Italian National Statistical System

Italian Institute for Foreign Trade

Italy in the World Economy

ICE Report 2008-2009 - Summary

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Contents

The global crisis and the outlook for the Italian economy

1. World trade and international investment

The international crisis has been much worse than expected.

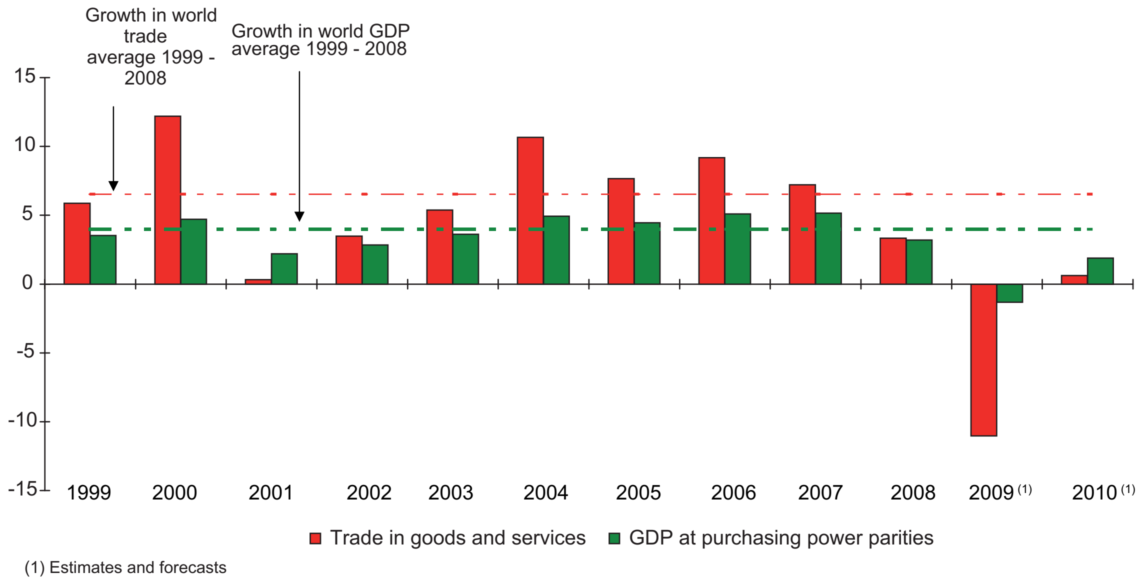
The international economic crisis has been far more severe than had generally been expected. The rapid, broad-based expansion that had begun in 2003 ended and world economic activity slowed sharply, especially in the second half of 2008 and the first six months of 2009. What at first appeared to be a liquidity crisis confined to the United States and the other developed countries, a situation not likely to influence the emerging countries because of their decoupling, turned into a crisis of confidence and spread to all countries. Global output sagged; international trade collapsed and so did commodity prices, which in the early part of 2008 had soared to record high levels thanks in part to demand originating from the emerging countries.

In 2008 world GDP grew by 3.2 per cent,[1] two points less than in 2007. The slowdown was generalized but it was most perceptible in the advanced countries and worsened markedly after the summer.

World trade in goods and services slowed more sharply than production. Trade has been contracting markedly since the fourth quarter of 2008.

World trade in goods and services slowed very abruptly, more sharply than production. Its annual growth rate fell by more than 4 percentage points, to 3.3 per cent. Trade actually shrank in the fourth quarter of 2008, for the first time since 1982, and the contraction continued in the opening months of 2009. This reflected not only the drop in demand but also the difficulty of access to credit, which penalizes exporters from countries with

Chart 1
World output and trade. Percentage changes in volume



Source: Based on IMF data

1 At purchasing power parities.

underdeveloped banking systems most heavily. The fall in trade is less striking when measured in current dollars, owing to the surge in the prices of raw materials up to the middle of the year.

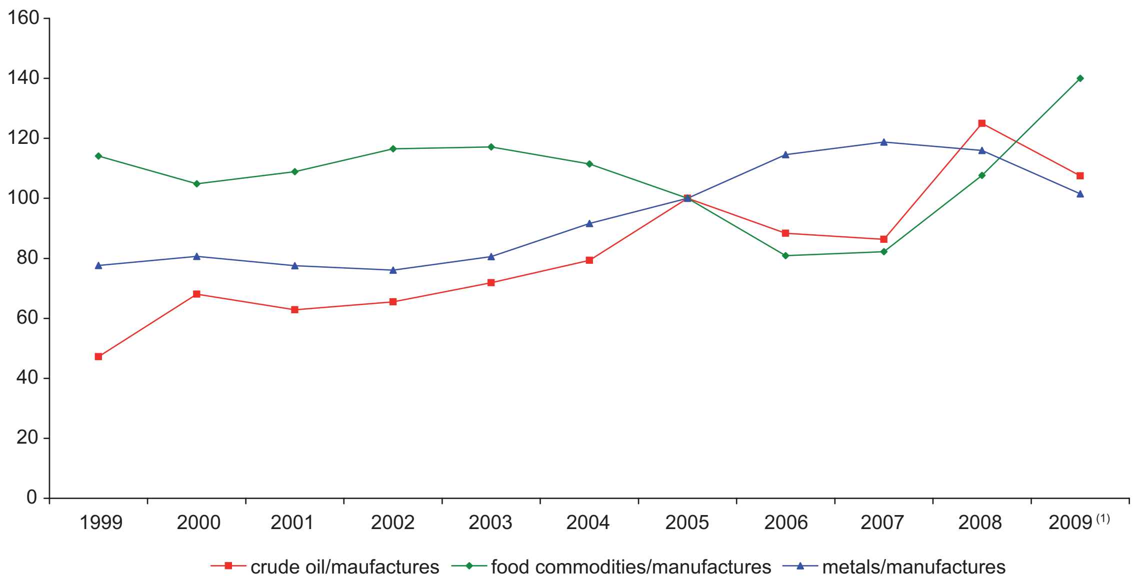
FDI flows also fell steeply, particularly in the fourth quarter of 2008.

The altered global economic context also affected foreign direct investment (FDI), which according to UNCTAD data fell by about 15 per cent over the year as a whole, almost all of the decline coming in the fourth quarter.

High volatility of commodity prices.

In general, the prices of raw materials were highly volatile, with an initial surge that was only partly offset by the retreat recorded after the summer. For energy commodities, the average annual increase in prices was 40.1 per cent, for food commodities 23.4 per cent, enough in any event to improve the terms of trade of the countries producing them. Since March 2009 the downward movement in prices appears to have halted or in some cases – oil, for instance – to have reversed. Despite the volatility of commodity prices, inflation was held down by the abundant supply of manufactured goods on the market, and the average increase in consumer prices measured in dollars came to 6 per cent in 2008.

Chart 2
Prices of raw materials relative to manufactures.
Indices, 2005=100



(1) Estimates

Source: Based on IMF data

Last year the dollar depreciated slightly against the other main currencies, as in 2007, but in the more recent months it regained some ground, especially against the euro, as the uncertainty prevailing in financial and real markets fueled demand for US securities, which are deemed relatively safe.

Continuing a trend that began in 2005, the Chinese renminbi gradually appreciated against the dollar in the first half of 2008, but it remained practically stable in the second half, in concomitance with the period of the dollar's strengthening.

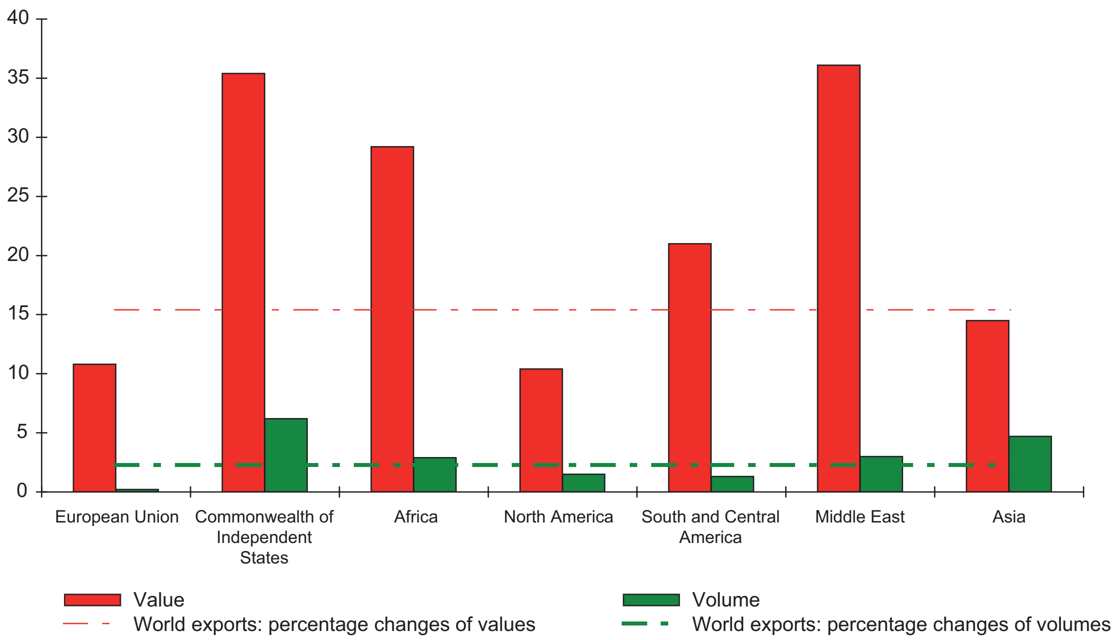
World trade is forecast to contract by about 11 per cent in 2009.

This year the growth rates of global output and world trade are expected to fall further, with trade forecast to contract by 11 per cent. The crisis, therefore, has not run its course. Nevertheless, commodity prices have begun to increase again. Trade flows have restarted, especially in the developing regions, as is show by the period-on-previous-period growth rates in Chinese imports,[2] and consumption shows some signs of reviving in the main industrial countries. It is likely, therefore, that the worst phase of the crisis is close to the end and that world trade and production will begin to expand again in 2010, although more slowly than in the past. The repercussions on employment could last longer, however.

In 2010 world output and trade are likely to return to growth, though not at the rates seen in recent years.

In contrast with developments in 2007, trade in services grew less than trade in goods. Essentially, the gap reflects the surge in commodity prices in the first half of the year. The slowdown in trade in services involved, in particular, financial services, which were directly affected by the crisis, and transport services, whose performance is tied to merchandise trade. Services account for 69 per cent of world GDP (more than 70 per cent in the advanced countries and 45 per cent in the low-income countries), but they still account for under 20 per cent of world trade, confirming their lesser tradability compared with manufactures. The integration of the international markets in services is in fact increasingly proceeding along paths other than cross-border sales, making use of foreign direct investment and other forms of international fragmentation of production, including temporary movements of persons, which are also involving developing countries to an ever greater extent. All these forms of interchange could be more developed if trade policies in the field of services were less protectionistic.

Chart 3
Merchandise exports by region in 2008.
Percentage changes on previous year in value in dollars and, for volume, in indices, 2005=100

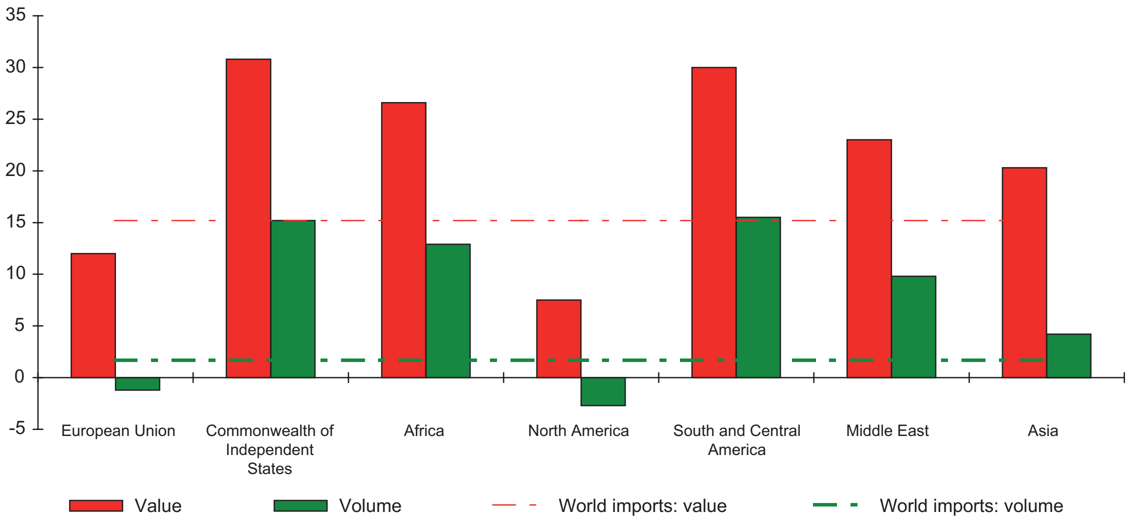


Source: Based on WTO data

In 2008 the largest regional contribution to the growth in trade again came from Asia, even though GDP growth fell to 7.7 per cent, after years of increments bordering on 10 per cent, owing to an abrupt deceleration in domestic demand. The slowdown also involved China and India, which nevertheless are still the region's engines.[3]

2 See the analysis by Andrea Dossena, "L'import cinese: quali segnali congiunturali?", in Chapter 1, which highlights the role of infrastructure investment and food imports as drivers.
3 See the contribution by Romeo Orlandi, "India e Cina oltre la crisi", in Chapter 1.

Chart 4
Merchandise imports by region in 2008.
Percentage changes on previous year in value in dollars and, for volume, in indices, 2005=100



Source: Based on WTO data

Asia, though slowing, continued to drive growth. China's surplus with the rest of the world diminished.

China again was the world's second-largest exporter of goods, after Germany, with 9 per cent of the total. Its current account surplus amounted to 10 per cent of GDP, down slightly from 2007. Set against a slowdown in exports, China recorded a large drop in imports in the last quarter, partly in connection with the reduction in energy prices. Preliminary data for 2009 suggest that Chinese imports and exports are recovering, and it is likely that China will overtake Germany as the world's leading exporter.[4] In India, whose economic development continues to be based more on domestic demand and the service sector, growth led to a widening of the current account deficit last year (from 1 to 2.8 per cent of GDP) despite an increase in exports.

The developing countries' shares of world exports continued to expand in 2008, though the firms of many of these countries were penalized by a considerable contraction in credit.

