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Hub for New Industrial Policy
& Economic Governance

Monthly Brief on the Italian Political Economy

March 2025

Giulio Petrillo

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Every month, our Monthly Brief on the Italian Political Economy provides a bullet-point recap of the previous month's main events, followed by reasoned deep dives and/or interesting graphs and commentaries on topics of significance for economic policymaking in Italy.

[Giulio Petrillo](#)

LAST MONTH IN BRIEF

- 04/02** Minister for Enterprises and Made in Italy Adolfo Urso [meets](#) with the European Commission Executive Vice-President for Prosperity and Industrial Strategy and appreciates the centrality of the concept of technological neutrality for the automotive sector in the EU Competitive Compass
- 12/02** The Italian National Statistics Institute (ISTAT) [publishes data](#) concerning Italy's industrial production in 2024 depicting a 7,1% decrease compared to 2023 (see our [Graph of the month](#))
- 14/02** The Italian government [welcomes](#) the European Commission's idea to exclude defence expenses from the Stability and Growth Pact and calls for the creation of common financial instruments to further boost investments in the sector
- 19/02** The Council of Ministers [approves](#) a decree law to tackle various functioning issues of the public administration. Among the provisions, there is the first [allocation](#) of €5 mln for the start of the AI Hub for Africa (see [Deep Dive 1](#))
- 24/02** PM Meloni [meets](#) with the President of the United Arab Emirates in Rome. During the UAE president's visit, the two governments sign agreements for \$40 bln concerning various critical [industrial sectors](#), ranging from AI to data centres and [critical minerals](#) (see [Deep Dive 2](#))
- 25/02** The Italian government [welcomes](#) the signing of a [memorandum of understanding](#) between the Italian Saipem and the Norwegian Subsea7 to create a global leader company in energy engineering
- 27/02** PM Meloni [meets](#) with Joel Kaplan, Meta's Chief Global Affairs Officer, for a discussion on possible new investments in Italy in the technological transition and the development of AI
- 28/02** The Council of Ministers [approves](#) a decree law to financially support families and enterprises against energy prices and a bill to start the process for reintroducing nuclear energy in the country

DEEP DIVE 1

The AI Hub for Sustainable Development: empty box or successful project?

During 2024, on multiple occasions, the Italian government, holding the G7 Presidency, [talked](#) about the initiative of the [AI Hub](#) for Sustainable Development, a project to support the development of a digital AI ecosystem in Africa, launched in collaboration with UNDP and within the framework of the Mattei Plan. On 19 February, the Council of Ministers approved a decree-law which, among various provisions, concretely [launched](#) the AI Hub for Africa. The text foresees an annual allocation of €5 mln for the project.

Commentary

So far, the Italian government has made more announcements than concrete steps concerning the AI Hub. Therefore, it is not clear whether the project is set to fulfil its potential or is destined to bring poor results.

From the economic and industrial viewpoint, the potential is indeed quite significant. Given its young population, Africa could highly benefit from AI innovation and the continent already [demonstrated](#) its capacity when in 2021 640 African tech startups raised \$5.2 bln. Against this background, the [idea](#) of having institutional actors and the private sector collaborating to create the ecosystem for AI development seems forward-looking. In addition, the project has already [attracted](#) private tech giants, such as Microsoft and Amazon Web Services. However, even if these premises are solid, the allocation of a mere €5 mln per year is not encouraging. It seems that the financial reality has ruined the announcements and the sincere intentions.

From a political standpoint, the situation is ambivalent. On the one hand, PM Meloni strongly believes in the Mattei Plan as a tool to build a strong role for Italy in the Mediterranean via economic and political cooperation with third countries. On the other hand, the Mattei Plan has [remained](#) stagnant so far with low investments and no real strategy. Consequently, the AI Hub could be exploited by the government to show off, but it might also become another project among many without real engagement.

In conclusion, the AI Hub for Sustainable Development starts with high potential but also a significant degree of doubt. It remains to be seen whether Italy will exploit the project or forget about it, leaving it on its own.

DEEP DIVE 2

Italy and UAE: a strong economic partnership

Between 23 and 24 February, PM Meloni [welcomed](#) UAE's President His Highness Sheikh Mohamed bin Zayed Al Nahyan. On this occasion, the UAE announced investments worth \$40 bln in Italy to be exploited via the more than forty agreements that were signed to develop a [strategic partnership](#) in future-oriented sectors. This achievement followed last month's agreement on the Adriatic link (see [LUHNIP February 2025 brief on the Italian Political Economy](#)), confirming the positive relationship between Italy and the UAE.

Commentary

The agreements signed seem to be a success for the Italian government's economic diplomacy. The \$40 bln deal is one of the largest foreign investments in Italy's history, and the economic partnership has all the potential to be historic, as PM Meloni [defined](#) it. Indeed, it involves a great variety of economic players, from ministries to agencies to Italian private sector giants.

More specifically from the industrial standpoint, it is interesting to look at two concrete elements.

