

Country trade view Italy

[Trends in global trade]

Summary

- Italy is a significant player in world trade. In 2014, it was the eleventh-largest importer and the ninth-largest exporter in the world. Italy comprises an industrially developed North and a more agricultural South and is known for its substantial production of high-quality consumer goods. The openness of the Italian economy is, compared to other economies of the same size, about average with an import to GDP ratio of 24%.
- Italy's largest import partners are Germany (22% of total imports), France (12%) and Russia (9%). Imports are expected to grow almost across the board in the next few years, with significant increases expected from Russia (+10.3% by 2019), China (+27.2%), Spain (+14.6%) and the US (+23.1%).
- Italy's top export partner is Germany (13% of total), followed by France (11%) and the US (8%). There are big discrepancies in the growth rates of the different partners. By 2019, exports to Germany are expected to have fallen 4.6%, to France by 13.3% and to Spain by 7.3%, while exports to Turkey (+15.3%) and China (+13.3%) are expected to grow strongly.
- Italy's main imports are chemicals (13% of total imports), fuels (13%) and basic food (10%). Exports consist primarily of industrial machinery (20%), road vehicles and transport equipment (9%) and chemicals (8%). Italy's trade growth continues to be volatile, but a 12-month moving average shows growth in both imports and exports since the beginning of 2015.
- The largest single product groups in export flows are other manufactured goods to France (USD18.7bn) and other manufactured goods to Germany (USD18.2bn). Many of the high quality Italian consumer goods are in this product group. The two largest single-sector flows are fuels from Russia (USD25.4bn) and other manufactured goods from Germany (USD13.5bn).
- Italy has also greatly expanded its production and export of industrial machinery in the past decade. Italy is also expected to expand its motor vehicles and motor vehicle parts industry in the next few years. On the other hand, growth in the tobacco, leather goods and textiles sectors is expected to be slow.

About International Trade Research at ING

ING International Trade Research aims to help ING's (inter)national clients develop their knowledge and capabilities for doing business across borders, and contribute to the public debate on internationalization. We do this by providing insights on the current and future economic trends and international trade developments worldwide.

Economic profile

Economy

	2015	2016	2017
GDP growth (Real)	0.8%	1.2%	1.2%
GDP nominal (bn, USD)	1842.84	1880.88	1941.53
GDP per capita (USD)	30593.8	31091.8	31966.4
Exchange rate EUR/USD eop	1.05	1.02	1.1
Inflation	0.5%	0.8%	1.4%
GDP composition by sector			2014
Agriculture	2.2%		
Industry	23.9%		
Services	73.9%		

Population

	2014
Population (mln)	61.9
Unemployment rate	12.8%

Other indicators

	2014-2015
Competitiveness rank WEF	49/144
Ease of doing business rank	56/189
Credit rating	
S&P	BBB- (Stable outlook)
Moody's	Baa2 (Stable outlook)
Fitch	BBB+ (Stable outlook)

Sources: ING, IMF World Economic Outlook, UNCTAD, National Statistical Services, Rating Agencies

