

ITALY: RECENT CHANGES IN EXPORT SHARES



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Italy: recent changes in export shares

Executive Summary

- The increasing liberalization of trade and investments along with the widespread diffusion of fragmentation in production processes (Global Value Chains), have profoundly changed the international scenario during the last decades. Several emerging countries have gained export shares (e.g., China) while advanced economies have seen a progressive decline, also due to foreign investments localized in emerging countries and acting as “export platforms”.
- Between 2010 and 2022, Italy's share on world trade in goods and services, measured at current prices, fell from 2,8 to 2,4% (-0,4 p.p.). The contraction was more pronounced in the services sector (-0,9 p.p.), representing around 17% of total exports, than in the case of goods (-0,3 p.p.).
- Compared to Germany and France, we observe that the decrease of the Italian export share in 2010-2022 has been smaller (in current values), while Spain performed better than Italy. Considering manufacturing products, Italy's export share in 2022 was 90,4% of that of 2010 (80,8% in the case of Germany and 72,5% for France).
- An update of the Constant-Market-Shares analysis (CMS) shows for the years 2017-2022 that the decline of Italy's aggregate share (in current values) was mainly generated by a negative “sectoral structure effect”, explained by an increase in the relative importance of sectors in which Italy is less specialized (energy, raw materials, refined petroleum products), while the relative importance of sectors in which Italy has higher market shares registered a decrease (mechanics, pharmaceuticals, metallurgy, and traditional Made in Italy products). Similarly, in the case of services exports, the CMS

analysis shows that the decline of the aggregate share was mainly due to a sectoral structure effect (e.g., in the travel sector).

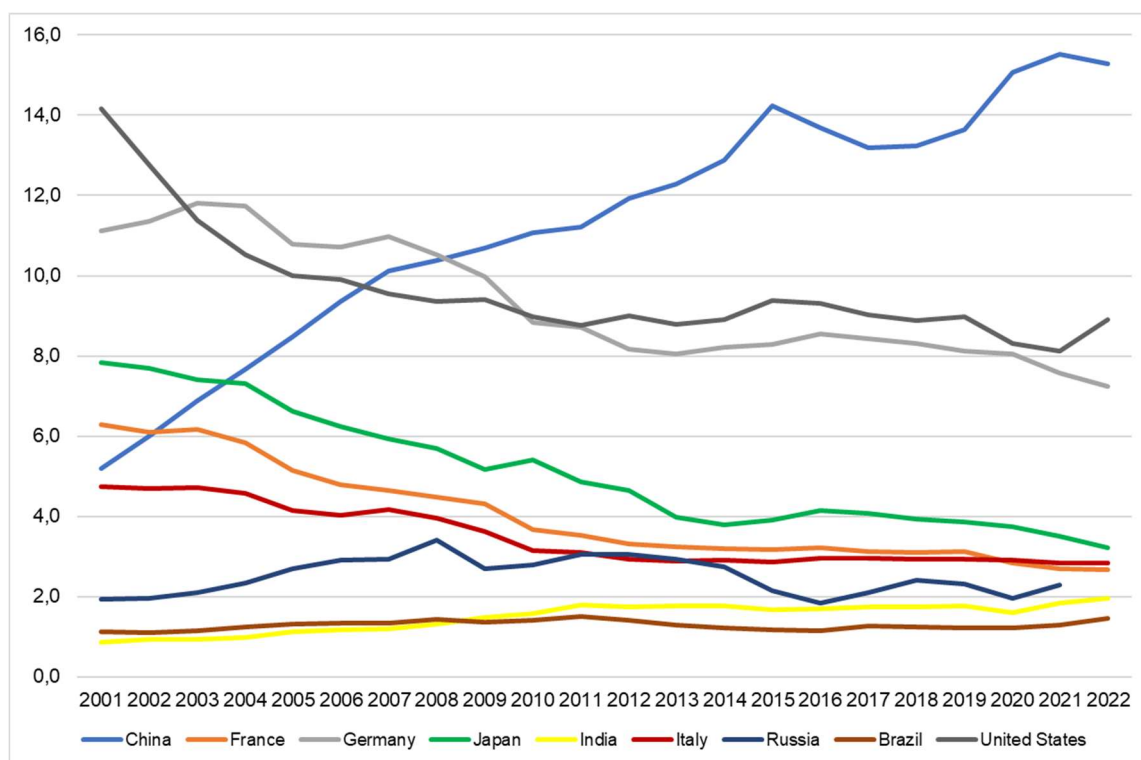
- Moreover, during the entire period, the CMS analysis shows for goods a positive “competitiveness effect”, with significant gains. The real effective exchange rates indicator confirms a marked increase of Italy's price competitiveness, especially in the last years.

