

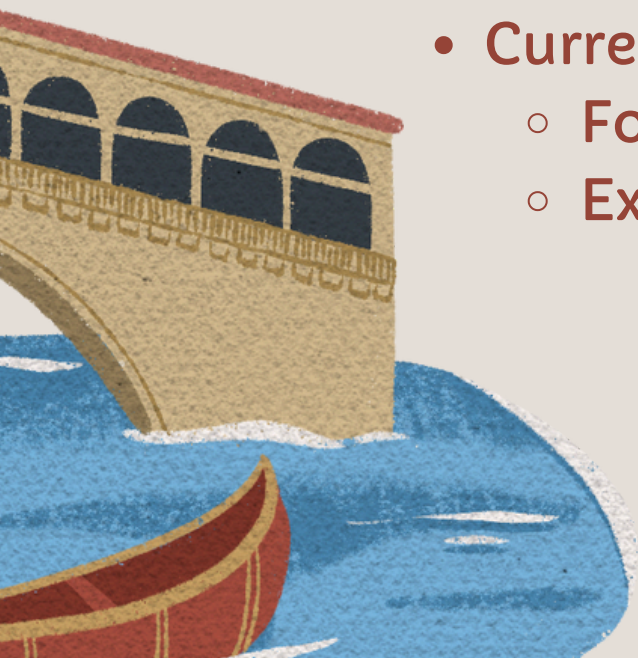
ITALY'S FDI OVERVIEW

Presented by Jackson Becker, Alan Gonzalez, and Kira
Strashko



ECONOMY

- Overall Size:
 - 3rd largest economy in the Eurozone and among the top 10 globally.
 - GDP around \$2 trillion+.
- Economic Structure:
 - Services dominate (tourism, finance, retail).
 - Industry strong in machinery, automobiles, fashion, and luxury goods.
 - Agriculture is small but exports high-quality products (wine, olive oil, cheese).
- Strengths:
 - Global leader in design, fashion, food, and tourism.
 - Strong manufacturing base with world-renowned brands (Ferrari, Gucci, Barilla).
- Challenges:
 - High public debt (over 130% of GDP).
 - Slow productivity growth and bureaucratic hurdles.
 - Regional disparities between the North (wealthier) and South (poorer).
- Current Trends:
 - Focus on green transition and digitalization under EU recovery funds.
 - Export-driven growth supported by Italy's EU and global trade links.



A stylized, colorful illustration of the Leaning Tower of Pisa and the Duomo di Pisa. The tower is on the left, leaning to the right, with its characteristic blue and white striped facade and multiple levels of arches. The Duomo is in the foreground, featuring a large red dome with white stripes and a smaller dome on top. The background includes a blue sky with white clouds and a large blue circle behind the Duomo.

FINANCIAL MARKETS

- The Milan Stock Exchange has a market capitalization of 700 billion euros.
- Mercato Telematico Azionario (MTA) - large and mid-size companies
- AIM Italia – small growth companies
- Biggest contributors: Ferrari, Generali, and Campari
- It is one of the largest bond markets in the world

CURRENCY

- Italian Lira from 1861 to 2002, replaced by the Euro. Some Italians felt that a part of their identity was taken away.
- Replaced by the Euro due to its instability compared to other currencies, which made imports more expensive. 1 euro = 1,936.27 liras
- The Euro facilitates the transportation of goods with other European nations (boosted trade), tourism, stable inflation, and stable interest rates.
- This move caused a debt burden; Italy's public total debt is at a 100% ratio to its GDP.
- You could still change liras to euros until 2012.



