



Institute for European  
Analysis and Policy

# The Italian export performance

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# Perspective adopted: why so relevant to look at export performance of Italy...as any other country

Luiss Institute for European Analysis and Policy

Exports say a lot about an economy, since they represent

## 1) Showcase of best products

- Where Italy excels
- valuable products; the better they are, the more money you get on international markets

## 2) Instrument to buy imports

- raw materials
- cheaper products (intermediate and final) made abroad
- people and firms like to choose from a wide range of products

## 3) Litmus test

- of the productivity of the sector exposed to international competition
- exporting is costly: only most productive firms can do it successfully
- selection by global competition, exporters: the fittest survive

# Showcase: what and where are the best products...

There are many of them in these specialization sectors  
(comparative-advantage sectors vis-à-vis Eu competitors)

Investment & production inputs  
*General-purpose and specialized instrumental and intermediate goods --> supply chain participation, productive internationalization*

Machinery and investment equipment

Electric equipment

Metal products

Basic metals

Rubber & plastic prod.

Fashion-home system  
*Traditional (upgraded) made-in-Italy*

Leather products

Wearing apparel

Textiles

Furniture

Non metallic min. prod, (floor tiles, covering ceramics,...)

Food system  
*typical products*

Food & Beverages

Agriculture

Consumption and health  
*leisure time and health*

Ships and boats

Recorded media, music. Instr., jewels, gym machines

Pharmaceuticals

Tourism

# Foundations of Italy's specialization: comparative advantages come from all possible sources → 1) technology; 2) product differentiation; 3) resource endowment

## Technology

- Products that Italy exports relatively more are actually those in which it is relatively **more productive than competitors**
- ❑ Example: Semi-finished **products supplied in global value chains**; «general» and «special» purpose of **highly specialized machinery**

## Product differentiation

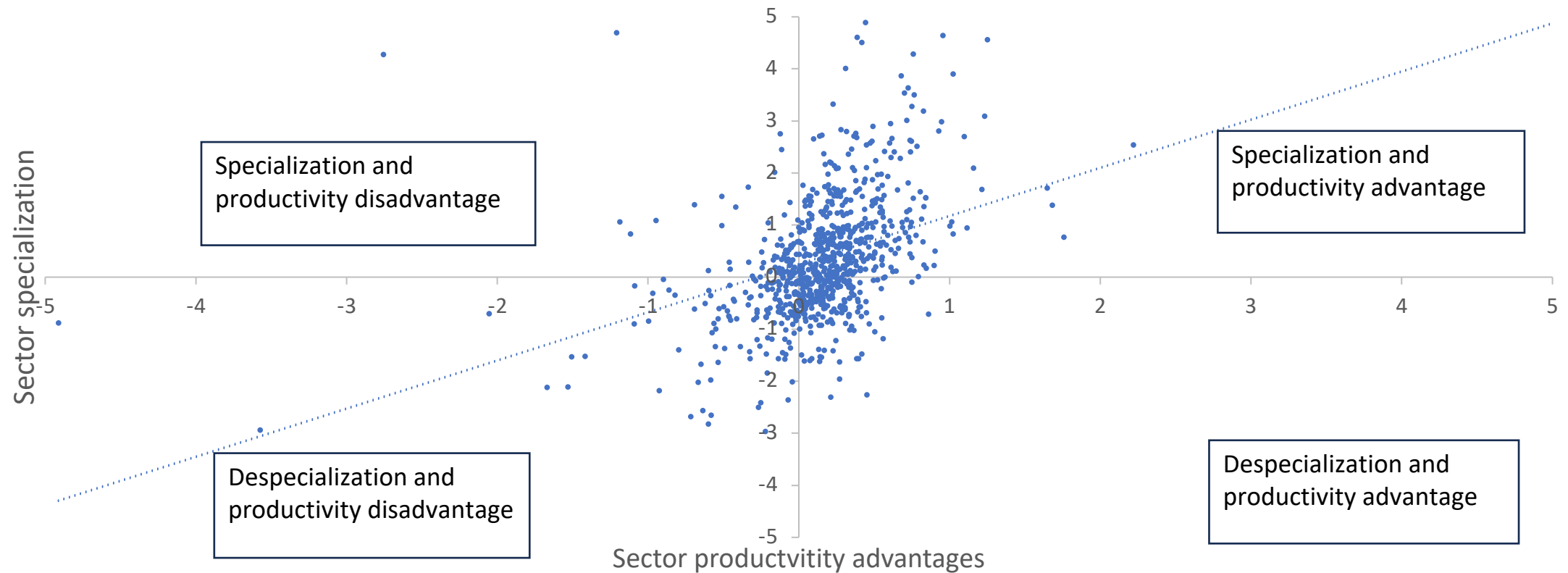
- «Niche» specialization in productions where Italian firms can **exert market power**, despite their size
- ❑ Example: **quality upgrading** in traditional made-in Italy; in footwear-textile-clothing-furniture Italian producers have **pricing power**, despite Chinese goods

## Resource endowment

- **Historical and natural resources** (landscape)
- ❑ Example: **tourism** and all related activities

# Italy's sector specialization (and despecialisation), relative to Eu countries, reflects productivity advantages (and disadvantages): best producers → best exporters

Italy vs. each Eu country: sector specialization in manufacturing and sector productivity advantages



**Exports as instrument to get imports: characteristics of Italian exports**  
**→ mostly manufactured goods, less services but for tourism; Italy buys many raw materials and intermediate goods**

