The European House Ambrosetti

Business Insights from Italy

A Letter to International Investors

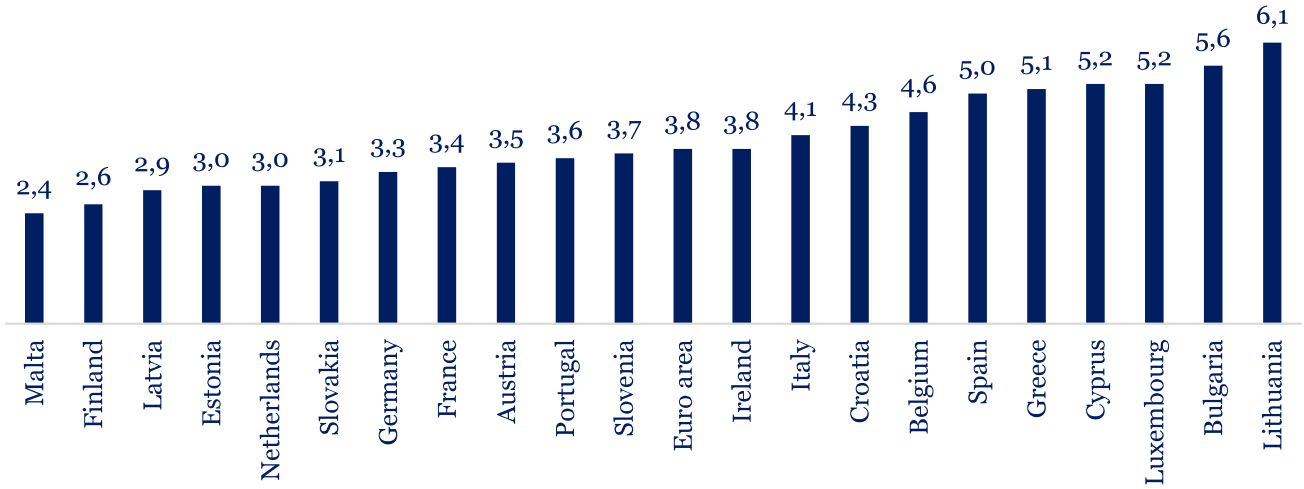
Business Insights from Italy is a publication by **The European House - Ambrosetti**, produced in collaboration with leading Italian institutions. The publication provides updates on the Italian macroeconomic scenario, on Italy's industrial sectors and on policies directed to foreign investors.

In this edition:

- Italy's latest macroeconomic data (page 1)
- The Italian DPFP: the next phase of Italy's reform agenda (page 4)
- *Sector insight*: Biomedical & Prosthetics sector in Italy (page 6)
- Favourable tax regime for new residents (page 8)

Italy's Macroeconomic Outlook

After several months of relatively contained inflation, the persistence of the energy crisis is beginning to have a visible impact on consumer prices across Europe. According to Eurostat's preliminary estimates, annual inflation in the euro area reached **3.8% in September 2026**, up from 3.2% in August, driven primarily by a sharp acceleration in energy prices. **Energy inflation rose to 18.8%**, while price increases in other components remained comparatively moderate, with services inflation at 3.2% and non-energy industrial goods at 1.1%. Italy has experienced a **similar trend**, with harmonised inflation rising from 3.2% in August to 4.1% in September, slightly above the euro area average. This acceleration has also been observed across other major European economies, although with varying intensity: inflation reached 5.0% in Spain, 3.4% in France and 3.3% in Germany.



Monthly inflation in September (percentage change compared to same period in previous year)

