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Italy in the World Economy

ICE Summary Report 2008

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CONTENTS

PROBLEMS OF THE INTERNATIONAL ECONOMY AND MARKET STRATEGIES OF ITALIAN FIRMS

1. World trade and international investment	Page	7
2. The European Union		12
3. Trade policies		13
4. Italy		14
5. Regions and countries		18
6. Sectors		20
7. Italian regions and industrial districts		23
8. Firms		24
9. Concluding remarks		26

STATISTICAL TABLES

WORLD AND EUROPEAN UNION

1.1 World trade and foreign direct investment	31
1.2 Regional shares of world merchandise exports	32
1.3 Regional shares of world merchandise imports	32
1.4 World merchandise trade: top 20 exporters	33
1.5 World merchandise trade: top 20 importers	33
1.6 Inward foreign direct investment: main recipient countries	34
1.7 Outward foreign direct investment: main investor countries	34
1.8 Shares of world trade and trade balances net of intra-EU trade	35

ITALY

2.1 Italy's balance of payments on current account	36
2.2 Italy's foreign trade (FOB-CIF)	36
2.3 Constant-market-shares analysis of Italy's share of world imports	37
2.4 Italy's foreign trade by geographical region and with the main countries	38
2.5 Size of the markets and Italy's shares	39
2.6 Italian exports: top 20 countries of destination in 2007	40

2.7 Italian imports: top 20 countries of origin in 2007	40
2.8 Italy's foreign trade by sector	41
2.9 Volumes and prices of Italian exports and imports by sector	42
2.10 Size of sectors and Italy's world market shares	43
2.11 Merchandise exports of the Italian regions	44
2.12 Industrial districts' shares of Italian exports and Italy's shares of world exports	45
2.13 Internationalization of Italian firms	46
2.14 Exports by firm size class and sector of activity	46

PROBLEMS OF THE INTERNATIONAL ECONOMY AND MARKET STRATEGIES OF ITALIAN FIRMS

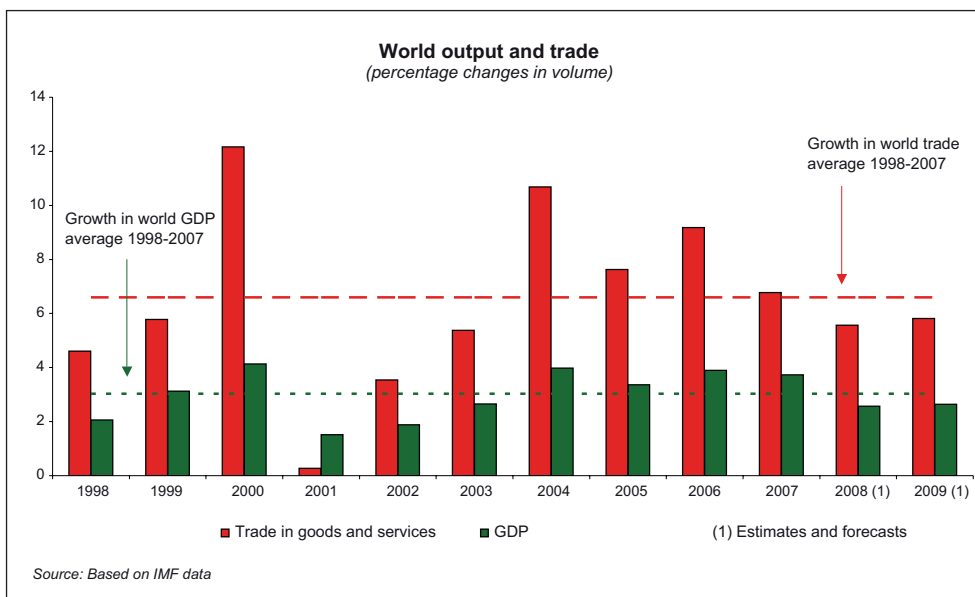
1. World trade and international investment

The rapid expansion that has characterized the world economy in recent years persisted in 2007. Global output grew by 3.7 per cent¹, only marginally less than 2006. Growth remained strong in the emerging regions but showed signs of slowing in the advanced countries. These signs intensified in the closing months of the year, interacting with a broad-based upturn in inflation. The outlook for the current year has thus become highly uncertain.

Trade in goods and services slowed more sharply than did production, its annual growth in volume declining by more than two percentage points to 6.8 per cent. Among the factors responsible for this were the across-the-board increase in transport costs, due in part to the rise in oil prices, and the transfer of purchasing power from the developed to the commodity-producing countries, which have a lower propensity to import.

Strong growth in the emerging regions, but signs of deceleration in the advanced countries

Slowdown in trade



¹ The rate of growth in world output referred to in this section was obtained by aggregating the figures for GDP of the individual countries after converting them into dollars at market exchange rates, for the sake of comparison with the growth rate of trade. Regional GDP growth rates are instead calculated at purchasing power parity. If world GDP is calculated on a PPP basis its growth in 2007 rises to 4.9 per cent, owing to the greater weight this method assigns to the developing and emerging countries, which have been more dynamic in recent years.

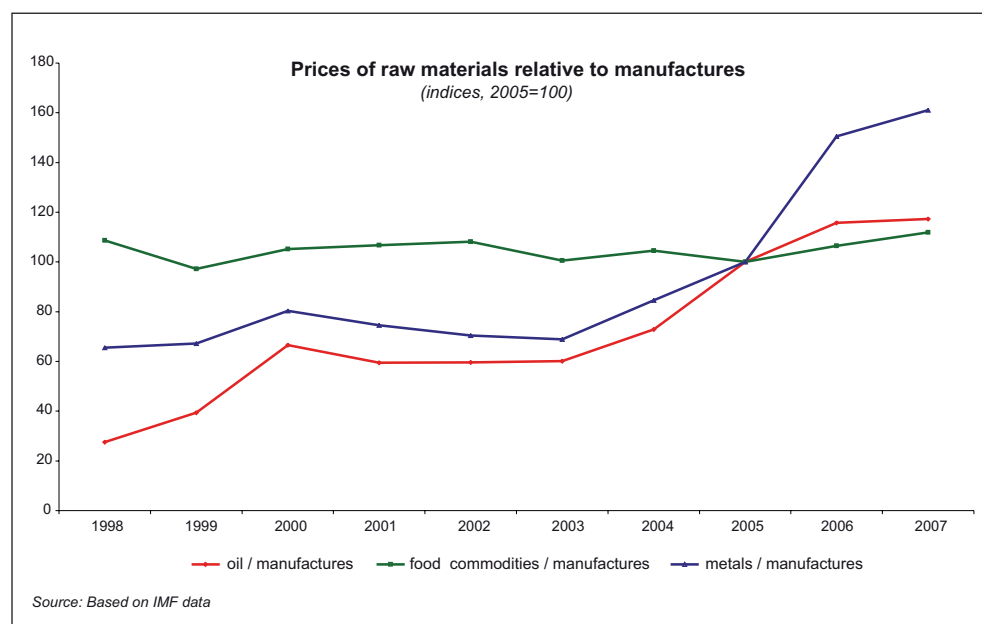
Faint effects of the financial crisis on world FDI flows

The rise in the prices of oil and food commodities rekindle inflation

Flows of direct investment, up by an estimated 17.8 per cent in 2007, appear to have surpassed the record high level recorded in 2000. In the earlier part of the year the good showing of corporate profits fostered cross-border mergers and acquisitions. The financial crisis in the second half of the year did not dent M&A activity significantly, since the impact of the liquidity squeeze in the banking system was offset by a strong injection of capital deriving from the buildup of reserves of the commodity-exporting countries and China. These very substantial resources fueled sovereign wealth funds, which displayed an increasing activism in acquiring equity interests in foreign companies².

Sovereign wealth funds also appear to have contributed to rekindling inflation, by shifting their investments from low-risk assets such as US government securities towards riskier but higher-yielding financial products based on raw materials. Stimulated by demand-side pressure, the rise in the price of oil (11 per cent) and other commodities, especially metals (17 per cent) and foodstuffs (15 per cent), began to act as a brake on production and to drive inflation up almost everywhere in the course of 2007, in contrast to what had happened in the preceding years. After falling at the start of the year, oil prices headed sharply higher again, returning in real terms (deflated with the rate of consumer price inflation in the main industrial countries) to the record-high levels reached after the second oil crisis in 1979.

The terms of trade of the oil-importing countries worsened, as did those of the developing countries more heavily dependent on imports of food products. Some countries sought to keep prices in the domestic market under control with restrictive measures, but their sole effect seems to have been to increase the volatility of prices.



² On sovereign wealth funds, see “I fondi sovrani e gli investimenti internazionali: salvatori o sovvertitori?” by A. Goldstein and P. Subacchi in Chapter 1 of the Report.

The dollar continued to weaken in 2007, reflecting the low forecasts for growth and the cuts in US interest rates. The appreciation of the euro grew more pronounced in the second half of the year and continued in the first few months of 2008, largely owing to the different monetary policy stance of the European Central Bank with respect to that of the Federal Reserve. The strengthening of the euro was accompanied by an increase in its use as a billing currency in trade and in the denomination of debt instruments, although this development, at least for now, mainly involves the countries bordering with the European Union.

The dollar continues to depreciate against the euro

In contrast with what had occurred in the preceding years and despite the rise in prices of some raw materials, the rate of growth in trade in goods (15 per cent in value) was lower in 2007 than that in services (17.7 per cent). The sharp acceleration in the latter, notwithstanding significant protective barriers, may be linked to the increasing international fragmentation of production and the consequent development of trade in intermediate services, made possible by the progress of information and communication technology (ICT). Among industrial sectors, trade growth was strongest for chemicals, basic metals and metal products, and mechanical machinery and equipment; as in the previous two years, it was weak for most personal consumer goods and ICT products.