**Italy's exports in comparison with France and Germany**

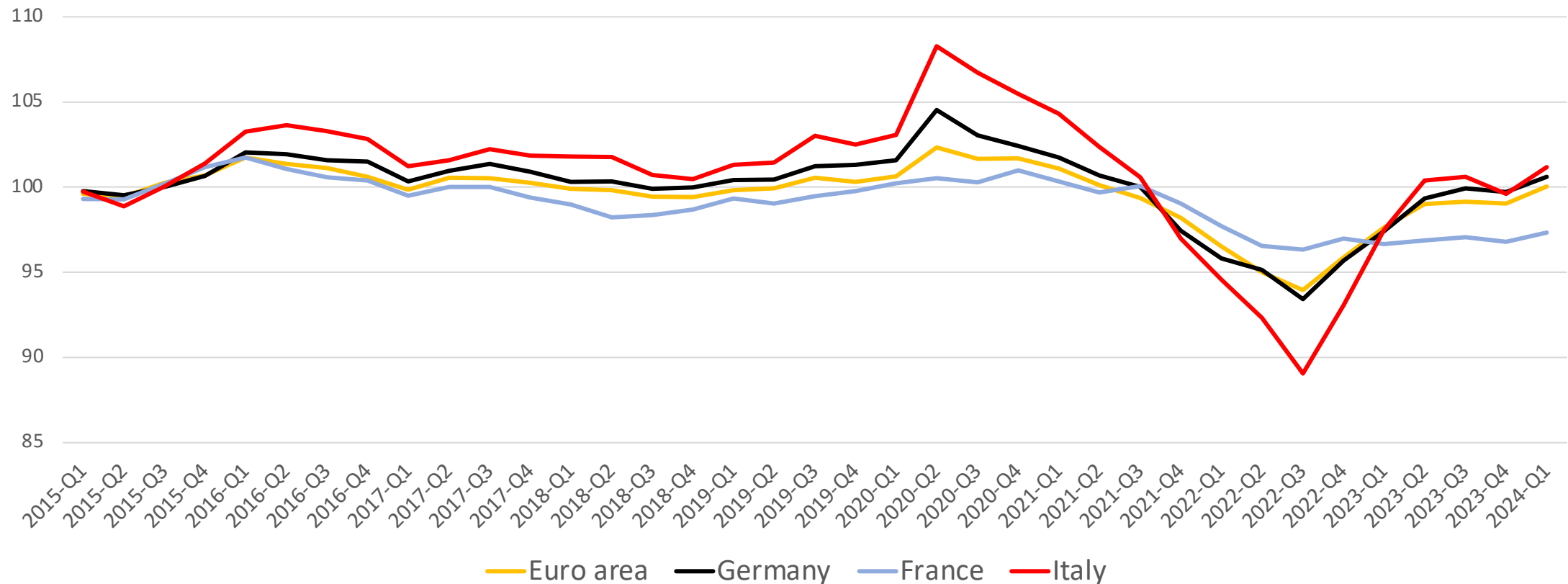
	Italy	France	Germany
Weight of exports in Gdp	35,1	32,7	47,9
Export composition	100,0	100,0	100,0
- Services	18,3	31,6	20,3
- Goods	81,7	68,4	79,7
--- Manufacturing goods	78,4	61,8	74,8

**Italy's imports in comparison with France and Germany**

	Italy	France	Germany
Weight of imports in Gdp	33,7	36,3	43,3
Import composition	100,0	100,0	100,0
- Services	20,9	28,0	25,6
- Goods	79,1	72,0	74,4
--- Intermediate goods and raw materials	66,6	61,1	65,6

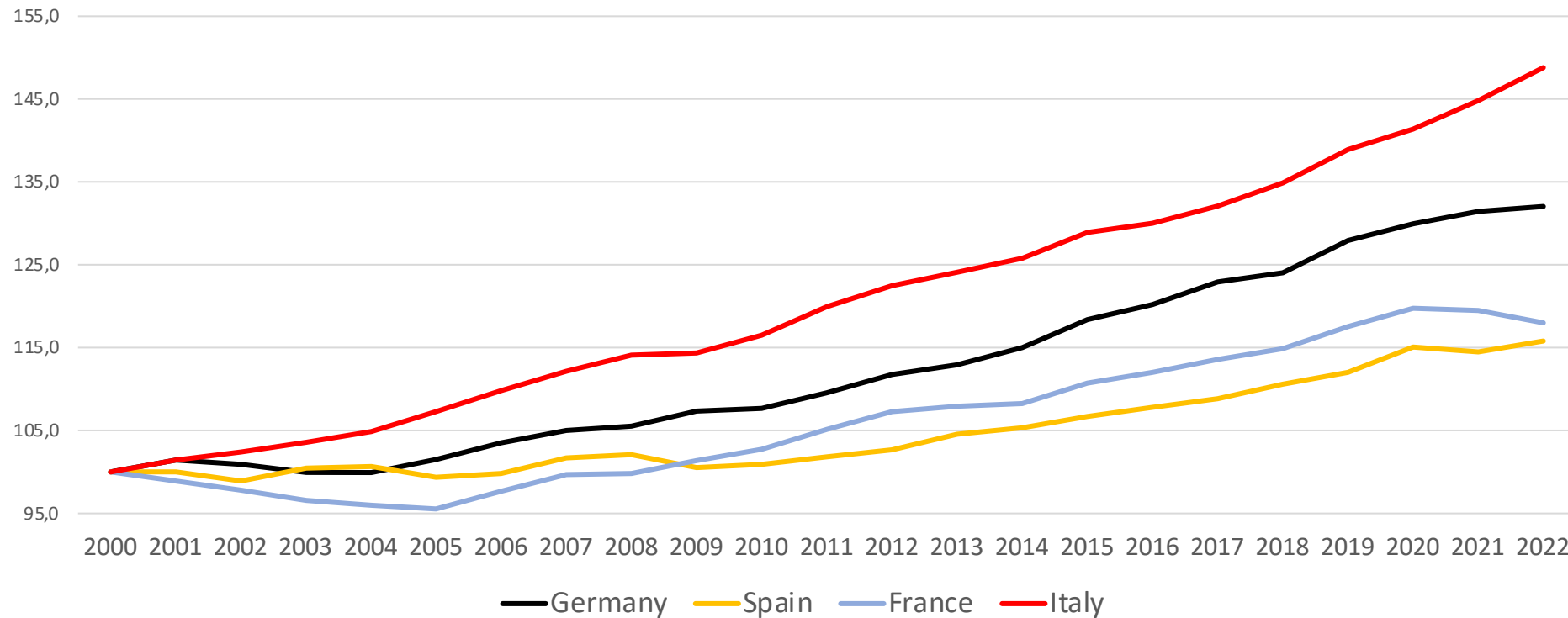
# Trade as an indirect form of production: produce imports (output) by exports (input): ability/efficiency of exports in obtaining imports (goods and services) is measurable

