



Flossbach von Storch
RESEARCH INSTITUTE

ASSET PRICE INDEX FOR ITALY 23/09/2026

Asset price inflation in Italy: Dark outlook for the young and poor

Flossbach von Storch Asset Price Index for Italy

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Abstract

In Italy, asset prices have risen rapidly for six years in a row. High government spending has pushed up asset prices. Retirement planning and real estate investments are becoming more expensive. This raises the potential for social conflict, as young and poor households are 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

Wealth accumulation by private households depends on continuous investment in real and financial assets. The ability to do so depends on the prices of real and financial assets, which are subject to fluctuations and influenced by inflation.

The Flossbach von Storch 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 the price trends of real assets (real estate, business wealth, durable consumer goods, and collectibles and speculative items) and financial assets (stocks, bonds, savings deposits, and other financial assets) owned by private households. Real estate is the largest asset class held by Italian households, accounting for 63 percent of their total assets. A complete 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%, meaning that households now have to spend 32% more on the same investments than before. Although the long-term increase is smaller compared to other eurozone countries, such as Germany and Spain, the bulk of the price increase has occurred within the last six years, indicating an accelerated rise in asset prices.

The development of asset prices is significantly influenced by economic growth, fiscal policies, and monetary policies. While the stagnation of the Italian economy kept asset price inflation low for more than a decade and there was no increase in real wages, Italian and European industrial and subsidy policies fueled asset price inflation in Italy in the wake of the COVID-19 crisis. 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, but economic growth fails to materialize and real wages continue to stagnate.

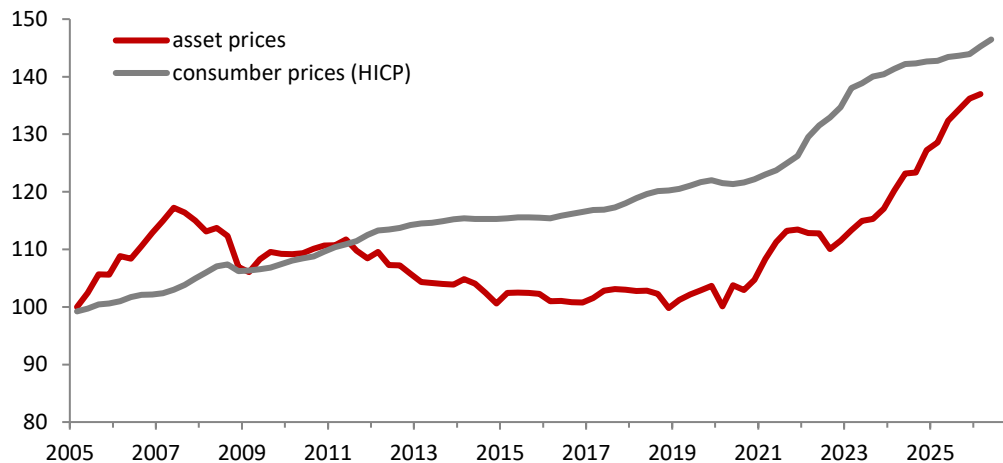


2. Trends in Asset Price Inflation in Italy

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, prices for assets in Italy have risen by about 32.0 percent. In the past year alone, prices rose by 6.6 percent.