Italian trade profile: goods export share, 2014

Agriculture & raw materials

Exports	\$ 7.54
Imports	\$ 5.80

Basic food

Exports	\$ 83.51
Imports	\$ 33.28

Beverages & tobacco

Exports	\$ 22.24
Imports	\$ 3.27

Office, telecom & electrical equipment

Exports	\$ 79.52
Imports	\$ 30.53

Chemicals

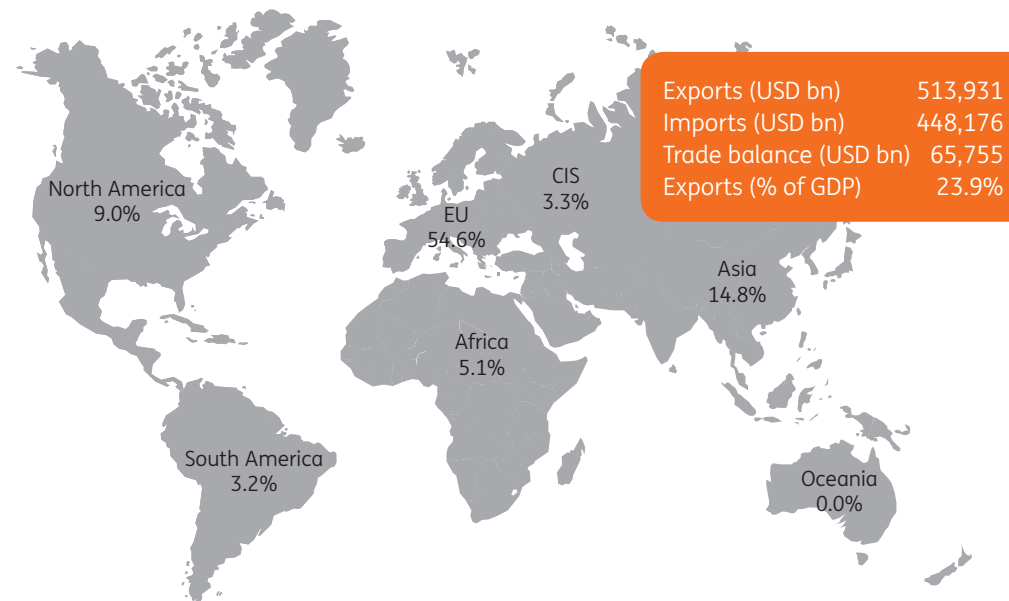
Exports	\$ 103.61
Imports	\$ 43.66

Fuels

Exports	\$ 55.84
Imports	\$ 42.74

Industrial machinery

Exports	\$ 262.83
Imports	\$ 25.22



Exports (USD bn)	513,931
Imports (USD bn)	448,176
Trade balance (USD bn)	65,755
Exports (% of GDP)	23.9%