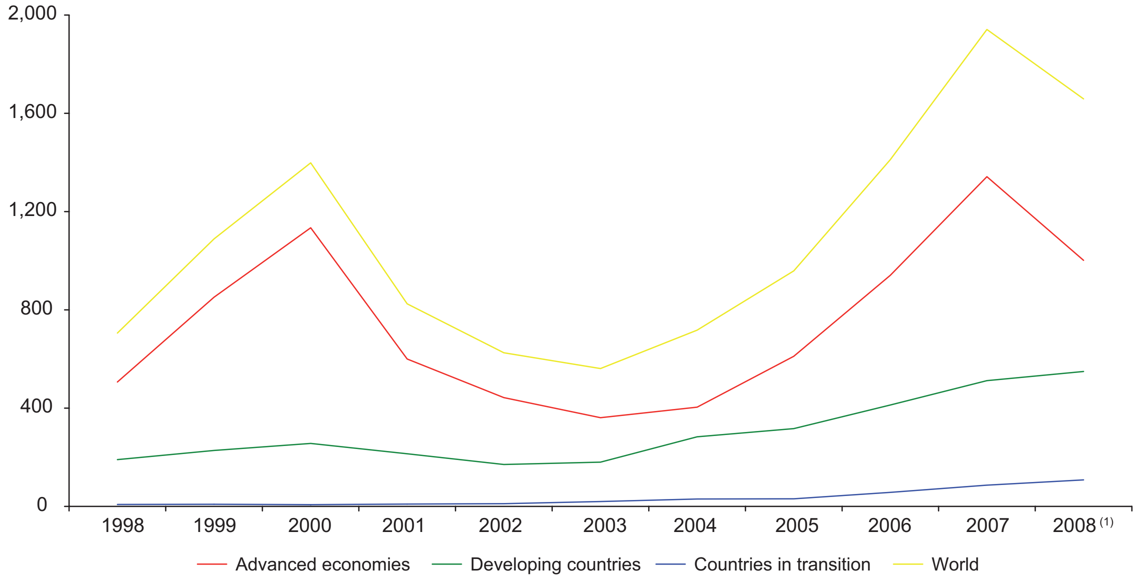
In volume terms, the highest export growth rates were recorded in Asia and the countries of the Commonwealth of Independent States (CIS), which benefited from exports directed to sectors and markets that were less heavily affected by the crisis. Imports in volume terms slumped in Europe and North America but continued to grow rapidly in the CIS, Africa and Latin America, where they were sustained by the increase in purchasing capacity generated by the rise in commodity prices.

Flows of direct investment between emerging countries are becoming more important.

The geography of FDI flows has changed, with new countries coming to the fore as recipients but above all as investors. There has been a marked increase in the importance of South-South flows: multinational corporations based in the emerging countries are often state-owned and direct their investments towards markets in the same region, exploiting bilateral or regional integration agreements and economic and cultural affinities. In particular, China appears to be the only country whose outward FDI has not diminished because of the crisis. The expansion in China's direct investment abroad, facilitated by the country's huge foreign exchange reserves, is a further affirmation of its role in the world arena.

4 According to IMF data, which differ from those of the WTO, China became the world's top exporter in 2008. Even if world market shares are calculated at 2005 prices, China overtook Germany.

Chart 5
Foreign direct investment inflows.
Billions of dollars



(1) Provisional data

Source: Based on UNCTAD data

Inflows of FDI increased in many African countries thanks to the surge in commodity prices in the early months of 2008. European and US companies were the largest investors in the region, but a much more prominent role was also played by Chinese multinational corporations, particularly in natural gas extraction and infrastructure, and sovereign wealth funds (such as the China-Africa Development Fund). A noteworthy new development on the continent was the purchase of land by foreign investors, mainly Chinese and Saudi. “Land grabbing” is a relatively new form of internationalization, involving a delocalization or outsourcing of land, following that of production and services.[5] The special nature of land makes analysis of this form of investment highly complex, and it is not easy to identify clear winners and losers. While on the one hand investment can facilitate the transfer of advanced technologies and thus raise agricultural productivity in places where this is sorely needed, there is the risk, on the other, that the land may be exploited with methods that are not environmentally sustainable, and that small farmers may only suffer and be driven off the land, title to which is not easily verifiable.

Another recent development with regard to FDI is the growth in flows from the South to the North of the globe, which slowed but did not come to a halt in spite of the crisis. These mostly involve investments in brands and trademarks, in quality or in the acquisition of advanced technologies, and are thus motivated by factors different from the traditional ones. In some cases, however, these investments make it possible to circumvent restrictions on trade.

2. The European Union

Although its economy generally held up better than that of the United States, the European Union saw activity contract rapidly in the closing months of 2008 and first few months of 2009, with considerable differences from country to country.

5 See “Outsourcing’s third wave”, *The Economist*, 21 May 2009.

The European Union was hit hard by the global crisis. Its trade deficit rose.

In 2008 the EU, already the world's leading exporter, became the leading importer as well by overtaking the United States, where domestic demand declined by 4 per cent in volume terms. In line with the trend for all the developed countries, however, the EU's share of world exports diminished, falling below 16 per cent for the first time.

The EU countries' overall deficit on merchandise trade grew, in part because of the rise in the price of oil and other raw materials of which the EU is a net importer. Still, the continual worsening of the region's balances with the countries of Central and East Asia appears to have come to a halt in 2008: imports from China increased by less than 10 per cent, compared with average annual growth of 20 per cent in the preceding years. By contrast, the deficit with Africa widened.[6]

The leading contributors to the deficit were extractive raw materials together with a host of medium/low-tech sectors, such as textile products and clothing, footwear, steel products and agricultural products. There was a further increase in the deficit on electronic products, a sector in which the EU is increasingly import-dependent. On the other hand, the surpluses improved in some medium/high-tech sectors of specialization, such as transport equipment, mechanical machinery and equipment and electrical equipment and apparatus, thanks in part to the performance of the euro, which increased the value of merchandise exports and curbed that of merchandise imports without generating strong substitution effects.

The balance on services, of which the EU continues to be the world's largest exporter, followed by the United States, again showed a large overall surplus, but trade in some sectors was heavily affected by the economic crisis and the surpluses on insurance, financial services and business services fell. At the same time, the deficit on royalties and cultural services rose.

In 2007 the EU remained the world leader in FDI flows and was again a net provider of investment. Inward FDI expanded appreciably as a result of large-scale financial transactions carried out by US firms in pharmaceuticals, food processing and telecommunications, accompanied by direct investment from the oil and gas-producing countries. According to preliminary estimates, however, in 2008 FDI inflows fell significantly and there was major disinvestment in some countries (Finland, Ireland and the Netherlands).[7]

3. Trade policies

The negotiations at the World Trade Organization (WTO) under the Doha Development Agenda are still stalled. Expectations that the deadlock would be broken by the July 2008 meeting in Geneva were disappointed. The package on the negotiating table envisaged a large reduction in import duties on industrial products of the advanced countries and most of the emerging countries, notably China, India and Brazil. But the accord was blocked by specific disagreements on agriculture and on "special safeguards", which some of the main producing countries, such as India and China, wanted to see preserved.

Persistent substantial divergences on agriculture, sharply different positions between the advanced and the developing countries in the negotiations on access to the market for non-agricultural products and less than full reciprocity for some developing countries, and the

6 See the contribution by G. Giovannetti and M. Sanfilippo, "La Cina nelle relazioni economiche fra Europa ed Asia", for a detailed examination of trade between the EU and the countries of North Africa and sub-Saharan Africa in the light of the new leading role taken by China. Trade between the EU and North Africa is also analyzed in the contribution by L. Scorca and S. Sorelli, "Evoluzione dei rapporti commerciali Ue-paesi del Mediterraneo alla luce degli accordi di Barcellona: un'analisi gravitazionale".

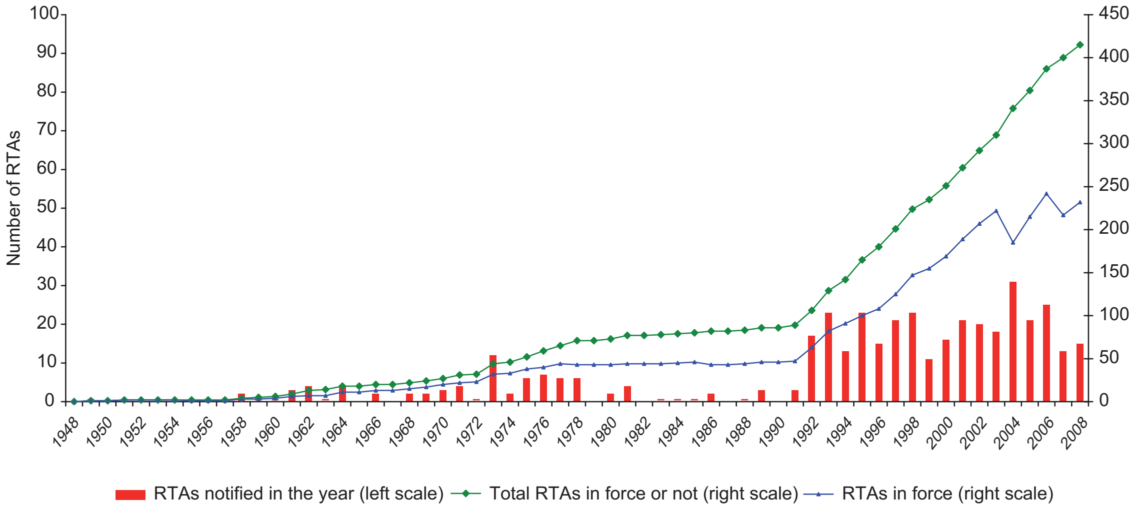
7 See OECD, *Investment News*, no. 10, June 2009.

standstill in the talks on services all resulted in the absence of further advances except for some slight revisions to the proposals in December 2008.

There is a rising demand for protectionism, while the WTO talks remain stalled and preferential, mainly bilateral, agreements are increasing.

The ongoing problems of multilateral negotiations further stimulate the trend, under way for some years, towards the conclusion of preferential trade agreements on a regional and often a bilateral basis. The greater manageability of negotiations limited to two or at most a handful of countries and political competition to consolidate zones of influence are factors driving in this direction. The number of Preferential Trade Agreements concluded in the period 2000-08 was more than half as great as the number concluded in the last century and many of them are already in force. The danger is that these agreements can interfere with the multilateral system. In separate negotiations, it is easier for stronger countries to make their interests prevail, to the detriment of developing countries. The proliferation of agreements also makes the framework of rules more complex. A Transparency Mechanism was approved in 2007 in order to obviate the problems of compatibility between WTO rules and preferential agreements, but little use has been made of it up to now.

Chart 6
Regional Trade Agreements notified to the World Trade Organization.
Up to March 2009



Source: Based on WTO data

In 2008, as in recent years, the Asia-Pacific region again led the way in signing agreements, followed by the United States. China has concluded seven bilateral agreements in the Asia-Pacific region since becoming a member of the WTO. Especially important were the agreements with ASEAN (2002) and New Zealand (March 2008). The free-trade agreement with Australia is still far from being finalized, despite the growth in trade between the two countries, which made China Australia's top trading partner in 2008. The Chinese strategy is based on an ability to reach accords with countries having different characteristics (developed/emerging, agricultural/service producers) and underscores the important of trade negotiations as a means of establishing good diplomatic relations and playing an ever more important role on the world stage.

The EU continued the economic partnership negotiations with the African, Caribbean and Pacific (ACP) Group of States, those for a free trade agreement with India and the talks for association agreements with the Andean Community of Nations and the Central American States. Progress was also made with South Korea and with the Mediterranean countries: the association agreement with Syria is expected to be ratified in 2009 and talks officially began with Libya in July 2008. The negotiations with the Gulf region and with ASEAN, however, appear to have reached a standstill.

Among the consequences of the economic crisis, there is the danger, which surfaced clearly towards the end of 2008, of greater recourse to protectionist measures and an ensuing spiral of retaliatory steps, with long-term repercussions. So far, however, national measures have been of limited scope, covering only some sectors and not infringing existing agreements. The measures being proposed are different, less intrusive than those taken during the Great Depression, and have been described as "creeping protectionism".[8] Some countries, simply by using the interval between the rates applied and the maximum WTO consolidated rate, can even double or triple their customs duties without violating the existing agreements and incurring sanctions. In November 2008 the G20 countries signed a declaration of intent against the introduction of protectionist measures for the next twelve months. Nevertheless, since January 2009 tariffs and the number of anti-dumping procedures initiated have both increased substantially.

Furthermore, many countries have adopted opaque domestic measures that can have major consequences on world trade flows. These sometimes involve restrictions on foreign work, or they may take the form of "green protectionism", aimed at limiting imports of goods produced under what are considered non-compliant environmental standards, or of fiscal stimulus measures targeted to specific sectors, such as the auto industry, that may discriminate explicitly in favor of domestic products.

In April 2009 the G20 governments confirmed the commitment, reiterated in the recent summit in L'Aquila, not to resort to measures to restrict trade, especially vis-à-vis developing countries.

4. Italy: macroeconomic analysis

The recession is deeper in Italy than in the rest of the euro area.

The recession set off by the global financial crisis has hit the Italian economy harder than the rest of the euro area. This emerges from the results for 2008, which show that GDP declined by 1 per cent in Italy, against average growth of 0.8 per cent in the euro area, from the data on the first quarter of 2009, which indicate a contraction compared to a year earlier of 6 per cent in Italy and 4.8 per cent in the euro area, and from the projections for the entire year. The Italian economy's greater fragility seems rooted in the same structural problems that had braked its growth even before the crisis erupted.

The decline was particular large in manufacturing output, hit by the fall in investment and by the contraction in exports of goods and services (down by 3.7 per cent in 2008), which intensified in the closing months of the year. The data for the first quarter of 2009 show a larger collapse in Italy's exports than in those of the other euro area countries (down by 21.7 and 16.3 per cent, respectively, from a year earlier).

The decline in national demand in 2008 translated into an even larger reduction in imports (-4.5 per cent), despite the slight real appreciation of the euro (1.4 per cent on average for the year based on the producer prices of manufactures). In the first quarter of 2009 imports of goods and services diminished by 17 per cent, reflecting the further deterioration in the economic situation more than proportionately.

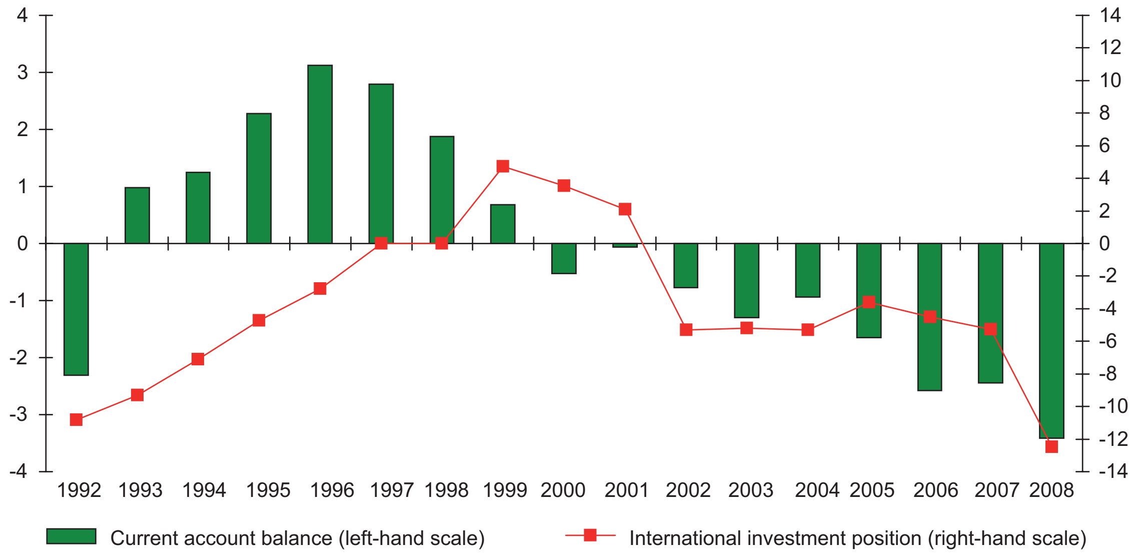
The Italian economy's overall degree of international openness declined, therefore, on both the export and import side of the ledger. The same phenomenon also occurred in several other euro-area countries and appears to be an expression of the turning inward of the economies hit hardest by the shrinking of global demand. But even before last year's decline, the external openness of the Italian economy and, in particular, the ratio of imports of goods and services to domestic final demand, was the lowest among the euro-area countries of comparable size.