Figure 1: Asset and consumer prices for Italy

Index Ø2005 = 100



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

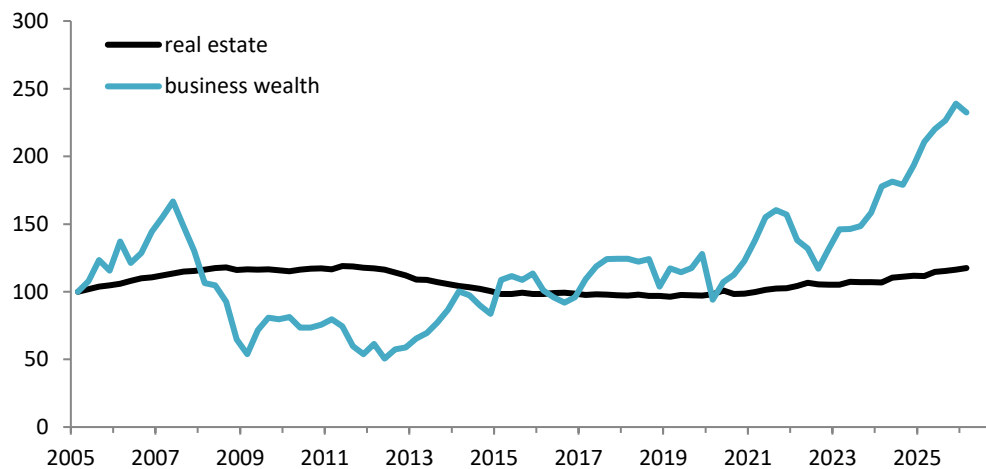
In contrast, consumer prices, as measured by the Harmonized Index of Consumer Prices for Italy (HICP), rose only moderately in the 2010s. It was not until the COVID-19 crisis that significant consumer price inflation occurred, though it soon leveled off again and fell below one percent. The energy price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

The asset price index in Italy is driven primarily by the two asset categories of real estate and business wealth, which together account for three quarters of Italian households' assets. Real estate accounts for 62.6% of household assets, while business wealth accounts for 14.2%. The third largest class of assets is savings deposits (8.2%), which, however, are not subject to price changes. The remaining five asset categories each account for less than 5% of the total index. Figure 2 shows the price trends for real estate and business wealth, which together make up three quarters of the index. The price trends for the remaining asset categories are presented in the appendix.



Figure 2: Real estate and business wealth

Index Ø2005 = 100



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

3. What drives the development of asset prices in Italy?

There are three factors that determine asset price movements: growth, government expenditure and monetary policy. These factors are not independent of each other.

3.1. 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, on the other hand, limit the ability to invest in assets or even force households to liquidate their assets (Keynes 1936, Lucas 1978, and 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 low economic growth due to weak demand for housing (Leamer 2007). Furthermore, banks adopted stricter lending policies, which further dampened demand for real estate.

Business wealth and stocks 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 stocks. As economic growth began to recover gradually in 2014, this contributed to the stabilization of asset prices.

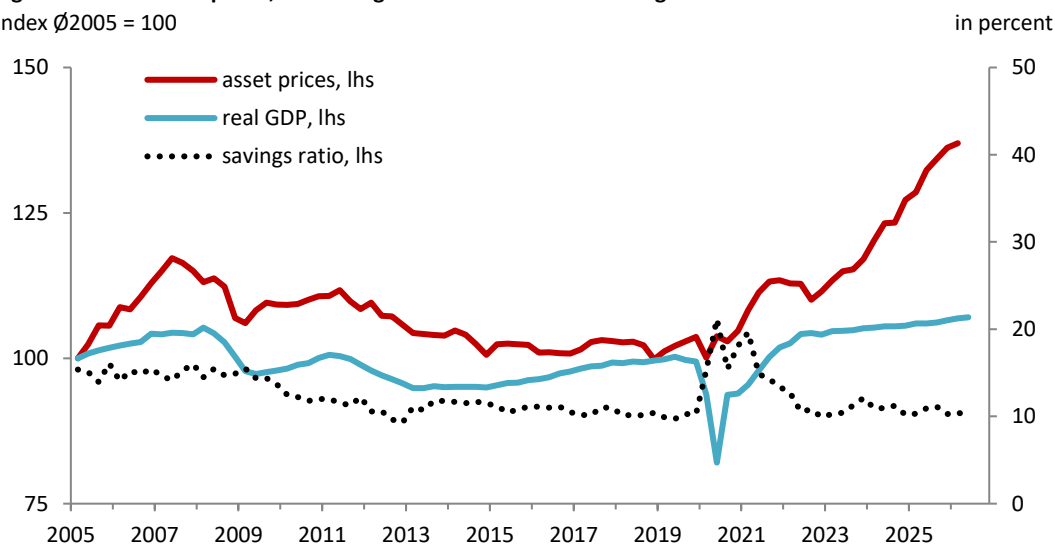
Following a rapid recovery after the COVID-19 crisis, the Italian economy grew steadily



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: Italian asset prices, real GDP growth and household savings ratio

Index Ø2005 = 100



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

3.2. Government expenditure

Government expenditure 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. A high budget deficit on the part of the Italian government limited the government's ability to increase public spending. With the COVID-19 crisis, government spending surged as the government sought to stabilize 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 114 billion euros from the NGEU fund, equivalent to about five percent of its GDP.