EXCHANGE RATES

- **EURO AS CURRENCY:**
 - ITALY USES THE EURO (€), A MAJOR GLOBAL RESERVE CURRENCY.
 - EXCHANGE RATES ARE DETERMINED BY INTERNATIONAL MARKETS, NOT NATIONAL POLICY.
- **EURO VS. MAJOR CURRENCIES:**
 - COMMONLY COMPARED WITH THE U.S. DOLLAR (USD), BRITISH POUND (GBP), AND SWISS FRANC (CHF).
 - FLUCTUATIONS AFFECT EXPORTS, TOURISM, AND ENERGY IMPORTS.
- **IMPACT ON ITALY'S ECONOMY:**
 - STRONG EURO → ITALIAN EXPORTS BECOME MORE EXPENSIVE ABROAD.
 - WEAK EURO → BOOSTS EXPORTS AND TOURISM BUT RAISES IMPORT COSTS.
- **POLICY CONTEXT:**
 - MANAGED BY THE EUROPEAN CENTRAL BANK (ECB) FOR ALL EUROZONE MEMBERS.
 - ITALY DOES NOT CONTROL ITS OWN CURRENCY EXCHANGE POLICY.
- **HISTORICAL NOTE:**
 - BEFORE 2002, THE ITALIAN LIRA WAS OFTEN UNSTABLE AND FREQUENTLY DEVALUED.
 - EURO ADOPTION BROUGHT EXCHANGE RATE STABILITY WITHIN EUROPE.



BIG MAC

US \$5.69 (McDonald's App)

Italy 6.7 EURO (WorldPrices.com)

Conversion rate .8547 euro/\$1

(Refinitiv)

= \$5.72649

$(5.72649 - 5.69) / 5.69$

= .64% Overvalued



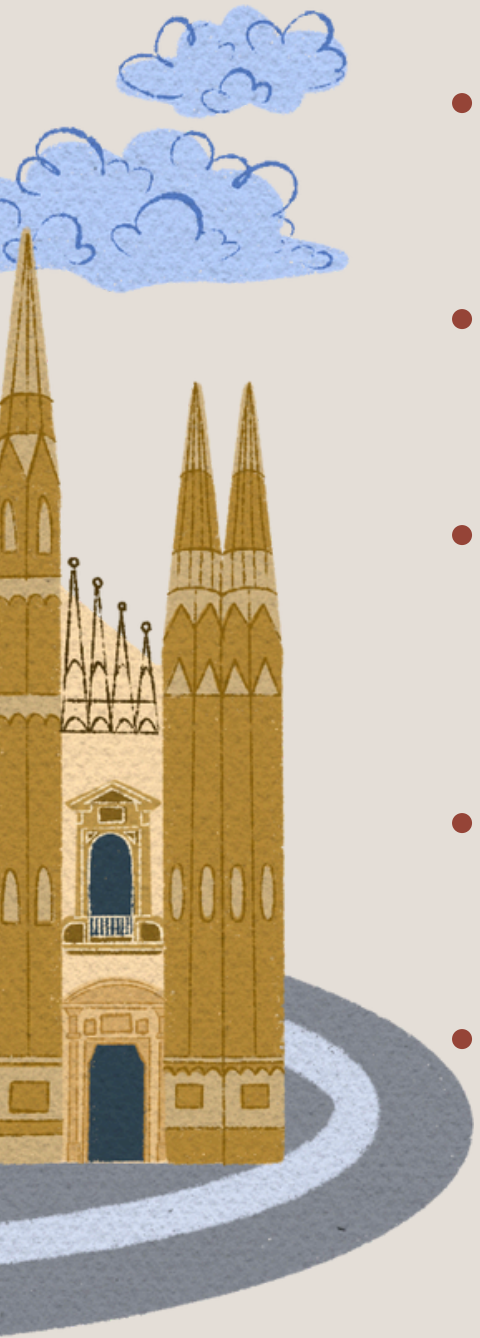
POLITICAL STABILITY

- Governing Coalition
 - Prime Minister Giorgia Meloni and her party, Brothers of Italy
 - Stable majority of parliament
- New Era of Political Stability
 - One of the longest-serving governments in recent history
 - Expected to serve a full term until 2027
- Policy Constraints
 - Limited to EU commitments



