

What are the challenges?

The seeds of Italy's economic difficulties pre-date the economic crisis and stem from the loss of competitiveness of Italian industry, a complex bureaucracy, a slow judicial system, high energy costs, high corporate tax burden, corruption and tax evasion, and an over-leveraged public sector.

Because of these difficulties, Italy is not a straightforward country in which to do business. Italy ranks 45th out of 189 nations in the World Bank's 'Ease of Doing Business Index' for 2015. It also lags behind the largest economies for Foreign Direct Investment attractiveness. Nevertheless, in Italy there are over 13,000 foreign businesses (800 of them are large companies) and FDI reached a total value of US \$403,746 million in 2013 (UNCTAD statistics).

A strong acceleration is expected in 2015/16. Whilst 85% of Italy's FDI comes from North America and Europe, there have been stronger activities from China, India, Russia and other Asian countries (+255% since 2000). The stock of UK FDI in Italy has increased steadily in the last five years, recovering to pre-crisis levels.

Italy's economy is now emerging slowly from recession. Estimates by the European Commission, Bank of Italy, International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) released recently indicate a moderate increase in GDP of 0.5 to 0.6% in 2015 and 1.1 to 1.4% in 2016. See the following websites:

- www.ec.europa.eu/index_en.htm
- www.bancaditalia.it/homepage/index.html?com.dotmarketing.htmlpage.language
- www.imf.org/external/index.htm
- www.oecd.org

Challenges doing business in Italy

However, doing business in Italy is very similar to doing business in the UK, and standard European business practices apply.

Payment terms in Italy are longer than in the UK. In 2014, it took about 80 days on average for business-to-business payments. Payment terms can be particularly long in certain sectors, especially when creditors are public administration bodies (average almost five months in 2014), but the situation is improving following the recent introduction of the Prompt payment code.

Major challenges include:

- complex bureaucracy and regulations
- slow judicial system
- unfair competition due to cases of bribery, corruption and tax evasion

You should ensure you take the necessary steps to comply with the requirements of the UK Bribery Act. See: www.gov.uk/government/publications/bribery-act-2010-guidance and the section on Safety and Security earlier in this guide.

[Source: Department for International Trade (DIT)/UKEF (Feb 2016)]

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