Over the past six years, Italian government spending has risen by nearly 20 percent. In particular, the Italian government encouraged investment in real estate through the so-called "110% Superbonus" program launched 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 programs amounted to 10 percent of Italy's GDP. Since its introduction, the Superbonus has driven up construction costs and caused real estate prices to rise significantly for the first time since 2007 (Corsello and Ercolani 2024). Prices for business assets also benefited

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 €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.

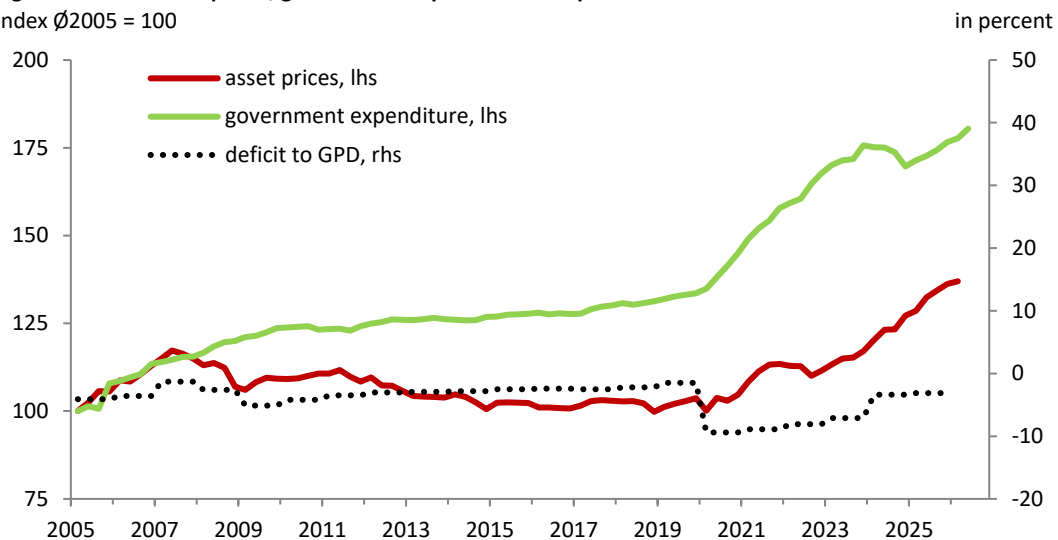
² [Italy's recovery and resilience plan - European Commission](#)



from the Superbonus due to high profit expectations in the construction industry and related sectors. Although the subsidy program was discontinued at the end of 2025, new programs such as the “Ecobonus” or “Bonus Ristrutturazioni” were introduced; while these were designed to be less generous, they also provide a fiscal stimulus for the construction industry and, consequently, for real estate and business asset prices. The asset price inflation caused by government spending is an unintended side effect and not the program’s original goal.

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

Index Ø2005 = 100



Government spending in euros is presented as a moving average over four quarters. Source: Calculations by Flossbach von Storch based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As of September 2026.

3.3. Monetary Policy

The third possible explanation for the trend in asset prices 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).