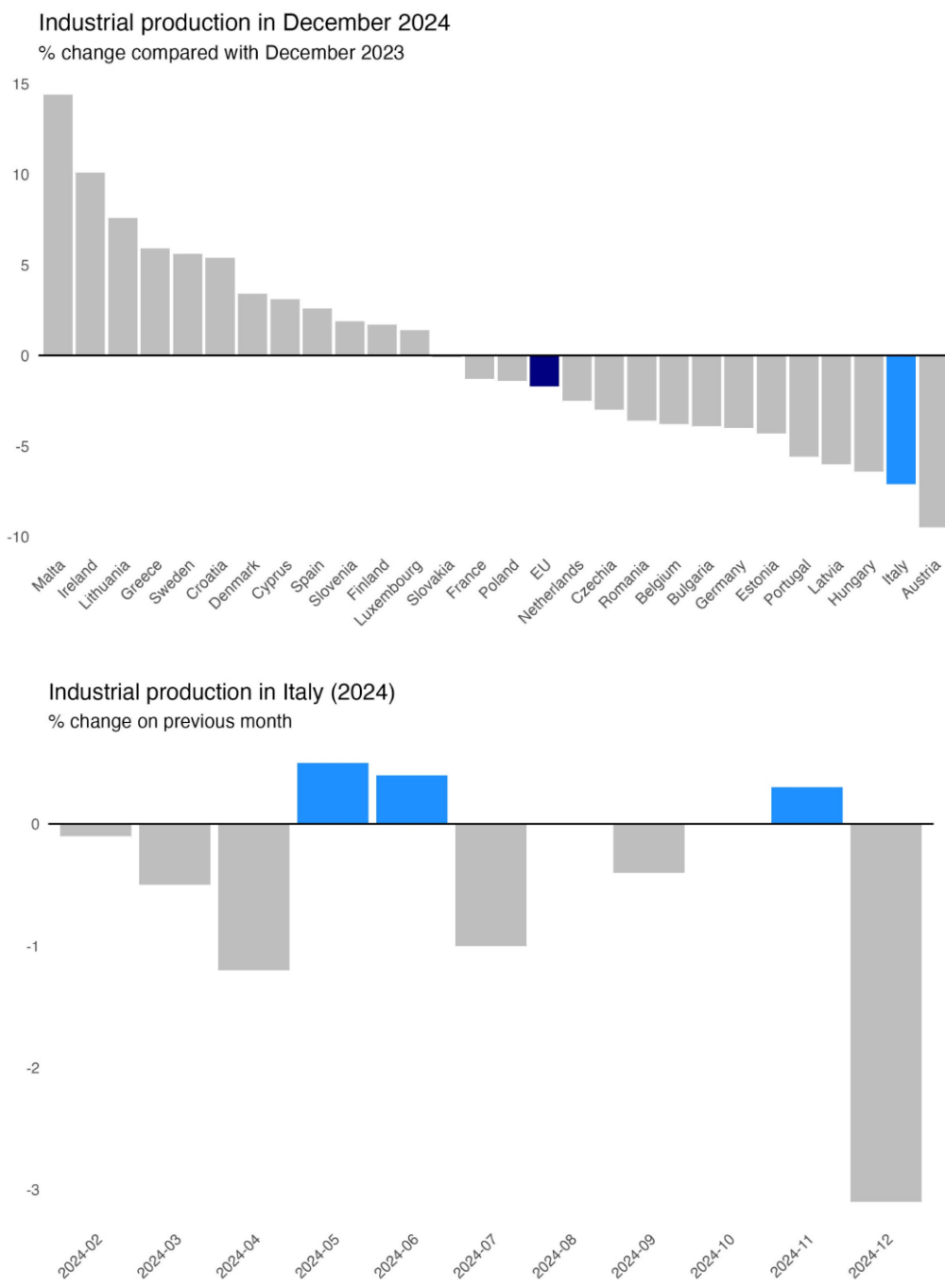
First, the agreements signed by the Ministry of Enterprises and Made in Italy [aim](#) at benefitting Italy's industrial base in different ways. The key agreement concerns a strategic partnership on investments which foresees the creation of a working group to identify the most valuable common projects to invest in. In this framework, Cassa Depositi e Prestiti (CDP) and the Abu Dhabi Investment Office (ADIO) [signed](#) a MoU to facilitate access to funds and investors. Another ministerial agreement regards the strengthening of Italy's industrial landscape via technological transferral and joint investments in digital infrastructures and AI.

Second, ENI [signed](#) three agreements, strengthening the collaboration with the UAE in the development of data centres, renewable energy capacity, and critical materials. This is probably the best example of the involvement of companies in the Italy-UAE relationship. It is not simply a good political relationship; it is a concrete economic partnership involving the most productive forces of both countries to achieve innovation and industrial development.

In conclusion, the Meloni government, via an effective economic diplomacy delivered a potentially great result for the economic and industrial development of the country.

GRAPH OF THE MONTH

The dramatic fall of Italy’s industrial production



Source: [Eurostat](#)

ISTAT’s data on Italy’s industrial production depicts an [alarming situation](#): a decrease of 7,1% compared with 2023, the worst decline since the pandemic period, and a 3,1% monthly contraction. Graph 1 shows that the period is not positive for the entire EU (-1,7% on average). However, it clearly indicates that Italy’s numbers are far worse than Germany (-4%) and France’s (-1,3%), and troubling when compared to Spain (+2,6%), which performed rather well.

Graph 2 focuses on Italy in 2024 and displays how December registered the dramatic 3,1% fall, way beyond expectations, in a generally complicated year. It is clear that the responsibilities for this framework do not lie only with the Meloni government, which inherited an already harsh situation. Nevertheless, the current majority seems to have no clear industrial strategy to tackle the situation. No significant public declarations were made on these data, and no action plan is on the horizon. The decree law recently approved on energy expenses does address this significant issue, but consists of another expensive short-term intervention with no clear strategic vision.