Strong growth of trade in chemicals, mechanical machinery, and basic metals and metal products, weak growth in consumer goods and ICT products

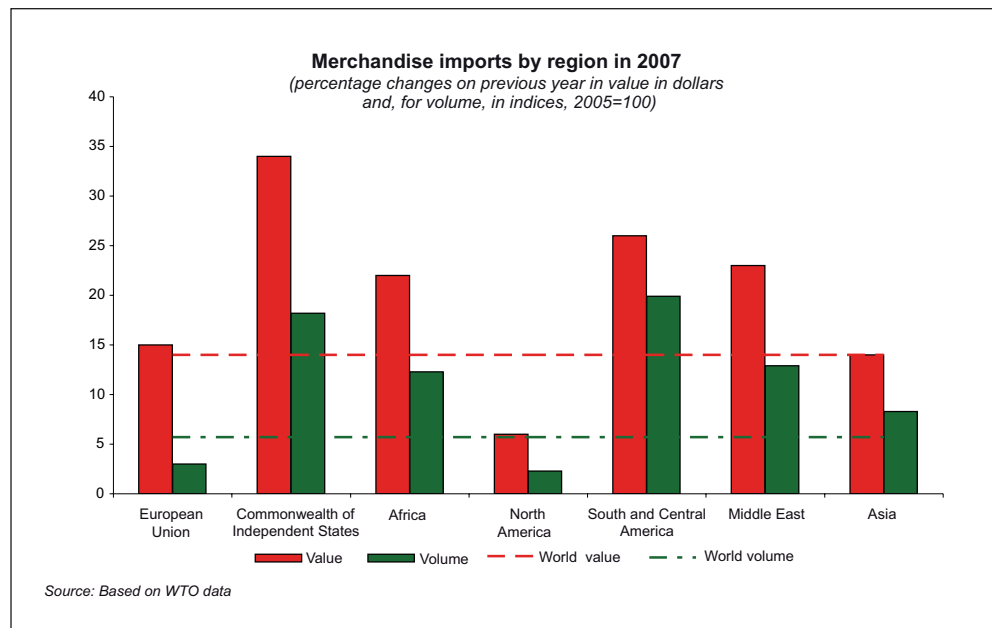
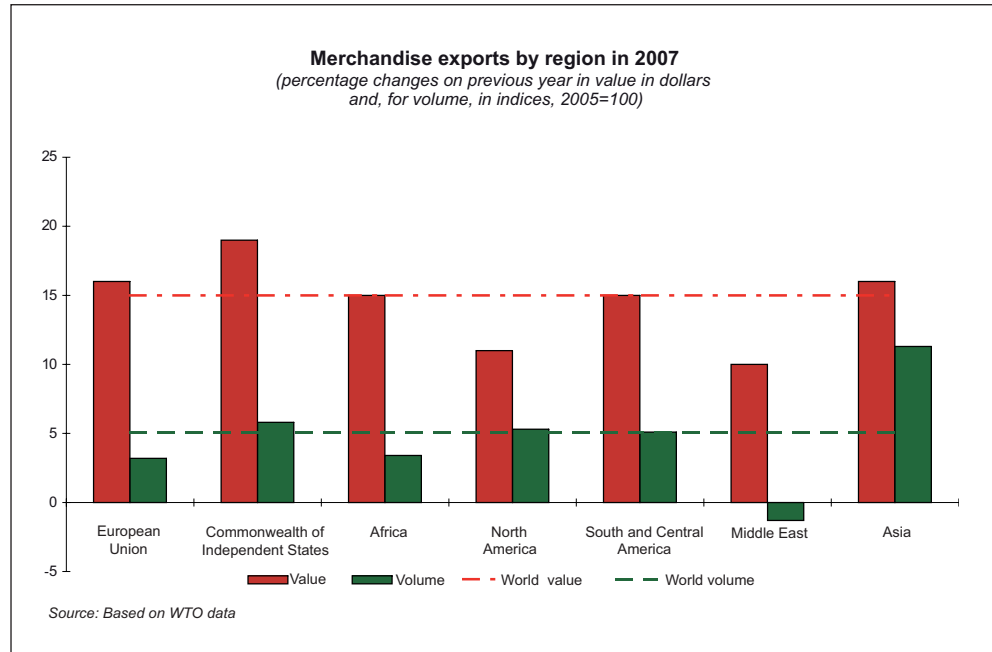
The increase in economic activity, which stimulates that in imports, was especially vigorous in the emerging regions. Asia was yet again the leading contributor to the expansion in world trade, with a very high rate of growth in China and a further intensification of regional integration. Asia's contribution to the growth in the volume of merchandise imports came to 38 per cent, about one and a half times its share in 2006, while its contribution of 58.5 per cent to the growth in exports was about double its share. By contrast, the EU and, this year, especially the United States held back the expansion of world trade. The growth in the exports of the commodity-producing developing countries was curbed in some cases by the rise in commodity prices; for example, the volume of exports from the Middle East diminished.

Asia was again the most dynamic region for world trade. The contributions of the EU and US were weaker

In value terms, despite the resilience of exports of the European Union and, within it, of the euro area, there was a further reallocation of world market shares in favor of the emerging countries, which also benefited from exports directed towards faster-growing markets and sectors. In 2007 China (excluding Hong Kong) overtook the United States and with a share of 8.8 per cent became the second-ranking world exporter after Germany (9.5 per cent).

Market shares at current prices, especially among the developed countries, do not appear to be greatly affected by the movements in real exchange rates. Despite the continuous appreciation of the euro against the dollar, the growth rate of US exports in value terms was again lower than that of Germany (12 and 20 per cent, respectively) and also fell short of the world average (15 per cent). The reduction in the cost of imported intermediate products, induced by the appreciation of the euro, may explain at least part of this comparative dynamic, since it works in favor of the competitiveness of firms, like those of Germany, that make abundant use of imported inputs. In addition, for Germany, unlike the United States, there is a distinctly positive market and sectoral composition effect.

German exports outpace those of the United States

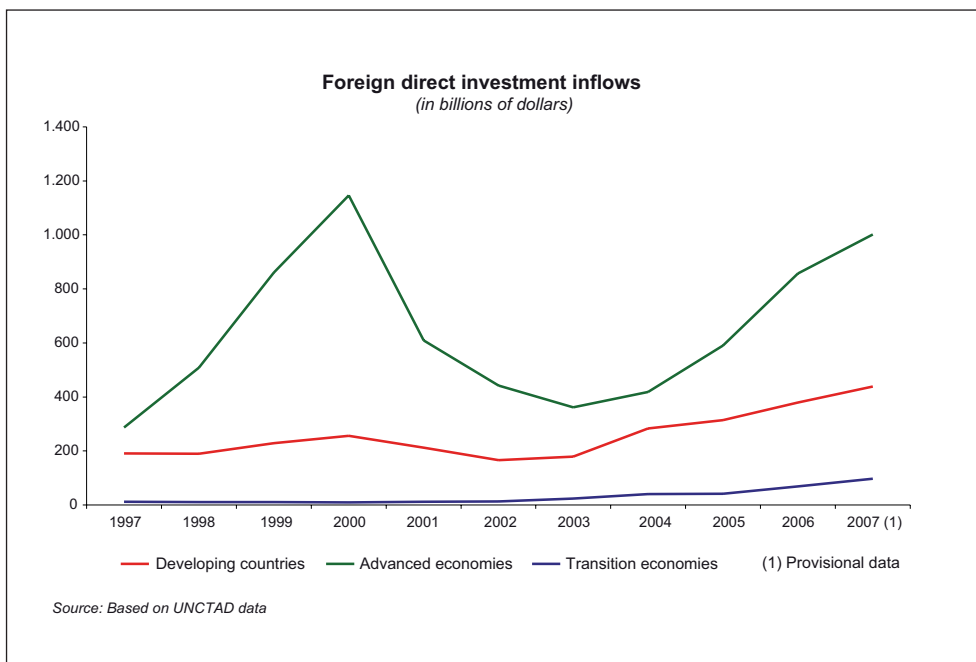


The positive growth differential of imports of the main emerging countries widened again in 2007, extending a trend under way for some years. China's imports grew by 21 per cent and Russia's by 36 per cent. However, Asia's overall share of world imports edged down from 23.4 to 23.2 per cent, as the increase in Chinese and Korean imports failed for first time in a decade to counterbalance the decline in Japanese imports, which was accentuated by the depreciation of the yen. In contrast with the previous years, US imports grew in value by barely 5 per cent, roughly one third the world average.

The widening of balance-of-payments disequilibria that had characterized the last ten years was interrupted in 2007. Exchange rate variations continue to have only a marginal influence on trade balances, but in 2007 the reduction in the US trade deficit was aided by the sharp slowdown in domestic demand and thus in imports, coupled with a recovery in exports and an improvement in the balance on services. On the other hand, China's trade surplus with the rest of the world continued to widen and its foreign exchange reserves consequently rose to a record high of \$1,550 billion. However, China has mounting deficits with some East Asian countries from which it imports intermediate goods.

China's surplus with the rest of the world continues to expand

In contrast with the developments in production and trade, flows of foreign direct investment are estimated to have expanded more strongly towards the developed countries than to the emerging ones for the third consecutive year. The United States was again the leading recipient country, thanks not least to the further depreciation of the dollar. However, the flow of FDI into the United States diminished in the second half of the year in the wake of the financial turmoil and as the outlook for growth worsened. Capital also resumed flowing towards Latin America, above all to Brazil, Chile and Mexico, with greenfield investments in the primary sector. Asia maintained the rising trend of the past years. Some emerging economies (in particular the Russian Federation) began to attract massive investment. Lastly, FDI continued to flow to Africa, where the stock of foreign capital surpassed \$36 billion and is concentrated in extractive industries³.



³ On this subject, see “Primavera Africana? Commercio e investimenti in Africa Subsahariana” by I. Cingottini and E. Mazzeo in Chapter 1 of the Report.

Robust flows of FDI in the developed countries, but also in the emerging countries, particularly in Asia and Africa, and Russia

Although not matching the pace of foreign direct investment by the developed countries, direct investment by multinational corporations of the emerging countries grew further. In particular, China tapped its massive foreign exchange reserves to expand its investments both in Europe (search for new markets and acquisition of brands and R&D laboratories) and in Africa (acquisition of raw materials), and Brazil also invested large amounts abroad.

2. The European Union

The institutional crisis has not braked the integration of the European Union, which confirms its world leadership in exports and direct investment abroad

The European model of integration continues to display its capacity for expansion despite the EU's protracted institutional crisis. The number of EU member states rose to 27 with the accession of Bulgaria and Romania on 1 January 2007. Slovenia joined the euro area on the same date, followed a year later by Cyprus and Malta.

Considered as an integrated region, excluding intraregional transactions, the EU-27 leads the world in exports and direct investment abroad. The geographical distribution of its exports has changed slowly. The share going to the United States has declined, although the US remains the largest outlet market, while the relative importance of Eastern Europe and China has increased. There have been similar modifications in the distribution of EU imports. China supplies about a sixth of imported manufactures, while Russia has overtaken Norway to become the EU's leading supplier of fossil fuels⁴.

The European Union's share of world exports interrupted a three-year downward trend to stand at 16.5 per cent in 2007, while the export shares of the United States and Japan continued to fall and that of China to rise. Presumably, these contrasting trends are due in part to the fact that US and Japanese multinationals have gone further than European companies in rebasing manufacturing for export in China.

The rise in the prices of raw materials, of which the EU-27 is a net importer, resulted in a widening of its trade deficit (to a total of €185 billion), especially vis-à-vis the countries of Central and Eastern Europe and North Africa. Besides raw materials, the sectors most responsible for increasing the deficit were electronics and clothing. By contrast, even after its further enlargement Europe's sectors of export specialization continue to consist mainly in medium/high-tech products (such as electrical machinery and equipment, motor vehicles and chemical products) but they also include some advanced-technology sectors (pharmaceuticals, aircraft and space vehicles).