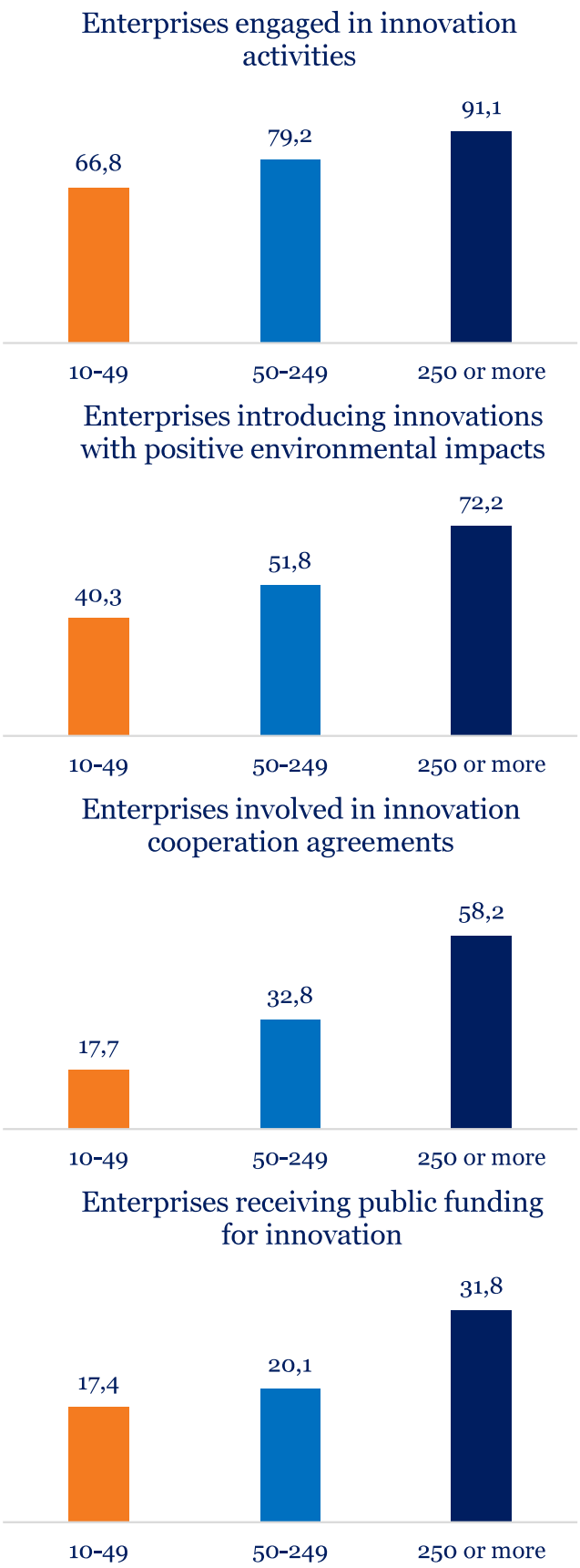
Source: TEHA Group elaboration on Eurostat data

These differences reflect not only the common impact of higher international energy prices, but also structural characteristics of national energy systems, contractual arrangements and the timing of price transmission to households and businesses. In this respect, the composition of each country's energy mix plays an important role. Italy's electricity market is **relatively sensitive to natural gas prices**, as gas-fired generation frequently determines the marginal wholesale electricity price. By comparison, France benefits from a substantial nuclear generation capacity, while Spain's significant renewable energy production reduces the frequency with which gas-fired plants set electricity prices. **Nevertheless, these structural differences do not translate automatically into equivalent differences in overall inflation**, as consumer prices are also influenced by fuel costs, taxation, regulatory measures, domestic demand and developments in other sectors. The transmission of higher energy prices to the wider economy is becoming increasingly apparent, although its intensity and timing vary considerably. According to Eurostat, industrial producer prices in the euro area increased by 8.2% year-on-year in August 2026, with energy prices rising by 21.0% and intermediate goods by 6.8%. These developments suggest that higher energy costs are already affecting industrial supply chains, particularly at the earlier stages of production.

However, **the pass-through to final consumer prices has so far remained more contained**. While energy inflation has accelerated sharply, price increases for non-energy goods and services have been considerably more moderate: this suggests that businesses may be absorbing part of the additional costs through their margins, benefiting from existing supply contracts or adjusting their selling prices only gradually.

The European Central Bank has also highlighted that the speed of transmission varies significantly across countries, depending on the prevalence of fixed-price contracts, regulatory frameworks and energy suppliers' hedging strategies. For Italy, the persistence of higher energy prices represents an important factor to monitor, particularly in relation to household purchasing power and business competitiveness. Recent economic indicators suggest that domestic demand remains relatively subdued, while industrial activity continues to face a challenging external environment. At the same time, the **Italian economy has maintained positive GDP growth, and the relatively moderate increase in underlying inflation indicates that higher energy costs have not yet translated into widespread and persistent price pressures across the entire economy**. More broadly, the current inflationary episode remains predominantly energy-driven rather than the result of a generalised acceleration in domestic price pressures. This distinction is particularly important for assessing the outlook. While higher energy costs are already visible in producer prices, their ultimate impact on consumer inflation, corporate profitability and economic activity will depend on the duration of the shock, the ability of businesses to absorb or pass on additional costs, and the evolution of household demand.