Ores & metals

Exports	\$ 28.09
Imports	\$ 12.32

Other manufactured goods

Exports	\$ 369.27
Imports	\$ 59.66

Other products

Exports	\$ 22.98
Imports	\$ 11.01

Pharmaceuticals

Exports	\$ 67.08
Imports	\$ 17.10

Road vehicles & transport equipment

Exports	\$ 120.33
Imports	\$ 29.31

Textiles

Exports	\$ 95.83
Imports	\$ 18.96

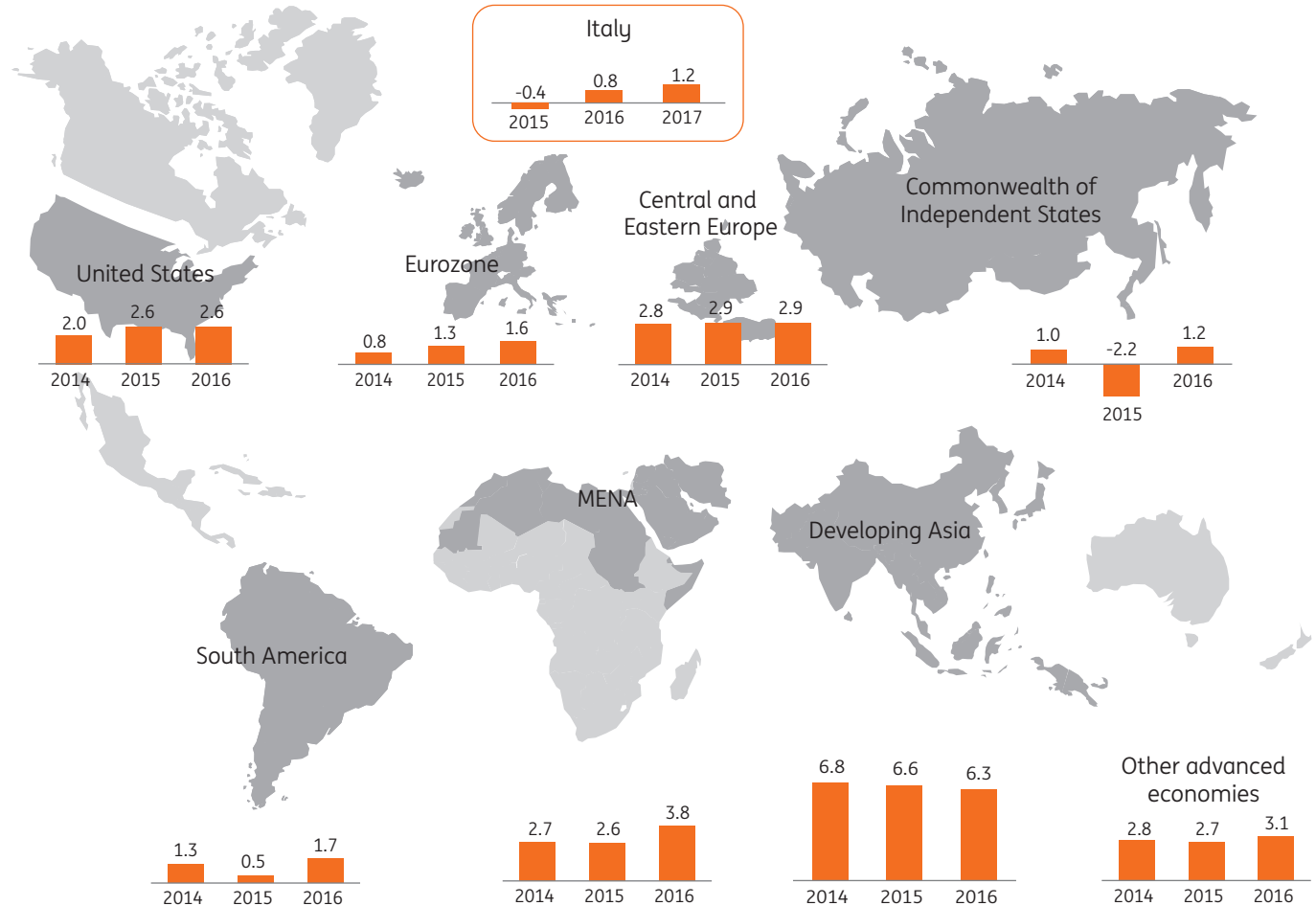
Product group amounts in USD bn, and for the 32 partner countries distinguished

Sources: ING, IMF World Economic Outlook, UNCTAD, national sources

Expected real GDP growth

Italy's economy contracted in 2014. Growth rates are expected to remain subdued in 2015 (0.8%) and 2016 (1.2%).

Indeed, Italy's economy is expected to grow slower than the Eurozone average (1.3% in 2015 and 1.6% in 2016) and lag far behind the US (2.5% and 2.5%) and other advanced economies (2.7% and 3.1%). Interestingly, developing Asia is the only region in which economic growth is expected to be lower in 2016 than in 2015. This is due to the incorporation of a growth slowdown in China.



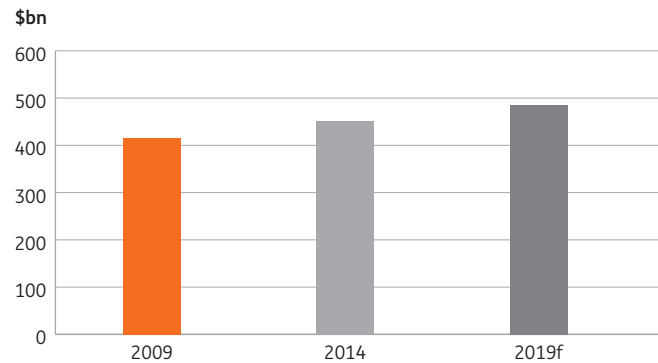
Source: IMF World Economic Outlook, ING Forecasts

Trade forecasts

Italy's trade is expected to grow slowly but maintain its surplus.

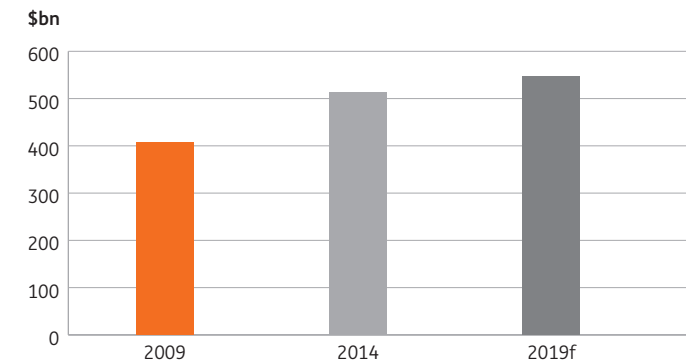
Exports and imports are expected to grow at a slow pace in the next few years. The expected average growth rate until 2019 of exports is 1.45% and of exports 1.29%. Italy has been running a trade surplus since 2012. Given the higher level of, the trade surplus is expected to remain relatively stable at USD60bn despite the higher growth rate of imports.