How many imports in exchange of 1 unit of exports  
(terms of trade, index number 2015=100)



# Ability fueled by quality upgrading of productions: also in traditional sectors, pricing power of exporters strengthens «efficiency» of exports in getting imports

Indicator of quality upgrading: export unit average value (quality-affected index)/export prices

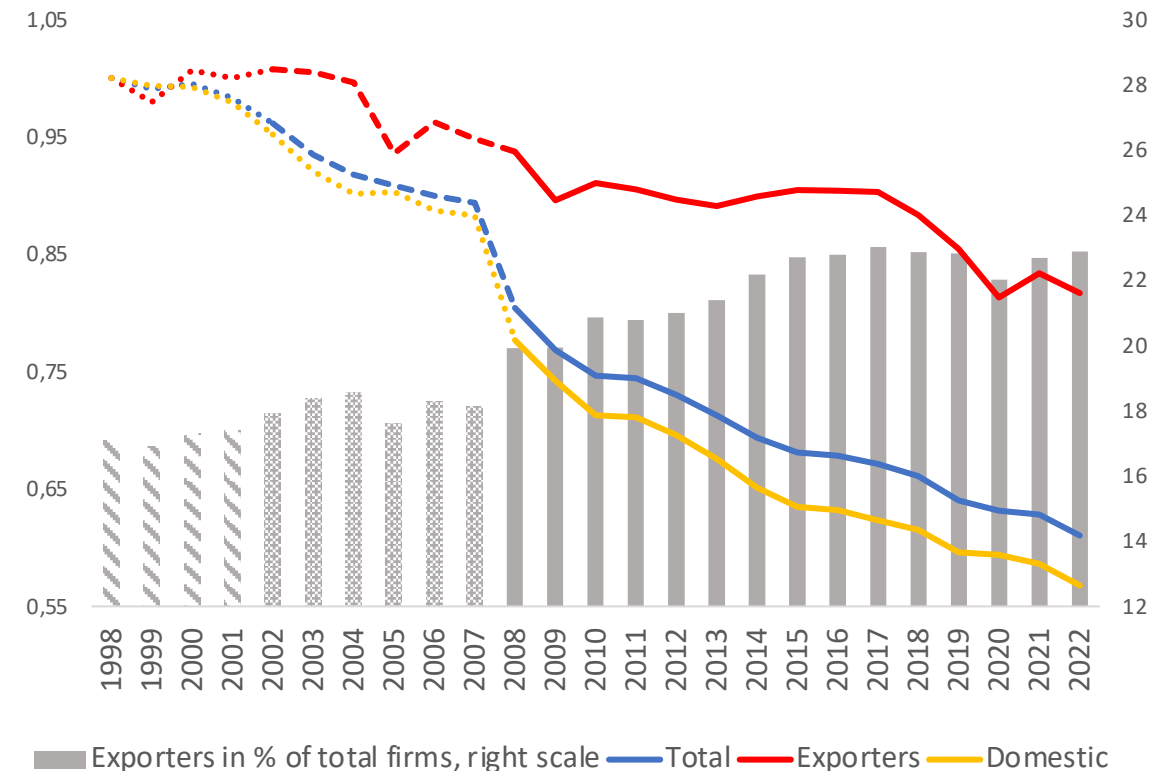




# Litmus test: exporting activity as a test revealing degree of efficiency of the whole manufacturing sector

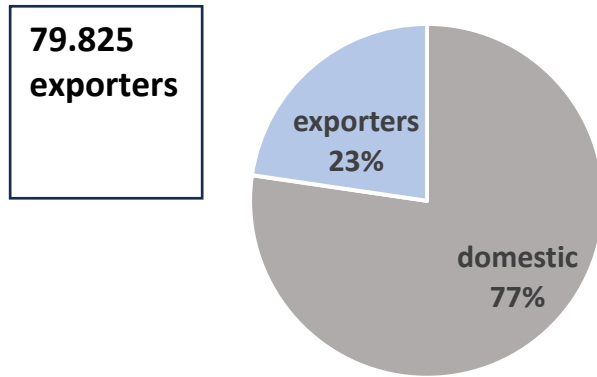
- Italy has a large population of manufacturing firms: 350.000, more than in Germany (205.000), France (240.000) and any other Eu country
- They are quite different, as in any other country: the most efficient are a minority in the population
- This minority coincides with the group of internationalized firms: they are productive enough to be able to sustain the high costs of going abroad
- *litmus test* → efficiency of the sector as a whole depends on the magnitude of the group of best firms
- Selection in last 15 years <--> streamline of the number of producers: number of domestic (small size) firms fell, number of exporters reduced much less → larger share of more productive firms → drive for average productivity

Italian manufacturing firms: total, domestic, exporters  
(index number 1998=1 and %)

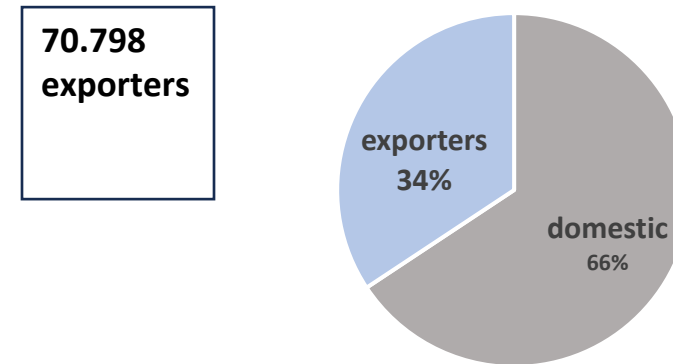


# Many manufacturing exporters; even if a minority, they are a lot, more than in Germany; as % of producers more than in other Euro countries (excl. Germany)