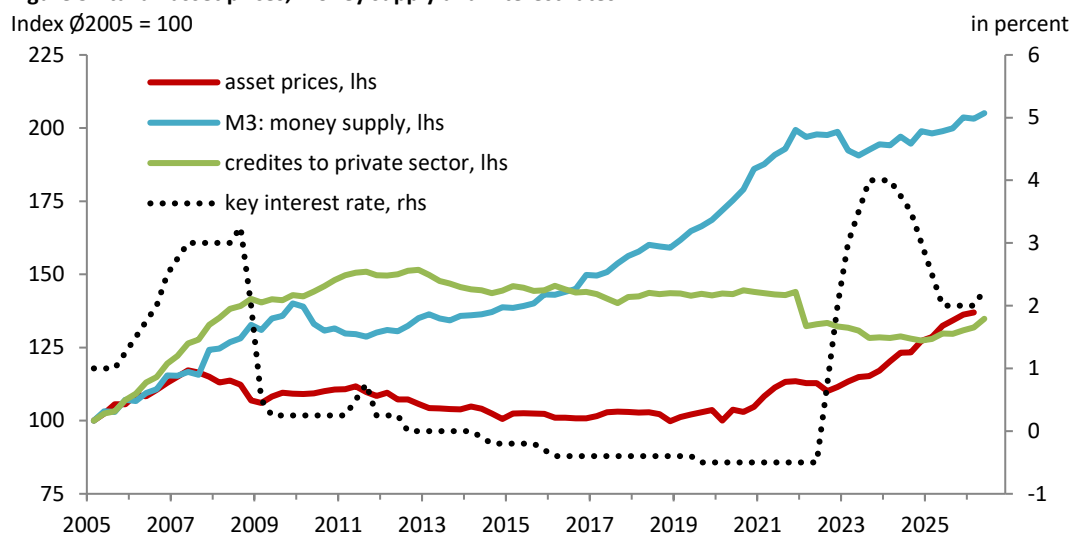
Figure 5 shows the expansion of the money supply in Italy in the wake of the ECB’s expansionary monetary policy. However, for a long time, this did not lead to a rise in asset prices in Italy. Low growth and uncertainty about future earnings likely overshadowed the effects of falling interest rates. 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 (Fig. 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 programs 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: Calculations by Flossbach von Storch based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As of September 2026.

Since 2022, the ECB has raised key interest rates and 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. With the increase in key interest rates in Since expectations of rising interest rates have been building 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.

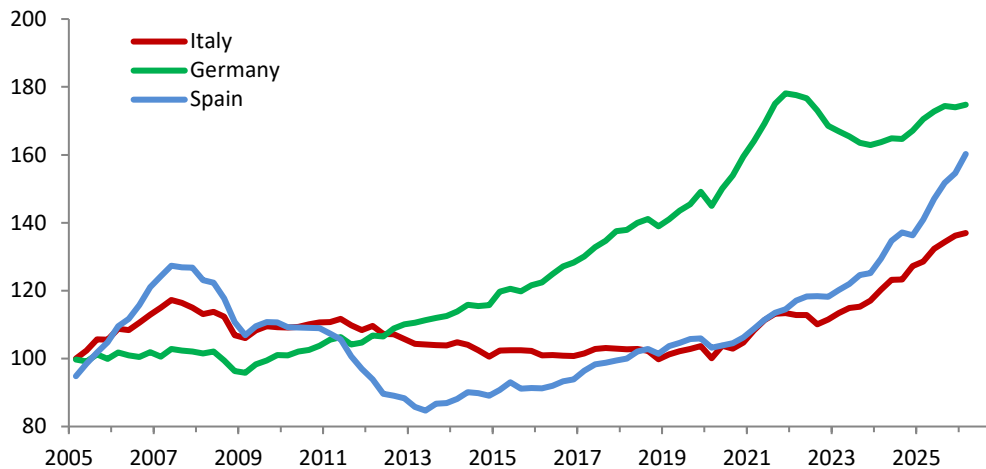
Before the European financial and debt crisis, Spain experienced an asset price bubble that eventually burst, followed by a recession. As the Spanish economy began to recover in 2013, asset prices also rebounded. As the recovery accelerated following the COVID-19 crisis, prices for Spanish assets continued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

In Germany, where asset prices rose only slowly before 2007 and the economic recovery began as early as 2009, asset prices have risen sharply since 2010. While economic growth contributed to the rising 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 real estate prices. Asset price inflation in 2021 exceeded 10 percent. Low interest rates also led to high valuations of other tangible 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: Calculations by Flossbach von Storch based on data from AMRD Ltd, BIS, Bloomberg, BVI, Chrono24 ChronoPulse, HAGI, IMF, Liv-ex, LSEG, ECB, and Eurostat. As of 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 assets, and stocks. 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 percent of households in Italy is twelve 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 percent of buildings benefited from the Superbonus, and these tend to be owned by wealthier households (Codogno 2024).