With regard to services, the EU continues to lead the world ranking, followed by the United States. Together, these two economies account for some 50 per cent of world exports and 43 per cent of world imports of services. The EU's share of exports remained stable, while its share of imports declined, with an appreciable improvement in the surplus. The EU specializes in financial, insurance and transport services, while its weak

⁴ See "Ricadute dell'aumento del prezzo del petrolio sul traffico commerciale tra l'Ue15 e i suoi fornitori di greggio" by S. Baldone and L. Tajoli in Chapter 2 of the Report.

points lie primarily in royalties and licenses (with an increasing deficit), tourism and cultural services.

In 2007 the European Union was again a leading player in both outward and inward direct investment. The direct investment outflow goes mainly to the United States, which is also the top foreign investor in the EU. The Union also leads the advanced countries as both a source and recipient of greenfield investments, although the number of investments and the amounts involved are very small by comparison with the newly industrialized countries, those of Asia first and foremost.

3. Trade policies

The negotiations in the World Trade Organization under the Doha Development Agenda remain stalled. After the failure of the Potsdam summit meeting between Brazil, India, the United States and the European Union, in June 2007, the talks were put back on a formally multilateral track, but the obstacles to be overcome are still many.

The Doha Round remains stalled, spurring regional and bilateral trade agreements

The changes under way in global conditions and the prospects of slower economic growth have increased the negotiating difficulties. Whereas in the previous rounds of trade talks a solution could be found if the United States and the European Union reached an agreement, this is no longer sufficient, nor is the enlargement of the talks to include Brazil and India, even if they are among the emerging countries that have participated most actively in the negotiations. Little progress was made last year in the agricultural talks, owing to the resistance of the United States and Europe, and this also had repercussions on the negotiations on manufactures and services.

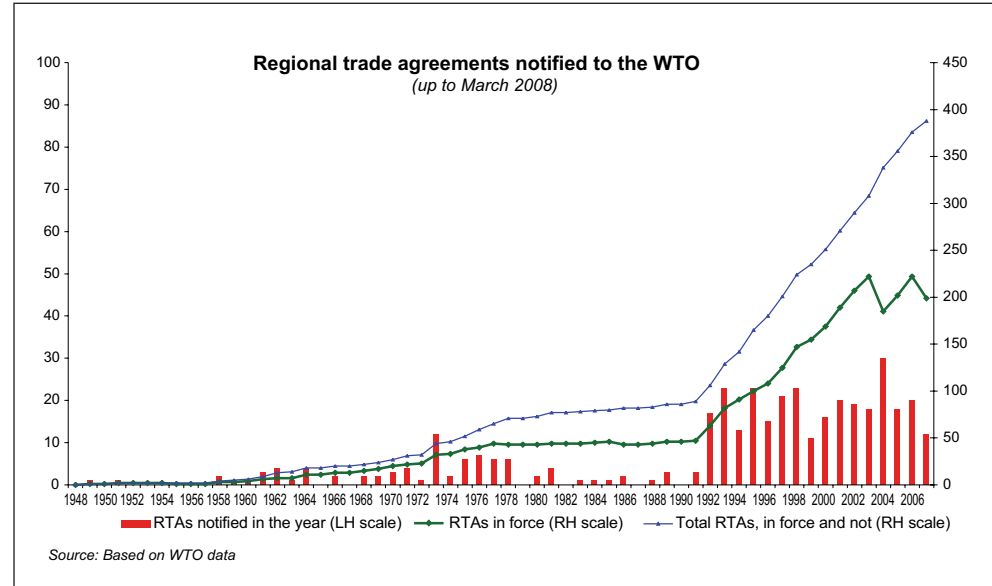
At the FAO summit meeting held in Rome in June 2008, the members of the WTO, aware of the possible benefits of trade liberalization for consumers and producers of agricultural goods⁵, reaffirmed their commitment to bringing the Doha Round to a positive conclusion. However, the looming US presidential election and the expiration of the “fast track”, that is to say the authorization for the US executive branch to submit a draft trade agreement to Congress for approval without possibility of amendment, are impeding the progress of the negotiations.

As things now stand two scenarios are possible, neither particularly positive. The first, so-called Doha Light, envisages a low-profile accord on agriculture and access to the markets in non-farm products; this risks discontenting all the WTO member states, but it could have positive consequences for the organization’s future role. The second scenario would be the failure of the Doha Agenda and its being frozen, perhaps for years.

In the absence of progress in integration policies, the strains in international markets are fueling demand for trade protectionism, but such measures would end up aggravating the problems, giving further impetus to the resurgence of inflation.

⁵ These issues are examined by S. Innocenti and L. Salvatici in their contribution, “I mercati internazionali dei prodotti agricoli: quali politiche per un nuovo scenario?”.

The persistent difficulties plaguing multilateral negotiations have spurred the tendency to conclude preferential trade agreements on a regional and often bilateral basis. Some 200 such agreements were in place at the end of 2007.



The United States has continued actively to promote bilateral free trade pacts in response to the slowness of the WTO talks. The European Union is also negotiating several new agreements, to expand its already dense network of international relations. The phenomenon is developing rapidly in Asia too. While regional agreements may, in particular circumstances, also prove useful for the progress of the multilateral system, bilateralism is often risky, if for no other reason than the complications it introduces into the regulatory and legislative framework in which businesses operate.

The consistency of preferential agreements with the principles of multilateralism remains a matter of dispute, although effective political mechanisms for evaluating it are lacking. Some headway was made on this terrain in 2007 with the creation of a Transparency Mechanism that also applies to agreements between developing countries.

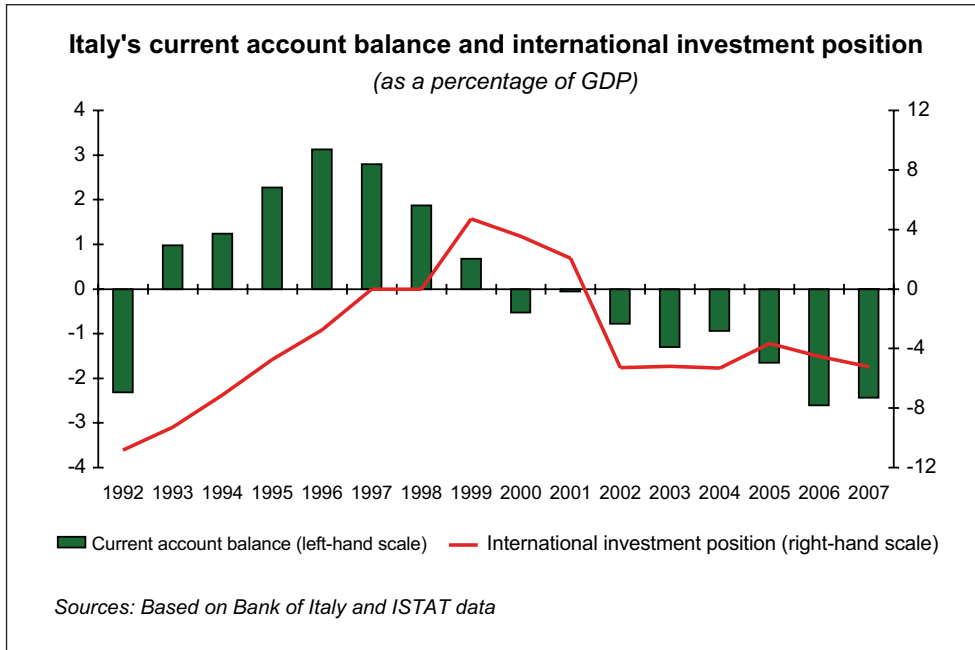
4. Italy

Slowdown of the Italian economy. Slightly positive contribution of net exports to growth

The Italian economy's growth rate eased slightly in 2007 to 1.5 per cent and remained lower than the euro-area average (2.6 per cent), confirming the importance of the structural problems that have long braked its expansion. The slowdown was particularly sharp in investment, while the contribution of net exports was slightly positive again in 2007.

The external current account deficit shrank thanks to a sharp improvement in the merchandise trade balance, which swung back into surplus

The external current account deficit shrank, falling to 2.4 per cent of GDP. The sharp improvement in the balance on merchandise trade (FOB-FOB), which swung back into surplus after six years of progressive deterioration, more than offset the increase in the deficits on services and income.



Reflecting the weakening of demand, the growth in the volume of imports of goods and services slowed from 5.9 per cent in 2006 to 4.4 per cent last year. The degree of import penetration in relation to domestic demand nevertheless increased, although it remained by far the lowest among the euro-area countries, including big economies such as France and Germany.

The rate of increase in import prices declined from 7.6 to 2.3 per cent, held down by the strengthening of the euro and by the deceleration, on an average annual basis, in commodity prices. However, commodity prices headed sharply upwards again in the final part of the year and the first few months of 2008, again increasing the burden of imports.

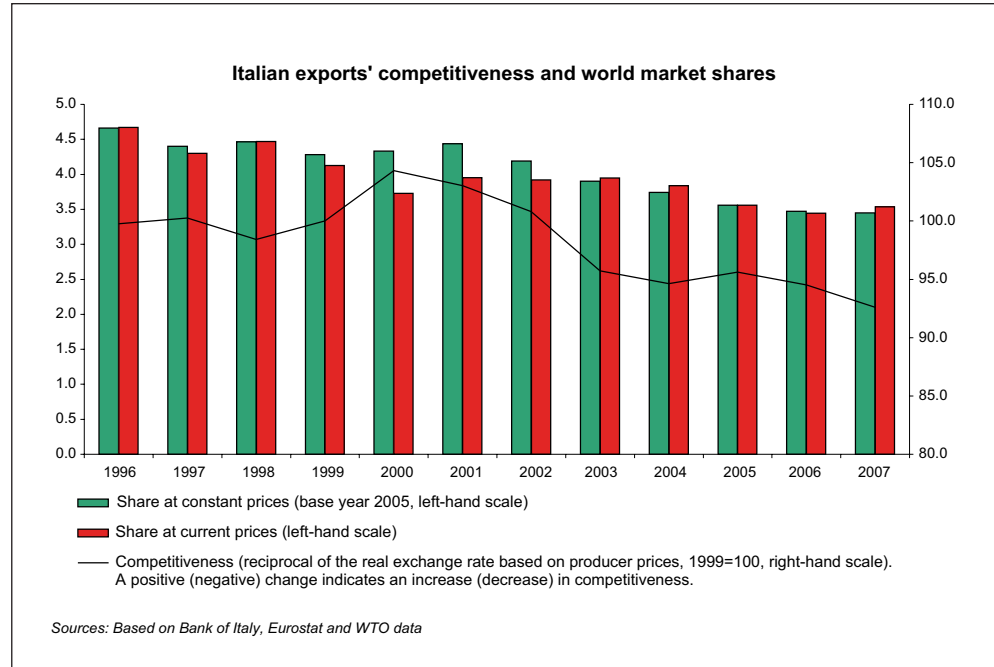
Exports of goods and services also expanded less rapidly than in the previous year. The growth rate in volume diminished from 6.2 to 5 per cent as a result of a marked slowdown in services. The increase in export prices declined from 4.5 to 3.6 per cent, in part reflecting firms' attempts to attenuate the loss of competitiveness due to the appreciation of the euro. The ratio of exports to GDP rose, but remained lower than in the other euro-area countries except Greece.

