



Flossbach von Storch
RESEARCH INSTITUTE

ASSET PRICE INDEX FOR ITALY 23/09/2026

Asset price inflation in Italy: Bleak prospects for the young and the poor

Flossbach von Storch Asset Price Index for Italy

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Abstract

Asset prices in Italy have risen rapidly for six consecutive years. High levels of government spending have driven up asset prices, making retirement provision and property investment increasingly expensive. This has the potential to fuel social tensions, as young and low-income households are increasingly left behind.

Zusammenfassung

In Italien sind die Vermögenspreise sechs Jahre in Folge rapide gestiegen. Die hohen Staatsausgaben haben die Vermögenspreise in die Höhe getrieben. Altersvorsorge und Immobilieninvestitionen werden immer teurer. Dies birgt das Potenzial für soziale Konflikte, da junge und arme Haushalte zurückbleiben.



1. Introduction

The accumulation of wealth by private households depends on continuous investment in real and financial assets. The ability to invest in this way depends on the prices of real and financial assets, which are subject to fluctuations and influenced by inflation.

The Asset Price Index for Italy measures changes in the cost of wealth accumulation for Italian private households. The index is calculated as a weighted average of price developments of real assets (real estate, business wealth, durable consumer goods, and collectables and speculative assets) and financial assets (equities, bonds, savings deposits, and other financial assets) held by private households. Real estate is the largest asset class held by Italian households, accounting for 63 per cent of their total assets. A full description of the index methodology can be found in the appendix.

The Asset Price Index shows a decline in the purchasing power of Italian households for wealth accumulation and retirement planning. Over the past six years, asset prices in Italy have risen by 32 per cent, meaning that households now have to spend 32 per cent more on the same investments than before. Although the long-term increase is smaller compared to other eurozone countries, such as Germany and Spain, most of the price increase has occurred within the last six years, indicating an acceleration in asset price growth.

Asset price developments are significantly influenced by economic growth, fiscal policy stimulus and monetary policy conditions. While the stagnation of the Italian economy kept asset price inflation low for more than a decade, with no increase in real wages, Italian and European industrial and subsidy policies in the wake of the COVID-19 crisis fuelled asset price inflation in Italy. Substantial government spending, such as the Superbonus, supported by the NextGenerationEU fund, drove up prices for real estate and business wealth. Since economic growth and real wages in Italy could not keep pace with this rise, the ability of Italian households to build wealth was significantly curtailed. High government spending has thus further exacerbated wealth inequality.

The past decade of high asset price inflation in Germany and Spain has shown how wealth inequality among private households can intensify. A growing portion of the population can no longer afford real estate or invest adequately in retirement savings, with young and low-income households being particularly affected. Germany and Spain offer a glimpse of what Italy might face if the prices of real and financial assets continue to rise while economic growth remains absent and real wages continue to stagnate.

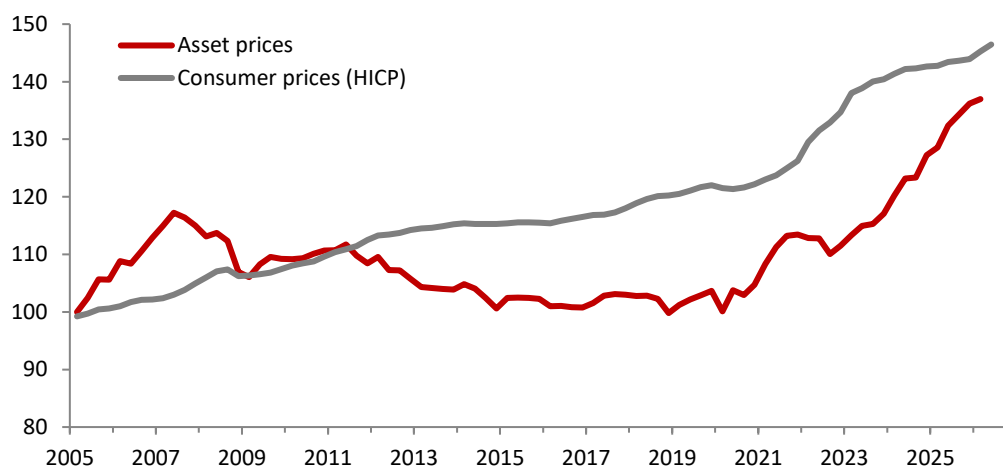


2. Asset price inflation trends in Italy

While asset prices in Italy were still on a downward trend in the 2010s, asset price inflation has been in full swing for about six years (see Figure 1). Since 2020, asset prices in Italy have risen by about 32.0 per cent. In the past year alone, prices rose by 6.6 per cent.