Total imports



Italy	2009	2014	2019f
World ranking	8	12	15
CAGR* 2014-2019	1.45%		

Total exports



Italy	2009	2014	2019f
World ranking	7	8	10
CAGR 2014-2018	1.29%		

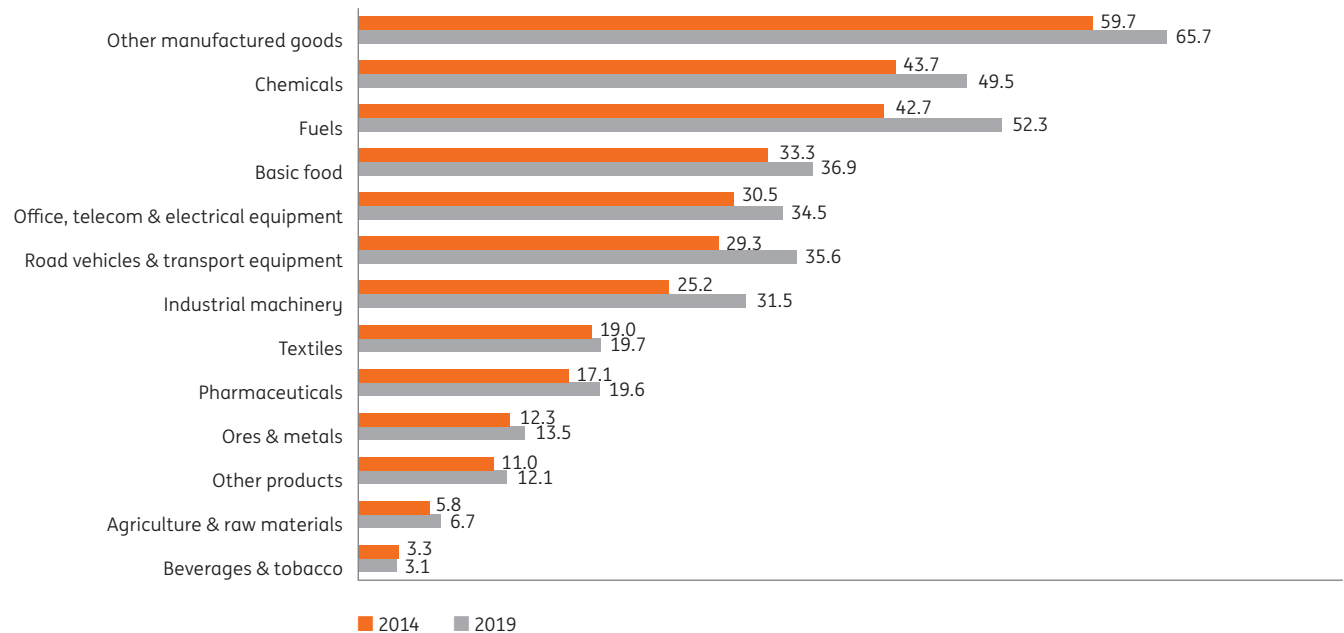
* Compound Annual Growth Rate
Source: Oxford Economics

Demand for products: imports by product group

Italy is expected to increase its imports.

Most of Italy's imports are in the product groups 'other manufactured goods' (miscellaneous, but iron and steel play a large role), chemicals and fuels. In concurrence with a return of growth to the Italian economy, imports will rise in most product groups. The highest growth is expected in industrial machinery, fuels and road vehicles and transport equipment. On the flipside, the import of beverages and tobacco is expected to decline, with minimal import growth in textiles, and ores and metal.

