POLITICAL ECONOMY / CITIES

Milan and the Price of Standing Still

Why a country can become more stable without its people feeling more prosperous.

Italy has earned more financial credibility. In Milan, the test is whether someone on a local salary can turn that stability into a better job, a home and room to plan.

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The argument in 30 seconds

01 **Italy has more room to invest.** Stronger credit and record employment can come before a recovery in purchasing power.

02 **In Milan, rent and travel can absorb a pay rise.** The gains reach more workers when housing and access to jobs expand alongside demand.

03 **Dependable services take investment.** Early detection and a workable recovery plan can keep a disruption from becoming a crisis.

Executive summary

Italy's stronger financial position gives it more room to invest. Whether people feel the benefit depends on what happens next. In Milan, a better job can widen someone's choices, but a pay rise may go towards higher rent or a more expensive commute. A city can attract people and investment while becoming harder to afford on a local salary.

There is also a cost to keeping essential services dependable. Investment in detection, maintenance and recovery can prevent a disruption from becoming a crisis. I would judge Milan's progress by whether people on local wages can afford a home, reach better jobs and rely on the services that let them plan ahead.

The first thing I noticed when I arrived in Milan was the queue at passport control. With my Italian passport, I was through in barely a minute. The other passport line looked as though it could take hours. After years in Hong Kong, the contrast was striking, although my own passage had been effortless. It was a reminder of how much our experience of a place depends on where we stand within it.

I grew up in Milan. Returning after time away means noticing changes that might otherwise have passed gradually. Three years ago, I remember being excited by the city's energy. This time, after a week back, the mood felt more subdued. There was still plenty to enjoy, but concerns about prices, politics and the future seemed harder to escape.

A week's visit can only tell me so much about the national mood. It did leave me with a question. How does a country's improving financial position become a better life for the people living in it?

What stability makes possible

In November 2025, Moody's raised Italy's sovereign rating from Baa3 to Baa2. The agency cited political and policy stability, which had helped Italy put reforms and investment plans into practice. That was a meaningful improvement for a country so often discussed through the risks attached to its public debt. [1]

Italy's employment rate reached a record 62.8% in the first quarter of 2026. The OECD found that wages adjusted for inflation were 6.1% below their first-quarter 2021 level. They had risen 1.3% since the first quarter of 2025. Istat's preliminary estimate put real GDP flat in the third quarter of 2026 compared with the previous quarter. More people having work and many workers struggling to regain purchasing power can both be true. [2] [3]

A credit rating and a household budget answer different questions. An upgrade tells us something about the state's ability to meet its obligations. Whether a young worker can afford to leave home depends on their income and costs.

The two are connected. More reliable government financing reduces the danger of an abrupt crisis. Lower borrowing costs can gradually ease pressure on public finances as debt is refinanced, while predictable policy makes businesses more willing to commit money. Those gains can support investment, employment and public services. [4]

Several steps separate better financing from better living. Investment must help businesses produce more or better goods and services. A rise in the price of existing assets can leave that capacity unchanged. Workers need opportunities to move into better-paid jobs. And increases in take-home pay must survive the cost of housing and other essentials.

That transmission takes time and depends on choices. The strongest case for patience is that better financing and more jobs are early gains. Wages were already recovering in the OECD's snapshot. Investment and tighter labour markets could lift pay further. Markets can make a sound judgement about Italy's credit while households still wait for their choices to widen. Reassuring creditors and widening opportunity can be part of the same recovery.

A country can become more credible to lend to without becoming an easier place to build a life.

Milan’s uneven success

Returning home also means discovering how outdated the price list in your head has become. At the airport, an iced tea cost me €4. I remember something similar costing perhaps €1.50. Ice creams seemed closer to €3 than the €1.50 or €2 I remembered. At least I could still find an espresso for around €1.

Familiar purchases are often how we notice that money no longer goes as far. An airport drink is a poor inflation index. Even when inflation slows, the earlier increase in prices remains. Until incomes catch up, the relief in the statistics can feel rather theoretical.

The harder question concerns things people cannot readily substitute or go without, especially housing. Milan is an interesting case because it has drawn new people and investment.

On previous visits, the new restaurants and buildings gave me the impression of a city becoming more international and ambitious. Italy’s tax relief for eligible workers who relocate and earn qualifying income in the country has also offered a reason to move back or move in. There is something encouraging about seeing a place attract people who might otherwise have built their lives elsewhere. [5]

The city’s growing appeal puts pressure on housing. The Affordable Housing Observatory’s April 2026 report, produced with Politecnico di Milano, found that Milan sale prices rose 8.5% in 2024. Rents on new leases rose 6.8% on the report’s weighted measure, while average wages rose 4.2%. All three changes are in nominal terms. Beyond the city, housing and transport together placed a substantial burden on the earnings of the commuters the report studied. [6]

Consider how differently that development looks from opposite sides of a tenancy. An owner may see a more valuable asset and stronger demand. A renter sees a larger claim on next month’s salary. A returning professional on an internationally competitive salary may find the city newly attractive, especially if they qualify for tax relief. Someone already working there may struggle to afford the same neighbourhood.