- Limiting our analysis to the post-Covid period, Italy recorded a remarkable export performance: compared to 2019, Italy's merchandise exports increased by 9,6% in volume, outpacing the growth of the EU (+9,1%), the Euro Area (+8,4%) and of the main European economies (Germany +2,9%, the Netherlands +8,7%, France -4,9%). As a result, the export share at constant prices increased, reaching 2,6% in 2022.

1. Italy's export shares in 2010-2022, compared to other main countries of the Euro Area

During the past decades, increasing liberalization of trade and investments, along with the widespread diffusion of fragmentation in production processes and the organization of companies in global value chains, have profoundly changed the international scenario. Notably, several emerging countries have gained export shares (the most prominent example being China), while advanced economies have seen a progressive reduction (Figure 1.1). The declining trend in the export shares of the main exporting economies depends as well on foreign direct investments, often localized in emerging countries, acting as “export platforms” to access regional markets and better serve local customers.

Figure 1.1 - Main exporting economies: export shares on world trade of goods (2001-2022)



Source: ITA calculations on data of Eurostat and National Statistic Institutes

In this scenario and according to our calculations (based on WTO trade data), between 2010 and 2022, Italy's share on world trade in goods and services, measured at current prices, fell from 2,8 to 2,4% (-0,4 p.p.). Considering an index with base 2010=100, we observe that the decrease of the Italian share has been smaller compared to Germany and France, while Spain performed better than Italy ([Table 1.1](#)).

Table 1.1 – Total export shares of goods and services (current values)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Abs. change 2022/2010	Index 2022 2010=100
France	3,8	3,7	3,5	3,5	3,5	3,5	3,6	3,5	3,5	3,4	3,2	3,1	3,0	-0,8	79,1
Germany	7,7	7,6	7,2	7,2	7,4	7,4	7,7	7,6	7,6	7,3	7,4	7,1	6,5	-1,2	83,9
Italy	2,8	2,8	2,6	2,6	2,7	2,6	2,7	2,7	2,7	2,6	2,6	2,5	2,4	-0,4	85,7
Spain	1,9	1,9	1,8	1,9	1,9	1,9	2,0	2,0	2,0	1,9	1,7	1,7	1,8	-0,1	95,6

Source: ITA calculations on data of WTO

During this period, Germany shows the largest decline in absolute terms (from 7,7% to 6,5%, -1,2 percentage point), however starting from a significantly higher level than the other three countries. At the end of 2022, Germany's export share was nearly 84% of that of 2010. In the same period, France experienced a decline of its export share in goods and services of -0,8 p.p, the double of Italy and two thirds of that of Germany. Conversely, Spain shows the best performance among the considered economies, maintaining its export market share almost unchanged (-0,1 p.p. compared to 2010).

Table 1.2 highlights the differences between the export shares in goods and in services. In the case of Italy, the decline in the services sector¹ was more pronounced (from 2,6 to 1,7%, losing -0,9 p.p.) than in goods (which slowed down from 2,9% to 2,6%, -0,3 p.p.). Compared to the other three main countries of the Euro Area, in 2022 Italy's export share of goods was 90,4% of that of 2010 (80,8% for Germany and 72,5% for France). The decline of Germany's export share occurred entirely in manufacturing, while the share of the services sector increased. Spain's slight decline is mainly due to exports in services.

Table 1.2 – Export shares of goods and of services (current values)

	Goods					Services				
	2010	2014	2018	2022	index 2022 base = 2010	2010	2014	2018	2022	index 2022 base = 2010
France	3,4	3,1	3,0	2,5	72,5	5,1	5,3	5,0	4,8	93,0
Germany	8,2	7,9	8,0	6,7	80,8	5,6	5,7	5,8	5,8	102,6
Italy	2,9	2,8	2,8	2,6	90,4	2,6	2,2	2,0	1,7	68,4
Spain	1,7	1,7	1,8	1,7	101,2	2,9	2,6	2,6	2,4	81,9

Source: ITA calculations on Eurostat and WTO data

Considering more recent years, Italy recorded a very positive export performance in the post-Covid period, and between 2019-2022 merchandise exports grew significantly. In fact, compared to 2019, Italy's foreign sales of goods increased by +9,6% in volume, outpacing the growth of the EU (+9,1%), the Euro Area (+8,4%) and of the main European economies (Germany +2,9%, the Netherlands +8,7%, France -4,9%). It may be noted that while Italy experienced a decrease at current prices, in 2021-2022 the volume of

¹ For Italy, exports of the services sector weigh around 17% of total exports (2022, current values, BoP).

goods exports registered higher growth rates than overall world trade, which resulted in an increase of its export share at constant prices (reaching 2,6 per cent in 2022; see [Figure 1.2](#) and [Figure 3.1](#)).