8 See the contribution by S. Paladini, "Il nuovo protezionismo, tipologie ed esempi", in Chapter 3.

The external current account deficit rose from €38 billion to €54 billion (3.4 per cent of GDP in 2008) as a result of the deterioration in all the main components and, in particular, the balance on investment income. The growing foreign debt accumulated in recent years, amounting to 12.5 per cent of GDP at the end of 2008, generated much larger outlays for interest payments.

The deficit on the current account of the balance of payments increased owing to the rise in the prices of imported raw materials and in interest payments on the foreign debt.

Chart 7
Italy's current account balance and international investment position.
As a percentage of GDP



Sources: Based on Bank of Italy and Istat data

The balance on merchandise trade (FOB-FOB) turned slightly negative, but the deterioration was due exclusively to the unfavorable movements in relative prices. The surge in commodity prices was only partially buffered by the appreciation of the euro. The reversal of trend in the second half of the year was insufficient to offset the previous increase. The most recent weeks have brought signs that point to incipient economic recovery in some emerging regions, but which could lead to higher import costs. Net of energy, Italy's trade surplus rose in 2008 as a result of a pronounced drop of 3.8 per cent in the value of imports of manufactures, due to the reduction in domestic demand.

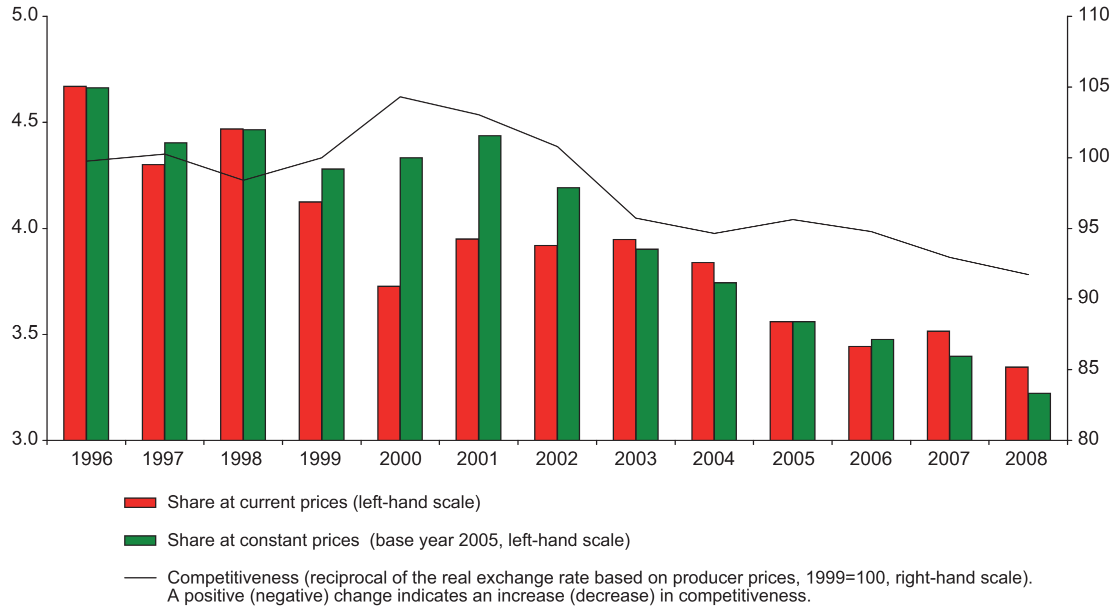
The surplus on manufactures grew, because the crisis made the volume of imports fall more than the volume of exports.

The value of merchandise exports was practically unchanged from the previous year, edging up by 0.3 per cent.[9] The increase in prices compensated almost perfectly for the contraction in volumes (-5.1 per cent), which gained pace during the year and intensified further in the first few months of 2009 (-24.1 per cent in the first quarter).

Exports were hurt by the global recession, but the scale of their decline was greater than that in foreign demand, pointing to a fresh loss of market share at both current and constant prices.

9 In assessing the growth rates of merchandise trade in 2008, it is necessary to bear in mind that Istat compares the provisional data of the last year with the final data of the previous year. This comparison generally leads to a considerable underestimation of the growth in flows, particularly with the European Union, because the provisional data do not include a series of import and export transactions by small firms that are recorded only several months after the publication of this *Report*. According to national accounts data, the value of exports of goods increased by 1.4 per cent in 2008.

Chart 8
Italian exports' competitiveness and world market shares.



Sources: Based on Bank of Italy, Eurostat and WTO data

This downtrend in export shares for both goods and services has been under way for more than a decade and is one Italy has in common with most of the developed economies. It stems from changes in the international distribution of manufacturing activities, with the greater weight acquired by China and other emerging countries, and from the upward movement in the prices of raw materials, which has expanded the shares of some commodity-producing countries.

Exports lost market shares, including vis-à-vis the other euro-area countries, owing to a model of product specialization oriented to sectors where demand is growing slowly.

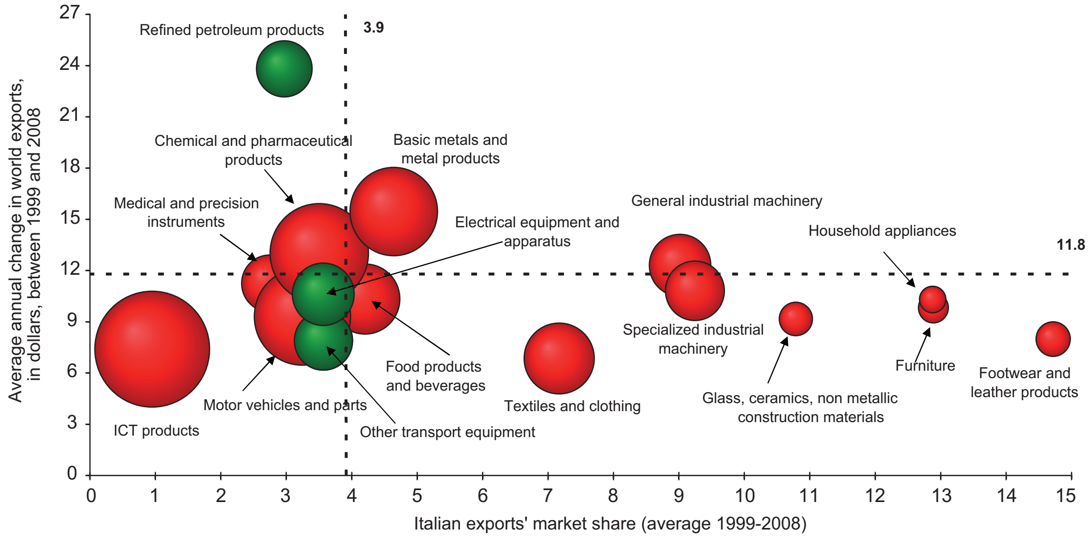
Nevertheless, Italian exports have also lost shares in relation to those of the euro area, falling from 12.2 to 10.9 per cent over the last decade (at current prices). The main factor in this has been the dynamic inefficiency of the model of export specialization, i.e. concentration in sectors characterized by relatively slow-growing world demand. Net of this unfavorable composition effect, the decline in Italian exports' share of euro-area exports would come to only 0.3 percentage points.[10]

Italian firms' competitiveness continued to be eroded by the unfavorable trend in labor productivity, which made their production costs grow more than those of their competitors, despite wage moderation. Moreover, in 2008, and particularly in the first half of the year, Italian firms again had to cope with the repercussions of the appreciation of the euro on the competitiveness of their products. They did this by keeping the increase in the prices of exports outside the euro area (2.4 per cent) smaller than that in the prices of goods sold on the internal market (3.4 per cent).

In addition, there was a further widening of the gap between the growth in unit values (5.6 per cent) and export prices (2.8 per cent), which can be read as a sign of exporting firms' strategies to upgrade the quality of products and of the process of selection of firms triggered by international competition. The firms that are unable to sustain competition in the medium-low segments of the market close or else they are absorbed by other companies that are better able to withstand competition, thanks, in part, to the transfer of low-unit-value production abroad.

10 See the contribution by E. Mazzeo and A. Proietti, "Le quote di mercato dei principali paesi europei: aggiornamento ed articolazione della *constant market share analysis*", in Chapter 4.

Chart 9
Italy's market shares of world exports by sector



The size of the circles represents the sector's average share of world exports in the period 1999-2008. Red (green) circles identify sectors in which Italy's share decreased/increased) between 1999 and 2008.

Sources: Based on data published by Eurostat and national statistical institutes

The international economic crisis also influenced the flows of direct foreign investment, which plummeted for both inward and outward investment (by 60 and 55 per cent, respectively). Even before the crisis, at the end of 2007, Italy's share of the world stock of inward foreign direct investment amounted to barely 2.4 per cent, more than one percentage point below its share of world GDP, offering further confirmation of the Italian economy's scant ability to attract the interest of multinational companies.

Lighter forms of the internationalization of production, such as those observable indirectly from the data on outward and inward processing trade, also fell back in 2008. The incidence of this trade on final trade flows has been declining over the past decade.[11] This, however, does not necessarily indicate a weakening of the international fragmentation of production, since the related activities also develop through channels other than processing trade.

5. Regions and countries

The deficit with the commodity-exporting countries and with China grew. The surplus with the United States shrank.

Against the background of a progressive contraction in trade with nearly all of the regions of the world, the deterioration in the balance of trade in 2008 derived mainly from trade with the commodity-producing countries and regions (Africa, the Middle East and Russia), given the effect of the hike in commodity prices on the value of imports in the first half of the year. Other factors were the growth in the deficit with China, contrary to the trend for the EU, with a further increase in China's share of the Italian market, and the reduction in the deficit with the United States, where the recession's effect on Italian exports were added to those of the depreciation of the dollar. By contrast, the balance with the European Union improved as a result of a larger decline in imports than exports, which reflected the greater intensity of the recession in Italy compared with the rest of the region.

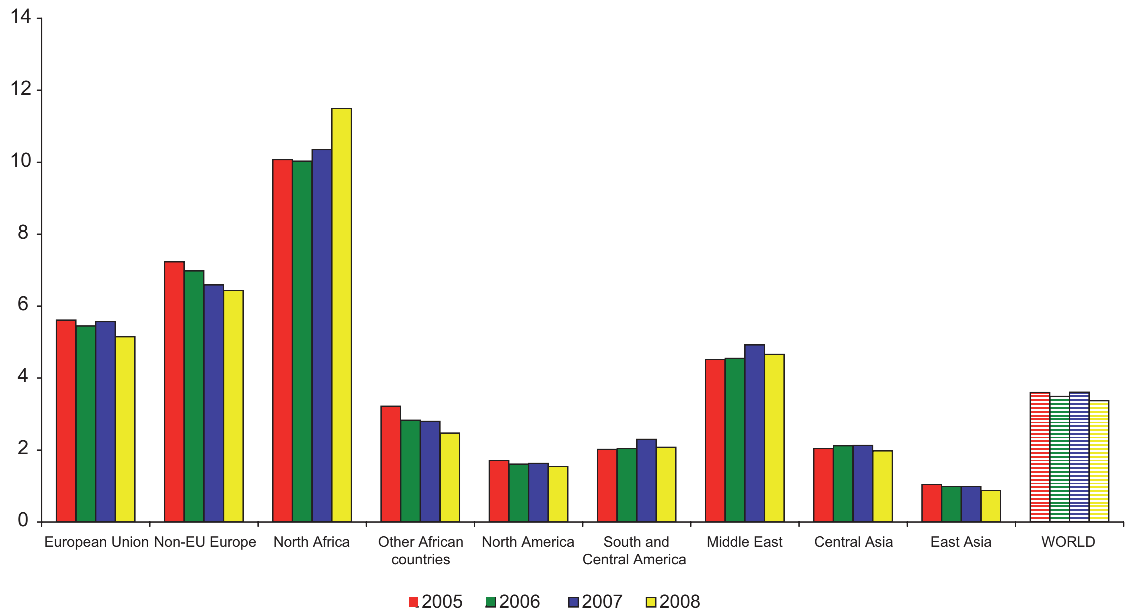
11 See the contribution by E. Mazzeo, "I dati sul traffico di perfezionamento dell'Italia e i problemi di misurazione dell'incidenza della frammentazione produttiva sui flussi di commercio", in Chapter 4.

Available data on the first few months of 2009 show an ongoing sharp contraction in exports and imports with all the regions, while the trade balances benefit from the decline in the prices of imported raw materials compared with the peaks reached in the first half of last year.

Export market shares increased in North Africa alone.

Italian exports lost share in 2008 in nearly all the regions, giving up the slight gains made in 2007. The only notable exception was North Africa, where Italian exports strengthened their position again, possibly partly as a result of sales of intermediate and capital goods connected with the international fragmentation of production. The spotty information now available for the current year, bearing on the first two or three months, depending on the country, show that Italian exports continued to lose share in several European outlet markets but recovered some ground in China, Germany and the United States, albeit in a context of strongly slumping demand.[12]

Chart 10
Italy's market shares by region. Percentages of world merchandise exports at current prices



Source: Based on IMF-DOTS data

Over a longer perspective, it is striking that, precisely in the years when the introduction of the euro was likely to foster the intensification of trade between the countries that adopted the single currency, the share of Italian exports going to the market of the European Union has tended to decline. Actually, the same tendency has also involved other euro-area countries, such as France and Spain, but it has been especially pronounced in Italy. It appears to reflect not only the strengthening of Italian firms' longstanding propensity to seize market opportunities arising in emerging regions that are relatively close to Italy, such as Central and Eastern Europe, North Africa and the Middle East, but also the greater competitive difficulties faced in the markets of the European Union.

The data on cross-border affiliates are available only up to 2007 and show ongoing expansion of both Italian firms' affiliates abroad and foreign firms' affiliates in Italy. Most of the sales revenues of Italian firms' affiliates abroad continues to come from European markets, but sales to Africa and Latin America have grown at a faster pace. Among foreign

12 See the contribution by L. Rotili, "Gli effetti della crisi economica globale sulle esportazioni italiane in alcuni mercati di destinazione", in Chapter 5.