Source: TEHA Group elaboration on Eurostat and BCE data



Key metrics of Italian innovative enterprises in the manufacturing sector, by size class – number of employees (% on total)

According to the latest figures published by the Italian National Institute of Statistics (Istat) in September 2026, **innovation activity among Italian businesses strengthened over the 2022–2024 period**.

The share of enterprises with at least 10 employees engaged in innovation activities reached 62.9%, **up 4.3 percentage points compared with 2020–2022**, with particularly strong progress among small enterprises (+5.1 percentage points). Manufacturing remained the most innovation-intensive sector (69.2%), followed by services (60.7%) and construction (53.1%). Total innovation expenditure reached €38.5 billion in 2024, increasing by 25.7% compared with 2022, with research and development accounting for nearly two-thirds of the total.

A closer examination of industrial enterprises reveals significant differences across size classes. Innovation activities involved 91.1% of large enterprises, compared with 79.2% of medium-sized enterprises and 66.8% of small businesses. Enterprise size also influences access to public funding for innovation, which benefits 31.8% of large enterprises, compared with 20.1% and 17.4% of medium-sized and small enterprises, respectively.

Similar differences emerge in innovation cooperation and environmental sustainability. 58.2% of large industrial enterprises participate in innovation cooperation agreements, compared with 32.8% of medium-sized and 17.7% of small businesses. Moreover, the share of enterprises introducing innovations with positive environmental impacts reaches 72.2% among large businesses, compared with 51.8% of medium-sized and 40.3% of small enterprises.

Source: TEHA Group elaboration on Eurostat and Istat data

The Public Finance Planning Document (DPFP) 2026: from the NRRP to the Medium-Term Plan, the next phase of Italy's reform agenda

Among the documents that frame Italy's economic policy for the coming years, a central role is played by the **Public Finance Planning Document (DPFP) 2026**, approved by the Council of Ministers on 2 October 2026 on the proposal of the Minister of Economy and Finance, Giancarlo Giorgetti. Introduced in 2025 to replace the NADEF, it is the preparatory act for the 2027 Budget Law.



Cover of the 2026 Italy's Public Finance Planning Document (Illustrative)

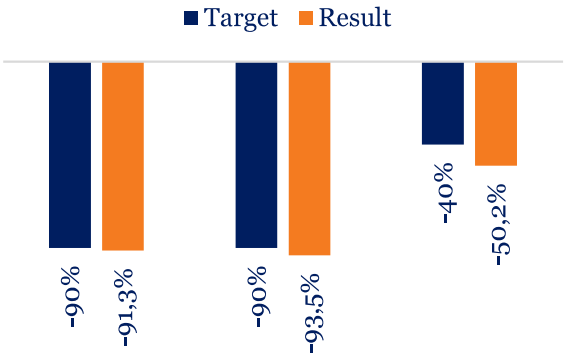
The document is organised in three sections: the macroeconomic framework, the public finance framework and the reform and investment actions. The latter takes stock of progress on two parallel priorities:

- the **completion of the National Recovery and Resilience Plan (NRRP),** which can be considered officially completed after the achievement of its last 156 milestones and targets; and
- the **implementation of the Medium-Term Fiscal-Structural Plan (MTFSP),** which extends and reinforces the NRRP reform path.

Unlike a legislative measure, the DPFP does not introduce new binding rules: it is a programming and reporting instrument, in which the Government updates its forecasts and reports on the reform commitments undertaken towards the European Union.

Progress is measured against precise targets across six priority policy areas, including justice, taxation, the business environment and public administration.

- By June 2026, **the NRRP justice targets were exceeded**: pending civil cases in ordinary courts fell by 91.3% (target: -90%) and the length of civil proceedings by 50.2% compared with 2019 (target: -40%).
- By December 2027 and December 2029, the **MTFSP requires additional tax revenue from prevention and control activities** of +5% and +10% respectively, compared with 2024.
- By 2028, **civil cases registered in 2023-2025 must be reduced by 90%,** while the update of cadastral values for properties renovated with public funds is also due.