Three main factors can explain Italy's positive performance in the post-Covid period, vis-à-vis other main economies²:

1) The first factor is represented by the clear improvement of Italy's price competitiveness in 2022, compared to the previous year, based on real effective exchange rates³.

Export-weighted competitiveness improved in both the Euro Area and on external markets, suggesting that the recent energy shock did not deteriorate Italy's competitiveness even vis-à-vis non-European countries that were less affected by the rising energy prices. The limited dynamics of labour costs⁴ also contributed to the improvement of Italy's competitiveness.

2) A second possible determinant is the lower concentration of Italian manufacturing in highly energy-intensive sectors: the weight of energy-intensive sectors in manufacturing exports was lower in Italy and Germany (18% and 17% respectively), compared to France and Spain (21% and 23% respectively).

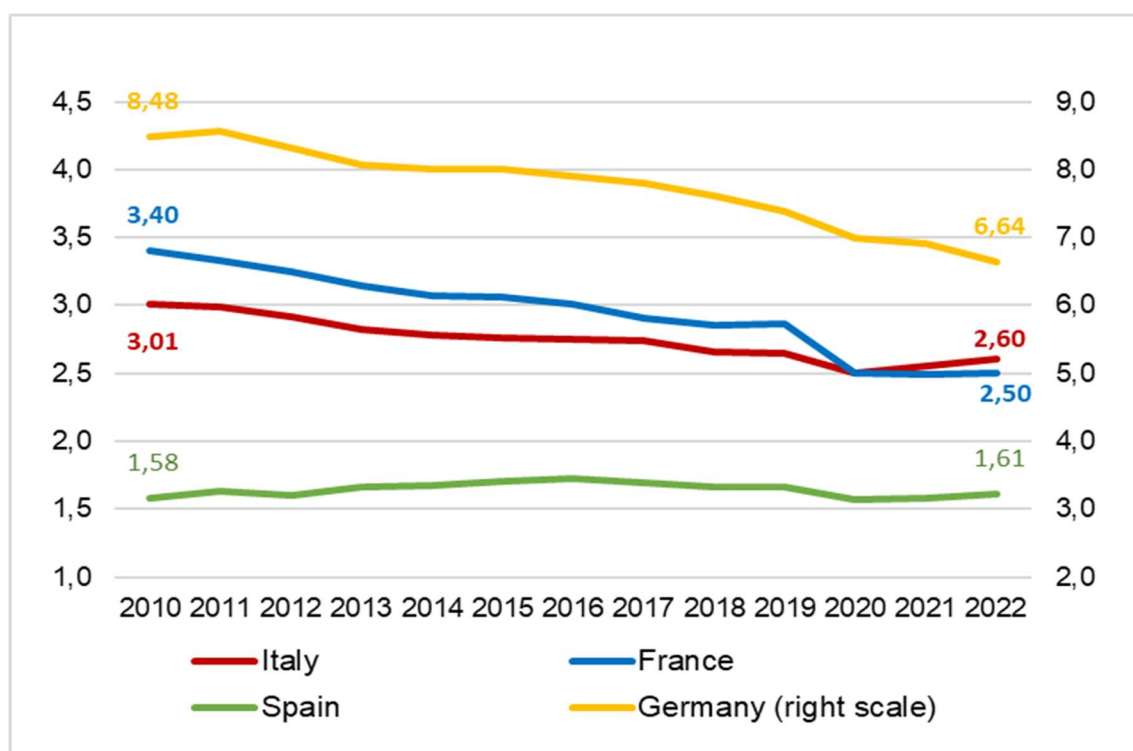
3) Finally, even if in 2022 there was an increase of Italian companies experiencing a shortage of materials and equipment (as an obstacle to production), reaching on average 18 per cent (from 10 per cent in the previous year), the share remained significantly below other major economies in the Euro Area, signaling a relatively higher diversification of suppliers.

² See Giglioli and Giordano's insights on some possible determinants of the favorable dynamics of Italian goods exports in 2022, in [Rapporto ICE - L'Italia nell'economia internazionale 2022-2023](#), p. 66-70.

³ Indicator of the Bank of Italy: real effective exchange rates deflated by the producer price index and weighted by manufacturing trade flows.