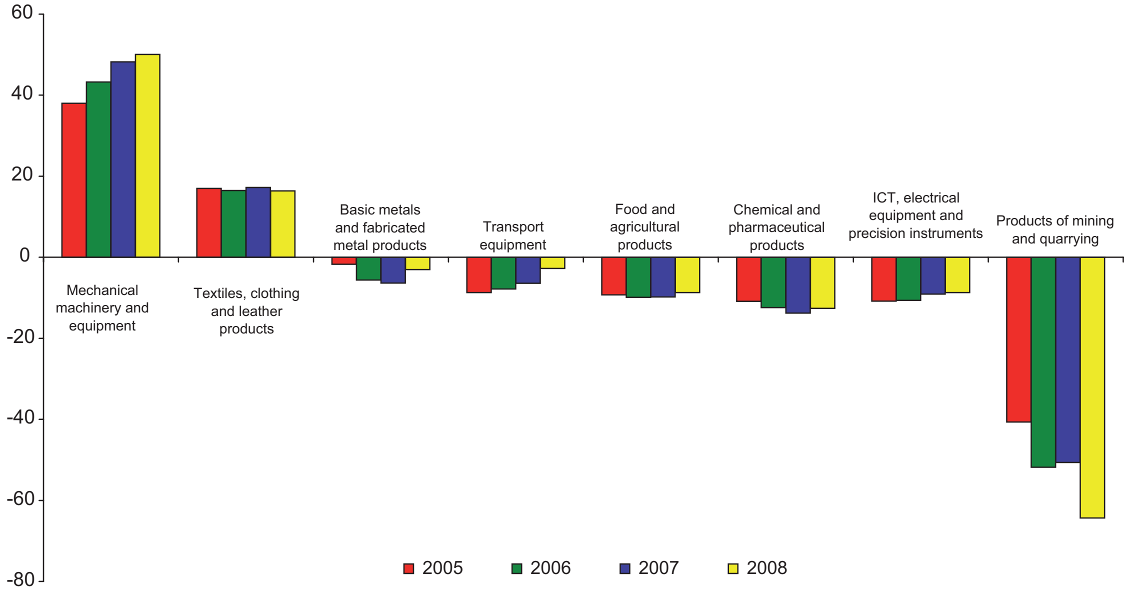
firms' affiliates in Italy, the share attributable to North America has diminished, primarily to the benefit of Europe but also of several Asian countries.

6. Sectors

The improvement in the balance in many sectors is due to the sharp fall in imports.

As mentioned earlier, the swelling of the energy deficit due to the rise in prices in the first half of the year contrasted in 2008 with a decided improvement in the balance on manufactures, but this stemmed from the recession's leading to a larger fall in imports than exports in Italy. Balances improved in many sectors, in particular transport equipment, basic metals and fabricated metal products, and mechanical machinery and equipment. An opposite trend prevailed in some traditional product sectors (textiles, leather and footwear, household appliances, furniture and jewelry), where the contraction in exports was strong enough to make the balance worsen. In some cases, household appliances, for instance, the decline in exports may have been partly connected with the transfer of some export production abroad.

Chart 11
Italy's sectoral balances.
Billions of euros



Source: Based on Istat data

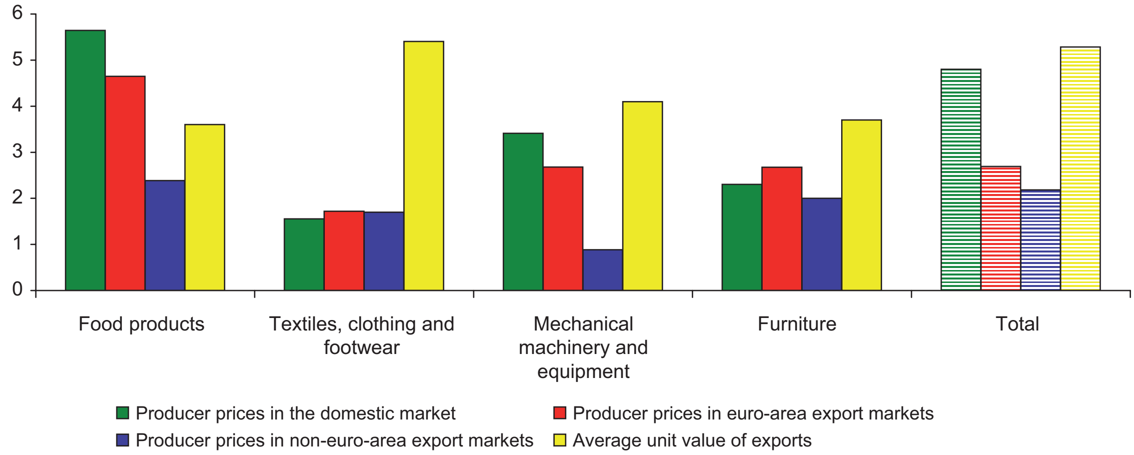
The deficit on services grew slightly because of deteriorations mainly under foreign travel, transport and construction services, not entirely offset by improvements in the balances on communication services, financial and insurance services, other business services and government services.

Available data on the first four months of 2009 show the crisis deepening, with huge decreases in exports and imports in all sectors.

The losses of export market shares involved nearly all sectors. Clothing and services were exceptions.

The data on market shares confirm that the fresh loss sustained by Italian exports in 2008 was broadly based. Among manufactures, the only notable increase was recorded in clothing, where, albeit in a context of shrinking world demand, Italian exports consolidated the previous year's recovery in share, while China suffered a slight decline for the first time in many years. This could signal the opening of a new phase for the Italian clothing industry, made possible by the intense restructuring and product upgrading that characterized the sector during its long crisis.

Chart 12
Producer prices and average unit values for selected typical Italian product sectors.
Average annual growth rates, 2005-2008



Source: Based on Istat data

Italy's share of world exports also expanded slightly last year in services, interrupting the declining trend of recent years.

Over a longer time horizon, Italian exports maintain leading positions in the traditional personal and household consumer goods sectors, positions somewhat weakened but not fundamentally compromised by the advance of Chinese products, which has been especially strong in the sectors in which Italy had primacy. Solid comparative advantages are also held in industrial machinery. And in the last six years there has also been an increase in share in relatively new sectors for the Italian model of specialization, such as basic metals and fabricated metal products, electrical equipment and apparatus, and motor vehicles.

The motor vehicles components sector deserves special mention. For some time now it has been engaged in a widespread internationalization of production, following the delocalization strategies of its main customers. Spurred also by the need to diversity their customer base, Italian components makers have achieved significant competitive success in export markets. Although they have been shaken by the global economic crisis, which has hit the auto industry especially hard, they are well placed to cope with the sector's current phase of deep restructuring.[13]

The production presence of Italian firms abroad, measured by the number of workers in their manufacturing affiliates, at the beginning of 2008 was below the peak levels reached at the start of the decade and was concentrated in the electronics, mechanical machinery and equipment, textiles and clothing, and motor vehicles industries. Nevertheless, signs of expansion of production abroad have emerged in other sectors, such as construction materials, furniture, and rubber and plastic products. The chemical industry too has carried out important initiatives to internationalize its production, motivated chiefly by the need to maintain links with customers and stay on top of developments in emerging markets. This has brought benefits for production in Italy, above all in terms of lower supply costs, organizational improvements and the diffusion of the know-how necessary to operate in foreign markets.[14]

13 The contribution by A. Dossena and A. Lanza, "Il settore della componentistica per autoveicoli", in Chapter 6, provides a detailed examination of an industry that has reacted to the blows of the crisis with advanced forms of internationalization.

14 See the contribution by M. Mutinelli, V. Maglia and J. Vitaloni, "L'internazionalizzazione produttiva delle imprese chimiche italiane", in Chapter 8.

The incidence of foreign multinationals in the Italian economy in 2006 differed widely from sector to sector. Foreign multinationals accounted for a relatively high proportion of the workforce in chemicals and pharmaceuticals, oil refining and transport equipment but a far lower one in services and traditional manufacturing industries.

Chart 13
Exports and sales revenues of Italian firms' foreign affiliates in typical Italian product sectors.
Average annual growth rates in value in euros between 2002 and 2007

Sources: Istat and ICE-Reprint

7. The territorial base

Large decline in the share of Italian exports for Veneto, Tuscany and Marche. Growth for Emilia-Romagna and the South and Islands.

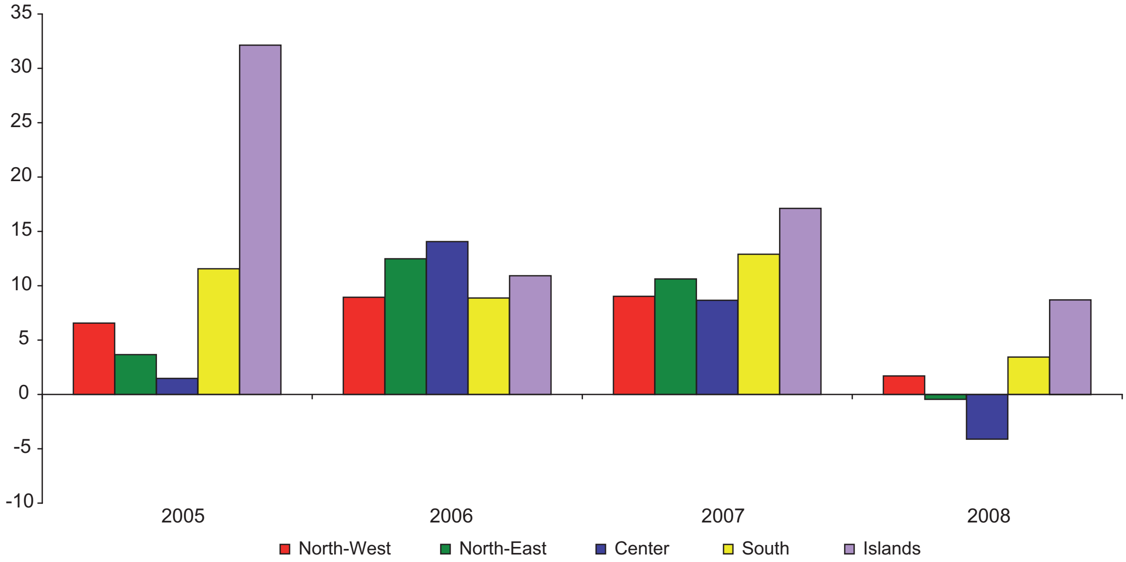
As regards the geographical composition of Italian exports, 2008 saw a sharp decline in the shares of central Italy and the North-East, due mainly to the losses recorded by the Veneto, Tuscany and Marche regions, whose exports staggered under the global economic crisis, especially in the traditional product sectors. Emilia-Romagna, by contrast, expanded its share further, extending a trend under way for many years.

The relatively better result achieved by the North-West was generated mainly by the metal machinery and equipment industry in Lombardy and Liguria and by transport equipment and food products in Piedmont. The further gain in share for the South and Islands basically derived from the increase in the prices of energy products, which drove up the value of exports of regions like Sicily and Sardinia, both highly specialized in the sector. Abruzzo's export growth rate was pushed above the national average by the contribution of motor vehicles.

The administrative borders of Italy's regions and provinces are generally unsuitable for analysis of the geographical distribution of economic activities, which reflects models tied to history and to the geographical and social characteristics of systems with a more limited compass that can be identified through the daily movements of workers (local labor systems). A statistical approach based on this criterion makes it possible to draw a more precise map of the territorial origin of Italian exports and to assess, in particular, the contribution of industrial districts, local systems of small and medium-sized enterprises specialized in typical "made in Italy" products. That contribution averaged close to 38 per cent in 2008, with peaks of 61 per cent in textiles and furniture and 58 per cent in the leather goods and footwear sector.[15]

15 See the contribution by N. Fazio and C. Pascucci, "Aspetti strutturali e dinamici delle esportazioni dai Sistemi locali del lavoro: un'analisi panel sui dati d'impresa per gli anni 2006-2008", in Chapter 7.

Chart 14
Merchandise exports of Italy's geographical areas.
Percentage changes



Source: Based on Istat data

Industrial districts have been more heavily affected by the crisis than other areas, but those specialized in clothing show goods results.

Industrial districts have been more intensely affected than other territories by the crisis of Italian exports, partly because of their specialization in traditional sectors where world demand is growing more slowly. As noted, however, in the clothing sector Italian exports have regained share in the last two years. Industrial districts recorded slightly better results than other territorial systems, demonstrating the ongoing importance of the local origins of competitive advantages. Moreover, some industrial districts have embarked on an evolutionary path that is transforming them from export-oriented territorial systems, with production mainly within the district, into coordinating centers of transnational supply and production chains that, without losing their local roots, combine with and integrate local production systems based in low-wage countries such as China. There is the prospect, therefore, of a new international division of labor in which, alongside competition among firms positioned in the same market segments, opportunities are emerging for production partnership between systems and firms specialized in different phases of the production and supply chain.[16]

Urban production systems also play a significant role in the Italian economy and account for more than 35 per cent of exports. The social characteristics of urban centers are especially favorable for the growth of skilled-labor-intensive lines of production, which are destined to take on increasing importance in the developed countries' models of specialization.[17]

The past three years have brought a further concentration of exports of services in the two regions, Lombardy and Lazio, that are home to the cities where the largest Italian service companies are based, but Veneto's share has also expanded appreciably.

A high degree of concentration is also found in the data on the sales revenues of the foreign affiliates of Italian firms, with affiliates of firms based in Lazio, Lombardy and Piedmont accounting for more than 80 per cent. In the last four years Lazio has greatly increased its share of the workforce of the Italian affiliates of foreign firms, to the detriment of the other main regions (Lombardy and Piedmont). The share employed in the South and Islands has fluctuated around a level just above 4 per cent, well below the potential of those areas. One

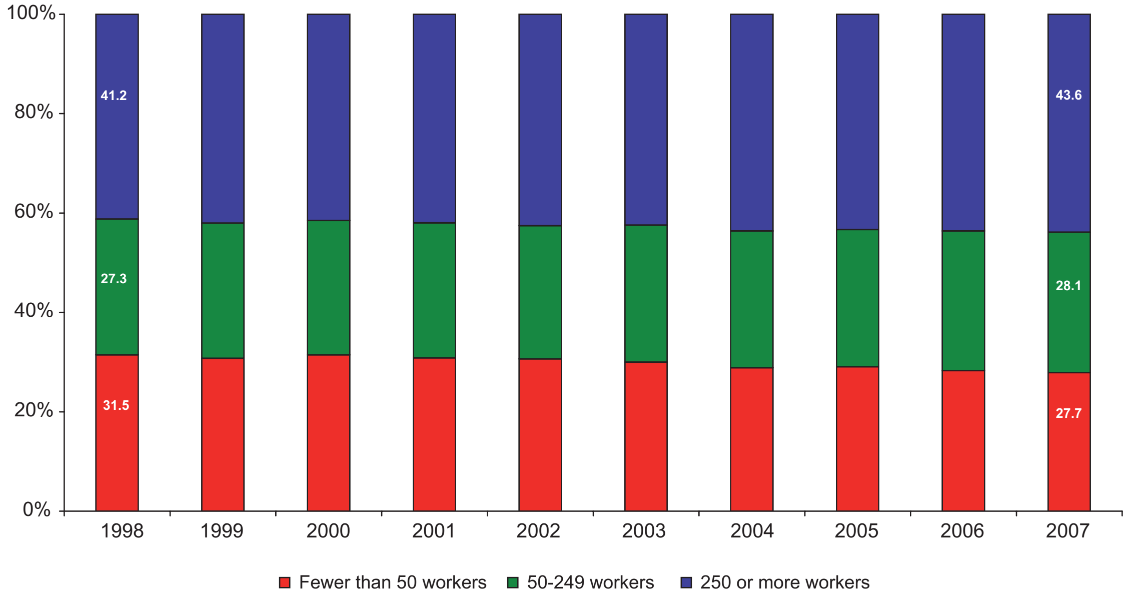
16 See the contribution by S. Lombardi and S. Menghinello, "Il posizionamento competitivo dei distretti industriali italiani e dei cluster industriali cinesi nelle filiere produttive internazionali del Made in Italy", in Chapter 7.
17 See the contribution by A. Minello, "I nuovi cluster urbani quali strumento di competitività e sviluppo internazionale", in Chapter 7.

must bear in mind, however, that the data for the South and Islands fail to take account of the workers employed in the local units of foreign firms' affiliates whose headquarters are located in other regions of Italy.