The growth in export volumes, curbed by the slowdown in foreign demand, failed to keep pace both with that in world trade in goods and services (6.8 per cent) and that in euro-area exports (6 per cent), although the gap narrowed with respect to recent years. A negative factor was Italian products' loss of competitiveness, due to the appreciation of the euro and the rise in relative unit costs, pushed up by developments in labor productivity, with Italy again underperforming the euro-area average.

However, Italy's share of world merchandise exports at current prices edged up from 3.5 to 3.6 per cent, interrupting a long string of declines. As in the case of similar occurrences in the past (for example, in 1996 and 2001), this coincided with a significant appreciation of the currency, whose nominal

Italy's share of exports in value terms edged up slightly thanks to strong growth in world demand for mechanical machinery and equipment

impact on relative prices outweighed the (presumably lagged) negative substitution effect on volumes, partly as a result of Italian exporters' compensating price strategies.

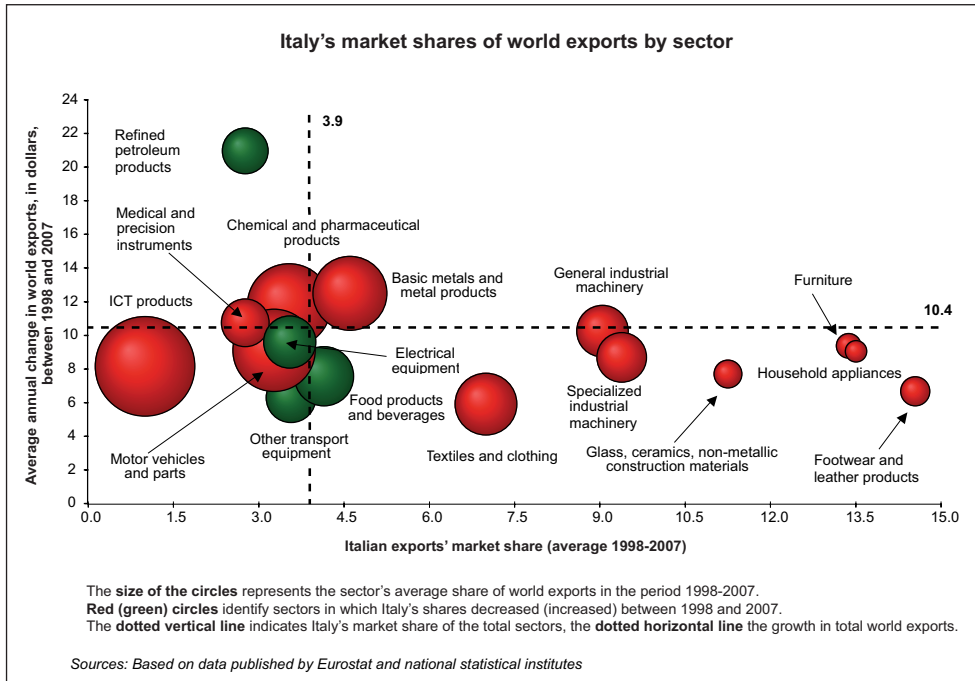


In 2007 Italy's shares of world and euro-area exports received a boost from the favorable sectoral composition of world demand, without which they would have remained unchanged. In fact, there was appreciable growth in the share of world trade accounted for by sectors such as mechanical machinery and fabricated metal products, in which Italy has a comparative advantage. This constitutes an exception, however. Over the past ten years the sectoral composition effects of world demand have generally been negative, as Italian industry specializes prevalently in sectors whose weight in world trade is tending to diminish. This dynamic inefficiency of Italian exports' model of specialization explains about three quarters of the decline in their share of euro-area exports.

By contrast, the geographical composition of outlet markets did not play a significant role. The sign of its modest contribution to the change in aggregate shares has varied in recent years, reflecting the effect of exchange rate fluctuations on the changes in weight of the different regions.

Export dynamics are also influenced by firms' market strategies. In this regard, the new price indices of exports, recently published by Istat⁶, make it possible for the first time to gain a more precise idea than that inferred from the indices of average unit values. They show that Italian firms reacted to the

⁶ See the contribution by T. Iacobacci and M. Politi, "Gli indici dei prezzi alla produzione dei prodotti industriali venduti sul mercato estero".



appreciation of the euro by resorting to price discrimination strategies. The prices of exports, particularly those sold outside the euro area, rose less than the prices of goods sold on the domestic market, so as to limit the loss of competitiveness deriving from the movement of the exchange rate.

Istat also recently reconstructed the indices of the average unit values of exports and imports⁷, and their variations generally are now shown to be less marked than previously estimated. However, the new indices confirm that the unit values of exports, particularly in Italy's traditional sectors of product specialization, have risen considerably faster than export prices, and this is even more evident with respect to the new series of export prices (albeit with all due qualifications considering the statistical characteristics of the indicators).

The phenomenon, already analyzed repeatedly in earlier editions of this Report, may have a number of interconnected explanations. The processes of competitive selection that international integration engenders among companies lead to the closure of the less efficient and less innovative firms, which export lower-range products. The better firms respond to the pressures of competition by shifting their exports to a higher-range of quality and/or by transferring the production of low-unit-value goods abroad through various forms of internationalization.

The available empirical evidence on Italian firms' strategies of international expansion confirms that production abroad is of growing importance for an increasing number of companies. Expansion can take

⁷ See P. Anitori and M.S. Causo, "La metodologia di calcolo dei nuovi indici dei valori medi unitari del commercio con l'estero".

diverse forms, from simple marketing or production cooperation agreements with foreign partners to the acquisition of equity interests.

In some cases, goods whose production has been shifted abroad substitute exports previously produced in Italy, including exports to third countries. In others, only some of the most labor-intensive phases of production are transferred abroad. The intermediate goods turned out abroad are reimported into Italy (at costs made lower by the appreciation of the euro) and used to manufacture final products. This type of vertical fragmentation of production is also spreading to services⁸, where it is facilitated by the advances in information and communication technology. Although it is still relatively limited, its potential for expansion is enormous.

The number of foreign companies in Italy is still undesirably low; indeed, the Italian economic system's powers of attraction seem to be diminishing. Since 2002 foreign multinational corporations' subsidiaries in Italy have declined in number and their aggregate workforce has contracted from 943,000 to 853,000. The new empirical evidence that the Report presents on this subject shows the fundamental role that foreign multinationals can play for the spread of innovation and the support of exports⁹.

The available data on the first quarter of 2008 show a further slowdown in GDP growth, to 0.3 per cent quarter on quarter, and in foreign trade. Imports of goods and services contracted by 1 per cent, while exports grew by 0.7 per cent.

The estimates for the year as a whole confirm the negative trend, reflecting the general deterioration in the conditions of the global economy. It is accompanied by a sharp acceleration in commodity prices, which signifies a worsening in the terms of trade and transmits inflationary impulses throughout the economy.

5. Regions and countries

Italy's trade balances improved with almost all the world's regions. With weak domestic demand dampening imports, especially from Europe, exports adjusted to the developments in the cyclical situation, expanding appreciably towards the emerging countries and raw-material-producing countries, whose buying power has increased in recent years with the rise in commodity prices.

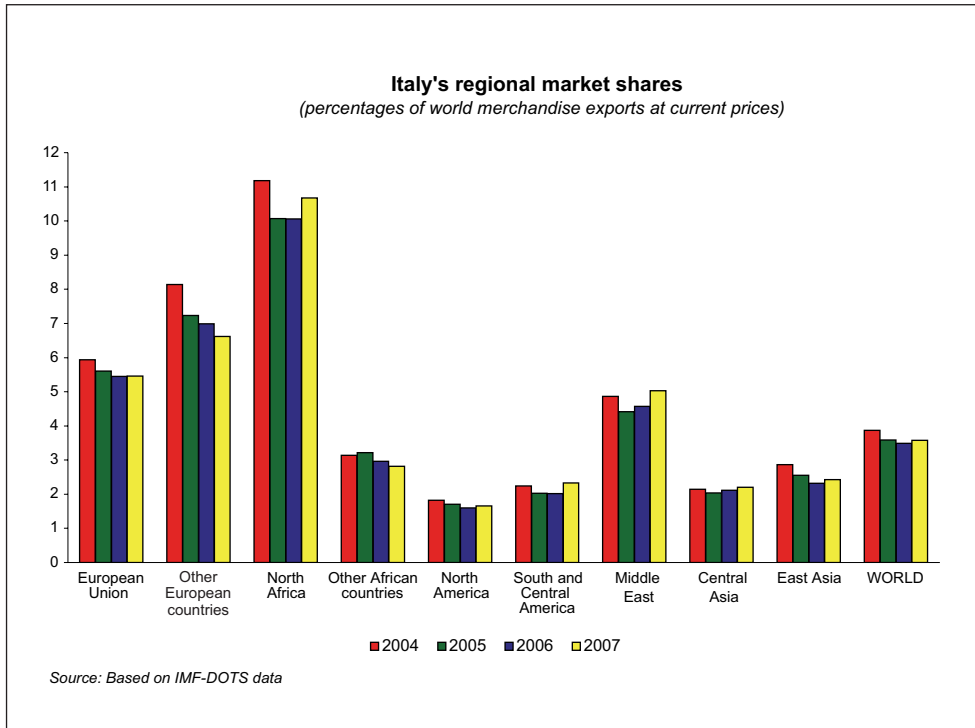
Italian exports grew at rates of better than 20 per cent towards Russia, North Africa, the Middle East, Central Asia, South Asia and Latin America, and the decline in their market shares came to a halt nearly everywhere.

Italy's trade balances improve with all the regions

Exports to the emerging countries grew by more than 20 per cent

⁸ See the contribution by R. Crinó, "L'offshoring di servizi in Italia e in Europa".

⁹ See the contribution by E. Bilotta and E. Trinca, "Le imprese a controllo estero in Italia: scambi internazionali, trasferimenti tecnologici e modalità di ingresso", in Chapter 4, and that by Federchimica, "Il ruolo delle imprese chimiche italiane a capitale estero", in Chapter 6.