INFLATION

- EUROZONE CONTEXT:
 - AS A EUROZONE MEMBER, ITALY'S INFLATION IS INFLUENCED BY EUROPEAN CENTRAL BANK (ECB) POLICY.
- RECENT TRENDS:
 - INFLATION SPIKED IN 2022–2023 DUE TO ENERGY AND FOOD PRICE SHOCKS.
 - GRADUALLY EASING IN 2024–2025, BUT STILL ABOVE PRE-PANDEMIC AVERAGES.
- HISTORICAL PERSPECTIVE:
 - BEFORE THE EURO, ITALY'S LIRA ERA WAS MARKED BY HIGH INFLATION (ESPECIALLY IN THE 1970S–80S).
 - EURO ADOPTION HELPED STABILIZE PRICES.
- CURRENT CHALLENGES:
 - DEPENDENCE ON IMPORTED ENERGY EXPOSES ITALY TO GLOBAL PRICE SWINGS.
 - STRUCTURAL ISSUES: SLOW PRODUCTIVITY GROWTH, HIGH PUBLIC DEBT.
- BENEFITS OF STABILITY:
 - LOWER INFLATION FOSTERS CONSUMER CONFIDENCE.
 - PROTECTS SAVINGS AND SUPPORTS INVESTMENT.



WORKFORCE SKILLS



- **LABOR FORCE SIZE:**
 - AROUND 23 MILLION WORKERS.
 - CONCENTRATED IN SERVICES (70%), INDUSTRY (26%), AND AGRICULTURE (4%).
- **STRENGTHS:**
 - SKILLED IN MANUFACTURING, FASHION, DESIGN, AND ENGINEERING.
 - STRONG TRADITION IN SMALL AND MEDIUM-SIZED ENTERPRISES (SMES).
- **CHALLENGES:**
 - HIGH YOUTH UNEMPLOYMENT (OFTEN ABOVE EU AVERAGE).
 - REGIONAL DIVIDE: NORTH MORE INDUSTRIALIZED, SOUTH FACES HIGHER JOBLESSNESS.
 - AGING POPULATION REDUCES LABOR SUPPLY.
- **WORKFORCE POLICIES:**
 - MEMBER OF THE EU LABOR MARKET, ALLOWING FREE MOVEMENT OF WORKERS.
 - LABOR LAWS EMPHASIZE JOB PROTECTION, BUT ALSO ADD RIGIDITY.
- **CURRENT TRENDS:**
 - PUSH FOR DIGITAL SKILLS AND GREEN ECONOMY JOBS.
 - ONGOING REFORMS TO ENCOURAGE YOUTH AND FEMALE EMPLOYMENT.

OPENNESS TO TRADE

- Strong Export Economy:
 - Ranks among the world's top 10 exporters.
 - Key exports: machinery, vehicles, fashion, luxury goods, food & wine.
- Trade Partners:
 - The European Union is Italy's largest trading bloc.
 - Major partners: Germany, France, the U.S., Spain, Switzerland, and China.
- Trade-to-GDP Ratio:
 - Trade (exports + imports) equals ~35–40% of GDP, showing high openness.
- Membership & Agreements:
 - Part of the EU Single Market and EU Customs Union.
 - Benefits from the EU's trade agreements with over 70 countries.
- Challenges:
 - High energy imports make Italy vulnerable to global price shifts.
 - Bureaucracy and regulations sometimes limit competitiveness.



INFRASTRUCTURE

- ROAD & RAIL
 - AROUND 7,000 KM OF HIGHWAYS
 - HIGH-SPEED RAIL (FRECCIAROSSA)
- KEY PORTS
 - GENOA TOP PORT OF ITALY
 - TRIESTE AND GIOIA TAURO KEY FOR CONTAINER TRAFFIC
 - €9.2 BILLION INVESTMENT BY 2026