Imports by product groups, 2014 and 2019, in USD bn



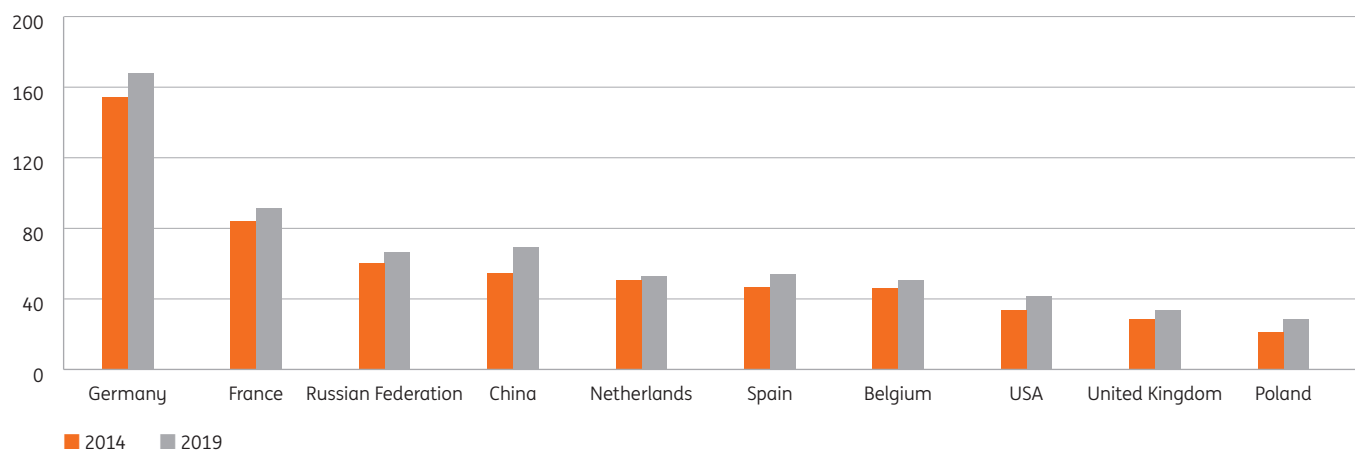
For the 32 partner countries distinguished
Source: Oxford Economics

Demand for products: origins of imports

The majority of Italian imports originate from Germany, followed by France, Russia, China and the Netherlands.

In terms of product groups by country, the largest inflow is, by far, fuels from Russia at USD25.4bn. The second-, third-, fourth- and fifth-largest import flows on productgroup level stem from Germany and are other manufactured goods, road vehicles and transport equipment, chemicals and industrial machinery.

Main origins of imports, 2014 and 2019, in USD bn



Top 10 largest import flows by product and country of origin

Italy				
Import product	Origin import	Value, \$bn, 2014	Value, \$bn, 2019	Exp. ann. growth 2014-2019
Fuels	Russian Federation	25.42	28.16	2.07%
Other manufactured goods	Germany	13.47	13.98	0.75%
Road vehicles & transport equipment	Germany	10.50	11.41	1.68%
Chemicals	Germany	9.22	11.06	3.72%
Industrial machinery	Germany	8.58	10.37	3.86%
Other manufactured goods	France	8.38	8.56	0.41%
Other manufactured goods	China	7.96	9.95	4.58%
Chemicals	Belgium	7.96	8.89	2.24%
Office, telecom & electrical equipment	Germany	7.81	8.29	1.20%
Basic food	Germany	6.89	7.68	2.18%