8. Firms

The number of Italian exporting firms has risen steadily during this decade,[18] although the roughly constant proportion of exporters to all firms in business is evidence of the difficulty of surmounting the organizational and size barriers that limit access to foreign markets. Exporting firms have displayed an increasing ability to diversify their outlet markets, testified to by the gradual increase in the average number of markets served and the appreciable rise in the share of exporters selling in more than 15 markets.

Chart 15
Italian exports by workforce size class of exporting firms. Percentage share of each class with respect to the total



Source: Based on Istat data

The size structure of Italian exporting firms is changing; the relative weight of smaller firms is decreasing, to the benefit of medium-sized and large firms.

The size structure of Italy's export industry is changing slowly, with a reduction in the weight of small firms, whose share of the value of exports has declined from 31 to 28 per cent in the last decade, to the benefit of medium-sized and large firms, whose shares have expanded, respectively, from 27 to 28 and from 42 to 44 per cent. Associated with larger firm size are more favorable structural parameters in terms of labor productivity, fixed and intangible investment per employee, research spending per employee, proportion of more highly-skilled workers, propensity to export and number of outlet markets.

The largest firms are also better equipped to face the costs and risks of internationalizing production. In 2007 they accounted for 73 per cent of the workers in Italian firms' affiliates abroad. Their network of foreign affiliates integrates horizontal investments in the main markets (in the production of the same final goods as the parent company) with vertical

18 The apparent fall in the number of exporting firms in the last two years is, in reality, due to the change in the measurement thresholds in 2007 and the provisional nature of the data for 2008.

investments (in different stages of the product chain) motivated by lower costs or specific competences, and with equity investments of a purely commercial nature, which are also used for the distribution of export goods produced in Italy.[19]

Medium-sized firms are also increasingly active in transnational production.

In the last five years, however, a growing role has been played by medium-sized companies, which tend to be more inclined toward organizational innovation. Changes in the geographical destination of these companies' investments abroad also reflect the maturation of their strategies of internationalization: from an approach focused primarily on low-wage areas close to Italy, such as Central and Eastern Europe, the Middle East and North Africa, mid-sized firms have turned increasingly to regions such as the European Union and North America, where foreign investments are dictated more by the drive to strengthen market power than by cost savings.

One of the strongest manifestations of the international financial crisis is the drastic restriction of credit to firms, carried out by banks in order to defend or repair their balance sheets. The great uncertainty still weighing on the prospects for global economic recovery makes it harder than usual to assess risks, particularly for businesses more exposed to international competition. A survey of Italian enterprises confirms that credit rationing has been felt most acutely by those most oriented towards foreign markets, especially if they are also internationalized in their production.[20] The fact that Italian banks' presence in non-European markets is still limited may have added to the difficulty and the cost of assessing the risks connected with production abroad.

Concluding remarks

The crisis that hit the world economy at the peak of a phase of unusually rapid and broadly based expansion is very serious. Contrary to the initial forecasts, the sharp reduction in demand in the developed countries, anticipated and reinforced by the turmoil in the financial and property markets, has not been compensated for by the growth of consumption in the emerging countries, thus revealing structural excesses of production capacity in a number of sectors. Deprived of the support of foreign demand, the developing countries, whose growth had been sustained by rising raw materials prices, have likewise been sucked into the maelstrom of the recession.

In the emerging and developing countries as a whole, and particularly in East Asia, production is actually continuing to expand at relatively high rates, but the resulting impulse to world demand evidently is still insufficient to overcome the effects of the severe recession in which all the developed countries have fallen nearly simultaneously.

International trade, which in the past had functioned as a mechanism transmitting the expansive stimuli generated by domestic demand in the various countries, has suffered more heavily from the crisis, thereby accelerating its propagation to the more export-dependent economies. The severity of the contraction in trade can be explained by the unusual synchronicity of the recession in the different countries, by the restriction in export and trade credit due to the financial crisis, and by the growing importance of trade in intermediate goods and services within the international networks that are taking shape with the vertical fragmentation of production processes, the result of which is to increase the elasticity of trade to output both in economic expansions and during contractions.

19 Using a network analysis, G. De Masi, G. Giovannetti and G. Ricchiuti study these phenomena in detail in their contribution, "Strategie di internazionalizzazione di alcuni settori dell'economia: un'analisi network", in Chapter 6.

20 See the contribution by S. Costa and P. Margani, "Crisi, internazionalizzazione e accesso al credito: evidenze dalle inchieste ISAE sulle imprese manufatturiere", in Chapter 8.

Foreign direct investment, which in the course of the decade had started to grow faster than trade again, is also down sharply, and this has taken away a major factor buttressing the expansion of productive capacity, especially in the developing countries.

In the last few months, however, several signs have appeared that point to a possible improvement in the cyclical situation. The easing of the strains in the financial markets and of the attendant lack of confidence, the upturn in commodity prices, the recovery of goods traffic through the ports all indicate that the worst of the crisis may have passed. The changes in output and trade with respect to a year earlier are still negative, but the extent of the decreases is diminishing. The consensus forecast for next year indicates a return to positive growth rates, especially in the emerging regions.

The pace of the recovery is likely to be modest, however, and the risks to which it is subject are still high. The financial and property markets that unleashed the crisis have avoided collapse but still have not regained an unambiguously solid footing. The repercussions of the financial upheaval on the real economy have not been exhausted; indeed, the fall in output is expected to continue to have adverse effects on employment and wages for some time to come. Consequently, there is little prospect of a swift end to the stagnation of consumption in the developed countries, the paramount factor of the weakening in global demand. So far, macroeconomic policies have sought vigorously to counter the fall in demand, but some of the measures adopted, particularly in the fiscal field, are unsustainable over the long haul; indeed, the increase in debt that they involve poses a heavy constraint for the future.

In order to restore conditions favorable to that recovery of confidence which is essential to sustain the development of the world economy, it is necessary, on the one hand, to plan with care the return to balanced monetary and budgetary policies and, on the other, to act resolutely to carry out structural reforms of the domestic and international institutions on which economies' growth capacity fundamentally depends. Prominent among these institutions is the international trade system, which in recent times has been subjected to increasing strains due to the resurgent demand for protectionism, in a context of crisis of the multilateral negotiations within the WTO and a proliferation of preferential trade liberalization initiatives. The recent declaration by the governments of the G8 countries at their summit meeting in L'Aquila contains a commitment to bring the WTO negotiations to a rapid conclusion by completing the ambitious Doha Development Agenda with an agreement. Making good on this commitment could help appreciably to improve international relations, confidence in the multilateral system and the conditions for the revival and spread of growth.

Similar considerations apply all the more strongly to the Italian economy, which has entered a deep crisis after a long period of stagnation. The decline in output and trade has been more severe in Italy than in other countries of the euro area. Signs of difficulty could already be seen at the start of 2008, before the crisis struck with all its force, and the data grew steadily worse as the months passed.

The deterioration in the external current account, driven by the rising prices of raw materials but also by the growing interest charges on what has become a very substantial foreign debt, occurred even though the sharp contraction in the volume of imports was greater than that in the volume of exports, a signal of the severity of the domestic crisis.

Moreover, Italian exports diminished more than world demand and resumed losing share not only vis-à-vis the emerging countries and commodity-producing developing countries, but also in relation to the exports of the euro area. The declining trend of Italy's export shares, repeatedly analyzed in this *Report*, is ascribable mainly to the characteristics of Italian industry's model of product specialization, still oriented towards relatively slow-growing sectors of world demand.

In addition, Italian firms have to cope with problems of competitiveness that do not derive solely from the appreciation of the euro. The problems they face stem also, indeed mainly, from insufficient productivity growth, which can be traced in part to the shortcomings of the national system of education, training and research.

The most vital part of the Italian business system has, in reality, demonstrated its ability to react to these problems. This vital core consists principally of medium-sized enterprises, many born within local small enterprise systems and continuing to exploit the competitive advantages of those local roots. These firms have managed the appreciation of the euro by adopting appropriate policies of price discrimination among the different markets while they have also sought to improve the quality of their products, moving into more remunerative and sophisticated market segments. To do this, they have taken differentiated paths of internationalization, transferring some production processes to low-wage countries and also investing in distribution, so as to strengthen their market power in the developed or emerging countries.

The signs of this reaction can still be discerned in some of the data presented in this *Report*, for example in the food-processing industry, in clothing and in the mechanical machinery and equipment sector, and they also indicate a slow but ongoing evolution of the model of specialization in new directions, but they are not easily breaking through into the aggregate data and are now exposed to the great risks created by the crisis.

In order to keep these signs from being extinguished, there is a need in Italy, even more than in other countries, to strike out seriously on the road of structural reform. The vast and complex agenda of the measures to adopt has long been at the center of an intense debate. From the perspective of the issues examined in this *Report*, increasing the international openness of the Italian economy in every respect remains an essential objective.

The crisis has caused a further decline in Italy's indicators of openness, which were already appreciably lower than those of other euro-countries of comparable size. This goes in particular for the degree of import penetration and for the ability to attract foreign investment, important sources of competitive stimuli for Italian firms. It is a question both of the selection effect that greater exposure to external competition exerts among businesses and of the quality and cost of the intermediate goods and services purchased on the domestic market, which also affect the competitiveness of the more export-oriented firms.

If the opening up of markets depends largely on the choices made at European Union level and the success of the WTO negotiations, national policies are nevertheless responsible for contributing to these decisions and assisting their implementation, especially in the crucial area of business services. National policies, and the structural reforms that are necessary in any case to relaunch the economy, are also the key to the system's ability to attract investment from abroad.

In addition, it is up to national policies, and to the ICE in particular, to perform the fundamental task of fostering the external projection of Italian firms by disseminating the culture of internationalization and offering useful services to expand the number of firms capable of operating in foreign markets and to strengthen the presence of those that are already active.

Opening up the domestic and foreign markets is one of the essential ingredients of the strategies that are called for in order to overcome the crisis and bring economies back to a path of more balanced growth.

Statistical tables

Table 1.1 - **World trade and foreign direct investment** [1]
Values in billions of dollars

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GOODS										
Value (2)	5,712	6,456	6,191	6,493	7,586	9,222	10,493	12,124	13,998	16,127
% change	3,9	13.0	-4.1	4.9	16.8	21.6	13.8	15.5	15.5	15.2
Percentage changes in the indices										
Volume index	4.6	10.7	-0.2	3.5	5.6	9.7	6.5	8.4	6.2	2.3
Average unit value index	-0.6	1.8	-3.9	1.3	10.7	10.9	6.9	6.7	8.9	12.9
COMMERCIAL SERVICES										
Value	1,394	1,480	1,484	1,595	1,832	2,220	2,483	2,810	3,352	3,731
% change	3.7	6.2	0.2	7.5	14.8	21.2	11.8	13.2	19.3	11.3
FOREIGN DIRECT INVESTMENT										
Value	1,089	1,398	824	625	561	718	959	1,411	1,833	1,449
As a percentage of world trade in goods and services	15.3	17.6	10.7	7.7	6.0	6.3	7.4	9.4	10.6	7.3

(1) Exports for goods and services, inflows for foreign direct investment. FDI for 2008 is estimated.

(2) Includes Hong Kong re-exports.

Sources: Based on WTO data for trade in goods and services and UNCTAD data for foreign direct investment

Table 1.2 - Regional shares of world merchandise exports
At current prices

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
European Union	41.3	38.0	39.9	40.6	41.6	41.0	39.1	38.2	38.6	36.9
Euro area	32.3	29.4	31.2	31.7	32.6	32.1	30.3	29.3	29.8	28.3
Other EU countries	9.0	8.6	8.7	8.9	9.0	8.9	8.8	8.9	8.9	8.6
Other European countries	4.4	4.7	4.7	5.2	5.3	5.5	6.0	6.1	6.3	6.7
Africa	1.9	2.4	2.2	2.2	2.3	2.4	2.8	2.9	2.9	3.3
North America	16.4	16.4	16.2	14.7	13.2	12.4	12.2	11.9	11.4	11.0
South and Central America	5.4	5.7	5.7	5.5	5.1	5.3	5.6	5.8	5.7	5.7
Middle East	3.1	3.9	3.8	3.6	3.7	4.2	4.6	4.9	4.8	5.7
Central Asia	1.1	1.2	1.3	1.4	1.4	1.4	1.6	1.7	1.8	1.9
East Asia (1)	25.0	26.3	24.8	25.6	26.0	26.5	26.8	27.1	27.1	27.1
Oceania and other territories	1.3	1.3	1.3	1.3	1.2	1.2	1.3	1.3	1.3	1.5
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Includes Taiwan. The data for exports and imports declared by Taiwan are not available in the IMF-DOTS database, but they are included in the flows for the world.
Sources: Based on IMF-DOTS data and, for Taiwan, Taiwan Directorate General of Customs data

Table 1.3 - Regional shares of world merchandise imports
At current prices

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
European Union	39.8	37.5	38.3	38.5	39.9	39.4	38.1	37.9	38.5	36.9
Euro area	30.0	28.1	28.8	28.7	29.9	29.5	28.4	28.0	28.2	27.1
Other EU countries	9.9	9.4	9.5	9.8	10.0	9.9	9.7	9.9	10.3	9.8
Other European countries	3.8	3.7	3.8	4.1	4.3	4.4	4.6	4.9	5.4	6.1
Africa	2.2	2.0	2.0	2.2	2.3	2.4	2.5	2.7	2.9	3.1
North America	22.1	22.8	22.3	21.8	20.2	19.2	19.3	18.6	17.0	15.7
South and Central America	6.1	6.2	6.4	5.8	5.0	5.1	5.2	5.4	5.5	5.7
Middle East	2.5	2.3	2.5	2.6	2.6	3.1	3.3	3.3	3.6	3.8
Central Asia	1.4	1.4	1.6	1.5	1.6	1.7	2.0	2.4	2.7	2.8
East Asia (1)	20.4	22.6	21.7	22.1	22.5	23.1	23.3	23.4	23.0	24.3
Oceania and other territories	1.6	1.4	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.5
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Includes Taiwan. Includes Taiwan. The data for exports and imports declared by Taiwan are not available in the IMF-DOTS database, but they are included in the flows for the world.