Nevertheless, there were several important instances of a deteriorating balance. In China, the rapid growth in exports still failed to match that in imports. The deficit also increased with Germany, one of the few EU countries to have expanded its share of the Italian market. The United States lost share for the seventh consecutive year despite the depreciation of the dollar, but Italy's surplus shrank as exports were penalized by the slowdown in US demand¹⁰. In addition, the deficit with sub-Saharan Africa increased as a result of the rise in commodity prices.

In the past few years the geography of Italian exports has shifted towards the emerging regions, particularly those closer to Italy, and the commodity-producing countries, and away from the main developed markets, such as the United States and even the European Union, in spite of the stimulus to greater integration deriving from the introduction of the euro. Along the way, Italian exports have accentuated their diversity with respect to the European average and demonstrated a greater ability to adapt to the evolution of world demand.

Production abroad by Italian firms has also continued to develop in different directions. The bulk of their foreign affiliates are still located in the euro area and Latin America, but the new initiatives in recent years have focused above all on Central and Eastern Europe and the Far East. These investments are often associated with complementary flows of trade in goods and services.

¹⁰ See the contribution by A. Dossena, "Crisi americana: quali prospettive per gli esportatori italiani?".

The reduction in foreign multinationals' direct investment in Italy mainly concerns US corporations and contrasts with new undertakings on the part of multinationals based in Russia and the emerging countries of East Asia. Chinese capital in particular has flowed into Italy, with the aim of acquiring know-how or buying substantial stakes in struggling firms¹¹.

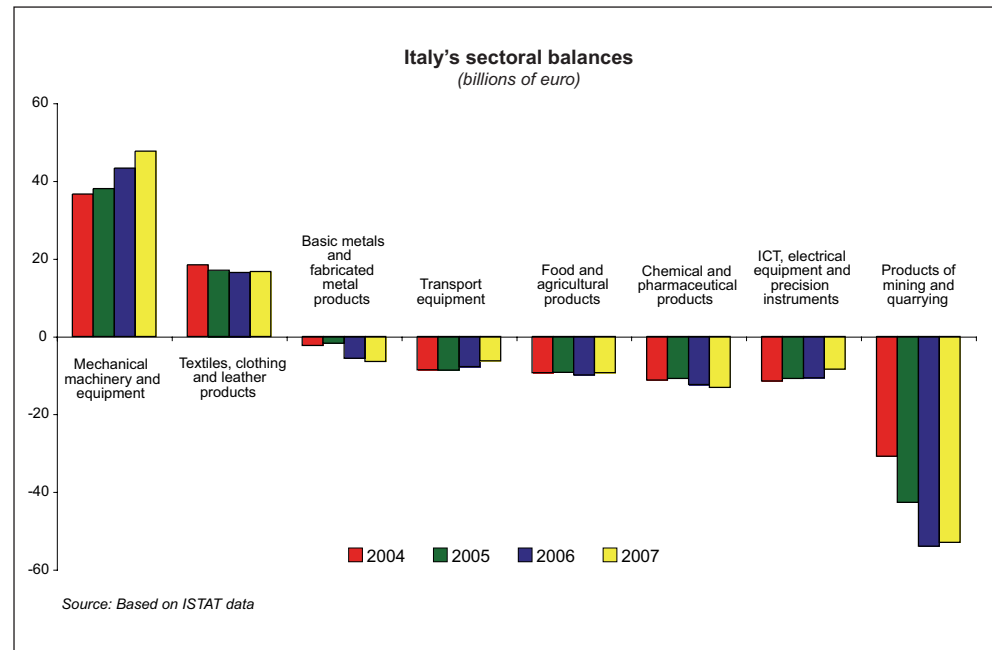
6. Sectors

Mechanical machinery and equipment, transport equipment and the electrical and electronics industry lead in contributing to the improvement in the trade balance

Almost every sector of industry contributed to the improvement in the balance on merchandise trade in 2007: after five years of steady deterioration, the deficit contracted from € 20 billion to € 9 billion. By contrast, the deficit on services increased to € 7 billion, accentuating a negative trend that began in 2005.

The largest contributions to the improvement in the balance on merchandise trade came from mechanical machinery and equipment (investment goods in particular), transport equipment other than motor vehicles, and the electrical and electronics industry. There were smaller changes in the balances for the main industries producing household and personal consumer goods, with gains in clothing, footwear, food products and furniture set against declines in the surpluses on textile products and household appliances. More markedly negative results were recorded for basic metals and fabricated metal products, motor vehicles, and chemicals and pharmaceuticals.

The balance on services worsened almost across the board and most



¹¹ See the contribution by A. Amighini, R. Rabellotti and M. Sanfilippo, "L'avanzata degli IDE cinesi in Italia", published in this Report.

sharply for business services. The sole notable exception was the financial sector, where, plausibly, the greater initiative of some large Italian banks in making acquisitions abroad also produced complementary cross-border flows of services.

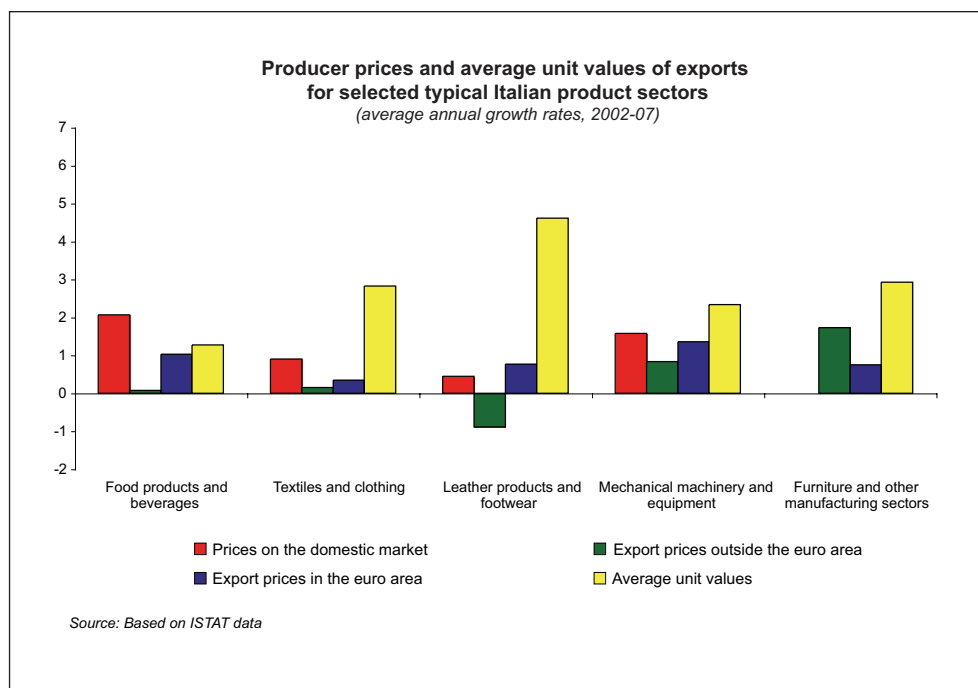
The balance on services worsened, except for financial services

In many branches of manufacturing, the improvement in the balance was due more to changes in volumes than in unit values. The weakness of domestic demand slowed imports especially in some consumer goods sectors (footwear, textiles and clothing, food products), but not in mechanical machinery and equipment, home furnishings and transport equipment. The unit values of imports rose moderately in several traditional sectors while they fell in electronics, reflecting the greater penetration of low-cost imports from developing countries as well as the downward trend in prices ascribable to the technical progress of these products. The strengthening of the euro helped to curb the prices of imports, including commodities.

The growth in export volumes was especially strong for motor vehicles, machinery and refined petroleum products but very modest in nearly all the traditional Italian product sectors, with sizable declines in footwear, household appliances, ceramic tiles and textiles and clothing, as well as in pharmaceutical products.

The unit values of exports outpaced prices in several sectors (leather and footwear, textiles and clothing, furniture, the products of the metalworking industry), reinforcing a trend change in the composition of exports towards up-scale markets and products.

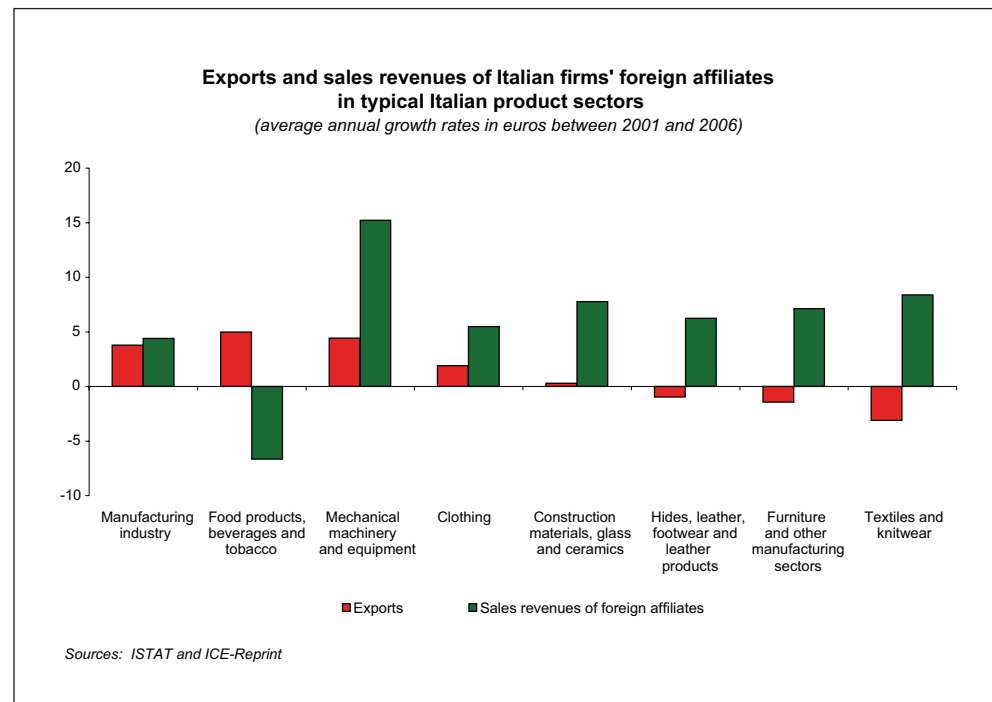
Developments during the year in these sectors also confirmed the tendency, already noted at aggregate level, to adopt suitable policies of discrimination between markets, with export prices tending to rise more slowly than those on the domestic market and at a particularly low rate outside the euro area, where firms try to compensate for the adverse effects of the appreciation of the euro.



Compared with 2006, Italian exports' world market shares expanded most notably in transport equipment, refined petroleum products, clothing, and leather products and travel goods, but they also increased in mechanical machinery and equipment. Significant contractions were registered for pharmaceuticals, household appliances and paper products.

Over a longer time horizon, comparing last year's results with those for 2001, Italian exports' shares expanded slightly in transport equipment, refined petroleum products, steel products and some branches of the mechanical and electrical equipment industries, as well as in clothing and food products, but they contracted sharply in all the other traditional Italian product sectors, in chemical and pharmaceuticals, industrial machinery, ICT products and fabricated metal product.