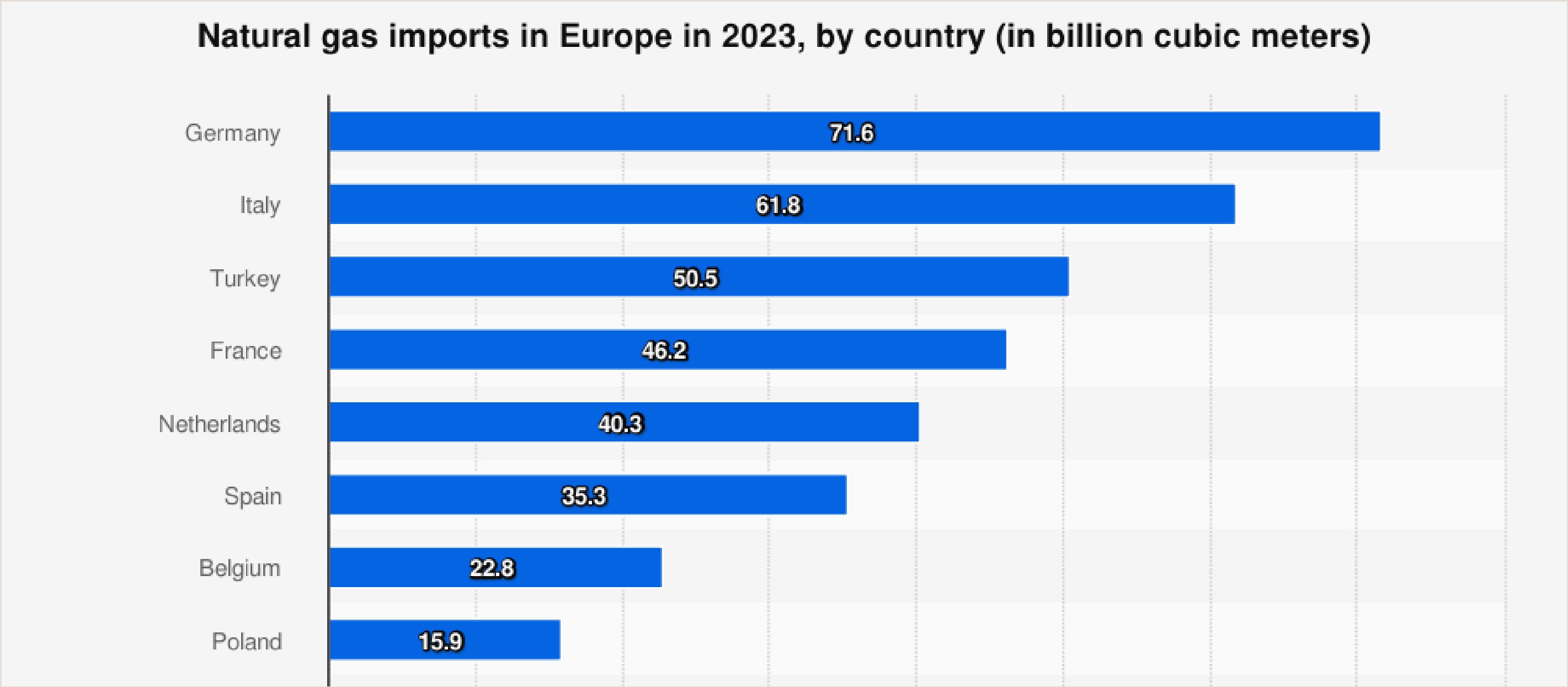
ACCESS TO NATURAL RESOURCES

- Limited domestic resources
 - Few large mineral reserves
- Agricultural land
 - 23% of land is arable 47% agricultural
 - Strong sector of economy
- Lack of energy resources
 - 2nd highest importer of natural gas in Europe



NATURAL GAS IMPORTS IN EUROPE IN 2023, BY COUNTRY (IN BILLION CUBIC METERS)

NATURAL GAS IMPORTS IN EUROPE 2023, BY COUNTRY



COUNTRY RISK

- DEMOGRAPHIC DECLINE, LOWER BIRTH RATES, AND AN AGING POPULATION PUT PRESSURE ON THE SOCIAL SYSTEM.
- EXPOSED TO A FRAGILE DEMAND, AND EUROPEAN NEIGHBORS ARE STILL RECOVERING FROM THE PANDEMIC.
- THE NATIONAL DEBT IS FORECASTED TO INCREASE IN THE UPCOMING YEARS.
- DEPENDENT ON ENERGY IMPORTS