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

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 trends 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 leveraged real estate (solid line), while the second household (dashed line) holds financial assets that correspond to the average asset allocation of financial assets for non-homeowners 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 percent, while the value of the second household's assets rose by only five percent. The gap between the lines reflects the rising cost

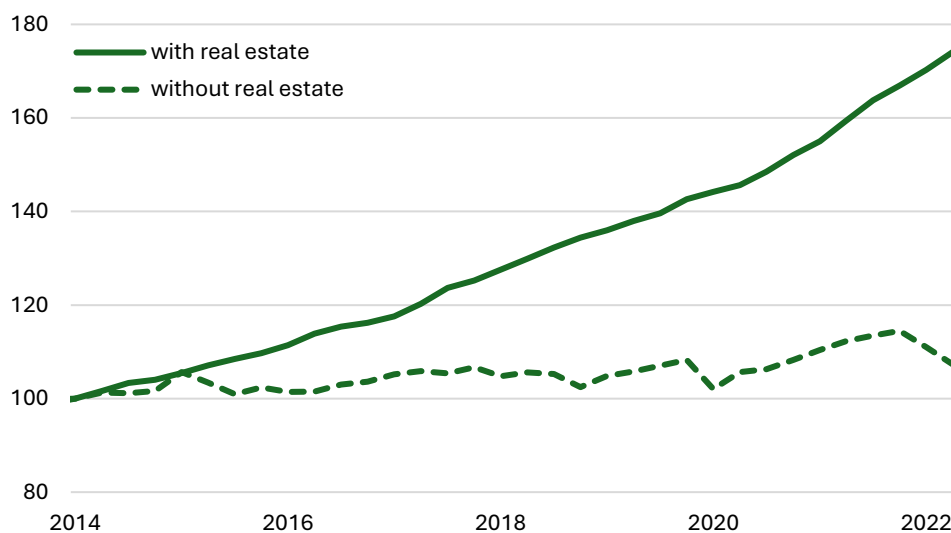


of asset accumulation due to differing asset allocations caused by asset price inflation. An investment by the second household in the assets of the first household has become 70 percentage points more expensive. Asset price inflation, driven primarily by real estate and financial investments, is thus 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 middleclass 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 surge in asset prices in Italy is attributable to a combination of rising government spending and subsidized demand for tangible assets, which was made possible 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 assets, could plummet.

Policy-driven asset price inflation has already had significant impacts on wealth accumulation and financial security, especially for young and low-income households. A potential collapse in asset prices will be accompanied by a recession and stagnation, which will hit young and low-income households harder 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 goods, and collectors’ items. Financial assets are broken down into cash equivalents, bonds, stocks and other types of financial assets. Table 1 reports the asset break down of the average private Italian household. The reported values serve as weights for the asset price index. The index is calculated as a Laspeyres price index. Each time series is indexed in 2021 which is the year that the results of the HFCS refer to. For charting all resulting time series are indexed to 100 at the beginning of the year 2005.

Table 1: Weighting scheme of the asset price index for Italy

Average gross household wealth	371,400 €
Real assets	81.3%
Real estate	62.6%
Business wealth	14.6%
Durable consumer goods	3.4%
Collective and speculative goods	0.7%
Financial assets	18.7%
Savings deposits	8.2%
Bonds	4.5%
Shares	1.4%
Other financial assets	4.6%

Source: HFCS, Third Wave 2021, European Central Bank, Flossbach von Storch Research Institute, as at Feb. 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 yields. Real estate prices are provided by Eurostat, business wealth is measured using the MSCI Italy Small Cap price index. The price development of durable consumer goods is captured through the HICP time series provided by Eurostat. Collectibles and speculative items are represented through four subcategories: jewellery (Eurostat), art (Art Market Research), fine wines (Liv-ex Ltd.), luxury watches (Chrono24: Chronopulse) and historic automobiles (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