Figure 1: Asset and consumer prices in Italy

Index $\emptyset$ 2005 = 100



HICP: Harmonized Index of Consumer Prices. Source: Flossbach von Storch calculations based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As at September 2026.

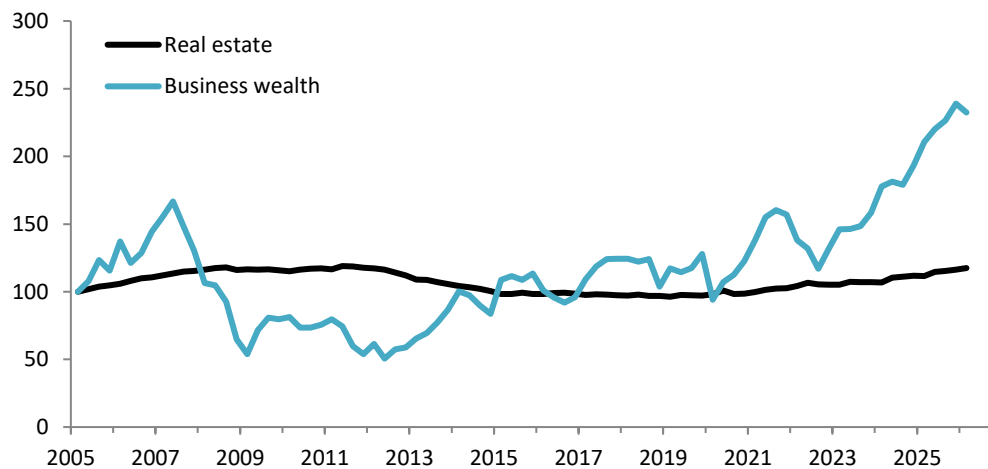
By contrast, consumer prices, as measured by the Harmonized Index of Consumer Prices for Italy (HICP), rose only moderately in the 2010s. It was not until the COVID-19 crisis that significant consumer price inflation occurred, though it soon leveled off again and fell below one per cent. The energy price shock of spring 2026 reignited consumer price inflation.

The Asset Price Index for Italy is driven primarily by the two asset categories of real estate and business wealth, which together account for three quarters of the assets held by Italian private households. Real estate accounts for 62.6 per cent of household assets, while business wealth accounts for 14.2 per cent. The third largest asset category is savings deposits (8.2 per cent), which, however, are not subject to price changes. The remaining five asset categories each account for less than five per cent of the total index. Figure 2 shows the price development for real estate and business wealth, which together make up three quarters of the index. The price developments for the remaining asset categories are presented in the appendix.



Figure 2: Real estate and business wealth

Index Ø2005 = 100



Source: Flossbach von Storch calculations based on data from LSEG and Eurostat, as at March 2025.

3. What is driving asset prices in Italy?

There are three factors that determine asset price developments: growth, government spending and monetary policy. These three factors do not develop independently of one another.

3.1. Economic growth

The first factor shaping asset prices is economic growth. A growing economy enables households to increase their demand for real and financial assets as their incomes rise. This is because the level of income determines a household's savings, which form the basis for investment in real and financial assets. Recessions and shrinking incomes, conversely, limit the ability to invest in assets or even force households to liquidate their assets (Keynes 1936, Lucas 1978, among others).

Figure 3 shows that the rise in asset prices prior to the European financial and debt crisis coincided with real GDP growth. Real estate and business asset prices benefited from the expanding economy. As the Italian economy stagnated and eventually contracted during the crisis, asset prices also began to fall. Falling real wages led to declining savings rates and weak demand for real and financial assets. Real estate prices, in particular, suffer during periods of weak economic growth due to low demand for housing (Leamer 2007). Furthermore, banks adopted tighter lending policies, which further dampened demand for real estate.