⁴ In terms of nominal employee labour costs.

Figure 1.2 - Merchandise exports: shares at constant prices of France, Germany, Italy and Spain



Source: ITA calculations on WTO data

2. Constant Market Shares analysis

To have a deeper insight, we propose an update of the Constant-Market-Shares (CMS) analysis⁵, based on the share of Italian exports on total world goods imports and on world goods imports from the Euro Area.

Considering 2022, the constant-market-shares analysis shows that the decline of Italy's aggregate share (in current values) was mainly generated by a negative "sectoral structure effect" (Sse).⁶

In fact, the analysis shows a significant increase of the relative importance of sectors in which Italy is less specialized (energy, raw materials, refined petroleum products, whose weight on total world trade rose in a single year by 3,1 and 1,1 percentage points, respectively), while the relative importance of sectors in which Italy has higher market shares registered a decrease in the same period (mechanics, pharmaceuticals, metallurgy, and traditional Made in Italy products).

Price dynamics, and especially energy prices, were the main cause of this rapid sectoral re-composition of world trade. Consequently, the observed sectoral effect does not seem to reflect a structure change in the world demand for goods: it is reasonable to assume that a slowdown of international commodity prices, as well as the adoption by most countries of new energy policies, will bring the relative weight of these goods back to pre-crisis levels. On the other hand, over the entire period we observe a positive

⁵ The constant-market-shares (CMS) analysis allows to decompose the change in a country's market share, in respect to a comparison group, into three components: competitiveness effect, structure effect and adaptation effect. In the exercise presented here, the comparison group consists of 49 countries (World) and the share is given by the ratio between their imports from Italy, France, and Germany, and those from the World; the denominator of this ratio represents 88 per cent of world trade in goods. For Italy, the exercise was repeated by also considering imports of the 49 from Eurozone countries only. The construction of the share from imports and the limited number of reporting countries explains the difference in market share levels reported in other sections of this note.

⁶ The Sectoral structure effect (Sse) measures how much of the change in market share reflects changes in the product structure of world imports. All other things being equal, a country's aggregate market share improves if the most dynamic sectors are those in which the country holds higher shares.

“competitiveness effect” (Ce),⁷ which can be seen in the case of Italy but not in the other countries. A particularly significant gain was recorded in 2021, even if it was partially offset in 2022 (Tables 2.1 and 2.2).

Table 2.1 – Constant Market Share Analysis of Italy’s share of world goods imports

	2017	2018	2019	2020	2021	2022	2022/ 2017
Market share	2,90	2,87	2,89	2,91	2,85	2,66	
absolute change		-0,03	0,02	0,02	-0,06	-0,19	-0,24
Competitiveness effect		0,00	0,00	0,03	0,08	-0,06	0,04
Structure effect, of which:		-0,03	0,03	0,02	-0,10	-0,18	-0,26
Sectoral		-0,04	0,05	-0,01	-0,11	-0,16	-0,26
Geographic		-0,02	0,01	0,01	-0,04	0,01	-0,02
Interaction		0,03	-0,03	0,01	0,05	-0,04	0,03
Adaptation effect		-0,01	0,00	-0,03	-0,03	0,05	-0,02

Source: *Rapporto ICE L'Italia nell'economia internazionale 2023*

Between 2020 and 2021, as far as markets are concerned, the weight of the European Union on total demand of goods declined, while the weight of Asian countries increased; as a result, for Italy, the “geographic structure effect” (Gse)⁸ was negative (as markets with higher Italian shares experienced slower growth rates).

In the following year (2022), there was a partial recovery in European demand, despite the depreciation of the Euro against the US dollar. The weakness of Asian demand, due to the persistence of pandemic containment measure, especially in China, favored Italy’s

⁷ The competitiveness effect (Ce) represents the weighted average of the changes in the elementary shares in each of the market-product segments, demand structure being equal. It can therefore be said that this part of the share variation reflects the price and quality factors that determine the competitiveness of the products offered by the exporting country.

⁸ The geographical structure effect (Gse) measures how much of the change in market share reflects changes in the geographical structure of world imports. All other things being equal, a country's aggregate market share improves if the most dynamic markets are those to which its exports are most oriented (in which it therefore holds higher shares).

international specialization model. The adaptation effect (Ae), which captures the flexibility of the system, is overall close to zero, although more pronounced in some years.