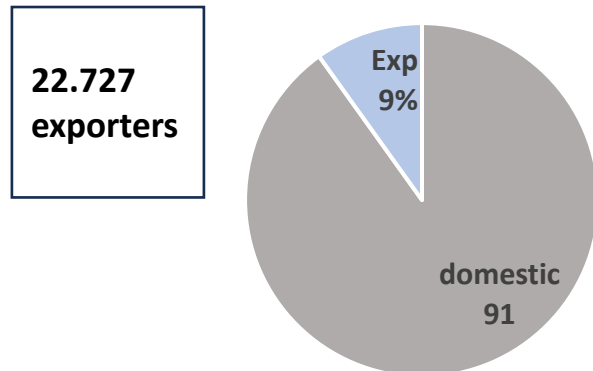
Italy (exporters, number and % of total firms)



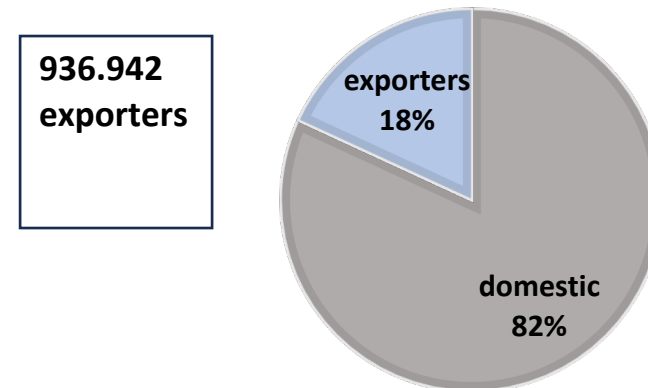
Germany (number and % of total firms)



France (number and % of total firms)

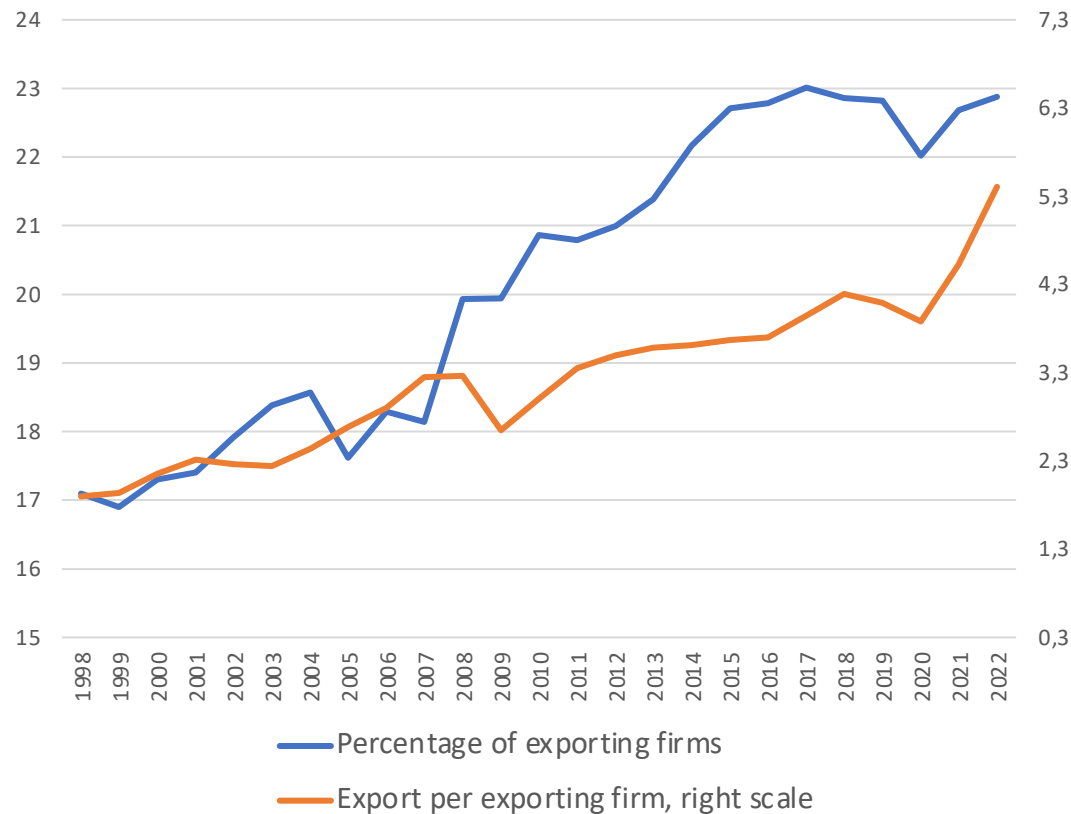


Spain (number and % of total firms)

