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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI inflows towards Italy gained pace in 2022 and stood at USD 19.9 billion, after recording negative flows in the last couple of years. Meanwhile, the stock of FDI totalled USD 448.5 billion, around 22.3% of the country's GDP. Data from the Bank of Italy shows that the majority of FDI stock is held by the Netherlands (23.7%), Luxembourg (17.7%), France (17.6%), Germany (9.2%), the UK (7.6%), and Switzerland (6.1%). In terms of sectors, manufacturing holds 29.1% of the total FDI stock, followed by professional, scientific and technical activities (15%), information and communication (10.9%), financial and insurance activities (9.8%), and wholesale and retail trade (8.8% - data OECD). According to the Europe Attractiveness Survey 2023 published by EY, the number of investment projects in Italy has more than doubled compared to the pre-COVID situation: in 2022, 243 FDI projects were announced, representing a 17% increase from one year earlier. As per the latest figures from OECD, in the first half of 2023 total investments in Italy stood at USD 10.8 billion, down from USD 18.6 billion in the same period the previous year.

Among the reasons to invest in Italy, is the fact that the country has one of the biggest markets in the EU, it has a diversified economy and a skilled workforce, it is one of the main manufacturing countries in the world and has good infrastructures and a strategic position, at the crossroads between Europe, Northern Africa and the Middle East. The National Resilience and Recovery Plan (NRRP) of Italy, spanning from 2021 to 2026, leverages more than EUR 200 billion in EU funds. The plan aims to expedite the digital and green transitions while implementing comprehensive reforms to tackle longstanding impediments to growth in the Italian economy. Overall, foreign companies account for 18% of the Italian GDP and 14% of investments (data U.S. Department of State). Nevertheless, high procedural and tax costs slow administrative processes, labour costs, regional disparities, corruption and organised crime are still among the factors that hinder investments in the country. In order to foster Italy's attractiveness, the government created "InvestItalia", an agency dependent on the Prime Minister which coordinates Italy's promotion activities to attract foreign direct investments. Finally, the country's government amended the "Golden Power" law, which gives it authority to block foreign acquisitions of companies operating in strategic sectors (defence/national security, energy, transportation, telecommunications including 5G and cloud computing, critical infrastructure, sensitive technology, and nuclear and space technology). Italy ranks 41st out of 63 in the [World Competitiveness Ranking](#). Furthermore, it ranks 26th among the 132 economies on the [Global Innovation Index 2023](#) and 81st out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	-23,622	-8,956	19,947
FDI Stock <i>(million USD)</i>	490,197	449,962	448,493
Number of Greenfield Investments*	169	236	274
Value of Greenfield Investments (million USD)	10,022	19,848	25,437

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Italy	OECD	United States	Germany
Index of Transaction Transparency*	7.0	6.5	7.0	5.0
Index of Manager's Responsibility**	4.0	5.3	9.0	5.0
Index of Shareholders' Power***	6.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN ITALY

Strong Points

The strong points of Italy in terms of foreign investment include:

- Italy has a strong and still important industrial sector (22.6% of GDP in 2021, latest data available by World Bank) as well as a strong and diversified export ecosystem.
- Italian SMEs are very competitive with exports.
- Italy hosts major trade shows that attract buyers from all over the world. For example, Salone del Mobile in Milan attracted around 270,000 visitors from all over the world in 2022.
- Very good infrastructure (although disparate depending on the region)
- Skilled workforce with technical knowledge and experience in high quality production and tourism.
- The government has been pursuing a strategic economic repositioning: the government resulting from the coalition between the Five Stars Movement and the centre-left Democratic Party in 2019 has as its main objectives the innovation and digitisation of the Public Administration, the strengthening of exports by identifying the most suitable tools to promote Made in Italy, and a more intense coordination between universities and research entities.
- Labour market and banking sector reforms have been implemented and are beginning to bear fruit.