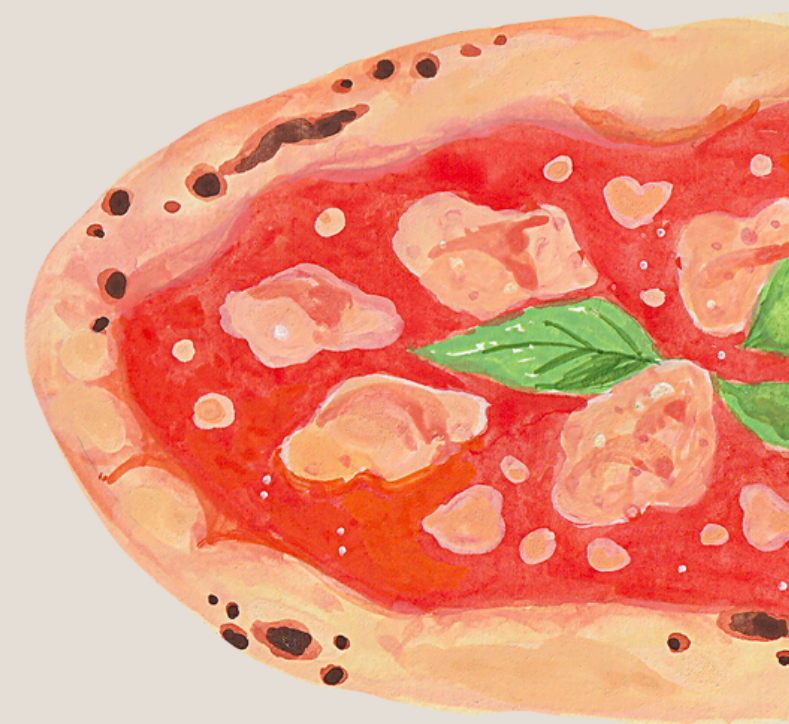


RECAP

You should invest in Italy because:

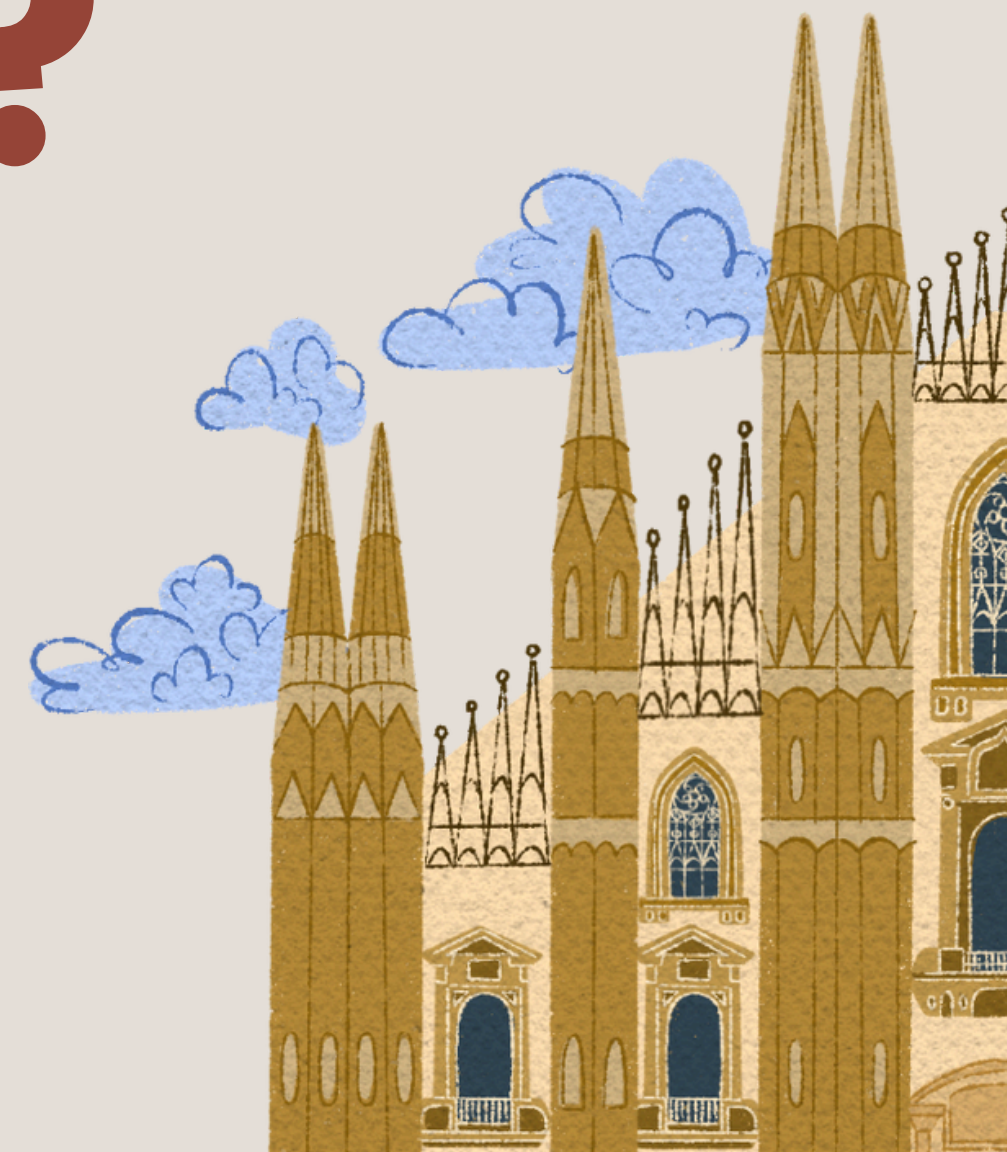
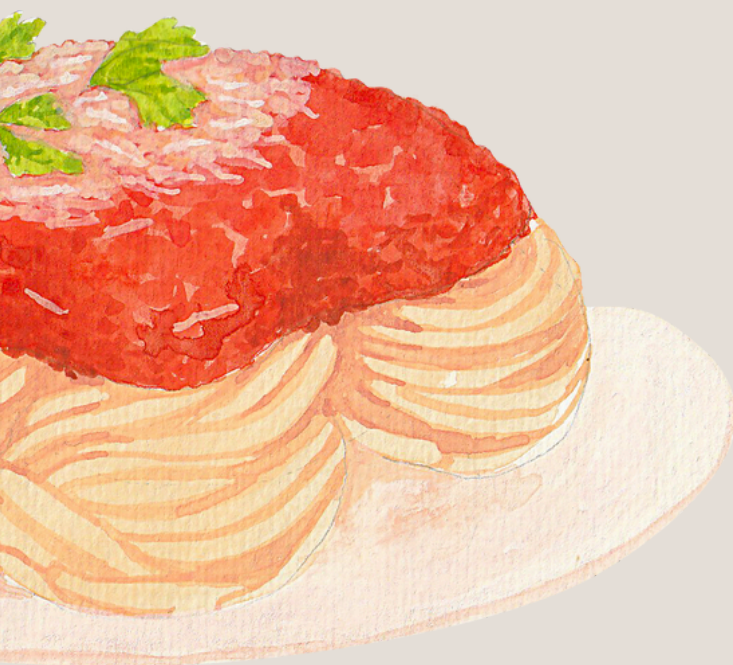
1. Top 10 global economy
2. One of the largest bond markets in the world
3. Euro currency
4. Stable government
5. Stable inflation