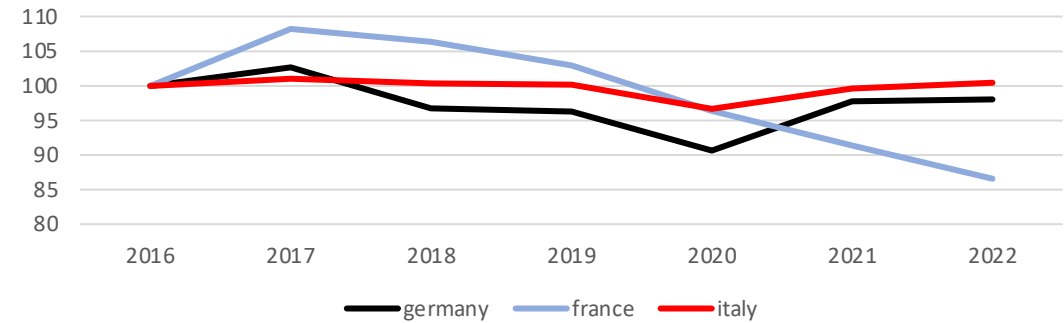


# Channels through which manufacturing export growth was achieved

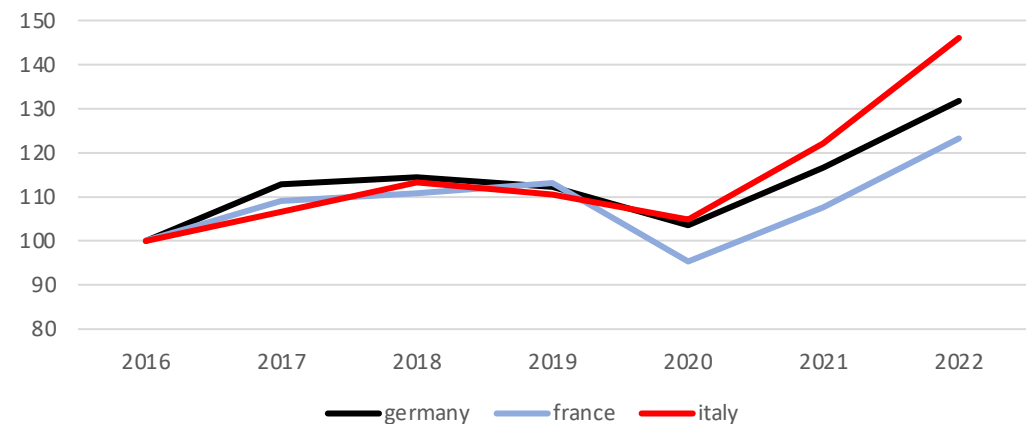
Intensity drove the export surge: exporters per active firm and exports per firm



Intensity of exporters: share in all producers index number 2016=100



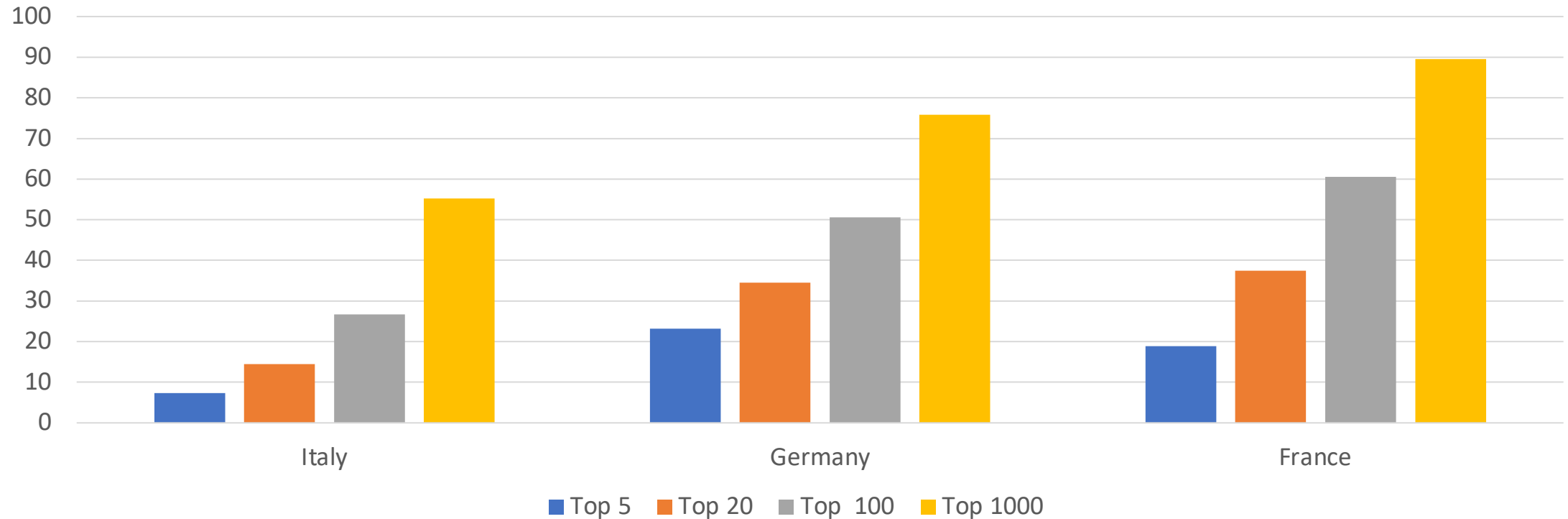
Intensity of export: export per firm, index number 2016=100





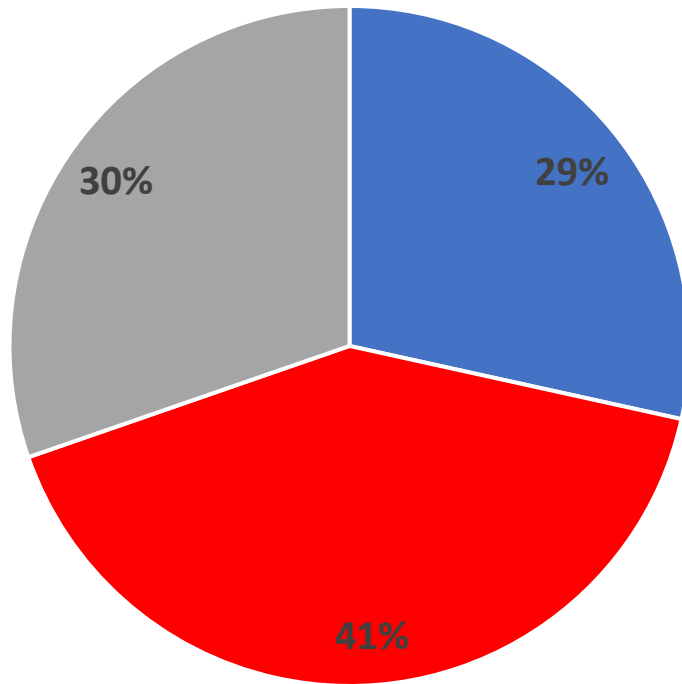
# Less concentrated export per firm: a weakness for exporting activity; it becomes a strength when flexibility is required

Share of total exports pertaining to each group of firms (%)



# International production integration: role of multinational firms in Italy's manufacturing exports is lower than in Eu economies; ample share of non-multinational exporters...

