After a highly volatile period of FDI flows between 2008 and 2012, investments to Italy have stabilised and maintained a sustained pace. According to the World Investment Report 2020 of UNCTAD, FDI inflows stood at USD 26.5 billion in 2019, down from USD 32.8 billion in 2018. FDI stock was about at USD 445 billion in 2019. Italy ranks 15th among the top 20 host economies. Although, in terms of FDI inflows as a percentage of GDP, Italy is among the less performing countries in Europe, with a ratio of around 1.9% in 2018 (World Bank data). The main investing countries are France, the US, the United Kingdom and Germany (data from the Bank of Italy). The investments are directed mainly to the manufacturing sector, wholesale and retail trade, professional, and financial and insurance activities.

Among the reasons to invest in Italy there is the fact that the country has one of the biggest markets in the EU, it has a skilled workforce and good infrastructures, it is one of the main manufacturing countries in the world and has a strategic position, at the crossroads between Europe, Northern Africa and the Middle East. Nevertheless, high procedural and tax costs and slow administrative processes, an instable political situation, high labour costs, corruption and organised crime are still among the factors that hinder investments to the country. In order to foster Italy’s attractiveness, in 2019 the government created “InvestItalia”, an agency dependant on the Prime Minister which should coordinate Italy’s promotion activities to attract foreign direct investments. Italy ranks 58th on the 2020 Doing Business report of the World Bank, losing seven positions compared to the previous year.

<table>
<thead>
<tr>
<th>Foreign Direct Investment</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Inward Flow (million USD)</td>
<td>24,047</td>
<td>32,886</td>
<td>26,570</td>
</tr>
<tr>
<td>FDI Stock (million USD)</td>
<td>424,733</td>
<td>428,272</td>
<td>445,741</td>
</tr>
<tr>
<td>Number of Greenfield Investments*</td>
<td>201</td>
<td>170</td>
<td>222</td>
</tr>
<tr>
<td>Value of Greenfield Investments (million USD)</td>
<td>5,889</td>
<td>5,514</td>
<td>6,951</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Country Comparison For the Protection of Investors</th>
<th>Italy</th>
<th>OECD</th>
<th>United States</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of Transaction Transparency*</td>
<td>7.0</td>
<td>6.0</td>
<td>7.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Index of Manager's Responsibility**</td>
<td>4.0</td>
<td>5.0</td>
<td>8.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Index of Shareholders' Power***</td>
<td>6.0</td>
<td>7.0</td>
<td>9.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Doing Business - Latest available data.
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 (28% of GDP in 2018, 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 2019 in Milan attracted around 400 thousand visitors from around the world (+12.5% compared to 2018).
- 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 (12.7% in 2020, 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.

In 2016, the Government launched a three-year industrial plan, "Industria 4.0", aimed 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.
Moreover, since 2019 and until the available resources are exhausted, 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. Lastly, with regard to expenses in Research and Development, Industria 4.0 provides for access to a tax credit from 50% to 25% up to a maximum of 20 million euros per year.

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