The overall picture that emerges appears to confirm a long-term, gradual transformation of the Italian economy's model of international specialization, with a marked attenuation of the traditional comparative advantages in personal and household consumer goods and greater specialization in a number of sectors that produce investment goods¹². At the same time, it also confirms, albeit with several notable exceptions, the weaknesses that the economy has displayed since the 1970s in the scale-economy or research-intensive sectors, where the Italian model is penalized by the shortage of large firms.



¹² See the contribution by A. Dossena, "Il settore delle macchine utensili".

A factor contributing to these changes has been the internationalization of production by Italian firms, greatest precisely in the sectors of traditional comparative advantage, involving the transfer abroad of the manufacturing operations most heavily exposed to the competition of the emerging countries and the upgrading of those remaining in Italy. In most sectors of specialization, the sales revenues of Italian firms' foreign affiliates have grown significantly faster than exports in recent years. For manufacturing industry as a whole, the sales of foreign affiliates amounted to 63 per cent of the value of exports in 2006.

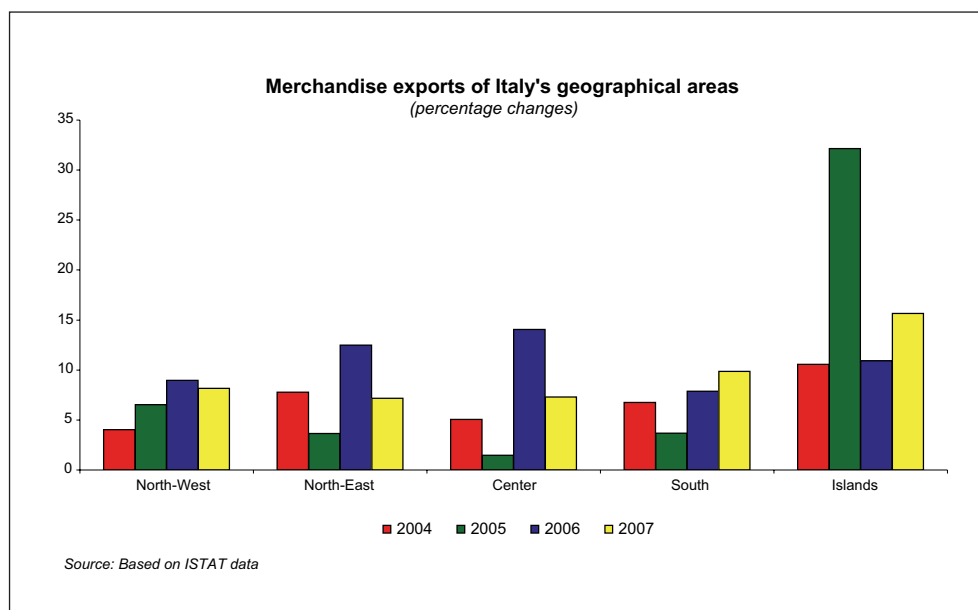
As mentioned earlier, both the number of foreign companies' affiliates in Italy and the number of workers they employ declined in the period from the beginning of 2002 to that of 2007. The drop in employment was concentrated in manufacturing as a whole, where it amounted to 18 per cent. Food products, clothing and especially leather and footwear, along with most branches of services, bucked the trend. The moderate increase in sales recorded by foreign companies' affiliates in Italy was concentrated in services, particularly in the energy, gas and water sector and wholesale trade.

7. Italian regions and industrial districts

The changes in Italian exports' distribution among Italy's regions in 2007 correlate closely with those in their sectoral distribution, confirming the importance of the territorial roots of the model of specialization.

The further increase in Emilia Romagna's share (from 12.7 to 13 per cent), extending a trend under way for many years, and the recovery by Lombardy (from 28.6 to 28.8 per cent) are explained mainly by their specialization in mechanical machinery and equipment. The rise in the South and Islands' share of exports (from 11.3 to 11.7 per cent) and, in particular, the gains scored by Abruzzo, Basilicata and Sicily, derive mainly from transport equipment and petrochemical products.

Increasing export shares for Emilia Romagna and Lombardy in the North and for Abruzzo, Basilicata and Sicily in the South and Islands



On the other hand, the decline in Piedmont's share can be ascribed to the transfer of automobile factories to other Italian regions and abroad¹³. Some of the regions more extensively engaged in traditional Italian product sectors, such as Veneto, Tuscany, Puglia and Campania, also tended to lose share. The transfer abroad of production, the incidence of which is relatively higher in those regions, may have played a part.

Additional information on the transformation taking place in the geographical and sectoral distribution of export-oriented Italian firms is obtained from the statistics on industrial districts¹⁴. The districts' share of Italian exports of manufactures, which had been recovering, declined in 2007. The districts nevertheless remain important in all the traditional Italian product sectors, with shares that go from 24 per cent in food products to 49 per cent in personal consumer goods and leisure-time products.

Lombardy and Lazio accounted for a still larger share of exports of services, while the South and Islands lost ground essentially as a tourist destination and Piedmont and Emilia Romagna suffered a decline in business services.

The ability of the South and Islands to attract foreign investment in local firms, already inadequate to the area's development needs, has weakened further in recent years. In reality, this is a nationwide problem, although some signs of relatively positive developments have emerged in Lazio and Trentino, as well as in Veneto and Tuscany in the mechanical machinery and leather and footwear industries.

8. Firms

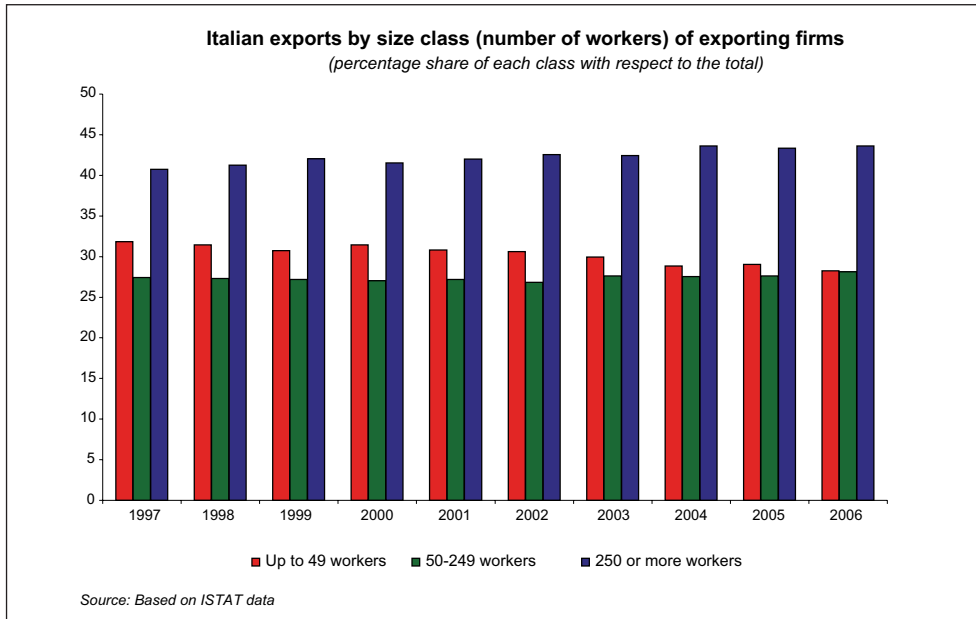
A well-known structural characteristic of the Italian economic system is its relative dearth of large companies able to compete successfully in international markets and, conversely, its high proportion of small firms compared with the other main European countries. For some years now, however, the industrial structure has been gradually evolving, with a reduction in the weight of smaller firms, often overwhelmed by the processes of competitive selection induced by international integration, and the emergence of a dynamic group of medium-sized companies. The share of small firms (up to 49 workers) in the value of Italian exports fell from 30.8 to 28.3 per cent between 2001 and 2006, to the benefit of both medium-sized and large firms (250 or more workers), whose shares rose from 27.2 to 28.1 and from 42 to 43.6 per cent respectively.

The average number of export markets per firm has also tended to rise, a sign of the diffusion of a greater capacity for geographical diversification of exports, although in some markets (including China and India) the presence of small firms still seems volatile.

Medium-sized firms have also been the main driver of the greater dynamism that the Italian economic system has displayed in recent years in terms of equity investment in foreign firms, especially in such sectors as

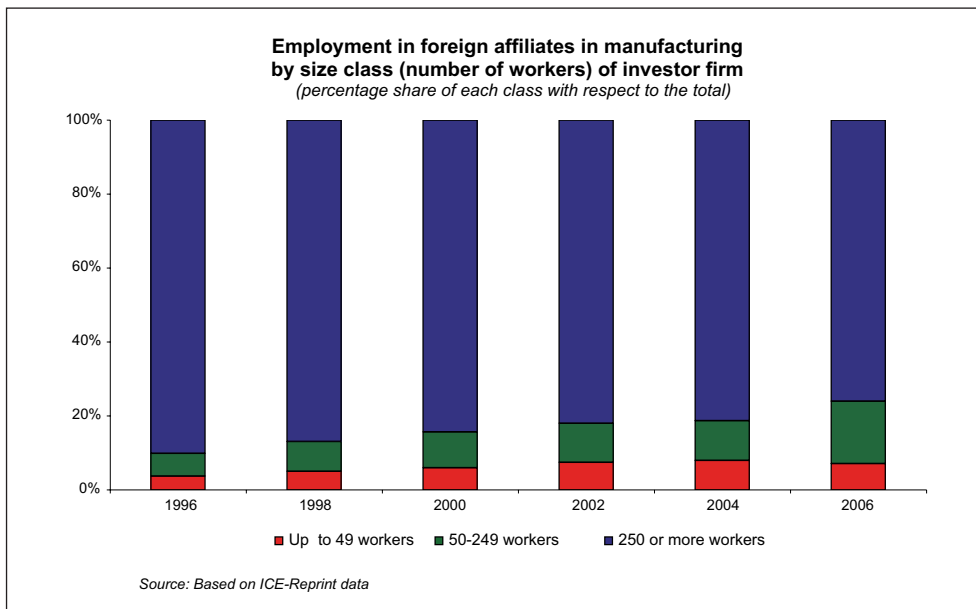
¹³ See the contribution by M. Ferrazzi and D. Revoltella, "Auto: le fabbriche risorgono ad Est", in Chapter 6 of the Report.

¹⁴ See Table 2.12 in the Appendix.



mechanical machinery, food products, metal products, paper, rubber and plastic. In the traditional Italian product sectors, by contrast, a relatively larger role is played by a handful of large companies, which have extensively transferred the simpler phases of production abroad and strengthened their distribution networks.