Italy: exports of manufacturing firms

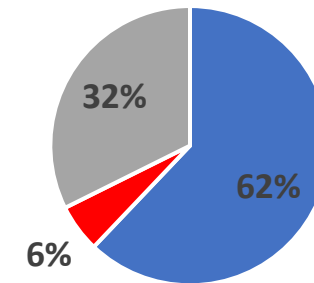


■ Enterprises controlled by national multinationals

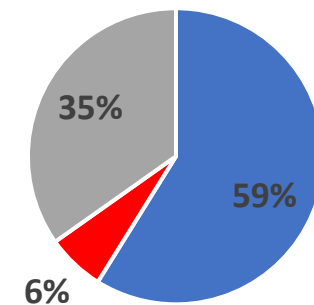
■ Non-multinational enterprises

■ Enterprises controlled by foreign multinationals

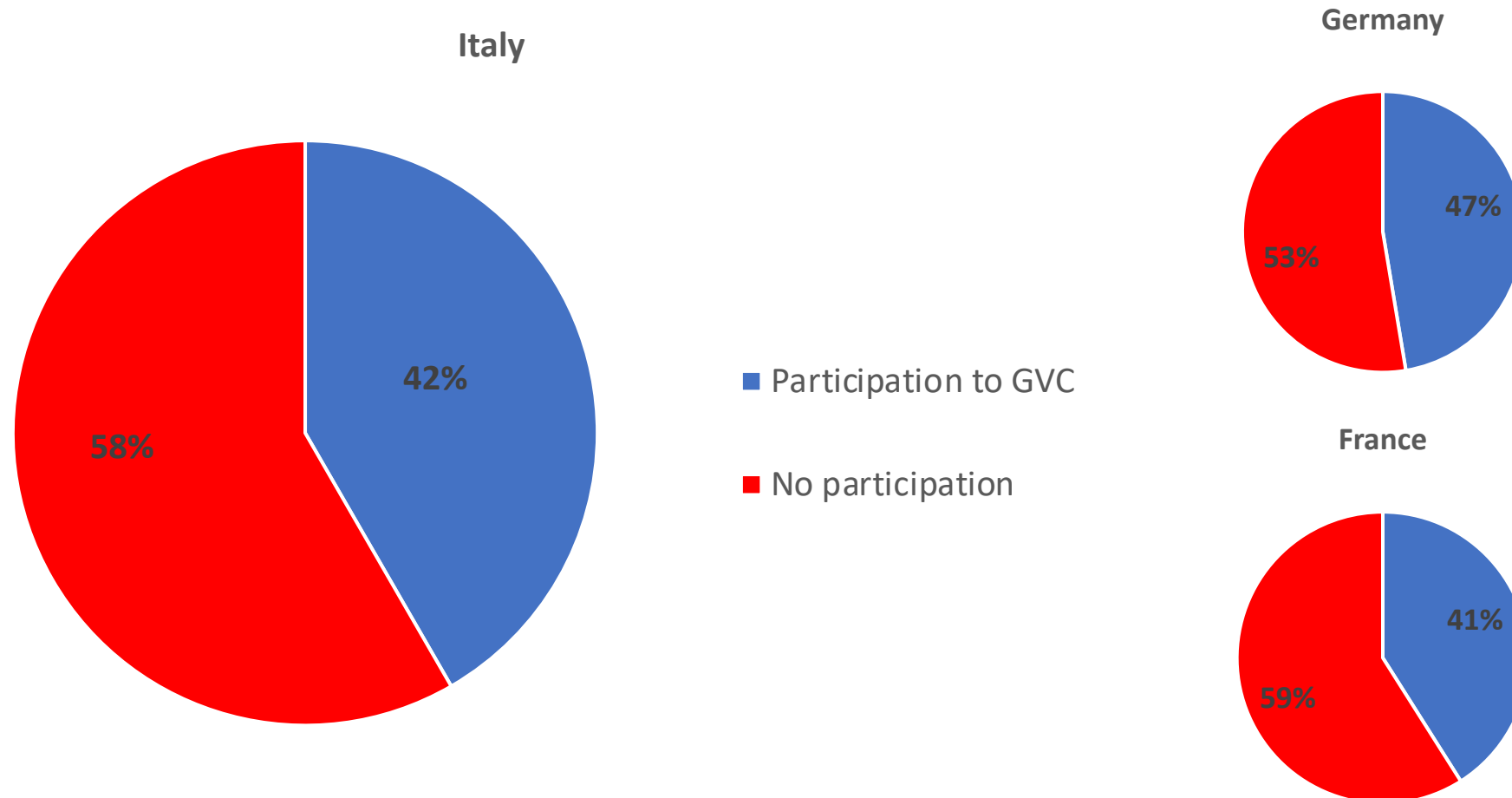
Germany: exports of manufacturing firms



France: exports of manufacturing firms

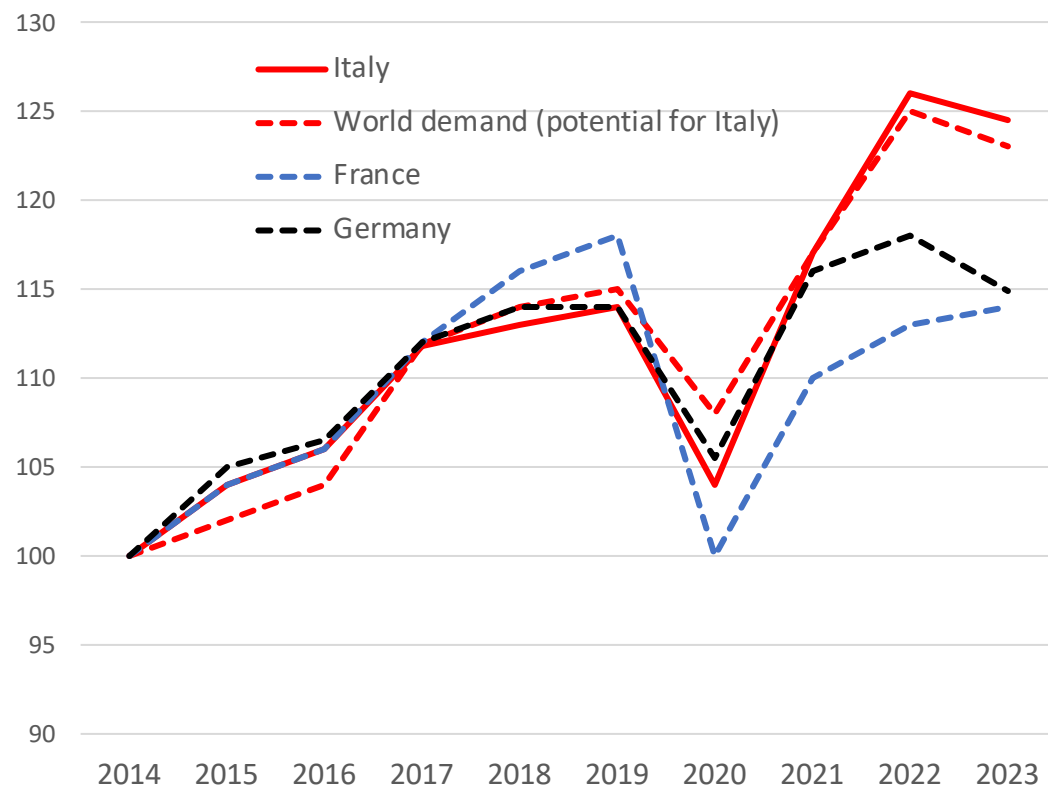