New residents can support businesses, create work and bring skills. The problem arises when demand expands faster than the capacity to accommodate it. Higher rents can then direct some of the gains to existing property owners. That leaves less room for those gains to improve workers’ living standards.

This can make a successful city frustrating in a particular way. There is visible improvement all around, yet taking advantage of it remains difficult. A better job is worth less if the pay rise disappears into rent or the additional cost of getting to work.

Figure 1. How much of a pay rise is left?

Take the same €150 monthly rise in take-home pay. Compare what remains when rent and commuting costs change by different amounts.

Monthly changes · euros

Scenario	Take-home pay	Rent	Commute	Left over
Costs rise by less than pay	+€150	+€60	+€20	**+€70**
Costs rise as much as pay	+€150	+€110	+€40	**€0**
Costs rise by more than pay	+€150	+€140	+€40	**−€30**

Illustrative changes in euros per month. Left over equals the change in take-home pay less the increases in rent and commuting costs. The examples hold all other expenses constant.

Milan can keep its appeal and give more people a share in it. That takes housing people can afford, transport that expands access to jobs, and businesses able to grow and pay more. Otherwise, attracting talent and retaining the people who keep the city running can begin to work against one another.

Who can afford change?

There were protests during my visit, and the evening television felt heavy with political argument, worries about living costs and crime. I was particularly struck by programmes returning to the 2007 murder of Chiara Poggi in the town of Garlasco and the 2010 killing of 13-year-old Yara Gambirasio. These were cases I remembered dominating the news when I was growing up. Well over a decade later, those same tragedies were still occupying the evening conversation. [7]

Old cases can deserve renewed scrutiny. What struck me was the overall mood in the programmes I watched. Heated political debates, financial worries and familiar murders took up much of the conversation. I heard much less about what might improve. The pleasure of being back was real, and these evenings were only one part of the visit. They helped explain why it felt heavier than the last.

When people see little improvement in their own prospects, asking them to welcome change becomes harder. A tax incentive looks different to someone who cannot qualify for it. A new development looks different to someone who cannot afford to live there.

Growth creates more room to reconcile those interests. Without it, politics risks becoming a prolonged negotiation over who must accept less.

The cost of keeping things working

People also need confidence that the essentials will remain dependable while they try to get ahead. That places another demand on investment, one brought into focus by an unlikely set of headlines during my visit.

In early November 2026, cyberattacks disrupted supermarket refrigeration across several European countries. Some stores had to discard food. A reported incident at a refrigeration supplier also affected controls at three sites of France's national blood service. Monitoring detected the problem and staff secured or transferred the products. The service reported no product losses or health effects. [8] [9]

The second outcome matters as much as the first. Both incidents showed how exposed refrigeration systems can be. The response at the blood service showed what preparation can do. Early detection and containment can keep a disrupted system from becoming a public emergency.

The role of AI in those incidents remains unestablished. The forward-looking concern is that AI could make finding and exploiting weaknesses faster and cheaper. Britain's National Cyber Security Centre judges it highly likely that state actors will routinely use AI-enabled tools by 2028. It expects the UK to face faster and more scalable sophisticated attacks. The same technology offers ways to strengthen cyber defence. [10]

Whether countries and organisations keep up will depend on more than buying software. Old equipment, supplier oversight, skilled staff and recovery procedures all matter. Europe's cybersecurity agency reports improving preparedness across critical sectors, but uneven progress and continuing skills shortages. [11]

The risk is that organisations already struggling to maintain their systems fall further behind as threats evolve. Conversely, effective defence can protect output and make new technology safer to adopt. This is productive investment, even if its immediate achievement is simply that the supermarket opens and the hospital operates normally.

For a slow-growing society, the challenge is to finance that reliability alongside the improvements people are asking for. Failure would impose costs on households and businesses already short of room for surprises. Success is less conspicuous, but it helps preserve the confidence needed to plan, invest and tolerate change.

Maintaining yesterday's reliability can require new investment. That is a less obvious price of standing still.