Weak Points

The key weak points of Italy in terms of foreign investment include :

- High procedural costs and slow administrative processes that significantly slow down the process of starting a business
- A fragile banking system
- Weak enforcement of intellectual property rights
- Corruption and organised crime that impact business confidence and thus significantly slow down investment and development
- Labour costs are high and productivity has barely increased over the past 15 years; a fact that can be explained, among other things, by Italy's specialisation in low and medium value added sectors
- State investment in R & D remains low

- Private and public debts are high and create a rigid business environment because the state has to impose heavy taxes.
- Unemployment remains large (9.3% in 2022, IMF) and hampers household confidence.
- Regional disparity between north and south is fairly pronounced: for example, infrastructure in some regions, particularly in the South, is poor.
- Political instability

Government Measures to Motivate or Restrict FDI

The Government supports FDI via tax credits. Companies investing in strategic intangible assets can benefit from a tax credits of 15%, whereas those investing in machinery and capital goods qualify for a tax credit of 20-40%. Further public support is granted to new investments in manufacturing and R&D, especially in southern regions and in Special Economic Zones.

The “Industria 4.0” plan aims at boosting private investment in research and development. “Industria 4.0” essentially translates into a series of measures, economic incentives for the digital development of businesses: these include hyperamortisation, superamortisation and soft loans for innovative start-ups.

Companies that make investments in new machinery, plant or equipment for productive use and digital technologies can benefit “Nuova Sabatini” Law facilities. It is an important part of the Industry Plan 4.0 and consists of a contribution by the government to partially cover the interest paid by the company on bank loans relating to the investments made. In order to support the investments of companies that have difficulty in accessing credit, the Industria 4.0 plan has a special instrument: the Guarantee Fund. It aims at facilitating access to sources of finance (loan/grant) for SMEs through the provision of a public guarantee (up to a maximum of 80% of the financing), that works alone or in conjunction with other guarantees and securities.

The Italian Trade Agency's [Invest in Italy website](#) provides guidance on investing and setting up a business in the country.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Italy has a very large presence in the aerospace sector (it is a leading producer of helicopters, a partner in the project for the construction of the international space station, etc.).

In the automobile sector, Italy distinguishes itself in design, technology and skills, with avant-garde research centres. The automobile market is constantly expanding and is attractive to foreign manufacturers.

The Italian chemical industry is one of the country's most dynamic sectors (with a strong propensity for innovation, highly qualified human resources and large multinationals who have chosen the peninsula to set up their business). Italy is the third-largest European producer in the chemical sector and a prominent actor on the world stage. In a country where volumes of production and consumption of agri-food products and beverages are the largest in Europe, tradition and innovation create new opportunities to conquer new foreign markets. The country is characterised by a tradition of typical products, culinary dishes and wines well-known all over the world, and very high-level standards of quality and safety.

Italy has many investment opportunities in new technologies: nanotechnologies, biotechnologies, high tech products, etc. Italy also enjoys a favourable and stimulating environment to develop Life Science projects (competitive costs, simple standards, search for excellence). Italy is also a logistical platform for international trade, with new investments and the best transport and telecommunications infrastructures around the Mediterranean. Finally, Italy is the fourth most-popular tourist destination in the world, an industry worth around € 70 billion a year.

High Potential Sectors

Health and well-being, aeronautics, transport, arms industry and naval sector, energy, real estate, tourism, food industry.

Privatization Programmes

Airline companies, railways, natural gas.

Tenders, Projects and Public Procurement

[Ted - Tenders Electronic daily](#), Business Opportunities in the European Union
[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Defense, tobacco, energy networks.

Sectors in Decline

Metallurgy, textiles.

Finding Assistance For Further Information

Investment Aid Agency

[Invitalia](#) (National Agency for Inward Investment and Economic Development, Italian Ministry of Economy)

Other Useful Resources

[Italian Trade Agency \(ITA\)](#)

[Confindustria](#) (association of manufacturing and service companies in Italy)

Doing Business Guides

[Investment Guide \(Italian Trade Agency\)](#)

[Doing business in Italy \(Thomson Reuters Practical Law\)](#)

[Doing Business Report - Italy \(World Bank\)](#)

[Italian Business Guide \(gateway to the Italian manufacturing suppliers\)](#)

[Investment Climate in Italy - US Department of State](#)