**...but participation to production integration in the form of Global Value Chain is in line with Eu countries: this is shown by share of manufacturing output involved in GVC**

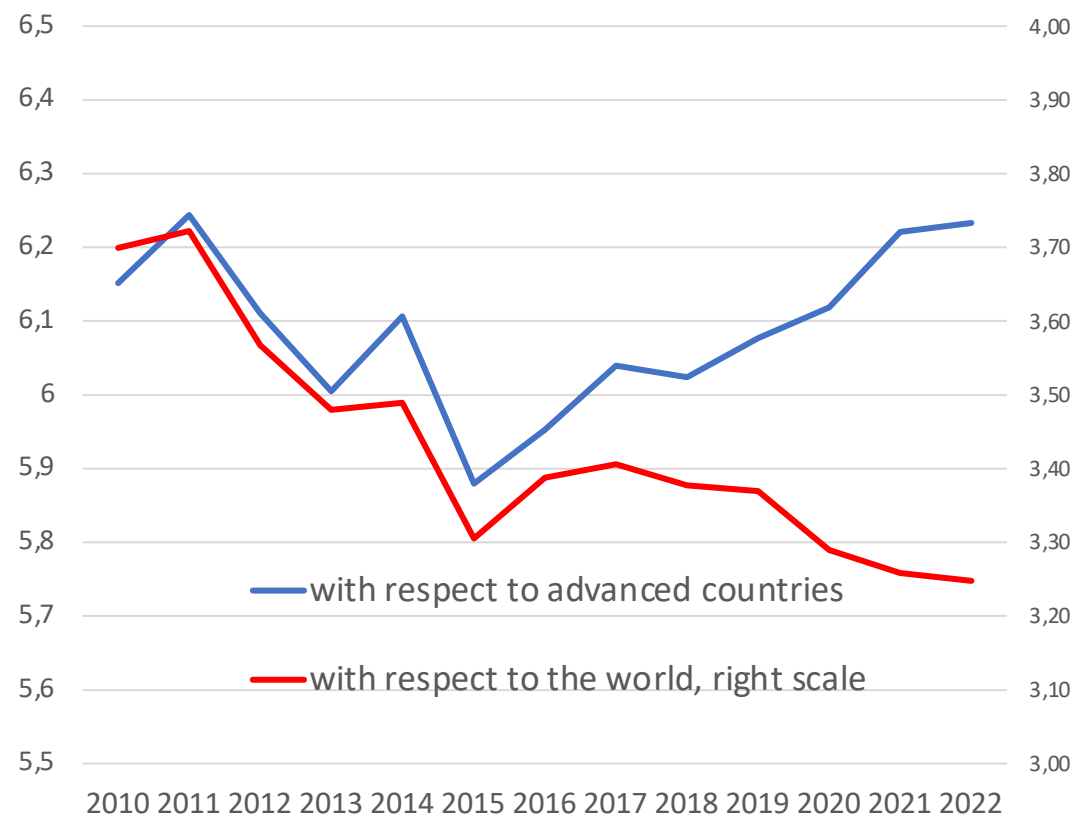


# Performance: Italy's total exports raised with its potential world demand; market share in manufacturing has been improving w.r.t. advanced countries; «China» affects share in world exports

Exports of goods: Italy, France, Germany and potential world demand (for Italy)