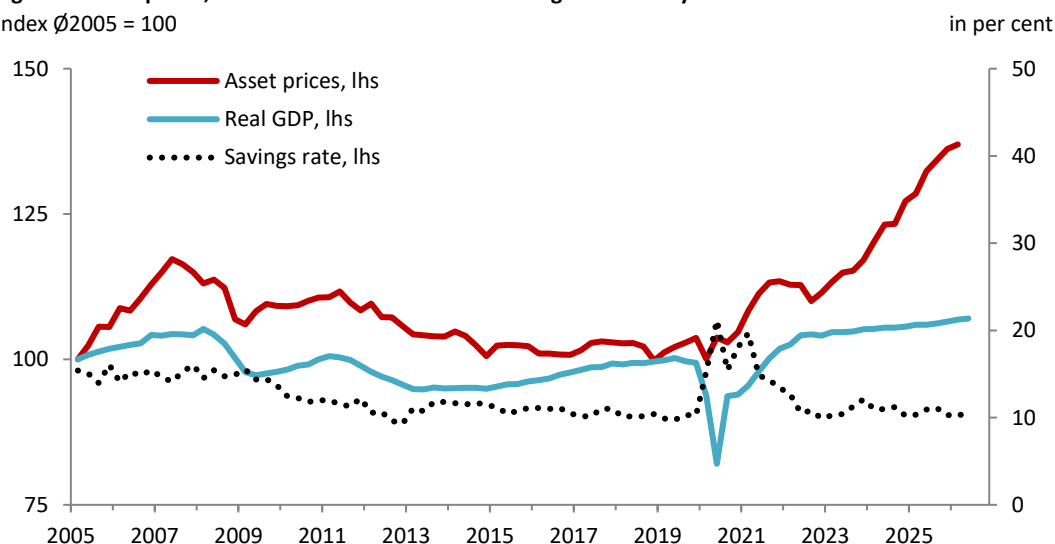
Business wealth and shares are assets that price in the future (Stock and Watson 2003). They therefore react more quickly and earlier to changing economic conditions than real estate prices. In particular, the onset of a crisis led to a sudden decline in the prices of business wealth and shares. When economic growth started to recover gradually in 2014, this helped to stabilise asset prices.



Following a rapid recovery after the COVID-19 crisis, the Italian economy grew steadily until 2022 but then returned to stagnation. However, asset prices have risen since 2020 and have continued to increase, even though the savings rate has stagnated since 2022. This suggests that economic growth is likely not the main cause of the current asset price inflation.

Figure 3: Asset prices, real GDP and the household savings rate in Italy

Index Ø2005 = 100



Source: Flossbach von Storch calculations based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As at September 2026.

3.2. Government spending

Government spending is the second factor affecting prices in an economy (Keynesian business cycle theory, Cochrane 2023). As shown in Figure 4, government spending rose through 2010, but spending growth then slowed. Italy's high government budget deficit constrained the government's ability to increase public spending. With the onset of the COVID-19 crisis, government spending surged as the government sought to stabilise the economy in the hope of a rapid recovery. The EU's NextGenerationEU (NGEU)¹ fund and the associated Recovery and Resilience Facility (RFF)² enabled Italy to increase its government spending quickly and substantially. By November 2024, Italy had received approximately EUR 114 billion from the NGEU fund, equivalent to about five per cent of its GDP.

Over the past six years, Italian government spending has risen by nearly 20 per cent. In particular, the Italian government encouraged investment in real estate through the so-called "110% Superbonus" programme introduced in 2020, which provided tax credits for investments in energy-efficiency measures for real estate and expired at the end of 2025. In 2024, the tax credits provided through the Superbonus and other existing incentive programmes amounted to 10 per cent of Italy's GDP. Since its introduction, the Superbonus has driven up construction costs and caused real estate prices to rise significantly for the

¹ The NextGenerationEU fund is an EU economic stimulus package to contain and mitigate the economic and social impact of the COVID-19 pandemic in the member states. [Over EUR 208 billion is to be invested in Italy through the fund](#). One branch of the fund is the National Recovery and Resilience Plan (PNRR) that amongst others targets investment in real estate and Italian businesses.