QUESTIONS?

THANK YOU!



Citations:

<https://www.cia.gov/the-world-factbook/>
<https://tradingeconomics.com/italy/inflation-cpi>
https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/italy/economic-forecast-italy_en
https://eures.europa.eu/living-and-working/labour-market-information/labour-market-information-italy_en
<https://fred.stlouisfed.org/series/SLUEM1524ZSITA>
https://www.theglobaleconomy.com/Italy/youth_unemployment/
[Financial markets in Italy - statistics & facts | Statista](#)
[In-Depth Review 2024 Italy](#)
[What Was the Currency Replaced by the Euro in Italy? | EBC Financial Group](#)
[Allianz | Country Risk Report Italy Italy: Country File, Economic Risk Analysis | Coface](#)
[Italy Economy, Politics and GDP Growth Summary - The Economist Intelligence Unit](#)
[Italy's Meloni secures win in Marche regional election | Reuters](#)
[Italy wins Fitch rating upgrade on fiscal performance, political stability under Meloni | Reuters](#)
<https://www.assemblea.emr.it/lassemblea-in-europa/assemblea-in-europa-versione-inglese/the-italian-legal-framework-1>
<https://www.trade.gov/country-commercial-guides/italy-market-overview>
[Italy - Design and Construction](#)
[View of Skills in the Italian Labour Market](#)
<https://tradingeconomics.com/italy/inflation-cpi>
[Italy - Resources, Power, Economy | Britannica](#)
[Natural gas imports in European countries| Statista](#)