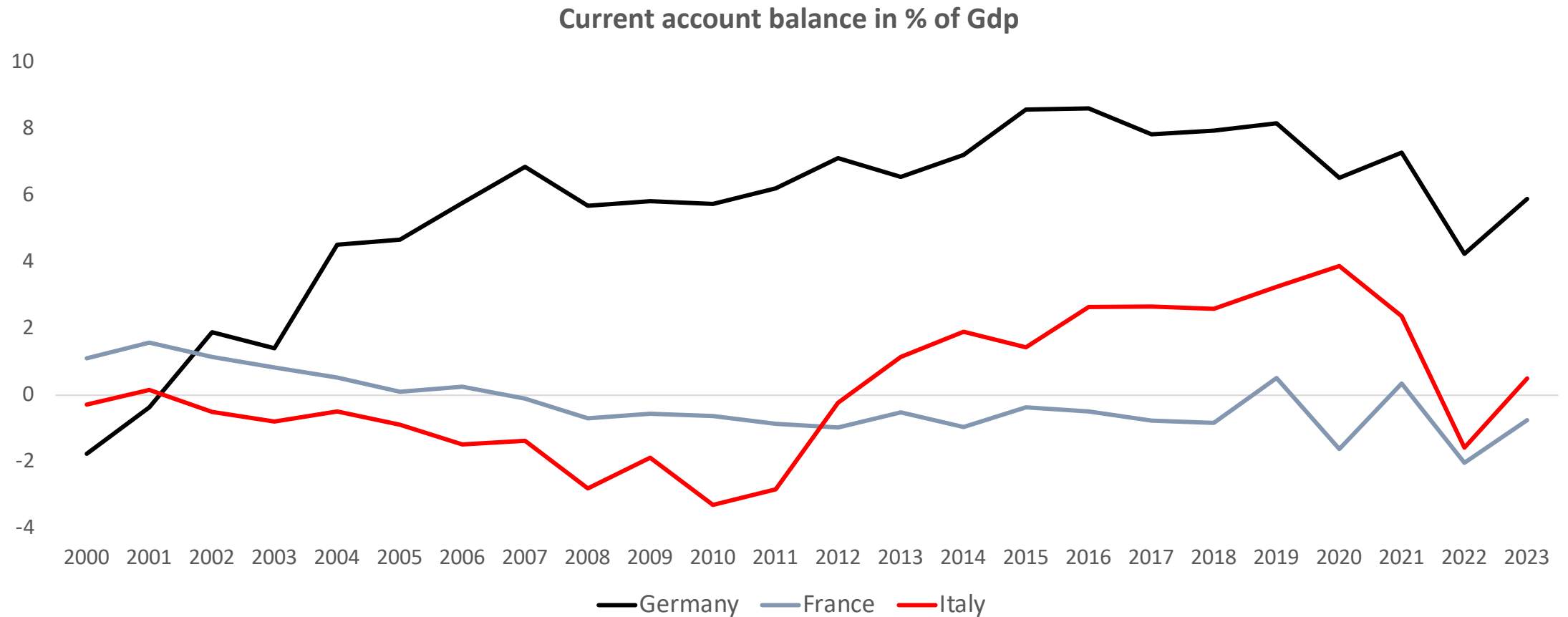


Manufactured goods: Italy's market share

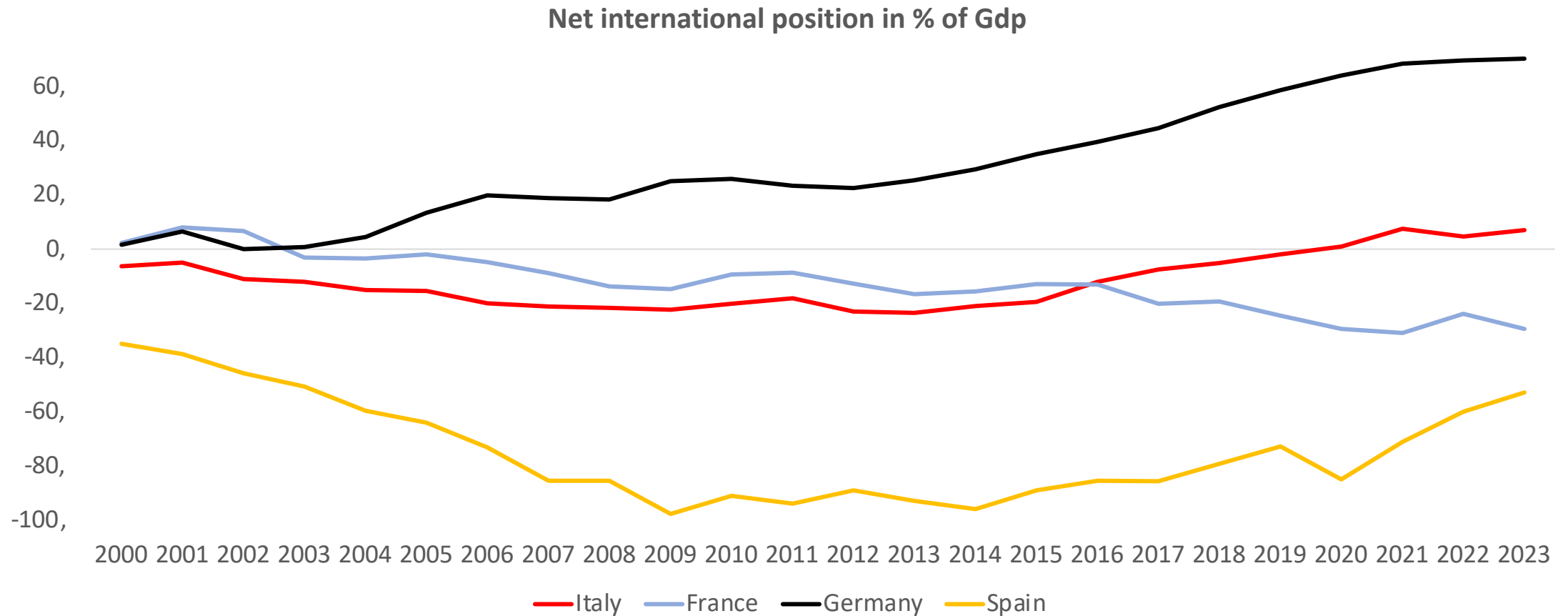




# Balance of current account (exports-imports), growing surplus since the beginning of last decade up to the energy shock (2022)



# As a result of the building up of trade-balance surpluses, Italy has become a net creditor vis-à-vis the rest of the world (7% of Gdp): second to Germany among main Eu countries



# Summing up...

- A manufacturing country with a varied specialization pattern: intermediate, investment, consumer goods
- Exports are efficient in procuring resources necessary to import; this also thanks to quality differentiation
- Population of producers shrank over time, but still more firms and exporters than in competitor economies
- Weight of the latter (most efficient ones) increased, driving the average productivity of the whole sector
- Large part of successful exporters are medium-small sized producers, contrary to what occurs elsewhere
- Lower role of multinational firms, but participation to production globalization in the form of GVC is high
- Smaller size of exporters can be a weak point, it becomes a strong one in turbulent times, when flexibility of these exporters (in changing destinations and sources of supply according to contingencies) pays off
- Since 2015, Italy's export performance has been favourable in comparison with main competitors; since the early 2010s', current account surplus surged; since 2020, net creditor to the rest of the world
- Competitive adjustment has borne fruit, performance was positive in last 10 years, but now upheavals loom
- Geopolitical conflicts + digital/green transformation → new products, new technologies, new trade relations
- Past history shows that Italy has the ability to adapt, but spontaneous adjustment wouldn't be enough, public policies, at national and especially European level, are called into question

**That's all!**