Table 2.2 - Constant Market Share Analysis of Italy's share on world goods imports from the Euro Area

	2017	2018	2019	2020	2021	2022	2022/ 2017
Market share	10,93	10,88	10,92	10,98	11,11	11,05	
absolute change		-0,05	0,04	0,06	0,13	-0,06	0,12
Competitiveness effect		-0,05	0,02	0,08	0,30	0,13	0,48
Structure effect, of which:		0,00	0,00	0,03	-0,07	-0,30	-0,35
Sectoral		-0,04	0,01	0,03	-0,16	-0,37	-0,53
Geographic		0,00	0,03	-0,03	-0,08	0,01	-0,07
Interaction		0,04	-0,04	0,03	0,17	0,06	0,25
Adaptation effect		0,00	0,02	-0,05	-0,10	0,11	-0,01

Source: *Rapporto ICE L'Italia nell'economia internazionale 2023*

The structure interaction effect (Sie)⁹, which has a lower weight in consideration of the share on world goods imports, becomes more relevant by limiting the comparison of Italian exports to those of the Euro Area, since countries more similar to Italy in terms of resource endowment and development model are considered (Table 2.2).

With the partial exception of 2020, Germany's market share declined in all years of observation, and the decline is mostly explained by competitiveness (-0,80 p.p.) and sectoral structure effects (-0,64 p.p.); in addition, for both components, the decline was particularly large in the two-year period 2021-2022. Except for chemicals, all of

⁹ The structure interaction effect (Sie) describes how changes in the geographic and commodity structure of demand combine with each other. It is positive when, with the same geographic structure of demand, the relative weight of products in which the exporting country specializes increases in each market and/or when, with the same commodity structure of demand, the relative importance of markets in which the exporting country is relatively stronger increases in each product.

Germany's sectors of specialization have reduced their weight on world trade, and among them, particularly the automotive and mechanical engineering industries.

Table 2.3 - Constant Market Share Analysis of Germany's share on world goods imports

	2017	2018	2019	2020	2021	2022	2022/ 2017
Market share	8,56	8,40	8,30	8,33	7,86	7,10	
absolute change		-0,16	-0,10	0,03	-0,47	-0,76	-1,46
Competitiveness effect		-0,07	-0,16	-0,03	-0,21	-0,33	-0,80
Structure effect, of which:		-0,08	0,07	0,13	-0,29	-0,48	-0,64
Sectoral		-0,14	0,10	0,07	-0,29	-0,44	-0,70
Geographic		-0,01	0,04	0,04	-0,02	0,03	0,07
Interaction		0,06	-0,06	0,03	0,02	-0,07	-0,02
Adaptation effect		-0,01	-0,01	-0,07	0,03	0,05	-0,02

Source: ITA calculations on data of Eurostat and National Statistic Institutes

Table 2.4 - Constant Market Share Analysis of France's share on world goods imports

	2017	2018	2019	2020	2021	2022	2022/ 2017
Market share	3,30	3,21	3,30	3,03	2,88	2,70	
absolute change		-0,09	0,09	-0,27	-0,15	-0,18	-0,60
Competitiveness effect		-0,04	0,05	-0,15	-0,02	-0,11	-0,27
Structure effect, of which:		-0,04	0,04	-0,11	-0,11	-0,13	-0,35
Sectoral		-0,06	0,07	-0,11	-0,12	-0,12	-0,33
Geographic		-0,01	0,00	0,01	-0,02	0,03	0,01
Interaction		0,03	-0,02	-0,01	0,03	-0,05	-0,03
Adaptation effect		-0,02	-0,01	0,00	-0,02	0,07	0,02

Source: ITA calculations on data of Eurostat and National Statistic Institutes

Considering Italy's export share in services, the CMS analysis shows that the decline in the aggregate share (-0,29 percentage points) was mainly due to a sectoral structure effect (-0,12 percentage points) and to the adaptation effect (-0,11 percentage points). For example, Italy holds a very high market share in tourism (travel), however the weight of this sector on total services trade decreased by almost 9 percentage points between 2017 and 2022. The competitiveness factor (Ce) in services also had a negative impact, but only by 0,06 percentage points (Table 2.5).