Sources: Based on IMF-DOTS data and, for Taiwan, Taiwan Directorate General of Customs data

Table 1.4 - Top twenty world merchandise exporters
Billions of dollars

Rank 2008	Rank 2007	Country	Amount 2008	% change [1] 2007-2008	% shares 2007	% shares 2008
1	1	Germany	1,465	10.8	9.4	9.1
2	2	China	1,428	17.2	8.7	8.9
3	3	United States	1,301	11.9	8.3	8.1
4	4	Japan	782	9.5	5.1	4.9
5	6	Netherlands	634	14.9	3.9	3.9
6	5	France	609	10.2	3.9	3.8
7	**7**	**Italy**	**540**	**9.7**	**3.5**	**3.3**
8	9	Belgium	477	10.3	3.1	3.0
9	12	Russia	472	33.1	2.5	2.9
10	8	United Kingdom	458	4.2	3.1	2.8
11	10	Canada	456	8.5	3.0	2.8
12	11	South Korea	422	13.6	2.7	2.6
13	13	Hong Kong [2]	370	6.0	2.5	2.3
14	14	Singapore [2]	338	13.0	2.1	2.1
15	18	Saudi Arabia [3]	329	40.0	1.7	2.0
16	15	Mexico	292	7.4	1.9	1.8
17	17	Spain	268	5.8	1.8	1.7
18	16	Taiwan	256	3.6	1.8	1.6
19	24	United Arab Emirates [3]	232	28.0	1.3	1.4
20	20	Switzerland	200	16.5	1.2	1.2
		Total 20 countries	11,329	12.8	71.7	70.2
		World [2]	16,127	15.2	100.0	100.0

(1) Calculated on provisional values for 2008 and provisional (unadjusted) data for 2007.
(2) Includes substantial re-export flows.
(3) WTO Secretariat estimates.
Source: Based on WTO data

Table 1.5 - Top twenty world merchandise importers
Billions of dollars

Rank 2008	Rank 2007	Country	Amount 2008	% change [1] 2007-2008	% shares 2007	% shares 2008
1	1	United States	2,166	7.2	14.2	13.2
2	2	Germany	1,206	14.2	7.4	7.3
3	3	China	1,133	18.5	6.7	6.9
4	4	Japan	762	22.5	4.4	4.6
5	6	France	708	14.1	4.3	4.3
6	5	United Kingdom	632	1.4	4.4	3.8
7	8	Netherlands	574	16.3	3.5	3.5
8	**7**	**Italy**	**556**	**10.2**	**3.5**	**3.4**
9	9	Belgium	470	13.6	2.9	2.9
10	13	South Korea	435	22.0	2.5	2.7
11	10	Canada	418	7.3	2.7	2.5
12	11	Spain	402	3.2	2.7	2.5
13	12	Hong Kong	393	6.2	2.6	2.4
14	14	Mexico	323	9.5	2.1	2.0
15	15	Singapore [3]	320	21.5	1.8	1.9
16	16	Russia [4]	292	30.6	1.6	1.8
17	18	India	292	34.5	1.5	1.8
18	17	Taiwan	240	9.7	1.5	1.5
19	22	Poland	204	22.7	1.2	1.2
20	19	Turkey	202	18.8	1.2	1.2
		Total 20 countries	11,729	13.1	72.7	71.5
		World [2]	16,415	15.0	100.0	100.0

(1) Calculated on provisional data values for 2008 and provisional (unadjusted) data for 2007.
(2) Includes substantial flows of imports for re-export.
(3) For Singapore, defined as imports minus re-exports.
(4) Imports calculated FOB.
Source: Based on WTO data

Table 1.6 - Inward foreign direct investment: main recipient countries
Amounts in billions of dollars at current prices

Rank (2007 flows)	Country	Flows			Stocks			
		Amount			Amount		% composition	
		Mean 00-05	2006	2007	2006	2007	2006	2007
1	United States	140	236	232	1,843	2,093	14.8	13.8
2	United Kingdom	74	148	223	1,133	1,347	9.1	8.9
3	France	50	78	157	771	1,026	6.2	6.7
4	Canada	25	62	108	454	520	3.6	3.4
5	Netherlands	35	79	99	502	673	4.0	4.4
6	China	54	72	83	292	327	2.3	2.2
7	Hong Kong	29	45	59	742	1,184	6.0	7.8
8	Spain	30	26	53	441	537	3.5	3.5
9	Russia	7	32	52	271	324	2.2	2.1
10	Germany	57	55	50	578	629	4.6	4.1
11	Belgium	21	64	40	633	748	5.1	4.9
12	Switzerland	8	26	40	218	278	1.7	1.8
13	**Italy**	**15**	**39**	**40**	**294**	**364**	**2.4**	**2.4**
14	Brazil	19	18	34	236	328	1.9	2.2
15	Austria	6	6	30	84	126	0.7	0.8
16	Ireland	7	5	30	156	187	1.3	1.2
17	Mexico	21	19	24	241	265	1.9	1.7
18	Saudi Arabia	2	18	24	51	76	0.4	0.5
19	Singapore	14	24	24	225	249	1.8	1.6
20	India	5	19	22	52	76	0.4	0.5
	WORLD	**847**	**1,411**	**1,833**	**12,470**	**15,210**	**100.0**	**100.0**

Source: Based on UNCTAD data

Table 1.7 - Outward foreign direct investment: main investor countries
Amounts in billions of dollars at current prices

Rank (2007 flows)	Country	Flows			Stocks			
		Amount			Amount		% composition	
		Mean 00-05	2006	2007	2006	2007	2006	2007
1	United States	140	221	313	2,454	2,791	19.2	17.9
2	United Kingdom	95	86	265	1,440	1,705	11.3	10.9
3	France	89	121	224	1,054	1,399	8.3	9.0
4	Germany	35	94	167	1,068	1,235	8.4	7.9
5	Spain	42	100	119	507	636	4.0	4.1
6	**Italy**	**20**	**42**	**90**	**378**	**520**	**3.0**	**3.3**
7	Japan	34	50	73	449	542	3.5	3.5
8	Canada	33	39	53	454	520	3.6	3.3
9	Hong Kong	27	44	53	677	1,026	5.3	6.6
10	Luxembourg	4	3	51	44	96	0.3	0.6
11	Switzerland	27	69	50	518	603	4.1	3.9
12	Belgium	19	56	49	493	612	3.9	3.9
13	Russia	7	23	45	209	255	1.6	1.6
14	Sweden	21	21	37	262	308	2.1	2.0
15	Austria	6	9	31	83	126	0.7	0.8
16	Netherlands	61	47	31	718	851	5.6	5.5
17	Australia	2	22	24	226	277	1.8	1.8
18	British Virgin Islands	14	11	22	132	154	1.0	1.0
19	China	5	21	22	73	95	0.6	0.6
20	Ireland	9	15	20	123	144	1.0	0.9
	World	**814**	**1,323**	**1,996**	**12,756**	**15,602**	**100.0**	**100.0**

Source: Based on UNCTAD data

Table 1.8 - Shares of world trade and trade balances net of intra-EU trade
Percentage shares and amounts in billions of ecus/euros

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
						European Union (1)					
Export share (%)	20.1	18.9	17.4	18.6	19.0	19.2	18.0	17.1	16.4	16.4	15.8
Import share (%)	18.4	18.2	17.9	18.0	17.6	18.3	18.0	17.8	18.0	18.3	18.2
Trade balance	22.9	-19.6	-91.4	-42.6	8.1	-13.1	-63.1	-112.1	-172.0	-192.6	-242.1
Normalized trade balance (2)	1.6	-1.3	-4.6	-2.1	0.4	-0.7	-3.2	-5.0	-6.8	-7.2	-8.5
						United States					
Export share (%)	16.7	16.2	15.6	15.3	13.9	12.6	12.2	11.6	11.4	11.2	10.7
Import share (%)	21.8	23.2	23.6	23.0	22.6	21.2	21.4	21.0	20.3	18.8	17.2
Trade balance	-233.9	-341.2	-516.9	-502.5	-536.3	-511.2	-568.5	-665.9	-702.0	-626.0	-588.4
Normalized trade balance (2)	-16.1	-20.7	-23.4	-23.6	-26.8	-28.5	-30.2	-31.4	-29.8	-27.0	-25.0
						Japan					
Export share (%)	9.5	9.7	9.6	8.5	8.4	8.2	8.4	7.6	7.1	6.9	6.4
Import share (%)	6.5	6.8	7.1	6.8	6.4	6.2	6.4	6.2	6.1	5.8	6.1
Trade balance	95.8	101.0	108.0	60.7	84.1	78.6	89.3	63.6	53.9	67.2	13.8
Normalized trade balance (2)	16.1	14.8	11.6	7.2	10.5	10.4	10.9	7.1	5.5	6.9	1.3
						China					
Export share (%)	4.5	4.5	5.0	5.6	6.6	7.6	8.9	9.8	10.7	11.8	11.8
Import share (%)	3.2	3.6	4.2	4.8	5.6	6.7	7.9	8.0	8.4	8.9	9.0
Trade balance	38.8	27.4	26.1	25.2	32.2	22.5	25.8	82.0	141.4	191.7	200.9
Normalized trade balance (2)	13.4	8.1	5.1	4.4	4.9	3.0	2.8	7.2	10.1	12.1	11.5
						World (3)					
Exports	3,648	4,020	5,424	5,309	5,256	5,099	5,385	6,269	7,220	7,559	8,263
Imports	3,862	4,282	5,788	5,716	5,605	5,423	5,744	6,635	7,540	7,828	8,538

(1) Excludes intra-EU trade; refers to EU-15 up to 2003, EU-25 from 2004 to 2006 and EU-27 from 2007 on.

(2) Trade balance as a percentage of the sum of exports and imports.

(3) Excludes intra-EU trade. The difference between exports and imports is due to statistical discrepancies.

Sources: based on WTO and Eurostat-Comext data

Table 2.1 - **Italy's balance of payments on current account**
Millions of euros

	2002	2003	2004	2005	2006	2007	2008
Goods (FOB-FOB)	**14,049**	**9,922**	**8,854**	**538**	**-10,203**	**3,204**	**-743**
Services	**-3,043**	**-2,362**	**1,179**	**-541**	**-1,272**	**-7,115**	**-7,350**
transport	-4,190	-4,972	-4,935	-5,247	-5,163	-7,050	-7,481
foreign travel	10,396	9,386	12,150	10,452	11,968	11,169	10,168
other services	-9,249	-6,776	-6,036	-5,746	-8,077	-11,234	-10,037
Income	**-15,396**	**-17,811**	**-14,817**	**-13,624**	**-13,573**	**-19,586**	**-29,477**
labor income	-900	-1,126	-213	-554	-316	-108	-355
investment income	-14,496	-16,685	-14,604	-13,070	-13,257	-19,479	-29,121
Transfers	**-5,624**	**-7,101**	**-8,293**	**-10,020**	**-13,298**	**-14,214**	**-16,027**
private	-4,567	-1,554	-1,477	-1,676	-5,473	-6,804	-6,996
workers' remittances	-478	-912	-2,478	-3,668	-4,281	-5,792	-6,189
other	-4,089	-642	1,001	1,992	-1,192	-1,012	-807
public	-1,057	-5,547	-6,816	-8,344	-7,825	-7,410	-9,031
EU accounts	-5,727	-6,289	-6,537	-8,166	-8,144	-8,434	-10,277
other	4,670	742	-279	-178	319	1,024	1,246
Current account	**-10,014**	**-17,352**	**-13,077**	**-23,647**	**-38,346**	**-37,711**	**-53,597**

Source: Bank of Italy

Table 2.2 - Italy's foreign trade (FOB-CIF)

	2002	2003	2004	2005	2006	2007	2008 (1)
Exports FOB							
millions of euros	269,064	264,616	284,413	299,923	332,013	364,744	365,806
% change	-1.4	-1.7	7.5	5.5	10.7	9.9	0.3
Imports CIF							
millions of euros	261,226	262,998	285,634	309,292	352,465	373,340	377,284
% change	-1.0	0.7	8.6	8.3	14.0	5.9	1.1
Trade balance							
millions of euros	7,838	1,618	-1,221	-9,369	-20,452	-8,596	-11,478
change in amount	-1,395	-6,220	-2,839	-8,148	-11,083	11,856	-2,882
Normalized trade balance (2)	1.5	0.3	-0.2	-1.5	-3.0	-1.2	-1.5
Exports: % change in average unit values (2005=100)	0.9	-0.2	2.5	4.8	5.1	4.9	5.6
Imports: % change in average unit values (2005=100)	-1.0	-0.8	3.3	7.9	9.5	3.0	9.0
Exports: % change in volume (2005=100)	-2.3	-1.4	4.9	0.6	5.3	4.8	-5.1
Imports: % change in volume (2005=100)	0.0	1.5	5.1	0.4	4.1	2.8	-7.3
Terms of trade (3): % change	1.9	0.6	-0.8	-2.9	-4.0	1.8	-3.1
Real cover ratio (4): % change	-2.3	-2.9	-0.2	0.2	1.2	1.9	2.4

(1) Provisional data for 2008. Istat will release final data following adjustments and additions to the data on trade with the EU countries.
The data on average unit values remain unchanged.
(3) Ratio of average unit values of exports to those of imports.
(4) Ratio of export volume price index to import volume price index.
Source: Based on Istat data

Table 2.3 - Constant-market-shares analysis of Italy's share of world imports [1][2]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1999-2008
Market share	4.02	3.58	3.69	3.74	3.82	3.66	3.43	3.36	3.50	3.31	
change (% points)		-0.44	0.12	0.05	0.08	-0.16	-0.23	-0.06	0.13	-0.19	-0.72
Competitiveness effect		-0.08	0.01	-0.04	0.00	-0.05	-0.11	0.00	0.00	-0.09	-0.35
Structure effect		-0.35	0.13	0.12	0.10	-0.10	-0.16	-0.05	0.17	-0.12	-0.27
sectoral		*-0.27*	*0.11*	*0.05*	*-0.01*	*-0.09*	*-0.12*	*-0.06*	*0.07*	*-0.12*	*-0.44*
geographical		*-0.13*	*0.04*	*0.04*	*0.10*	*-0.02*	*-0.03*	*0.00*	*0.08*	*-0.01*	*0.05*
interaction		*0.05*	*-0.02*	*0.03*	*0.01*	*0.01*	*-0.01*	*0.01*	*0.02*	*0.02*	*0.11*
Adaptation effect		-0.01	-0.02	-0.04	-0.02	-0.01	0.04	-0.02	-0.04	0.02	-0.09

Constant-market-shares analysis of Italy's share of world imports from the euro area [1][2]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1999-2008
Market shares	12.18	11.96	11.76	11.63	11.56	11.20	10.96	10.96	11.08	10.88	
change (% points)		-0.23	-0.20	-0.13	-0.08	-0.36	-0.24	0.00	0.12	-0.20	-1.30
Competitiveness effect		0.01	-0.07	-0.14	0.02	-0.05	-0.15	0.17	0.03	-0.10	-0.29
Structure effect		-0.18	-0.05	0.21	-0.02	-0.24	-0.22	-0.13	0.19	-0.13	-0.57
sectoral		*-0.34*	*0.02*	*0.04*	*-0.07*	*-0.20*	*-0.19*	*-0.11*	*0.16*	*-0.05*	*-0.75*
geographical		*0.11*	*-0.07*	*0.02*	*0.06*	*0.00*	*0.04*	*0.01*	*0.04*	*0.04*	*0.25*
interaction		*0.05*	*0.00*	*0.15*	*-0.01*	*-0.03*	*-0.08*	*-0.03*	*-0.01*	*-0.12*	*-0.07*
Adaptation effect		-0.06	-0.08	-0.20	-0.08	-0.07	0.13	-0.03	-0.10	0.03	-0.45

(1) The "world" consists of the 27 European Union countries plus Brazil, Canada, China, Japan, Malaysia, Mexico, South Korea, Switzerland, Taiwan and the United States.