Looking back from elsewhere

Living in Hong Kong makes the convenience of well-functioning systems easy to appreciate. I am happy to return to a city that suits my working life. Hong Kong still has a housing problem. In May 2026, the International Monetary Fund identified affordability and the need for more public housing as important challenges. A smooth journey through an airport says little about how attainable a secure life is. [12]

China, where I will spend time next, tests a different assumption. Cheaper purchases are welcome, but subdued prices do not guarantee household confidence. In February 2026, the IMF described persistent weakness in domestic demand and downward pressure on prices. A visitor spending overseas earnings and a worker concerned about future income may experience the same prices very differently. [13]

Sri Lanka brings the question back to recovery. In October 2026, the World Bank reported that real output had returned to its 2018 level, while household incomes and

labour-market outcomes continued to lag. I admire the adaptability of its people and businesses. But the national economy can recover before a household rebuilds its savings or catches up on plans delayed by the crisis. [14]

I am also making these comparisons with an advantage. I can leave. My work and passport allow me to compare places partly by choosing between them. Someone whose job, family and responsibilities tie them to one city faces a different calculation. My preference for Hong Kong reflects the opportunities available to me. Someone with fewer choices could reach a different judgement.

For Milan, the useful test is whether someone earning a local salary, without inherited housing or an international career, has reason to expect their choices to widen. Can they move for a better job, establish a home, start a business or make plans without every gain being absorbed by the cost of living? Can they rely on the services that make those plans possible?

I left grateful for the week and for the things I still love about Italy. Its food, its beauty and the pleasure of being somewhere familiar are part of what brings me back. Hong Kong suits the way I work, and Milan is home in a different sense. I want Milan to remain itself. I want its appeal to remain available to people building an ordinary life there, including those who have never had the chance to build a career elsewhere.

Markets can grow more confident that Italy can manage its past problems. The harder task is to give another generation reason to believe its future can be better than its past.

What I would watch

Do better jobs leave more money after housing and travel? I would look for several years of real pay gains and compare local take-home pay with new rents and commuting costs. A broader set of jobs within reach on a local salary would make a stronger case that the recovery is reaching households.

Does housing supply make room for the people Milan needs? I would look for more homes within reach of major job centres and see whether commute times stay manageable. Strong employment and rising property values alongside a rising rent-and-travel burden would reinforce my concern.

Can essential services recover quickly when a system fails? I would watch how quickly operators detect disruptions and restore service. That is where investment in maintenance, staff and backup procedures should show up.

Source notes

Sources document the historical claims in the essay, with releases dated through 5 November 2026. The travel observations are the author's own. The budget exhibit uses illustrative amounts.

1. Moody's sovereign rating action. 21 November 2025. Long-term issuer rating raised from Baa3 to Baa2, with a stable outlook. The action assesses credit risk.

Rating announcement

2. OECD Employment Outlook 2026. Italy country note, 7 July 2026. The employment rate and real wage changes are national measures from different series. The real wage change is an aggregate comparison.

Italy country note

3. Istat, preliminary GDP estimate. 30 October 2026. The third-quarter estimate is a real, seasonally and calendar-adjusted comparison with the previous quarter. Output was up 0.8% from the same quarter in 2025.

Q3 2026 release

4. Bank of Italy, Financial Stability Report. November 2025. The report records a narrower Italian–German sovereign yield spread. The budget benefit described in the essay depends on the cost and timing of refinancing.

Report No. 2, 2025

5. Italy's tax relief for incoming workers. Legislative Decree 209/2023, Article 5. The relief applies to specified income earned in Italy under conditions. The essay does not estimate its effect on rents.

Article 5

6. Milan's Affordable Housing Observatory. April 2026. The city comparisons use nominal changes from 2023 to 2024. The report also examines housing plus transport burdens for selected workers outside the city.

2026 report · Report release and figures

7. Rai programme listing. 5 November 2026. The schedule documents one programme on both cases. The essay describes the author's own viewing and makes no claim about crime rates or national sentiment.

Rai press office

8. European refrigeration incidents. 4 November 2026. The joint statement confirms incidents across multiple EU member states. AP reported supermarket operators' accounts of food disposal.

Joint statement · Operator accounts

9. French blood service refrigeration incident. 4 November 2026 reporting. RTL interviewed a blood service deputy director. Le Monde quoted the service on its response and reported outcomes. The available reports establish neither a common actor nor an AI role.

Interview with the EFS · EFS statement excerpts

10. UK National Cyber Security Centre. The 2028 assessment concerns the evolution of attacks facing the UK. The annual review also describes uses of AI in finding vulnerabilities and rehearsing a response.

2026 annual review · AI and defensive capabilities

11. ENISA, NIS360 maturity assessment. May 2026. The assessment compares preparedness across EU critical sectors. Readiness varies by sector and skills shortages persist.

NIS360 findings

12. IMF, Hong Kong SAR Article IV. May 2026. The executive board identified affordable housing as a priority and supported increasing public housing supply.

Hong Kong consultation

13. IMF, China Article IV. February 2026. The executive board describes protracted weakness in demand and deflationary pressure, in part linked to the property adjustment.

China consultation

14. World Bank, Sri Lanka Development Update. October 2026. Real GDP returned to its 2018 level. Income and labour-market outcomes lagged aggregate output.

Development update · World Bank release