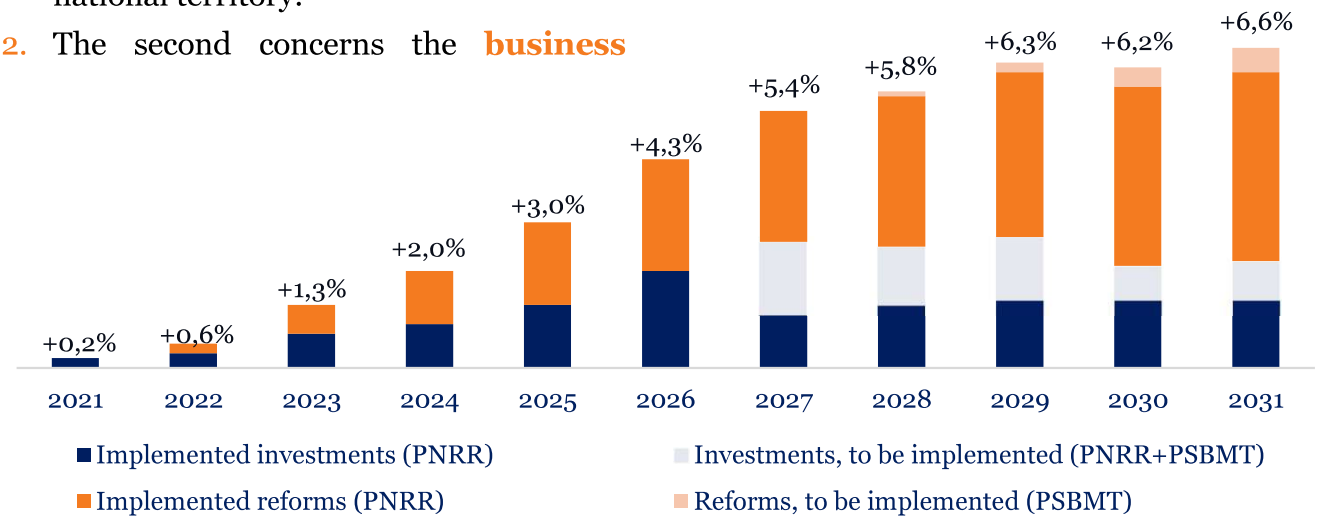


NRRP justice targets vs results, June 2026 (% change)

Source: TEHA Group elaboration on Ministry of Economy and Finance data

The **reform agenda** can be read along two main lines.

1. The first concerns the **efficiency of the administrative framework**: following the **completion of the 2023 tax reform** through the legislative decrees adopted in 2026, including the so-called **"Omnibus" decree** (Legislative Decree 148/2026), the mapping of buildings not registered in the *cadastre* now covers 96% of the national territory.
2. The second concerns the **business environment**: It includes the **2026 Annual Competition Bill**, currently under examination by the Chamber of Deputies, and the reorganisation of State incentive schemes in line with the Incentives Code (Legislative Decree 138/2026). It also includes support to research and technology transfer, with 48 technology transfer centres financed, 13 of which are European Digital Innovation Hubs.



Estimated impact of investments and reforms on real GDP (percentage deviation from the baseline scenario), 2021-2031. Source: TEHA Group elaboration on Ministry of Economy and Finance

In terms of scope, the **agenda is highly cross-cutting**, covering **justice**, **taxation**, **public administration**, **competition**, **research** and, increasingly, **healthcare** and **family support**.

Monitoring takes place at European level: the DPFP also reports on the country-specific recommendations of the Council of the EU, which in 2026 call on Italy to ensure the continuity of NRRP reforms and investments and to accelerate the implementation of cohesion policy programmes.

The Government estimates that the **reforms of the NRRP (PNRR)** and **of the MTFSP (Medium-Term Fiscal-Structural Plan) will raise real GDP** by **+4.4% by 2031** compared with the baseline scenario, with effects building up gradually over the medium-long term.

The framework is supported by an **improving fiscal outlook**: the DPFP revises up 2026 GDP growth to 1.0%, with a deficit-to-GDP ratio of 2.9%. If these trends are confirmed by the European Commission's Spring 2027 forecasts, the conditions could exist for the Council to close the Excessive Deficit Procedure against Italy on the basis of 2026 final data.

Source: TEHA Group elaboration on Ministry of Economy Finance data

Focus on a sector: Biomedical & Prosthetics 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 Biomedical & Prosthetics sector.

The Biomedical & Prosthetics sector is one of **Italy's most advanced manufacturing and innovation ecosystems**, combining engineering capabilities, healthcare expertise and a strong export orientation.

It spans diagnostic and monitoring devices, orthopaedic implants, prosthetic solutions and advanced rehabilitation technologies, within a **medical technology industry** worth approximately **€18.5 billion**.

Italy hosts **4,618** medical technology **companies** employing **133,627 people**, including 2,743 manufacturers. Biomedical technologies are the largest segment, with 1,350 companies, or 29% of the total. Around **94% of firms** are **SMEs**, operating alongside global manufacturers across the healthcare value chain.