(2) The competitiveness effect is the weighted average of the changes in the elementary shares; it can be considered to reflect the changes in relative prices and in the other determinants of competitive success. The structure effect depends on the degree of conformity between the geographical and sectoral specialization of the country whose share is analyzed and the changes in the composition of demand in the market in question, while the adaptation effect measures flexibility with respect to such changes.

Sources: Based on data published by Eurostat and national statistical institutes

Table 2.4 - Italy's foreign trade by geographical region and with the main countries
Millions of euros

	Exports			Imports			Balance		
	2008	% share	% change in value 2007-08	2008	% share	% change in value 2007-08	2007	2008	Normalized 2008 (%)
European Union-27 (1)	**213,918**	**58.5**	**-3.7**	**203,976**	**54.0**	**-5.3**	**6,721**	**9,942**	**2.4**
France	40,957	11.2	-2.5	32,307	8.6	-5.1	7,943	8,650	11.8
Germany	46,645	12.8	-1.3	60,351	16.0	-5.3	-16,467	-13,706	-12.8
Spain	23,898	6.5	-12.7	14,791	3.9	-8.7	11,168	9,107	23.5
United Kingdom	19,234	5.3	-9.5	11,368	3.0	-9.2	8,716	7,866	25.7
Non-EU Europe	**44,368**	**11.3**	**9.7**	**42,277**	**11.2**	**6.1**	**604**	**2,090**	**2.4**
Russia	10,470	2.9	9.5	16,085	4.3	10.1	-5,049	-5,616	-21.1
Switzerland	14,483	4.0	8.9	11,262	3.0	1.8	2,234	3,221	12.5
North Africa	**13,195**	**3.6**	**32.4**	**31,172**	**8.3**	**24.8**	**-15,011**	**-17,977**	**-40.5**
Other African countries	**4,786**	**1.3**	**3.4**	**7,099**	**1.9**	**7.4**	**-1,977**	**-2,313**	**-19.5**
North America	**25,634**	**7.0**	**-5,0**	**13,557**	**3.6**	**7.5**	**14,386**	**12,077**	**30.8**
United States	23,038	6.3	-5,0	11,798	3.1	8.2	13,347	11,240	32.3
South and Central America	**12,194**	**3.3**	**1.7**	**10,789**	**2.9**	**1.7**	**1,381**	**1,405**	**6.1**
Mercosur	5,140	1.4	19.0	5,766	1.5	5.8	-1,129	-626	-5.7
Middle East	**18,562**	**5.1**	**10.8**	**19,202**	**5.1**	**20.1**	**764**	**-641**	**-1.7**
Central and South Asia	**4,784**	**1.3**	**5.7**	**7,638**	**2.0**	**8.7**	**-2,499**	**-2,854**	**-23.0**
East Asia	**22,324**	**6.1**	**1.1**	**39,415**	**10.4**	**3.8**	**-15,871**	**-17,091**	**-27.7**
China	6,444	1.8	2.5	23,600	6.3	8.8	-15,399	-17,156	-57.1
Japan	4,258	1.2	-1.3	5,022	1.3	-6.1	-1,035	-763	-8.2
DAEs (2)	10,152	2.8	1.2	7,852	2.1	-7.0	1,589	2,300	12.8
Oceania	**3,536**	**1.0**	**5.1**	**1,545**	**0.4**	**-8.1**	**1,682**	**1,991**	**39.2**
WORLD	**365,806**	**100.0**	**0.3**	**377,284**	**100.0**	**1.1**	**-8,596**	**-11,478**	**-1.5**

(1) The data include ship's stores.

(2) Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand.

Source: Based on Istat data

Table 2.5 - Size of the markets and Italy's shares
At current prices

	Size of markets (1)			Italy's shares (2)		
	2002	2007	2008	2002	2007	2008
European Union-27	**40.6**	**38.6**	**36.9**	**6.0**	**5.6**	**5.2**
France	5.1	4.0	3.8	9.4	9.1	8.4
Germany	9.5	9.6	9.1	7.0	6.4	5.9
United Kingdom	4.3	3.2	2.9	5.0	4.7	4.3
Spain	1.8	1.8	1.7	9.7	9.8	8.7
Non-EU Europe	**5.2**	**6.3**	**6.7**	**7.8**	**6.6**	**6.4**
Russia	1.7	2.5	2.8	6.2	5.7	5.4
Switzerland	1.4	1.2	1.2	9.3	9.6	9.8
North Africa	**0.8**	**1.1**	**1.2**	**11.4**	**10.4**	**11.5**
Other African countries	**1.4**	**1.8**	**2.1**	**3.7**	**2.8**	**2.5**
North America	**14.7**	**11.4**	**11.0**	**2.0**	**1.6**	**1.5**
United States	10.8	8.4	8.1	2.2	1.8	1.7
South and Central America	**5.5**	**5.7**	**5.7**	**2.5**	**2.3**	**2.1**
Middle East	**3.6**	**4.8**	**5.7**	**5.3**	**4.9**	**4.7**
Central and South Asia	**1.3**	**1.8**	**1.9**	**2.1**	**2.1**	**2.0**
East Asia	**25.6**	**27.1**	**27.1**	**1.3**	**1.0**	**0.9**
China	5.1	8.8	9.3	1.4	1.0	0.9
Japan	6.5	5.2	4.9	1.4	1.1	0.9
Oceania	**1.3**	**1.3**	**1.4**	**2.9**	**2.4**	**2.2**
WORLD	**100.0**	**100.0**	**100.0**	**3.9**	**3.6**	**3.4**

(1) World exports to each market as a percentage of total world exports.

(2) Italy's percentage share of exports to each market.

Source: Based on IMF-DOTS data

Table 2.6 - Italian exports: top 20 countries of destination in 2008

		Rank in 2007	Value (millions of euros) 2008	% change 2007-08	Percentage shares 2007	Percentage shares 2008	Cumulative percentage 2008
1	Germany	1	46,645	-1.3	13.0	12.8	12.8
2	France	2	40,957	-2.5	11.5	11.2	24.0
3	Spain	4	23,898	-12.7	7.5	6.5	30.5
4	United States	3	23,038	-5.0	6.6	6.3	36.8
5	United Kingdom	5	19,234	-9.5	5.8	5.3	42.1
6	Switzerland	6	14,483	8.9	3.6	4.0	46.1
7	Russia	8	10,470	9.5	2.6	2.9	49.0
8	Belgium	7	9,854	-8.4	2.9	2.7	51.7
9	Poland	9	9,589	7.2	2.5	2.6	54.3
10	Austria	10	8,567	-3.1	2.4	2.3	56.6
11	Netherlands	11	8,560	-1.1	2.4	2.3	58.9
12	Greece	12	7,604	-2.1	2.1	2.1	61.0
13	Turkey	13	7,496	4.2	2.0	2.0	63.0
14	China	14	6,444	2.5	1.7	1.8	64.8
15	Romania	15	5,820	-2.8	1.6	1.6	66.4
16	United Arab Emirates	16	5,226	18.0	1.2	1.4	67.8
17	Japan	17	4,258	-1.3	1.2	1.2	69.0
18	Czech Republic	19	3,993	1.8	1.1	1.1	70.1
19	Sweden	18	3,964	-1.6	1.1	1.1	71.1
20	Slovenia	20	3,786	-0.6	1.0	1.0	72.1
	Other countries		101,920	7.5	26.0	27.9	
	WORLD		**365,806**	**0.3**	**100.0**	**100.0**	**100.0**

Source: Based on Istat data

Table 2.7 - Italian imports: top 20 countries of origin in 2008

		Rank in 2007	Value (millions of euros) 2008	% change 2007-08	Percentage weights 2007	Percentage weights 2008	Cumulative percentage 2008
1	Germany	1	60,351	-5.3	17.1	16.0	16.0
2	France	2	32,307	-5.1	9.1	8.6	24.6
3	China	3	23,600	8.8	5.8	6.3	30.9
4	Netherlands	4	20,208	-1.9	5.5	5.4	36.3
5	Libya	8	17,390	24.4	3.7	4.6	40.9
6	Russia	7	16,085	10.1	3.9	4.3	45.2
7	Spain	6	14,791	-8.7	4.3	3.9	49.1
8	Belgium	5	14,354	-10.3	4.3	3.8	52.9
9	United States	11	11,798	8.2	2.9	3.1	56.0
10	United Kingdom	9	11,368	-9.2	3.4	3.0	59.0
11	Switzerland	10	11,262	1.8	3.0	3.0	62.0
12	Algeria	14	8,597	41.0	1.6	2.3	64.3
13	Austria	12	8,552	-8.8	2.5	2.3	66.6
14	Poland	13	6,784	5.8	1.7	1.8	68.4
15	Turkey	16	5,585	4.6	1.4	1.5	69.9
16	Japan	15	5,022	-6.1	1.4	1.3	71.2
17	Romania	19	4,276	-3.2	1.2	1.1	72.3
18	Saudi Arabia	23	4,231	16.7	1.0	1.1	73.4
19	Azerbaijan	29	4,229	58.3	0.7	1.1	74.5
20	Czech Rep.	20	4,200	5.3	1.1	1.1	75.6
	Other countries		92,294	1.7	24.3	24.5	
	WORLD		**377,284**	**1.1**	**100.0**	**100.0**	**100.0**

Source: Based on Istat data

Table 2.8 - **Italy's foreign trade by sector**
Amounts in millions of euros

ATECO Sectors	EXPORTS 2008	EXPORTS % change 2007-08	EXPORTS % weight	IMPORTS 2008	IMPORTS % change 2007-08	IMPORTS % weight	BALANCE 2007	BALANCE 2008
Products of agriculture, hunting, forestry and fishing	5,204	4.4	1.4	10,618	2.2	2.9	-5,405	-5,414
Energy and non-energy minerals	1,720	29.9	0.5	68,579	26.4	18.7	-52,940	-66,859
Crude oil and natural gas	*1,114*	*64.8*	*0.3*	*62,532*	*26.5*	*17.1*	-48,756	-61,419
PRODUCTS OF MANUFACTURING	350,195	-0.2	95.7	288,341	-3.8	78.8	51,127	61,854
Food products, beverages and tobacco	20,680	7.6	5.7	23,967	1.6	6.6	-4,386	-3,287
Textiles and clothing	27,312	-3.5	7.5	17,394	-2.7	4.8	10,430	9,918
Textiles	*13,224*	*-7.9*	*3.6*	*7,623*	*-6.0*	*2.1*	6,254	5,602
Clothing	*14,088*	*1.0*	*3.9*	*9,771*	*0.0*	*2.7*	4,176	4,317
Leather and leather products and the like	13,828	-5.4	3.8	7,388	-5.5	2.0	6,791	6,441
Footwear	*7,619*	*-3.3*	*2.1*	*3,969*	*-0.5*	*1.1*	3,888	3,650
Wood and wood products (excluding furniture)	1,541	-8.5	0.4	3,670	-16.1	1.0	-2,691	-2,129
Paper products, products of printing and publishing	7,051	-0.1	1.9	7,210	-4.8	2.0	-514	-159
Coke, refined petroleum products	15,208	15.6	4.2	8,388	20.6	2.3	6,205	6,821
Chemical products and synthetic fibers	34,000	-1.1	9.3	46,617	-3.2	12.7	-13,768	-12,616
Basic chemical products	*11,726*	*-1.3*	*3.2*	*21,975*	*-6.0*	*6.0*	-11,495	-10,249
Pharmaceutical and medicinal products	*11,968*	*-0.5*	*3.3*	*14,864*	*0.8*	*4.1*	-2,718	-2,895
Rubber and plastic products	12,626	-4.1	3.5	7,270	-4.3	2.0	5,566	5,356
Non-metallic mineral products	9,401	-5.4	2.6	3,588	-3.8	1.0	6,203	5,813
Basic metals and fabricated metal products	44,164	1.1	12.1	47,208	-5.7	12.9	-6,342	-3,043
Iron and steel products; tubes, pipes and other products of iron and steel manufacturing	*20,128*	*5.5*	*5.5*	*24,190*	*3.6*	*6.6*	-4,276	-4,062
Nonferrous metals	*7,192*	*-6.7*	*2.0*	*16,424*	*-18.8*	*4.5*	-12,510	-9,232
Finished metal products, excluding machinery and equipment	*16,845*	*-0.4*	*4.6*	*6,594*	*1.9*	*1.8*	10,444	10,251
Mechanical machinery and equipment	76,809	1.5	21.0	26,728	-2.4	7.3	48,248	50,080
General industrial machinery	*37,605*	*4.0*	*10.3*	*14,781*	*-1.2*	*4.0*	21,185	22,824
Specialized industrial machinery	*31,574*	*0.5*	*8.6*	*9,274*	*-4.2*	*2.5*	21,733	22,299
Household equipment and appliances	*6,767*	*-7.6*	*1.8*	*2,457*	*-0.9*	*0.7*	4,847	4,310
Electrical equipment and electrical, electronic and optical apparatus	30,615	-3.1	8.4	39,316	-3.4	10.7	-9,109	-8,700
ICT products	*7,309*	*-13.1*	*2.0*	*19,347*	*-7.6*	*5.3*	-12,529	-12,038
Electrical equipment and apparatus	*14,869*	*2.6*	*4.1*	*10,699*	*2.1*	*2.9*	4,013	4,170
Medical and precision instruments	*8,437*	*-3.0*	*2.3*	*9,269*	*-0.2*	*2.5*	-593	-832
Transport equipment	40,588	-1.4	11.1	43,354	-8.8	11.9	-6,395	-2,766
Motor vehicles and trailers	*28,775*	*-3.5*	*7.9*	*36,481*	*-12.2*	*10.0*	-11,755	-7,707
Other transport equipment	*11,813*	*4.3*	*3.2*	*6,872*	*15.1*	*1.9*	5,360	4,941
Other products of manufacturing	16,370	-5.7	4.5	6,245	-3.4	1.7	10,887	10,125
Furniture	*9,275*	*-4.5*	*2.5*	*1,867*	*-6.1*	*0.5*	7,722	7,408
Jewelry, gold and silver	*4,379*	*-8.3*	*1.2*	*1,253*	*-8.4*	*0.3*	3,406	3,126
OTHER PRODUCTS	8,687	16.0	2.4	9,746	9.9	2.7	-1,377	-1,060
TOTAL	**365,806**	**0.3**	**100.0**	**377,284**	**1.1**	**103.1**	**-8,596**	**-11,478**

Source: Based on Istat data

Table 2.9 - **Volumes and prices of Italian exports and imports by sector**
Percentage changes, between 2007 and 2008, for exports and imports; indices, 2005=100, for volumes and terms of trade