Table 2.5 - Constant Market Share Analysis of Italy's share on world services imports

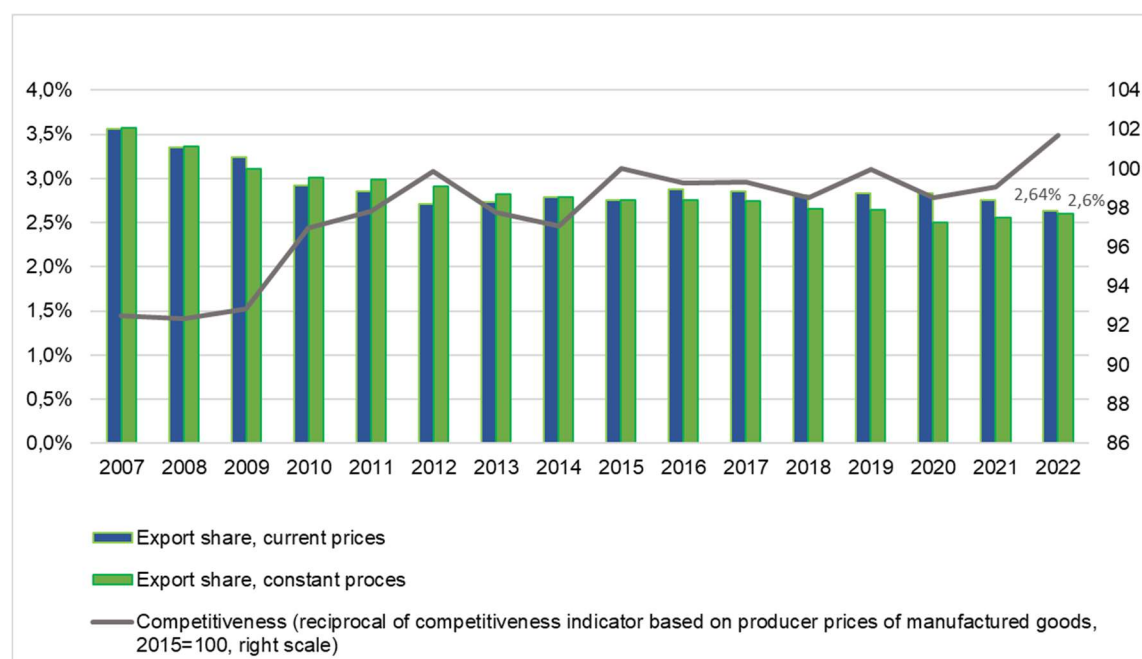
	Share on world demand			Italian shares			Sse	Ce	Ae
	2017	2022	p.p. change	2017	2022	p.p. change	2022-2010		
BOP6 - SOX - Commercial services	100%	100%	-	2,04%	1,75%	-0,29 p.p.	-0,12	-0,06	-0,11
BOP6 - SA - Manufacturing services on physical inputs owned by others	1,90%	2,08%	0,17 p.p.	3,59%	4,77%	1,18 p.p.	0,01	0,02	0,00
BOP6 - SB - Maintenance and repair services n.i.e.	1,61%	1,40%	-0,21 p.p.	1,26%	0,77%	-0,49 p.p.	0,00	-0,01	0,00
BOP6 - SC - Transport	17,04%	21,02%	3,98 p.p.	1,56%	0,95%	-0,6 p.p.	0,06	-0,10	-0,02
BOP6 - SD - Travel	24,40%	15,84%	-8,56 p.p.	3,31%	3,97%	0,66 p.p.	-0,28	0,16	-0,06
BOP6 - SE - Construction	1,96%	1,44%	-0,52 p.p.	0,60%	0,37%	-0,22 p.p.	0,00	0,00	0,00
BOP6 - SF - Insurance and pension services	2,63%	2,62%	-0,01 p.p.	0,97%	0,74%	-0,23 p.p.	0,00	-0,01	0,00
BOP6 - SG - Financial services	9,06%	8,84%	-0,22 p.p.	1,47%	1,29%	-0,18 p.p.	0,00	-0,02	0,00
BOP6 - SH - Charges for the use of intellectual property n.i.e.	7,02%	6,35%	-0,68 p.p.	1,12%	1,19%	0,06 p.p.	-0,01	0,00	0,00
BOP6 - SI - Telecommunications, computer, and information services	9,81%	13,75%	3,94 p.p.	1,69%	0,99%	-0,7 p.p.	0,07	-0,07	-0,03
BOP6 - SJ - Other business services	22,67%	24,66%	1,99 p.p.	2,01%	1,83%	-0,18 p.p.	0,04	-0,04	0,00
BOP6 - SK - Personal, cultural, and recreational services	1,50%	1,58%	0,08 p.p.	0,30%	0,34%	0,03 p.p.	0,00	0,00	0,00
BOP6 - SN - Services not allocated	0,39%	0,42%	0,03 p.p.	0,00%	0,00%	0 p.p.	0,00	0,00	0,00

Source: ITA calculations on data of Eurostat and National Statistic Institutes

3. Price and non-price competitiveness

Based on real effective exchange rates released by the Bank of Italy, in 2022 there was a marked increase in Italy's price competitiveness, which contributed to the increase of the export share in volume (Figure 3.1).