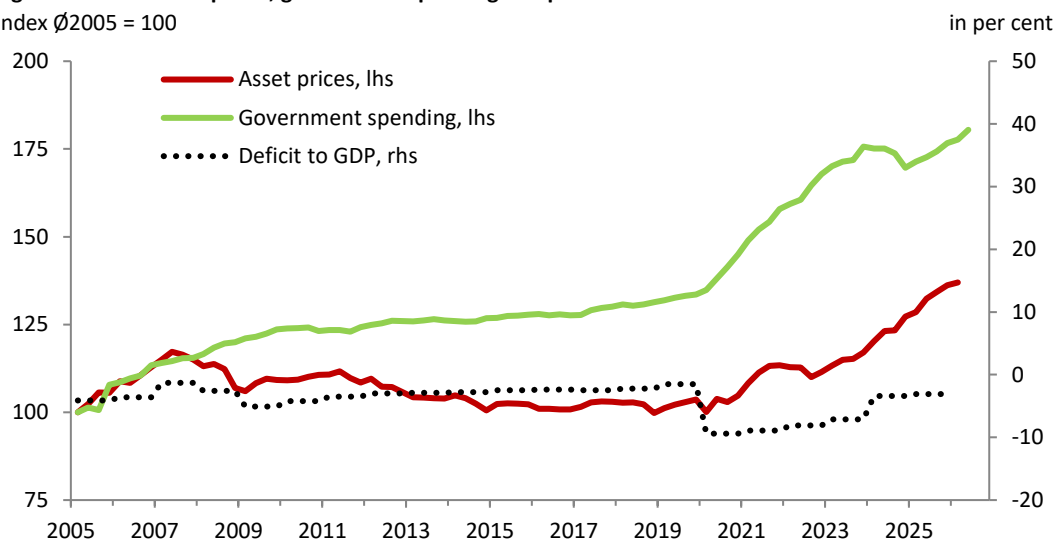
² [Italy's recovery and resilience plan - European Commission](#)



first time since 2007 (Corsello and Ercolani 2024). Business asset prices also benefited from the Superbonus due to high profit expectations in the construction industry and related sectors. Although the subsidy programme was discontinued at the end of 2025, new programmes, such as the “Ecobonus” or “Bonus Ristrutturazioni”, were introduced. While less generous, these programmes also provide a fiscal stimulus to the construction industry and therefore to real estate and business asset prices. The asset price inflation caused by government spending is an unintended side effect rather than the original objective of the programme.

Figure 4: Italian asset prices, government spending and public deficit

Index Ø2005 = 100



Government spending in EUR is shown indexed as a four-quarter moving average. Source: Flossbach von Storch calculations based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As at September 2026.

3.3. Monetary policy

The third possible explanation for asset price developments is the monetary policy of the European Central Bank (ECB). On the one hand, a higher money supply fuels inflation and can drive up asset prices (monetarist economic theory, Friedman and Schwartz 1963, Campbell 2008). On the other hand, falling interest rates increase the value of assets by raising the present value of future income streams (Gordon 1959).