ATECO Sectors	EXPORTS		IMPORTS		RELATIVE VOLUMES (1)		TERMS OF TRADE (2)	
	Volumes	Average unit values	Volumes	Average unit values	2007	2008	2007	2008
Products of agriculture, hunting, forestry and fishing	-4.3	9.1	-6.5	9.3	105.9	108.4	102.2	102.0
Energy and non-energy minerals	8.3	19.9	-3.0	30.3	103.0	115.0	103.3	95.0
PRODUCTS OF MANUFACTURING	-5.5	5.5	-7.4	3.9	100.9	103.1	99.5	101.0
Food products, beverages and tobacco	1.9	5.6	-4.1	5.9	103.4	109.8	98.2	98.0
Textiles and clothing	-7.3	4.1	-5.2	2.6	93.4	91.3	99.2	100.6
Leather and leather products and the like	-11.4	6.8	-9.5	4.4	93.7	91.7	102.8	105.2
Footwear	-12.1	10.0	-6.9	6.8	94.2	89.0	106.0	109.2
Wood and wood products (excluding furniture)	-10.1	1.8	-17.6	1.8	105.6	115.2	95.6	95.6
Paper products, products of printing and publishing	-2.4	2.3	-7.2	2.6	101.7	107.0	95.4	95.2
Coke, refined petroleum products	-8.6	26.5	-4.9	26.8	112.1	107.7	96.6	96.4
Chemical products and synthetic fibers	-5.2	4.3	-8.7	6.1	98.7	102.5	98.3	96.7
Basic chemical products	-5.0	4.0	-11.1	5.8	101.2	108.1	97.4	95.7
Pharmaceutical and medicinal products	-4.2	3.9	-6.2	7.5	92.2	94.2	99.1	95.8
Rubber and plastic products	-8.4	4.7	-8.0	4.0	97.7	97.3	100.5	101.2
Non-metallic mineral products	-9.0	4.1	-8.4	5.0	95.1	94.4	100.4	99.5
Ceramic tiles	-9.4	4.3	-20.2	6.3	71.8	81.5	105.4	103.4
Basic metals and fabricated metal products	-4.3	5.6	-9.6	4.3	99.1	104.9	93.2	94.4
Iron and steel tubes and pipes	1.8	6.3	-12.5	8.9	83.2	96.8	103.8	101.4
Mechanical machinery and equipment	-3.1	4.8	-5.9	3.7	100.1	103.0	100.3	101.4
Machinery for agriculture and forestry	12.8	3.9	6.4	4.9	97.1	103.0	97.4	96.4
Household equipment and appliances	-11.0	3.8	-3.4	2.6	82.5	76.0	98.1	99.3
Electrical equipment and electrical, electronic and optical apparatus	-5.6	2.6	-1.8	-1.6	98.4	94.7	109.8	114.5
Insulated wires and cables	-3.4	0.2	-2.9	-1.1	103.0	102.5	113.7	115.2
Lamps and lighting equipment	-4.9	2.6	-11.3	6.7	95.6	102.5	108.6	104.5
Transport equipment	-4.3	3.1	-10.0	1.3	109.0	115.9	100.8	102.5
Motor vehicles	-8.2	2.2	-15.9	1.5	116.8	127.5	103.0	103.7
Other products of manufacturing	-9.4	4.1	-6.3	3.1	89.6	86.7	101.8	102.7
Furniture	-8.1	3.9	-8.8	3.0	80.5	81.1	103.2	104.1
TOTAL	**-5.1**	**5.6**	**-7.3**	**9.0**	**103.1**	**105.7**	**97.7**	**94.6**

(1) Export volume index as a percentage of import volume index (real cover ratio).

(2) Export average unit value index as a percentage of import average unit value index.

Source: Based on Istat data

Table 2.10 - Size of sectors and Italy's market shares

	PERCENTAGE SHARE OF WORLD EXPORTS (1)			ITALY'S MARKET SHARES		
	2002	2007	2008	2002	2007	2008
PRODUCTS OF AGRICULTURE AND FISHING	2.6	2.4	2.5	2.4	2.2	2.0
PRODUCTS OF MINING AND QUARRYING	7.2	10.3	12.7	0.1	0.1	0.1
PRODUCTS OF MANUFACTURING	85.9	82.7	80.2	4.6	4.4	4.2
Food products, beverages and tobacco	5.3	4.7	4.9	4.3	4.2	4.1
Textiles and clothing	5.6	4.3	3.9	7.4	6.8	6.8
Textiles, knitted products	*2.9*	*2.1*	*1.9*	*8.3*	*7.2*	*6.8*
Clothing	*2.8*	*2.2*	*2.0*	*6.5*	*6.4*	*6.7*
Footwear, leather and leather products	1.3	1.1	1.0	15.3	13.9	13.4
Footwear	*0.8*	*0.6*	*0.6*	*15.5*	*13.1*	*12.6*
Wood and cork products (excluding furniture)	1.1	0.9	0.8	2.3	2.2	2.3
Paper, paper products, printing and publishing	2.6	2.2	2.0	3.7	3.4	3.4
Refined petroleum products	2.5	4.0	5.0	2.8	3.4	3.0
Chemical and pharmaceutical products	10.2	10.3	10.2	3.7	3.3	3.1
Basic chemical products	*4.5*	*5.0*	*4.9*	*2.5*	*2.2*	*2.1*
Pharmaceutical and medicinal products	*2.9*	*2.9*	*3.0*	*5.2*	*4.3*	*3.9*
Rubber and plastic products	2.4	2.3	2.2	6.2	5.8	5.6
Glass, ceramics and non-metallic construction materials	1.2	1.1	1.0	11.6	9.5	8.9
Basic metals and fabricated metal products	6.9	9.6	9.5	4.7	4.7	4.5
Iron and steel products	*2.3*	*3.6*	*3.9*	*4.8*	*5.4*	*5.0*
Basic metals	*1.8*	*1.7*	*1.7*	*7.3*	*7.6*	*7.4*
Mechanical machinery and equipment, household equipment and appliances	8.3	8.5	8.4	9.7	9.2	8.9
General industrial machinery	*3.9*	*4.1*	*4.1*	*8.9*	*9.2*	*8.9*
Specialized industrial machinery	*3.5*	*3.7*	*3.6*	*9.7*	*8.9*	*8.7*
Household equipment and appliances	*0.8*	*0.7*	*0.7*	*13.9*	*11.0*	*10.1*
ICT products. electrical equipment, precision instruments	21.5	18.8	17.3	1.8	1.7	1.7
ICT products	*14.2*	*11.6*	*10.4*	*1.0*	*0.7*	*0.7*
Electrical equipment and apparatus	*3.9*	*3.9*	*3.8*	*3.4*	*3.8*	*3.8*
Medical and precision instruments	*3.3*	*3.3*	*3.1*	*2.8*	*2.8*	*2.7*
Transport equipment	14.1	12.3	11.3	3.3	3.5	3.5
Motor vehicles and parts	*10.2*	*9.2*	*8.3*	*3.0*	*3.4*	*3.4*
Other transport equipment	*3.9*	*3.0*	*3.0*	*4.0*	*3.9*	*3.8*
Other manufactures	3.1	2.7	2.6	8.4	6.6	6.1
Furniture	*1.0*	*0.9*	*0.8*	*14.1*	*11.0*	*10.7*
Jewelry, gold and silver	*0.9*	*0.8*	*0.8*	*8.5*	*5.9*	*5.3*
OTHER PRODUCTS	4.3	4.6	4.6	1.7	2.2	2.3
TOTAL	**100.0**	**100.0**	**100.0**	**4.1**	**3.8**	**3.6**

(1) In the absence of updated official data, world exports are approximated by summing the exports of 49 countries (the EU-27 plus Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, the Philippines, South Africa, South Korea, Switzerland, Taiwan, Turkey and the United States) with their imports from the rest of the world.

Sources: Based on data published by Eurostat and national statistical institutes

Table 2.11 - **Merchandise exports of the Italian regions(1)**
Amounts in millions of euros, percentage changes on 2007 and percentage shares

	Amounts	% change	% shares					
	2008	2008 - 2007	2003	2004	2005	2006	2007	2008
North-West	**147,432**	**1.7**	**41.8**	**41.1**	**41.5**	**40.8**	**40.5**	**41.1**
Piedmont	37,817	1.5	11.4	11.2	10.9	10.7	10.4	10.5
Valle d'Aosta	717	-18.1	0.2	0.2	0.2	0.2	0.2	0.2
Lombardy	103,727	1.6	28.8	28.4	29.0	28.6	28.5	28.9
Liguria	5,170	9.4	1.4	1.3	1.4	1.3	1.3	1.4
North-East	**114,968**	**-0.5**	**31.5**	**32.1**	**31.6**	**32.1**	**32.3**	**32.0**
Trentino-Alto Adige	6,147	-0.6	1.8	1.8	1.8	1.7	1.7	1.7
Veneto	48,207	-4.6	14.5	14.4	13.8	14.2	14.1	13.4
Friuli-Venezia Giulia	13,151	5.9	3.2	3.5	3.3	3.4	3.5	3.7
Emilia-Romagna	47,464	2.4	12.0	12.4	12.7	12.7	12.9	13.2
Center	**53,787**	**-4.1**	**16.1**	**16.0**	**15.4**	**15.8**	**15.7**	**15.0**
Tuscany	25,222	-4.9	7.8	7.8	7.4	7.5	7.4	7.0
Umbria	3,399	-6.3	0.9	0.9	1.0	1.0	1.0	0.9
Marche	10,656	-14.5	3.3	3.2	3.2	3.5	3.5	3.0
Lazio	14,510	7.7	4.0	4.0	3.8	3.8	3.8	4.0
South and Islands	**42,931**	**3.4**	**10.6**	**10.8**	**11.5**	**11.3**	**11.6**	**12.0**
Abruzzo	7,679	4.9	2.0	2.2	2.1	2.0	2.0	2.1
Molise	654	3.9	0.2	0.2	0.2	0.2	0.2	0.2
Campania	9,271	-1.8	2.7	2.6	2.6	2.6	2.6	2.6
Puglia	7,346	2.1	2.2	2.3	2.3	2.1	2.0	2.0
Basilicata	1,961	-6.6	0.6	0.5	0.4	0.5	0.6	0.5
Calabria	383	-11.0	0.1	0.1	0.1	0.1	0.1	0.1
Sicily	9,852	2.0	1.9	2.0	2.5	2.4	2.7	2.7
Sardinia	5,784	22.4	0.9	1.0	1.3	1.3	1.3	1.6
Total regions	**359,118**	**0.3**	**100**	**100**	**100**	**100**	**100**	**100**

(1) Since 2004 the data on the regions' trade with the European Union only includes the flows that are recorded monthly. The regional exports shown here therefore do not include the minor intra-EU flows recorded quarterly and yearly and reported under the item "Sundry and unspecified provinces", and the regional shares are calculated accordingly.

Source: Based on Istat data

Table 2.12 - **Internationalization of Italian firms**
Exports in millions of euros

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 [1]
No. of exporting firms	183,385	188,915	191,016	195,910	196,973	198,351	201,680	206,795	204,619	197,950
% change	0.3	3.0	1.1	2.6	0.5	0.7	1.7	2.5	-1.1	-3.3
Exports [2]	216,798	254,081	266,435	266,571	262,057	281,877	296,954	328,715	359,981	360,447
% change	0.7	17.2	4.9	0.1	-1.7	7.6	5.3	10.7	9.5	0.1
No. of foreign affiliates	….	16,849	18,366	18,850	19,434	20,090	20,503	21,216	22,444	….
% change	….	….	9.0	2.6	3.1	3.4	2.1	3.5	5.8	….
No. of workers abroad	…,	1,171,704	1,258,046	1,238,150	1,232,701	1,217,453	1,214,080	1,243,942	1,297,866	….
% change	….	….	7.4	-1.6	-0.4	-1.2	-0.3	2.5	4.3	….

(1) Provisional data. The apparent fall in the number of exporting firms in the last two years is, in reality, largely due to the change in measurement thresholds in 2007 and the provisional nature of the data for 2008.

(2) Exports in this table differ from those in the other tables because this table only takes account of the exports of identified exporting firms.

Sources: Based on Istat and ICE - Reprint, Politecnico di Milano data

Table 2.13 - Exports by firm size class and sector of activity
Percentage composition by size of workforce; millions of euros for sectoral totals

	2002					2007				
	1-9 workers	10-49 workers	50-249 workers	250 + workers	Total	1-9 workers	10-49 workers	50-249 workers	250 * workers	Total
Manufacturing	**5.6**	**18.0**	**29.5**	**46.9**	**223,098**	**4.2**	**16.2**	**30.5**	**49.1**	**301,109**
Food products, beverages	6.9	25.0	32.6	35.6	12,193	4.7	25.1	35.8	34.4	15,392
Textile products, knitwear	5.7	28.6	32.9	32.9	13,422	6.2	30.1	34.1	29.6	11,559
Clothing	9.3	23.0	28.0	39.8	10,519	6.9	19.8	25.0	48.2	10,680
Footwear, hides and leather products	7.6	36.6	38.3	17.5	11,867	6.7	32.1	34.4	26.8	12,636
Wood and wood products (excluding furniture)	8.1	39.3	41.6	10.9	1,777	6.9	37.8	40.4	14.9	1,827
Paper, paper products, printing and publishing	3.2	15.3	31.8	49.7	5,706	2.8	14.0	34.9	48.2	6,807
Refined energy products	0.1	0.8	2.0	97.1	2,794	0.9	0.5	3.2	95.3	9,683
Chemical products and man-made fibers	16.7	6.0	25.3	51.9	23,737	10.8	7.6	26.4	55.2	28,475
Rubber and plastic products	2.3	19.3	44.8	33.7	10,205	2.4	19.1	41.7	36.8	13,537
Glass, ceramics, non-metallic construction materials	4.0	20.4	30.9	44.7	7,556	4.3	18.8	31.9	44.9	8,554
Basic metals, fabricated metal products	3.1	18.4	37.9	40.6	22,008	2.4	16.1	39.2	42.2	43,507
Mech. machinery & equipment, household appliances	3.0	17.0	32.1	47.9	43,561	3.5	16.5	33.9	46.1	62,587
ICT products, electr. apparatus, precision instruments	2.8	14.3	24.2	58.7	19,878	2.3	15.5	32.9	49.3	25,752
Motor vehicles	3.3	2.9	9.3	84.6	16,867	1.4	3.1	9.1	86.4	25,560
Other transport equipment	1.9	6.6	8.3	83.2	7,687	2.6	6.5	11.8	79.2	10,196
Furniture	6.0	30.6	35.5	27.9	7,733	5.6	26.6	40.3	27.5	8,455
Other products of manufacturing	9.3	41.6	40.3	8.8	5,588	10.3	36.5	40.4	12.7	5,899
Wholesale trade	**46.6**	**33.4**	**11.6**	**8.4**	**31,960**	**41.4**	**33.3**	**14.3**	**11.0**	**44,377**
Other sectors	**13.3**	**15.6**	**15.4**	**55.7**	**9,035**	**17.4**	**20.2**	**14.8**	**47.6**	**10,331**
Total	**10.8**	**19.8**	**26.8**	**42.6**	**264,093**	**9.2**	**18.4**	**28.0**	**44.3**	**355,817**

Source: Based on Istat data

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