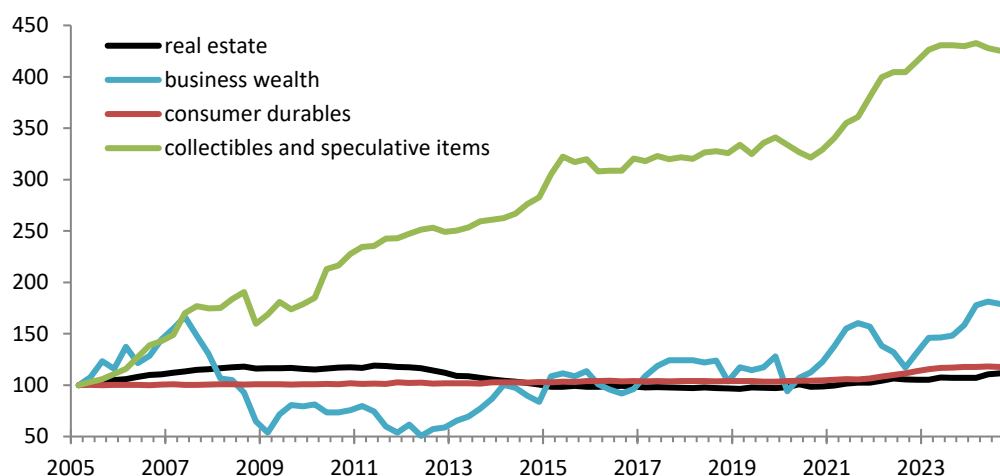
of other financial instruments is measured with help of the London Bullion gold price and ThomsonReuters Continuous Commodity Index, both provided by Refinitiv.

B. Price development of real and financial assets

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

Figure 8: Price trends for real assets in Italy

Index Ø2005 = 100

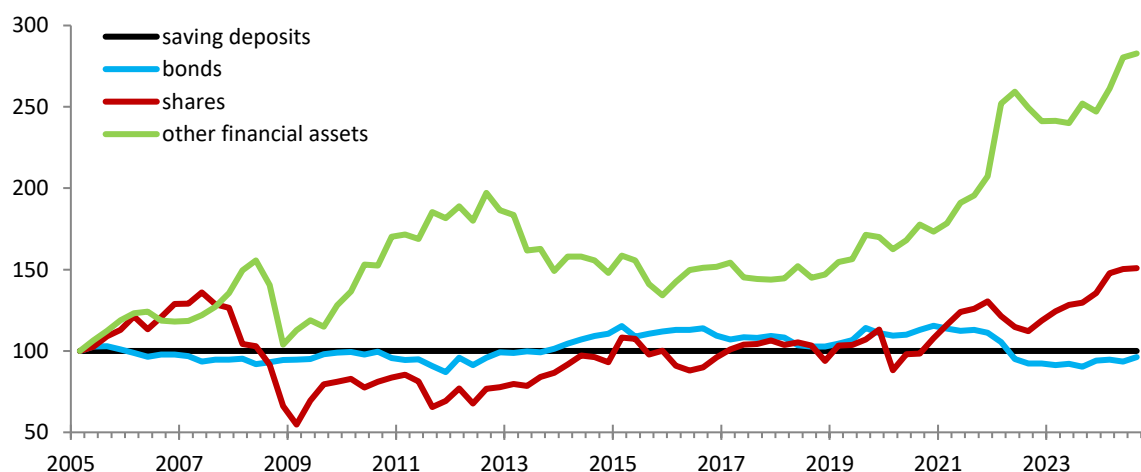


Source: Refinitiv, Eurostat, calculations by Flossbach von Storch Research Institute, as at February. 2025.

The price development of all four categories of financial assets is shown in figure 9. In the long run the strongest price increase is recorded for other financial assets (5.4 percent p.a.) that is driven by the price for gold that benefited from low interest rates, economic uncertainties and geopolitical conflicts.

Figure 9: Price trends for financial assets in Italy

Index Ø2005 = 100



Source: Refinitiv, Eurostat, calculations by Flossbach von Storch Research Institute, 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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