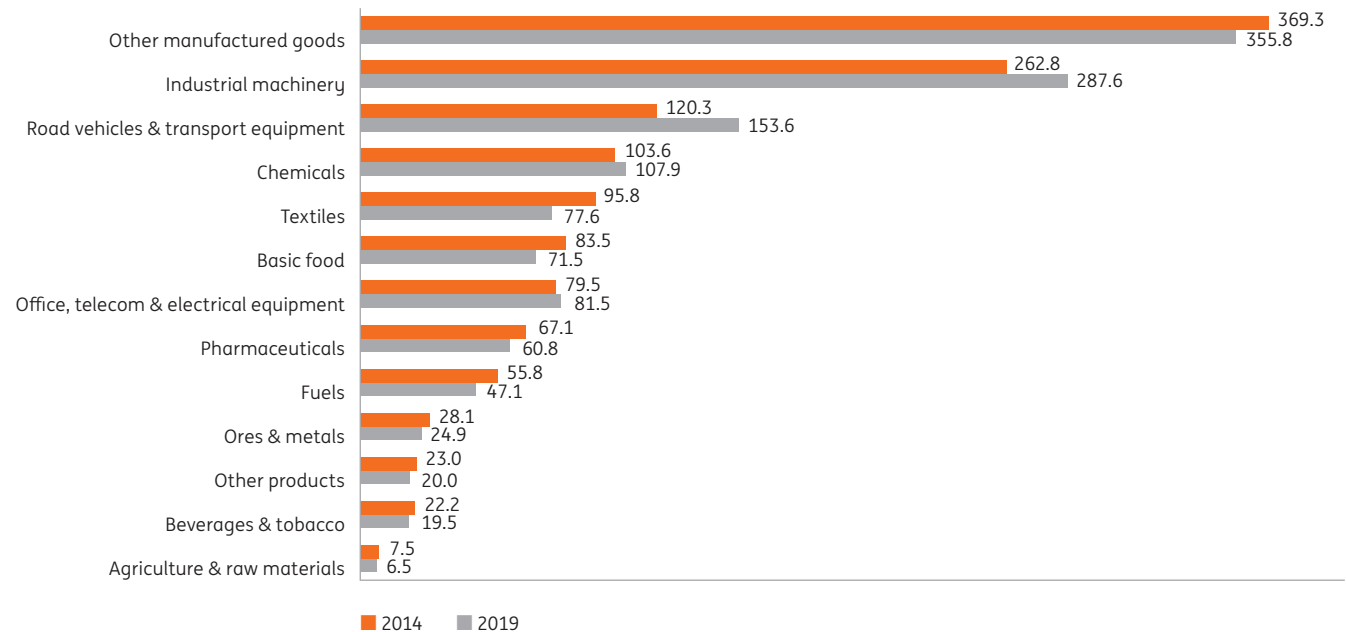
For the 32 partner countries distinguished
Source: Oxford Economics

Exports: key product groups

Italy's exports shift to the industrial sector.

Italy is expected to increase its output in industrial sectors. Whereas industrial machinery and chemicals will see moderate growth in exports, road vehicles and transport equipment will experience a larger boost. Non-industrial exports are expected to shrink in the next few years. Agriculture and raw materials, basic food, fuels and textiles are all sectors in which exports are expected to shrink. This will push the economic balance of Italy even further towards the north of the country.

Key product groups, 2014 and 2019, in USD bn



For the 32 partner countries distinguished
Source: Oxford Economics

Exports: key destination markets

Italy's biggest export destinations are Germany, France, the US, the UK and Spain.

Interestingly, shifts in partners are expected. Whereas exports to Germany (-4.6%), France (-13.3%) and Spain (-7.3%) are expected to fall considerably, exports to Turkey (+15.3%) and China (+13.3%) are expected to grow strongly.

Key destination markets of exports, 2014 and 2019, in USD bn



Top 10 largest export flows by product and destination country

Italy				
Export product category	Destination	Value, \$bn, 2014	Value, \$bn, 2019	Exp. ann. growth 2014-2019
Other manufactured goods	France	18,691.96	15,095.98	-4.18%
Other manufactured goods	Germany	18,204.28	16,022.39	-2.52%
Industrial machinery	Germany	11,072.68	10,865.97	-0.38%
Other manufactured goods	USA	11,040.05	10,917.50	-0.22%
Industrial machinery	USA	8,937.08	9,787.37	1.83%
Industrial machinery	France	7,863.11	6,983.99	-2.34%
Other manufactured goods	United Kingdom	7,581.56	7,151.08	-1.16%
Road vehicles & transport equipment	Germany	7,429.01	9,164.02	4.29%
Chemicals	Germany	6,794.35	6,548.26	-0.74%
Other manufactured goods	Spain	6,393.08	5,563.97	-2.74%

For the 32 partner countries distinguished
Source: Oxford Economics

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