A new statistical inquiry sheds light on the rapid development taking place in the processes of international fragmentation of production, which do not necessarily require the acquisition of equity stakes abroad¹⁵. In recent years 18 per cent of medium-sized and large manufacturing firms and 7 per



¹⁵ See the contribution by S. Menghinello, S. Palmieri, C. Pensa and F. Traù, “Internazionalizzazione produttiva ed evoluzione dei modelli organizzativi di impresa: alcune riflessioni sulla base di una nuova evidenza empirica”, in this Report.

cent of service companies have transferred some operations abroad, including both formerly in-house operations and phases of production previously assigned to Italian subcontractors.

Despite the inevitable repercussions of this on ancillary and related activities, the transfer abroad of production has not had significant repercussions on domestic employment. On the contrary, the data suggest that a positive impulse has been imparted to the demand for skilled labor, as predicted by some theoretical models¹⁶.

9. Concluding remarks

After years of vigorous growth and advancing international integration, the outlook for the world economy is becoming dimmer. Although growth remains robust in the emerging regions and has also involved many developing countries, which have benefited from rising commodity prices, the uncertainty now surrounding the depth and duration of the crisis that has hit the United States makes it impossible to offer reliable estimates of its consequences for the rest of the world.

If ten years ago the Asian crisis was the first episode of global turbulence engendered outside the more developed countries and confirmed, with its contagious power, the alteration under way in world economic equilibria, the expansion of the last five years has clearly evidenced the rapidity of that transformation. For the first time a world economic cycle has been sustained by the emerging countries, even while the traditional engines of the global economy have been slowing.

Today, however, the sustainability of this outlook is also called into question by the strains in financial systems and the intense inflationary pressures generated by the robust expansion of the past years. The interacting increases in the prices of raw materials and food products are transmitting ever stronger impulses to inflation expectations in spite of the counterweight of the growing supply of low-cost manufactures produced in the developing countries. The most serious consequences fall on the weakest parts of societies, where the surge in inflation jeopardizes the recent limited progress made in poverty reduction, especially in the countries most heavily dependent on food imports.

The picture is rendered more uncertain by the difficulties of international economic relations. The Doha trade talks have dragged on for seven years with no possible agreement yet in sight. Europe, often held up as a model for the other regions, is handicapped by its institutional crisis. In many circles there is an advancing demand for protectionism, which, together with the increase in transport costs, threatens to throw international economic integration into reverse, sapping the roots of the progress achieved, albeit with many imbalances, in the past decades.

This also applies to Italy, where the deterioration in external conditions is combined with structural problems that still remain to be solved.

¹⁶ See A. Falzoni, "Gli effetti dell'offshoring sull'occupazione manifatturiera in Italia".

The progress made in recent years in consolidating the public finances and in reforms to increase the competitiveness of markets has not been sufficient to boost the growth in production satisfactorily. The growth in output in Italy is still appreciably lower than the euro-area average, the main drag on it being the stagnation of productivity.

Relatively better results have been achieved by exports, whose share of the world market increased slightly in 2007. Signs of vitality can be seen in the way many firms have responded in recent years to the growing pressure of competition, refining their price strategies, improving the qualitative composition of sales, taking differentiated paths to internationalize production. An additional consequence has been a gradual evolution of the model of export specialization, with an attenuation of its traditional comparative advantages in personal and household goods, a focus on more remunerative markets, and an increasing concentration in the various branches of the metalworking and machinery industry.

The recovery of share in 2007 can also be read in this light. It was determined by a favorable sectoral composition of world demand, which tilted towards the capital goods in which Italy is specialized. However, it is too soon to say whether the recovery was a one-off event, similar to others in the past, or instead a sign of the overcoming of the particular dynamic inefficiency of the Italian economy's model of specialization — its concentration in relatively slow-growing sectors of world demand — that explains much of the decline in export share compared to the other euro-area countries in the last ten years.

Overlaying this uncertain picture is the further sharp slowdown in output and foreign trade, and the concomitant rise in commodity prices, that emerge from the data for the first quarter of 2008 and the estimates for the coming months. It is as if the chilling of the international economic cycle had revealed the vulnerability of the Italian economy and the fragility of its recent progress.

The structural constraints on the Italian economy's growth are still largely in place. Prominent among them are the restrictions on the competitiveness of markets, the factor on which the effectiveness of the selection of firms and the intensity of the stimuli to innovation depend.

The quality of competition, in turn, reflects that of the institutions and policies governing it. It is influenced in different ways by the set of public policy instruments bearing on the country's international economic relations, both the instruments aimed at supporting the internationalization of firms and those that determine the exposure of domestic markets to the competition of imports and foreign investment.

Italy suffers from an evident deficit of international openness. Although the share of production sold abroad and the portion of domestic demand covered by imports have increased, they are still the lowest among the large European countries. A growing number of firms are learning the paths of production internationalization, but considerable ground has still to be recouped and the small average size of Italian firms makes this difficult. The Italian economy's ability to attract foreign investment, it too poor by European standards, has diminished further in recent years.

The policies intended to promote the international activities of firms, and in the first place the service provided by the ICE and other national

agencies engaged in this field, can make an important contribution to opening up and modernizing the entrepreneurial structure by facilitating the diffusion of the organizational innovations that are necessary to vie successfully in foreign markets. An especially useful role is played by training programs aimed at enhancing the professional know-how of the actors involved in the processes of internationalization.

Other policies, mainly national and local, influence the structural conditions that determine the degree of interest of foreign multinationals in investing in Italy and the capacity of the areas where they do locate to assimilate the attendant benefits.

Nevertheless, for the openness and growth of the Italian economy, the decisive factor has always been the quality of the common trade policy of the European Union, its ability to promote a gradual liberalization of trade and international investment that generates stimuli to competition in the domestic market and opportunities for expansion abroad.

The problems blocking the multilateral negotiations of the Doha Development Agenda, the disorderly drift towards a multiplication of bilateral agreements, the ever-lurking temptations of protectionism, including against foreign investment – in short, the symptoms of retreat from globalization – constitute a serious peril not only for the emerging countries, which owe their recent successes precisely to greater international integration, but also for Italy's interests.

Italy's economic welfare and social progress are not threatened by foreign competition. The real danger lies at home. It is the fear of international integration, the fear of facing the necessary reforms to share in its fruits.

STATISTICAL TABLES

World trade and foreign direct investment⁽¹⁾
(values in billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GOODS										
Value ⁽²⁾	5,500	5,711	6,454	6,189	6,490	7,582	9,218	10,482	12,108	13,898
% change	-1.6	3.8	13.0	-4.1	4.9	16.8	21.6	13.7	15.5	14.8
Percentage changes in the indices										
Volume index	4.8	4.6	10.7	-0.4	3.5	5.4	9.7	6.4	8.4	5.7
Average unit value index	-5.8	-0.6	1.8	-3.8	1.3	10.9	10.9	6.9	6.7	8.7
COMMERCIAL SERVICES										
Value	1,345	1,397	1,483	1,487	1,599	1,833	2,210	2,469	2,766	3,257
% change	1.9	3.9	6.2	0.2	7.5	14.7	20.6	11.7	12.0	17.8
FOREIGN DIRECT INVESTMENT										
Value	709	1,099	1,411	833	622	564	742	946	1,306	1,538
As a percentage of world trade in goods and services	10.4	15.5	17.8	10.9	7.7	6.0	6.5	7.3	8.8	9.0

(1) Exports for goods and services, inflows for foreign direct investment. FDI for 2007 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 1.1

Regional shares of world merchandise exports
(at current prices)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
European Union	42.2	41.3	38.0	39.9	40.6	41.7	41.1	39.1	38.2	38.7
<i>Euro area</i>	32.6	32.2	29.4	31.1	31.7	32.6	32.1	30.3	29.2	29.8
<i>Other EU countries</i>	9.5	9.1	8.6	8.8	9.0	9.1	9.0	8.8	8.9	8.9
Other European countries	4.6	4.4	4.7	4.7	5.2	5.3	5.5	6.0	6.1	6.2
Africa	1.8	1.9	2.4	2.2	2.2	2.3	2.4	2.8	2.9	2.9
North America	16.5	16.4	16.4	16.2	14.7	13.3	12.4	12.3	11.9	11.5
South and Central America	5.3	5.4	5.7	5.7	5.5	5.2	5.3	5.6	5.9	5.7
Middle East	2.6	3.1	3.9	3.8	3.6	3.7	4.2	4.7	5.0	4.7
Central Asia	1.1	1.1	1.2	1.3	1.4	1.4	1.4	1.6	1.7	1.8
East Asia ⁽¹⁾	24.5	25.0	26.3	24.8	25.6	25.9	26.5	26.8	27.0	27.0
Oceania and other territories	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.3	1.3	1.3
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Includes the data for Taiwan (Taiwan Directorate General of Customs) not available in the IMF-DOTS database.

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

Table 1.2

Regional shares of world merchandise imports
(at current prices)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
European Union	40.4	39.8	37.5	38.4	38.5	39.9	39.4	38.1	37.8	38.1
<i>Euro area</i>	29.9	29.9	28.0	28.7	28.6	29.8	29.4	28.4	27.9	27.8
<i>Other EU countries</i>	10.5	10.0	9.5	9.7	9.9	10.1	10.0	9.8	9.9	10.3
Other European countries	4.5	3.8	3.7	3.8	4.1	4.3	4.4	4.6	4.9	5.8
Africa	2.4	2.2	2.0	2.0	2.2	2.3	2.4	2.5	2.7	2.8
North America	21.1	22.1	22.8	22.3	21.8	20.3	19.2	19.3	18.6	16.9
South and Central America	6.5	6.1	6.2	6.3	5.8	5.0	5.1	5.2	5.4	5.4
Middle East	2.5	2.5	2.3	2.5	2.6	2.6	3.1	3.3	3.3	3.5
Central Asia	1.4	1.4	1.4	1.6	1.5	1.6	1.7	2.0	2.4	2.6
East Asia ⁽¹⁾	19.7	20.4	22.6	21.7	22.1	22.4	23.1	23.3	23.4	23.2
Oceania and other territories	1.5	1.6	1.4	1.3	1.4	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 the data for Taiwan (Taiwan Directorate General of Customs) not available in the IMF-DOTS database.