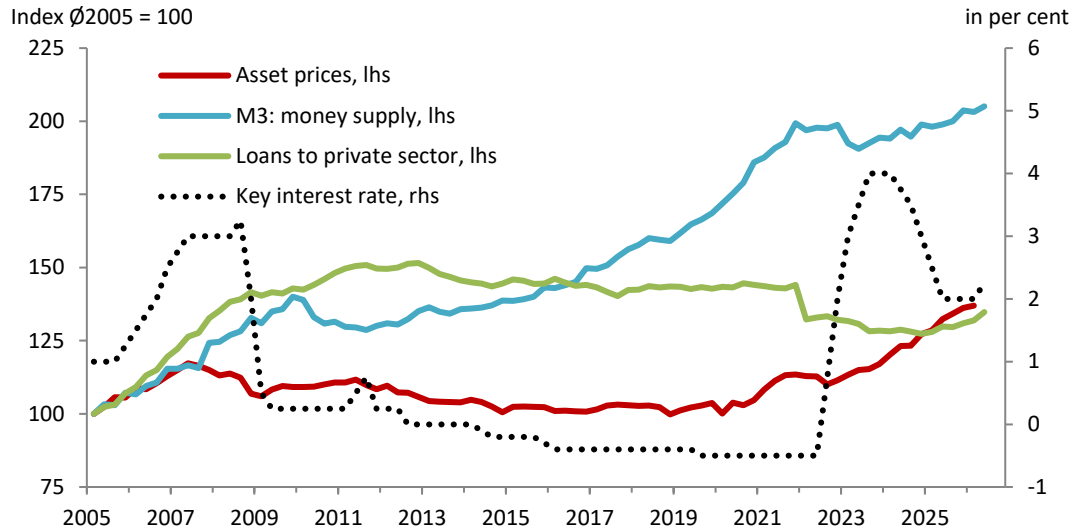
Figure 5 shows the expansion of the money supply in Italy in the wake of the ECB’s expansionary monetary policy. However, for a long time, this did not lead to a rise in asset prices in Italy. Low growth and uncertainty about future earnings likely overshadowed the effects of falling interest rates. Loans to the private sector, which represent newly created money, have been on a downward trend since the COVID-19 crisis and have only increased slightly since the spring of 2025 (Figure 5).

However, the ECB’s interest-rate cuts since 2014 and its extensive purchases of government bonds enabled the Italian government to expand public spending. Through government bond purchase programmes such as the PSPP and PEPP, the ECB kept demand for



Italian government bonds high and long-term interest rates low. This mechanism allowed Italy to pursue an expansionary fiscal policy without putting significant pressure on interest rates.

Figure 5: Italian asset prices, money supply and interest rates



Source: Flossbach von Storch calculations based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As at September 2026.

Since 2022, the ECB has raised key interest rates and then lowered them again by mid-2025. The rise in interest rates due to rising consumer price inflation led to a decline in asset prices in 2022. As expectations of rising interest rates have emerged since the spring, asset price inflation has eased slightly.

4. Asset prices in other European countries

Compared to other eurozone countries such as Spain and Germany, asset price inflation in Italy has remained relatively low, as Figure 6 shows. Since 2005, the rise in asset prices in Spain has been nearly twice as high as in Italy.

Before the European financial and debt crisis, Spain experienced an asset price bubble that eventually burst, followed by a recession. As the Spanish economy began to recover in 2013, asset prices also rebounded. As the recovery accelerated following the COVID-19 crisis, prices for Spanish assets continued to rise. In 2025, asset price inflation in Spain rose to over 10 per cent per year, driven by a combination of economic growth, higher government spending, falling interest rates, and funding from NextGenerationEU.

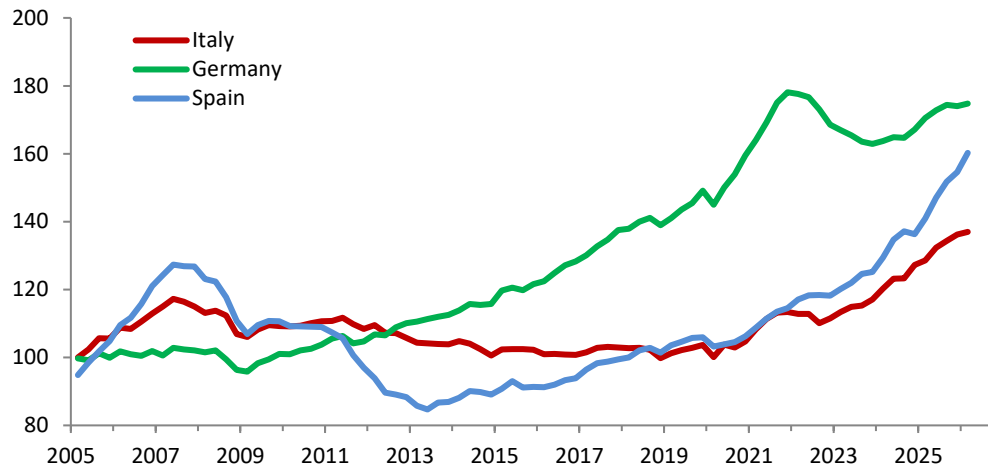
In Germany, where asset prices had risen only slowly before 2007 and the economic recovery began as early as 2009, asset prices increased sharply from 2010 onwards. While economic growth contributed to the increase in asset prices, they were largely driven by the ECB's expansionary monetary policy. Low interest rates, combined with real wage increases, led to a sharp rise in property prices. Asset price inflation in 2021 exceeded 10 per cent. Low interest rates also led to high valuations of other real and financial assets. However, when interest rates rose in 2021 and growth slowed, asset prices in Germany declined and did not begin to rise again until 2024. Current expectations of rising interest



