turnover does not exceed €450 million**; or
- **Average annual employment does not exceed 1,000 employees**.

Consequently, **companies must exceed both thresholds** to remain within the scope of mandatory reporting under the revised dimensional criteria. These thresholds apply at individual or consolidated level, where relevant.

The reform represents a significant change from the original CSRD framework, which progressively extended reporting obligations to a broader population of large companies and listed entities. The Italian provision anticipates the revised European thresholds introduced by Directive (EU) 2026/470, whose sustainability reporting amendments must be transposed into national legislation by 19 March 2027.

From a business perspective, the measure has three main implications:

1. **Reduced compliance obligations**: fewer companies are required to prepare sustainability reports, potentially lowering reporting, auditing and administrative costs.
2. **Greater regulatory alignment**: Italy brings its domestic framework closer to the revised EU rules, providing greater clarity for multinational groups operating across European markets.
3. **Continued relevance of sustainability information**: companies outside mandatory reporting may still face ESG information requests from investors, customers and larger business partners.

The exemptions do not affect the separate sustainability reporting provisions applicable to certain non-EU companies, which remain governed by the existing legislation.

The Italian intervention is part of the broader EU Omnibus I simplification package, introduced by the European Com-

Source: TEHA Group elaboration on Decree-Law No. 193/2026, Art. 10; Legislative Decree No. 125/2024; Directive (EU) 2026/470; European Commission, Omnibus Simplification Package (2025).

-mission in February 2025 to reduce administrative burdens and strengthen European competitiveness, while preserving the Union's environmental and social objectives.

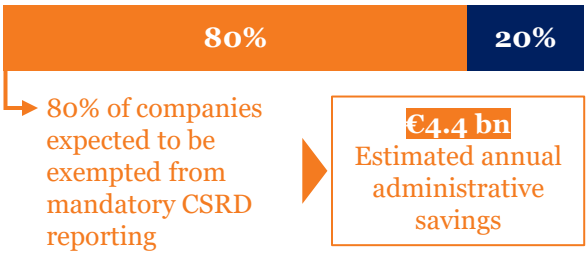
The package addresses several interconnected regulatory frameworks, including the CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy.

Beyond revising reporting thresholds, **it seeks to simplify the European Sustainability Reporting Standards** (ESRS) and limit the information that larger companies can request from smaller suppliers, making sustainability requirements more proportionate to businesses' size and economic impact.

The scale of the proposed simplification is significant: the European Commission initially **estimated** that approximately **80% of companies previously covered by the CSRD would be removed from its scope**.

The original proposal also projected annual **administrative savings of approximately €4.4 billion**, reflecting lower compliance costs and simplified reporting requirements.

Despite the narrower regulatory scope, sustainability remains relevant for business competitiveness. Environmental and social performance continues to influence access to finance, investor confidence, supply-chain transparency and international market positioning. Companies no longer subject to mandatory reporting may



Estimated reduction in the number of companies subject to mandatory CSRD reporting (% of previously covered companies) and annual administrative savings under the original EU Omnibus proposal. *Source: TEHA Group elaboration on European Commission (2025).*

therefore continue to disclose sustainability information voluntarily, including through simplified standards tailored to smaller businesses.

Overall, the Omnibus I reform marks a shift in the EU's regulatory approach, seeking to **reconcile sustainability objectives with industrial competitiveness through more proportionate obligations**.

In this context, Italy has moved ahead of the full national implementation of the revised EU framework, introducing **temporary** exemptions while the broader legislative transition is still underway.

The decree-law remains subject to parliamentary conversion, and **the revised European provisions will require formal transposition into Italian law**.

The outcome will be a regulatory framework in which sustainability reporting is more targeted, while ESG performance remains an important factor in companies' long-term competitiveness.

Source: TEHA Group elaboration on Decree-Law No. 193/2026, Art. 10; Legislative Decree No. 125/2024; Directive (EU) 2026/470; European Commission, Omnibus Simplification Package (2025).

Focus on a sector: Luxury Craftsmanship 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 Luxury Craftsmanship sector.

Italian luxury craftsmanship is one of Italy's most distinctive manufacturing ecosystems, combining centuries-old artisanal expertise, specialised production capabilities and internationally recognised design excellence.

