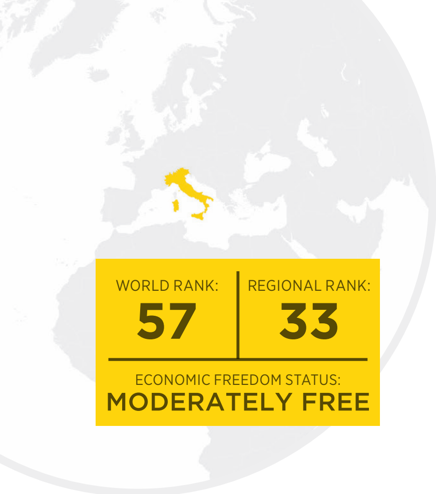


WORLD RANK: 57

REGIONAL RANK: 33

ECONOMIC FREEDOM STATUS: MODERATELY FREE

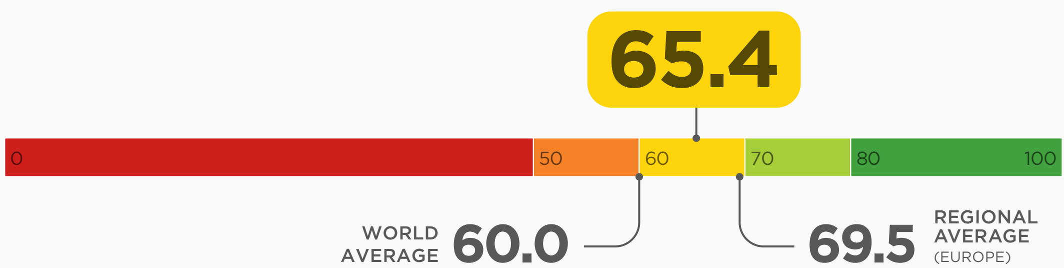
ITALY

Italy's economic freedom score is 65.4, making its economy the 57th freest in the 2022 *Index*. Italy is ranked 33rd among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

The Italian economy slowed from 2017 through 2019, contracted in 2020, and resumed growth in 2021. A five-year trend of generally improving economic freedom has continued. Led by notable jumps in scores for rule of law (**property rights**, **judicial effectiveness**, and **government integrity**), Italy has posted an overall 2.9-point gain in economic freedom since 2017 and has climbed into the top half of the "Moderately Free" category. Monetary freedom, **trade freedom**, and **investment freedom** are strong, but the economy remains heavily burdened by **government spending**.

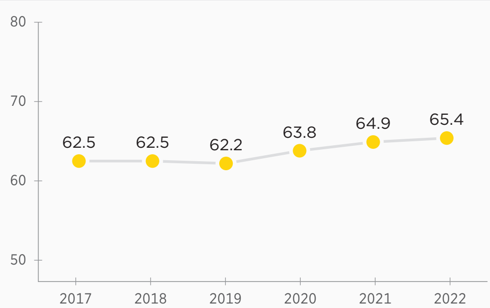
IMPACT OF COVID-19: As of December 1, 2021, 133,931 deaths had been attributed to the pandemic in Italy, and the government's response to the crisis ranked 16th among the countries included in this *Index* in terms of its stringency. The economy contracted by 8.9 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
59.6 million

GDP (PPP):
$2.5 trillion
−8.9% growth in 2020
5-year compound annual growth −0.9%
$40,861 per capita

UNEMPLOYMENT:
9.3%

INFLATION (CPI):
−0.1%

FDI INFLOW:
−$388.0 million

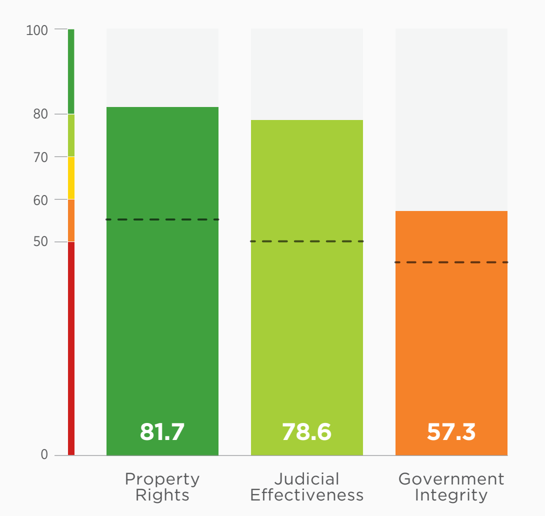
PUBLIC DEBT:
155.6% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Italy is a charter member of NATO and the European Union. Former Prime Minister Giuseppe Conte's coalition collapsed in January 2021 over disagreements about how to spend EU coronavirus recovery funds, of which Italy is a chief beneficiary. Former EU banker Mario Draghi became prime minister in February and heads a unity government. Italy remains on the front lines of Europe's migration crisis, and Lega Nord, which favors strict controls on immigration, remains the nation's most politically popular party. Italy's diversified economy is bifurcated between the highly developed industrial North, dominated by private companies, and a less-developed, highly subsidized agricultural South where unemployment is higher. Tourism accounts for 13 percent of GDP, and the sector's current struggles are an economic albatross.