rates are once again putting downward pressure on asset prices in Germany.

Figure 6: Asset prices in Italy, Spain and Germany

Index Ø2005 = 100



Source: Flossbach von Storch calculations based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As at September 2026.

5. Social consequences of asset price inflation

High asset price inflation, such as that currently observed in Italy, carries the potential for social conflict. Rising asset prices primarily benefit households that already own assets such as real estate, business wealth, and equities. These households can increase their consumption by liquidating part of their capital gains or using their increased wealth as collateral for further credit-financed consumption (Ludvigson 2013). However, wealth is not evenly distributed across the population. The wealth of the top 10 per cent of households in Italy is 12 times that of the Italian middle class (ECB 2023a). Furthermore, affluent households are more likely to own stocks and real estate in densely populated urban areas, where prices are currently rising significantly. For example, only four to five per cent of buildings benefited from the Superbonus, and these are more likely to be owned by wealthier households (Codogno 2024).

Young households and those with little wealth or low incomes benefit less from the wealth effect. Instead, high asset price inflation makes it more difficult for them to build wealth and save for retirement. Home ownership and investments in stocks for retirement are becoming more expensive or even unaffordable.

Germany illustrates how wealth accumulation and retirement planning have become increasingly expensive during periods of high asset price inflation (Immenkötter 2022). Figure 7 shows the price development of the assets held by two German middle-class households with the same net worth but different investment patterns during the period of high asset price inflation from 2014 to 2022. The first household owns debt-financed real estate (solid line), while the second household (dashed line) owns financial assets corresponding to the average allocation of financial assets among non-property-owning households in Germany.

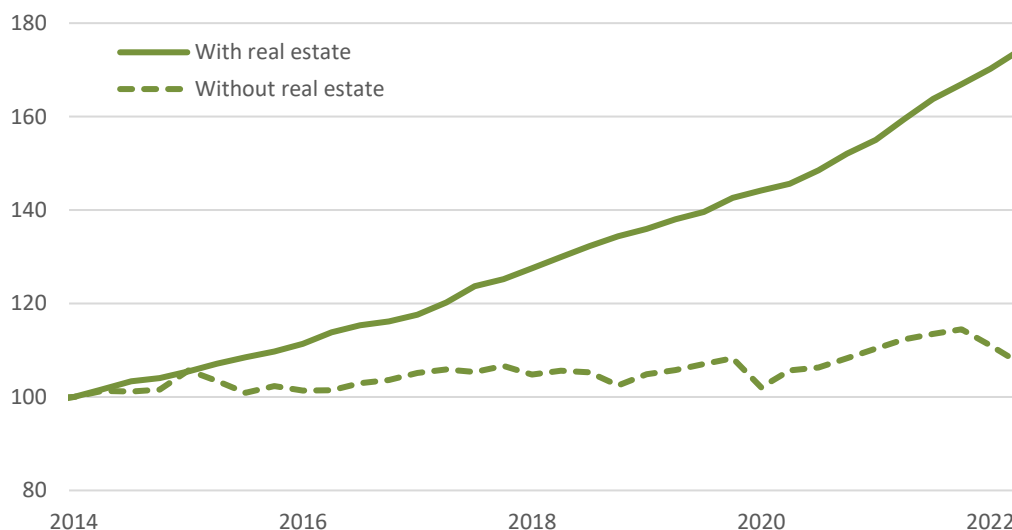


During the eight years of high asset price inflation in Germany (2014 to 2022), the value of the first household's assets rose by 75 per cent, while the value of the second household's assets rose by only five per cent. The gap between the lines reflects the rising cost of asset accumulation due to differing asset allocations caused by asset price inflation. An investment by the second household in the assets of the first household has become 70 percentage points more expensive. Asset price inflation, driven primarily by real estate and financial investments, is thus making it increasingly difficult for households without real estate assets to catch up with households that do own real estate.