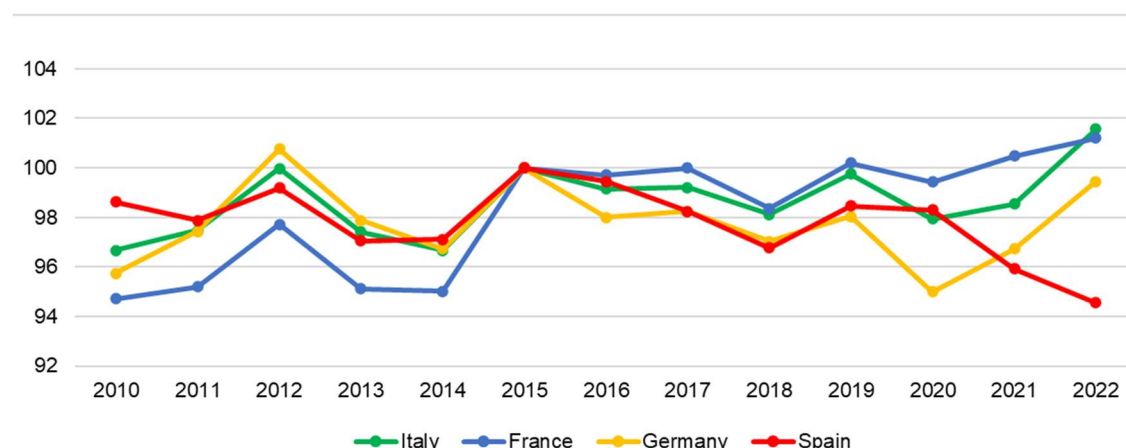
Figure 3.1 - Italy: competitiveness and export shares of goods



Source: ITA calculations on data of Bank of Italy and WTO

Comparing Italy with the other three countries, it is observed that the gain in competitiveness was similar to Germany, while France registered a slightly lower increase. Conversely, Spain experienced a loss in its competitiveness (Figure 3.2).

**Figure 3.2 - Competitiveness indicator for exports in manufacturing.
Indices 2015=100***



Source: ITA calculations on data of Bank of Italy

* Reciprocal of the competitiveness indicator based on producer prices of manufactured goods

For the year 2023, the Bank of Italy estimates that *"The deterioration in Italy's price competitiveness, in place since the fall of 2022 and resulting mainly from the appreciation of the euro against the currencies of its main trading partners, continued in the third quarter, mitigated in part by a smaller increase in producer prices than the average for competing countries. Based on preliminary estimates, in 2023 as a whole, Italy's market share of goods in value would have increased, fully recovering the 2022 loss; that in volume, on the other hand, would have remained stable, in line with the previous two-year period."*¹⁰

As to non-price competitiveness, several factors can affect Italy's foreign sales. An important issue relates to the current process of digital transformation, as not all firms are able yet to adopt Industry 4.0 technologies in order to improve their organization and their production processes. There is a strong need of support, both in investment and, in particular, in training human capital.¹¹ In fact, a large part of the resources of the National Recovery and Resilience Plan (PNRR) is allocated to support this process.

¹⁰ See [Banca d'Italia - Bollettino economico - 1-2024](#)

¹¹ See ICE – Le imprese italiane nelle reti produttive internazionali: il ruolo della digitalizzazione (forthcoming).

Considering innovation processes in general, and compared to the main European economies, it is crucial for Italy and its firms to increase investments in R&D in order to enhance productivity and competitiveness, on both domestic and foreign markets.¹² Another relevant area of improvement is related to logistics, as Italy's ranking appears to be relatively weak compared to the main European countries.¹³ Finally, and more in general, the relatively small size of Italian firms can be a limit for Italy's international competitiveness, as it is well known that the more structured companies are performing better on international markets.

4. Policies to support export market shares

The Italian Trade Agency (ITA) is the government agency that supports the international business development of Italian companies and promotes the attraction of foreign investment in Italy. According to its mission, ITA provides information, assistance, consulting, promotion and training to Italian small and medium-sized businesses, under the supervision of the Ministry of Foreign Affairs and International Cooperation (MAECI).

In 2023, the Italian Trade Agency organized approximately 960 initiatives, with a public expenditure of over 205 million euro. In 2024, more than 600 initiatives are planned with a budget of 140 million euro. Moreover, the funds of 2024 "Ordinary Plan 2024" (169,7 million) will be added to the latter amount, covering initiatives to be held in both 2024 and 2025.