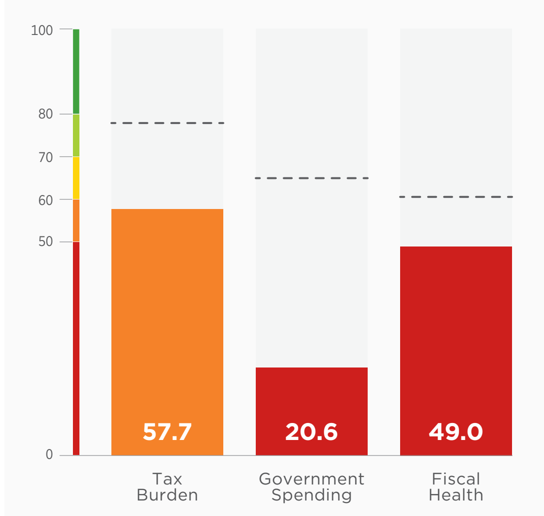
12 ECONOMIC FREEDOMS | ITALY

RULE OF LAW



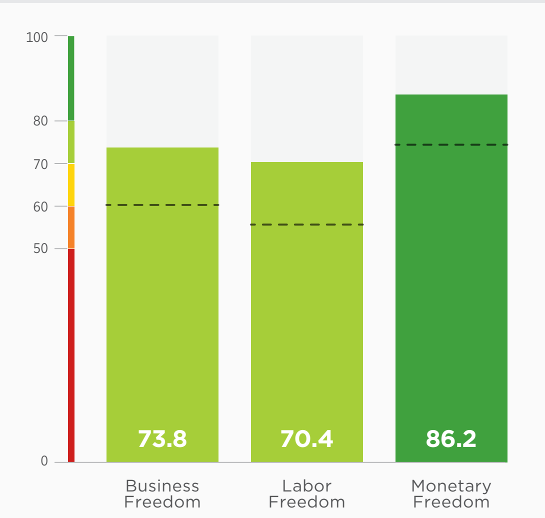
Real property rights are protected, and the recording system for mortgages is reliable. The legal system enforces property and contractual rights, but it is cumbersome and notoriously slow and can be vulnerable to political interference. A bloated and self-interested bureaucracy slows efforts to enforce anticorruption laws. Corruption and organized crime continue to be significant impediments to investment and economic growth.

GOVERNMENT SIZE



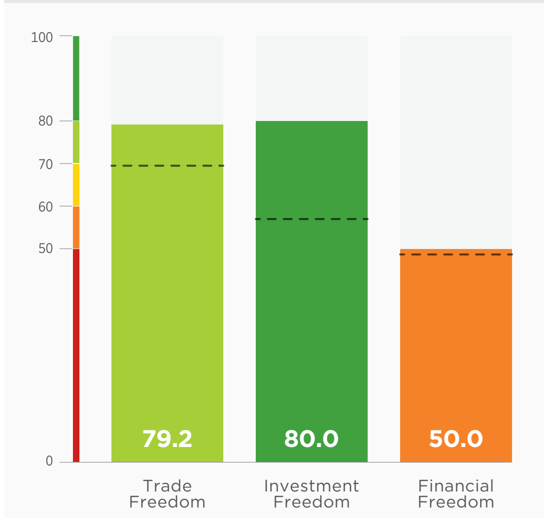
The top individual income tax rate is 43 percent, and the top standard corporate tax rate is 24 percent with qualifying banks and financial institutions taxed at 27.5 percent. The overall tax burden equals 42.5 percent of total domestic income. Government spending has amounted to 51.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 155.6 percent of GDP.

REGULATORY EFFICIENCY



Business freedom would be higher if it were not for Italy's many layers of redundant bureaucracy and the amount of time that compliance with regulatory processes requires. Taxes on labor income are relatively high. The government banned most layoffs in response to COVID-19. A new package of subsidized incentives to encourage sales of state-of-the-art combustion-engine cars as well as electric and hybrid vehicles has been enacted.

OPEN MARKETS



As a member of the EU, Italy has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. A decree that strengthens the screening of foreign direct investment in strategically important areas has been adopted. Restructuring and consolidation of the banking sector continue, and the number of nonperforming loans has declined.