This position rests on the interaction between **industrial clusters**, **hospitals**, **universities** and **research centres**, which supports innovation in personalised implants, digital health, robotics-assisted rehabilitation and next-generation biomaterials.

The industry invests approximately **€1.1 billion** in **R&D**, and Italy is **Europe's 4th medical technology market**, with 11.7% of the European total.

Italy's competitiveness is also visible in **trade**: in 2024, medical device exports grew by 4.5% against 2.5% for imports, narrowing the **trade deficit to €2.7 billion**. The United States is the main destination market for Italian exports.

The medical technology industry is **concentrated in a few well-defined territories**. Northern Italy hosts 2,895 companies, including **80% of the sector's large firms**, while Central Italy counts 939 companies and 25% of national start-ups.

Italy accounts for 11.7% of the **European medical technology market,**
ranking among the continent's leading MedTech ecosystems

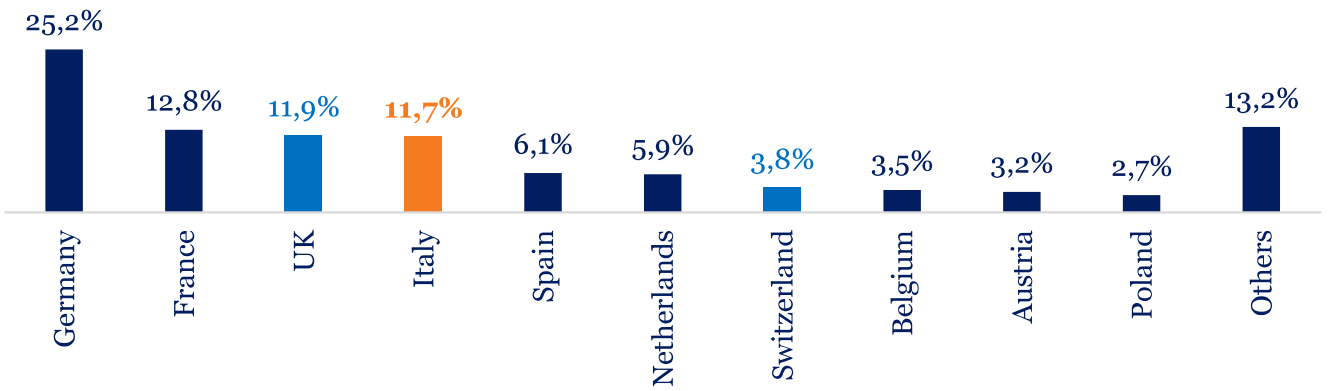


Figure: Share of the European medical technology market by country (%), 2025.
Source: MedTech Europe, 2026. Non-EU countries are highlighted in light blue.

Source: TEHA Group elaboration on Confindustria Dispositivi Medici, Il settore dei dispositivi medici in numeri (2026) and Rapporto Dispositivi Medici 2026; MedTech Europe, Facts & Figures 2025.

Each hub combines industrial capacity with a distinctive research asset:

- **Lombardy** region has the largest hub, with over 58,000 employees and 40% of national R&D investment in the sector
- **Emilia-Romagna** is home to the *Mirandola biomedical district* and is also a prosthetics research hub: the INAIL Prosthetics Centre produced the first myoelectric hand in 1965, and the Rizzoli Institute in Bologna ranks 9th worldwide among orthopedic hospitals, 3rd in Europe and 1st in Italy

Mirandola biomedical district Focus: It is considered Europe's leading biomedical cluster (around 5,000 workers) and the **3rd in the world**, specialised in dialysis, cardiac surgery and disposable devices. It covers the whole value chain, from design and precision machining to cleanroom assembly and sterilization and generated €131 million of exports in Q1 2025.

- **Tuscany** is among the Central regions with the highest concentration of companies. In Pisa, the **Sant'Anna BioRobotics Institute** developed what it describes as the world's first magnetically controlled prosthetic hand, integrated with the Mia Hand of its spin-off *Prensilia*. In 2026 it added an interface that restores the perception of movement
- **Campania**, **Puglia** and **Sicily** are the main centres of the South and the Islands, which count 784 companies.

Beyond these hubs, many other regions host specialised biomedical and prosthetic capabilities, making Italy's medical technology ecosystem a **widespread network of excellence rather than a single cluster**.

Source: TEHA Group elaboration on Confindustria; Distretto Biomedicale di Mirandola; Scuola Superiore Sant'Anna; INAIL; Newsweek, World's Best Specialized Hospitals.

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.

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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