If asset price inflation is repeatedly fueled by government spending and monetary policy and thus remains high in the long term the financial and economic situation of young households, which are also affected by high unemployment and consumer price inflation, could deteriorate further. The existing wealth gap could widen and lead to social conflict.

Figure 7: Germany: Asset prices for middle-class households with and without real estate

Index Ø2014 = 100



Explanation: Two German middle-class households, each with net assets of EUR 60,000 in 2014. One household (solid line) owns an owner-occupied, debt-financed property, the other household (dashed line) does not. Source: Immenkötter (2022).

6. Outlook

The recent asset price inflation in Italy can be attributed to a combination of rising government spending and subsidised demand for real assets, enabled by the ECB's monetary policy and supported by EU policy. However, the recent demand for assets does not appear to be driven by economic growth, but rather by the demand of a small number of households that benefited from public subsidies. If government support for asset demand in Italy wanes, asset prices, particularly for real estate and business wealth, could plummet.

Policy-driven asset price inflation has already had a significant impact on wealth accumulation and financial security, especially for young and low-income households. A potential collapse in asset prices would be accompanied by a recession and stagnation, which would



affect young and low-income households more severely than wealthier households, meaning they may not be able to benefit from falling asset prices.



Appendix

A. Methodology of the Flossbach von Storch Asset Price Index for Italy

The asset price index measures the price development of assets owned by private Italian households. The asset composition of the average Italian household is calculated based on “The Household Finance and Consumption Survey: Results from the Wave 3” (ECB 2023b).

The assets of a private household are split up into real assets and financial assets. Real assets consist of real estate, business wealth, durable consumer goods, collectables and speculative goods. Financial assets are broken down into cash equivalents, bonds, stocks and other types of financial assets. Table 1 shows the breakdown of the assets of an average Italian private household. The values shown are used as weights for the Asset Price Index. The index is calculated as a Laspeyres price index. Each time series is indexed to 2021, the year to which the HFCS results refer. For graphical presentation, all resulting time series are indexed to 100 at the beginning of 2005.

Table 1: Weighting scheme of the Asset Price Index for Italy

Average gross household wealth	EUR 371,400
Real assets	81.3%
Real estate	62.6%
Business wealth	14.6%
Consumer durables	3.4%
Collectables and speculative goods	0.7%
Financial assets	18.7%
Savings deposits	8.2%
Bonds	4.5%
Equities	1.4%
Other financial assets	4.6%

Source: HFCS, Third Wave 2021, European Central Bank, Flossbach von Storch Research Institute, as at February 2025.

For each asset class, we calculate the country-specific quarterly price change. We use asset prices and not asset valuation indicators and we exclude cash flows from assets, such as interest, dividends or rental income. Real estate prices are provided by Eurostat; business wealth is measured using the MSCI Italy Small Cap price index. The price development of consumer durables is captured by the HICP time series provided by Eurostat. Collectables and speculative assets are represented by five sub-categories: jewellery (Eurostat), art (Art Market Research), fine wines (Liv-ex Ltd.), luxury watches (Chrono24: Chronopulse) and classic cars (Historic Automobile Group International).

The geographical distribution of stock and bond investments by Italian households is captured using the International Monetary Fund’s (IMF) Coordinated Portfolio Investment Survey (CPIS). The price development of the resulting investments is measured with help of MSCI country and regional stock price indices and Bloomberg bond indices. The price of other financial instruments is measured with help of the London Bullion gold price and Thomson Reuters Continuous Commodity Index, both provided by Refinitiv.