As mentioned, ITA's mission also encompasses activities aiming to support the attraction of foreign investments, as affiliates of transnational firms play an important role for Italian exports (representing, approximately, 30% of the total). Carrying out activities related to investment attraction, the Italian Trade Agency interacts with Ministries (Ministry of Foreign Affairs and International Cooperation - MAECI, Ministry of Enterprises and Made

¹² See data rankings on R&D relative to GDP, [OECD](#).

¹³ See Deloitte, [Attrattività del Sistema Italia, per le imprese estere - Opportunità e prospettive del PNRR](#).

in Italy - MIMIT) and other actors (Invitalia, Regions, local promotion agencies, etc.). ITA also operates directly through dedicated FDI Desks and FDI Analysts in 21 countries, scouting for foreign investors, assisting them in setting up operations in Italy, promoting the country's image and investment opportunities.

Key Figures 2023

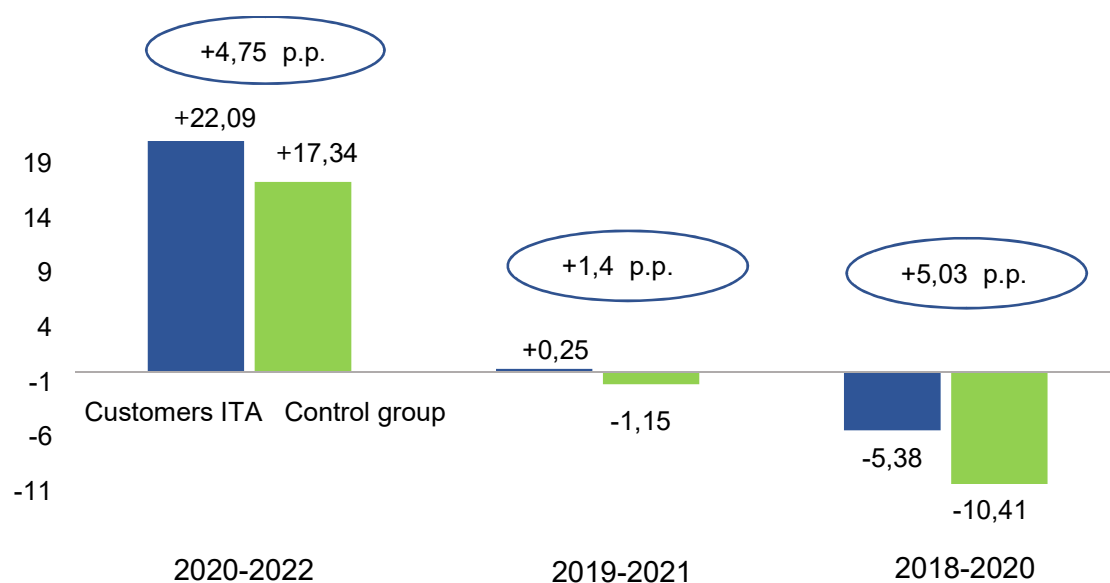
- + 9.000 Italian companies accompanied to foreign trade fairs, business missions and other events
- + 6.000 companies participating in Italian Pavilions in international trade fairs abroad
- 11.000 foreign operators participating to promotional events in Italy
- 2.124 virtual B2B meetings on ITA's platform «Fiera Smart 365»
- 62 agreements in 34 countries with leading marketplaces and e-tailers from 2020 to 2023
- 11.600 Italian companies admitted to international marketplaces through agreements with ITA from 2020 to 2023
- 145 agreements with foreign retailers in 40 countries and 12.000 Italian companies participating from 2020 to 2023

To assess the effectiveness of its internationalization services, the Italian Trade Agency carries out, in cooperation with ISTAT (National Institute of Statistics), an impact evaluation of its activities, assessing the export performance of companies benefitting from the support.

The impact is calculated through the *Propensity Score Matching* (PSM) methodology, which compares the export growth of ITA's customers with that of non-customers (control-group), similar in size, sector of activity, outlet markets, and export propensity.

As we see in [Figure 4.1](#), for each considered period the increase in exports is higher among companies benefitting from ITA's support, compared to the "control" group, with a difference of 4,75 percentage points in 2020-2022 (considering firms supported in 2020 and their export performance in the following two years).

Figure 4.1 - Impact evaluation: export performance of companies served by ITA versus a group of non-customers with same characteristics. Percentage change of exports in the following 2 years



Source: ITA calculations on data of ITA and ISTAT