The sector encompasses **high-end fashion and tailoring**, **leather goods**, **footwear**, **jewellery**, **furniture**, **artistic glassmaking** and **decorative arts**. It includes independent workshops, family-owned manufacturers and specialised suppliers integrated into the production networks of global luxury brands.

Italy hosts over 1.23 million artisan enterprises across its economy.

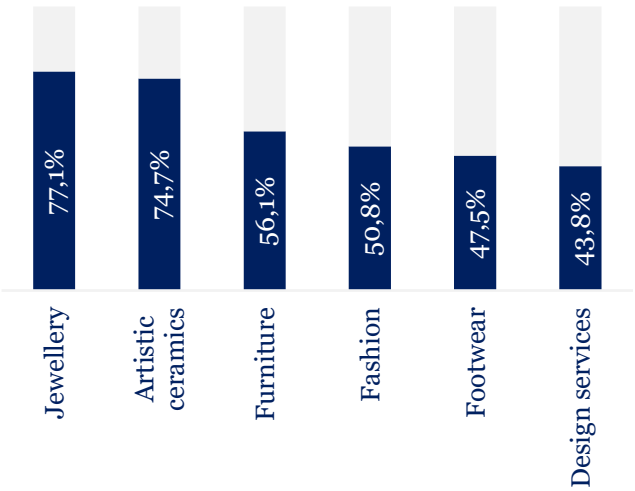
In fashion manufacturing alone, 40,515 businesses are artisan enterprises, representing approximately 51% of the sector's firms and employing around 129,000 people. These activities form part of a wider Italian fashion industry generating approximately €93.3 billion in annual turnover in 2025, although not all production belongs to the luxury segment.

Italian manufacturing expertise is closely connected to the global personal luxury goods market, worth €358 billion in 2025, with moderate growth of 2–4% projected for 2026. Italy's competitive position rests on a highly specialised network of suppliers combining skilled manual production with advanced industrial processes.

This ecosystem supports internationally recognised brands including Gucci, Prada, Bottega Veneta, Fendi, Ferragamo, Loro Piana and Bulgari, and many more.

Its supply chains are strongly rooted in Italy: approximately 91% of Prada's direct manufacturing suppliers and 78% of Kering's direct suppliers and subcontractors were located in the country in 2025.

Craftsmanship plays a significant role across high-end manufacturing industries, accounting for 77.1% of enterprises in jewellery, 74.7% in artistic ceramics and 56.1% in furniture manufacturing. These figures refer to the broader production sectors, highlighting the importance of artisanal businesses beyond fashion.



Share of artisan enterprises in selected Italian luxury-related manufacturing sectors (% of total enterprises), 2024–2025. Source: TEHA Group elaboration on *Confartigianato* data.

Source: TEHA Group elaboration on CNA (2026); Confartigianato (2024–2026); Fondazione Altagamma, Worldwide Luxury Market Monitor (2025) and Update (2026); Prada Group (2025); Kering (2025); Unioncamere–Excelsior, Imprese Artigiane (2025).

The sector is organised around specialised industrial districts, each with distinctive manufacturing capabilities:

- **Tuscany** is a leading centre for **luxury leather goods** around Florence and jewellery manufacturing in Arezzo.
- **Veneto** combines **premium footwear** along the Brenta Riviera, jewellery in Vicenza and artistic glassmaking in Murano.
- **Lombardy** specialises in **luxury textiles** around Como, fashion in Milan and **high-end furniture and design** in Brianza.
- **Marche** is internationally recognised for high-quality **footwear** production, particularly in Fermo and Macerata.
- **Piedmont** hosts the Valenza **jewellery district**, a major centre for fine jewellery and goldsmithing.

Italy's longstanding tradition of fine craftsmanship and design represents a major strength in international markets.

In 2024, exports of high-quality Italian fashion, leather goods, footwear, jewellery, furniture, glass and ceramics reached **€80.1 billion**, reflecting the global appeal of Italian creativity, skilled workmanship and attention to detail.

These exports reflect a network of specialist producers combining traditional skills with innovation.

Over the past decade, the broader category of high-quality Made in Italy goods has recorded **average annual export growth of 7%**, with France, the United States and Germany among its leading markets.

Source: TEHA Group elaboration on CNA (2026); Confartigianato (2024–2026); Fondazione Altagamma, Worldwide Luxury Market Monitor (2025) and Update (2026); Unioncamere–Excelsior, Imprese Artigiane (2025).

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 almost **400 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.