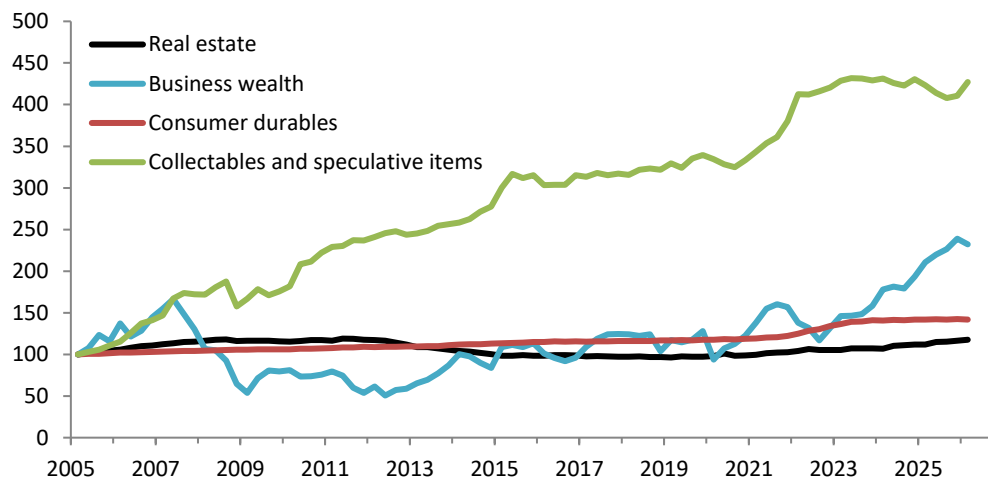


B. Price development of real and financial assets

Figure 8 shows the price development of all four categories of real assets. The price of collectables and speculative items rose eight per cent year on year, its impact on asset price inflation is low as collectables and speculative items account only for 0.7 per cent of private household wealth.

Figure 8: Price developments of real assets in Italy

Index Ø2005 = 100

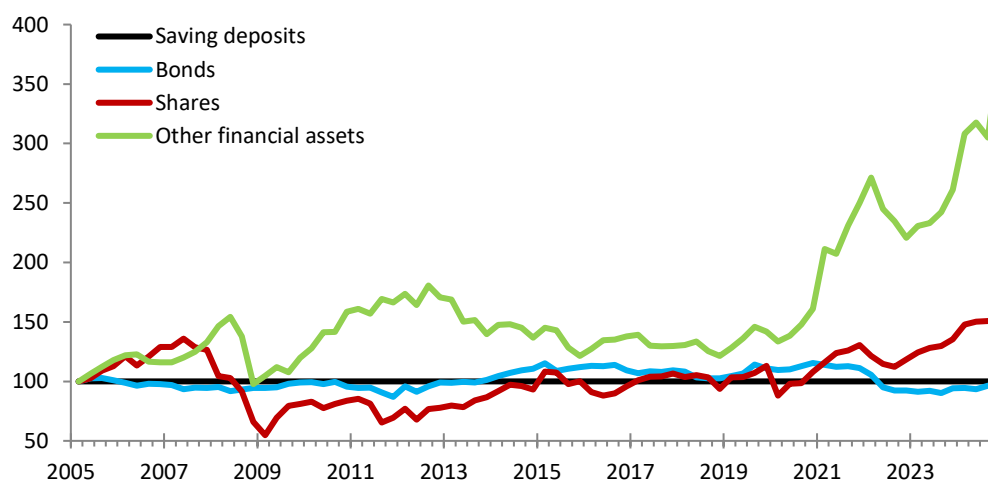


Source: Refinitiv, Eurostat, Flossbach von Storch Research Institute calculations, as at February 2025.

Figure 9 shows the price development of all four categories of financial assets. Over the long term, other financial assets recorded the strongest price increase (5.4 per cent p.a.), driven by the gold price, which benefited from low interest rates, economic uncertainty and geopolitical conflicts.

Figure 9: Price developments of financial assets in Italy

Index Ø2005 = 100



Source: Refinitiv, Eurostat, Flossbach von Storch Research Institute calculations, as at February 2025.



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Data sources

Art Market Research Developments Ltd.

Bloomberg L.P.

Chrono24: ChronoPulse

Eurostat

European Central Bank (ECB)

HAGI (Historic Automobile Group)

International Monetary Fund (IMF)

Liv-ex Ltd.

LSEG

Macrobond Financial



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