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

Table 1.3

World merchandise trade: top twenty exporters⁽¹⁾
(shares of world exports at current prices)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1	Germany	10.0	9.5	8.6	9.3	9.5	9.9	10.0	9.4	9.3	9.7
2	China	3.4	3.4	3.9	4.3	5.1	5.8	6.5	7.4	8.1	8.9
3	United States	12.6	12.2	12.1	11.9	10.8	9.6	8.9	8.7	8.7	8.5
4	Japan	7.2	7.4	7.5	6.6	6.5	6.3	6.2	5.7	5.4	5.1
5	France	5.6	5.7	5.1	5.3	5.2	5.2	5.0	4.5	4.1	4.0
6	Netherlands	3.1	3.9	3.6	3.8	3.8	3.9	3.9	3.9	3.9	4.0
7	Italy	4.5	4.2	3.7	3.9	3.9	4.0	3.9	3.6	3.5	3.6
8	United Kingdom	5.0	4.8	4.4	4.4	4.3	4.1	3.7	3.6	3.5	3.1
9	Belgium	3.3	3.1	2.9	3.1	3.3	3.3	3.4	3.2	3.1	3.1
10	Canada	3.9	4.2	4.3	4.3	3.9	3.6	3.5	3.6	3.3	3.0
11	South Korea	2.5	2.5	2.7	2.5	2.5	2.6	2.8	2.7	2.5	2.6
12	Russia	1.3	1.3	1.6	1.3	1.7	1.8	1.8	2.3	2.4	2.5
13	Singapore	2.0	2.0	2.2	2.0	2.0	2.1	2.2	2.2	2.3	2.2
14	Hong Kong	3.2	3.1	3.2	3.1	3.1	3.0	2.8	2.8	2.7	2.2
15	Mexico	2.2	2.4	2.6	2.6	2.5	2.2	2.1	2.1	2.1	1.8
16	Spain	2.0	1.8	1.7	1.8	1.8	2.1	2.0	1.9	1.8	1.7
17	Taiwan ⁽²⁾	2.0	2.1	2.3	2.0	2.0	1.9	1.9	1.8	1.8	1.7
18	Saudi Arabia	0.7	0.9	1.2	1.1	1.0	1.2	1.2	1.5	1.6	1.4
19	Malaysia	1.4	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.3	1.3
20	Brazil	1.0	0.9	0.9	1.0	0.9	1.0	1.1	1.1	1.2	1.3
	Other countries	23.0	23.2	24.0	24.5	24.7	25.1	25.8	26.7	27.6	28.3
	WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) According to the 2007 ranking.

(2) Source: Taiwan Directorate General of Customs.

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

Table 1.4

World merchandise trade: top twenty importers⁽¹⁾
(shares of world imports at current prices)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1	United States	17.1	18.0	18.8	18.5	18.1	16.8	16.1	16.1	15.5	14.0
2	Germany	8.4	8.0	7.6	7.7	7.5	7.7	7.6	7.2	7.3	7.4
3	China	2.5	2.9	3.4	3.8	4.5	5.3	5.9	6.1	6.4	6.6
4	United Kingdom	5.6	5.5	5.1	5.1	5.1	5.0	4.8	4.5	4.4	4.4
5	France	5.3	5.4	5.0	5.2	5.0	5.1	5.0	4.7	4.4	4.3
6	Japan	5.1	5.3	5.8	5.5	5.1	4.9	4.8	4.8	4.7	4.3
7	Italy	3.9	3.8	3.6	3.7	3.7	3.8	3.7	3.6	3.6	3.5
8	Netherlands	2.9	3.6	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4
9	Canada	4.0	4.1	4.0	3.8	3.7	3.4	3.2	3.2	3.1	2.9
10	Belgium	3.0	2.7	2.7	2.8	3.0	2.9	3.0	3.0	2.8	2.9
11	Hong Kong	3.3	3.1	3.2	3.2	3.1	3.0	2.9	2.8	2.7	2.7
12	Spain	2.4	2.3	2.2	2.2	2.3	2.7	2.7	2.7	2.7	2.6
13	South Korea	1.7	2.1	2.4	2.2	2.3	2.3	2.4	2.4	2.3	2.5
14	Mexico	2.5	2.7	3.0	3.0	2.9	2.5	2.3	2.3	2.3	1.9
15	Singapore	1.8	1.9	2.0	1.8	1.8	1.8	1.8	1.9	1.9	1.8
16	India	0.8	0.8	0.8	0.9	0.9	1.0	1.1	1.3	1.5	1.7
17	Russia	0.8	0.5	0.5	0.6	0.7	0.7	0.7	0.9	1.1	1.6
18	Taiwan ⁽²⁾	1.9	1.9	2.1	1.7	1.7	1.6	1.8	1.7	1.6	1.5
19	Switzerland	1.5	1.4	1.3	1.3	1.3	1.3	1.2	1.2	1.1	1.4
20	Turkey	0.8	0.7	0.8	0.7	0.8	0.9	1.0	1.1	1.1	1.2
	Other countries	24.9	23.4	22.5	23.2	23.4	23.8	24.7	25.3	26.1	27.6
	WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) According to the 2007 ranking.

(2) Source: Taiwan Directorate General of Customs.

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

Table 1.5

Inward foreign direct investment: main recipient countries
(amounts in billions of dollars at current prices)

Ranking based on 2006 flow		Flows			Stocks			
		Amount			Amount		% composition	
		mean 00-05	2006	2007 ⁽¹⁾	2006	2007 ⁽¹⁾	2006	2007 ⁽¹⁾
1	United States	140	175	193	1,789	1,982	14.9	14.6
2	United Kingdom	77	140	171	1,135	1,306	9.5	9.7
3	France	50	81	123	783	906	6.5	6.7
4	Belgium	21	72	...	603	...	5.0	...
5	China	54	69	67	293	360	2.4	2.7
6	Canada	25	69	...	385	...	3.2	...
7	Hong Kong	29	43	54	769	823	6.4	6.1
8	Germany	56	43	45	502	547	4.2	4.0
9	Italy	16	39	28	295	323	2.5	2.4
10	Luxembourg	3	29	...	73	...	0.6	...
11	Russia	8	29	49	198	247	1.6	1.8
12	Sweden	12	27	...	218	...	1.8	...
13	Switzerland	8	25	...	207	...	1.7	...
14	Singapore	14	24	37	210	247	1.8	1.8
15	Australia	8	24	...	246	...	2.1	...
16	Turkey	3	20	19	79	98	0.7	0.7
17	Spain	30	20	...	443	...	3.7	...
18	Mexico	20	19	37	229	266	1.9	2.0
19	Brazil	19	19	37	222	259	1.8	1.9
20	Saudi Arabia	3	18	...	52	...	0.4	...
	WORLD	853	1,306	1,538	11,999	13,536	100.0	100.0

(1) Estimates.

Source: Based on UNCTAD data

Table 1.6

Outward foreign direct investment: main investor countries
(amounts in billions of dollars at current prices)

Ranking based on 2006 flow		Flows			Stocks	
		Amount			Amount	% composition
		mean 00-05	2005	2006	2006	
1	United States	127	-28	217	2,384	19.1
2	France	91	121	115	1,080	8.7
3	Spain	43	42	90	508	4.1
4	Switzerland	28	54	82	545	4.4
5	United Kingdom	97	84	79	1,487	11.9
6	Germany	32	56	79	1,005	8.1
7	Belgium (1)	29	32	63	462	3.7
8	Japan	35	46	50	450	3.6
9	Canada	35	34	45	449	3.6
10	Hong Kong	28	27	43	689	5.5
11	Italy	20	42	42	376	3.0
12	Brazil	3	3	28	87	0.7
13	Sweden	21	27	25	263	2.1
14	Netherlands	62	143	23	652	5.2
15	Australia	3	-33	22	227	1.8
16	Ireland	9	14	22	125	1.0
17	Russia	8	13	18	157	1.3
18	China	5	12	16	73	0.6
19	Israel	2	3	14	34	0.3
20	Norway	8	21	10	121	1.0
	WORLD	800	837	1,216	12,474	100.0

(1) The mean refers to the period 2002-2005.

Source: Based on UNCTAD data

Table 1.7

Shares of world trade and trade balances net of intra-EU trade
(percentages and amounts in billions of ecus/euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	European Union ⁽¹⁾									
Export share (%)	20.1	18.9	17.4	18.6	19.0	19.2	18.0	17.1	16.4	16.5
Import share (%)	18.4	18.2	17.9	18.0	17.7	18.3	18.0	17.8	18.0	18.2
Trade balance	23	-20	-91	-43	8	-13	-63	-112	-172	-185
Normalized trade balance (2)	1.6	-1.3	-4.6	-2.1	0.4	-0.7	-3.2	-5.0	-6.8	-7.0
	United States									
Export share (%)	16.7	16.2	15.6	15.3	14.0	12.6	12.2	11.6	11.5	11.3
Import share (%)	21.8	23.2	23.6	23.0	22.7	21.3	21.4	21.0	20.3	18.9
Trade balance	-234	-341	-517	-503	-536	-511	-569	-666	-702	-623
Normalized trade balance (2)	-16.1	-20.7	-23.4	-23.6	-26.8	-28.5	-30.2	-31.4	-29.8	-26.8
	Japan									
Export share (%)	9.5	9.7	9.6	8.5	8.4	8.2	8.4	7.6	7.1	6.9
Import share (%)	6.5	6.8	7.1	6.8	6.4	6.2	6.4	6.2	6.1	5.8
Trade balance	96	101	108	61	84	79	89	64	54	67
Normalized trade balance (2)	16.1	14.8	11.6	7.2	10.5	10.4	10.9	7.2	5.5	6.9
	China ⁽³⁾									
Export share (%)	4.5	4.6	5.0	5.6	6.6	7.6	8.9	9.8	10.7	11.9
Import share (%)	3.2	3.6	4.2	4.8	5.6	6.7	7.9	8.0	8.4	8.9
Trade balance	39	27	26	25	32	23	26	82	141	191
Normalized trade balance (2)	13.4	8.1	5.1	4.4	4.9	3.0	2.8	7.2	10.1	12.1
	WORLD ⁽⁴⁾									
Export	3,647	4,019	5,422	5,306	5,253	5,095	5,382	6,261	7,207	7,498
Imports	3,862	4,282	5,787	5,715	5,603	5,419	5,739	6,633	7,539	7,804

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

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

(3) Includes Hong Kong re-exports.

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

Sources: Based on WTO and Eurostat-Comext data

Table 1.8

**Italy's balance of payments
on current account
(millions of euros)**

	2001	2002	2003	2004	2005	2006	2007
Goods (FOB-FOB)	17,405	14,049	9,922	8,854	536	-10,203	2,941
Services	18	-3,043	-2,362	1,179	-541	-1,272	-6,978
transport	-3,859	-4,190	-4,972	-4,935	-5,247	-5,163	-7,020
travel	12,427	10,396	9,386	12,150	10,452	11,968	11,169
other services	-8,550	-9,249	-6,776	-6,036	-5,746	-8,077	-11,127
Income	-11,635	-15,396	-17,811	-14,817	-13,624	-13,573	-19,675
labor income	-68	-900	-1,126	-213	-554	-316	-108
investment income	-11,567	-14,496	-16,685	-14,604	-13,070	-13,257	-19,567
Transfers	-6,527	-5,624	-7,101	-8,273	-9,999	-13,458	-13,653
private	-2,764	-4,567	-1,554	-1,477	-1,676	-5,473	-6,762
workers' remittances	-390	-478	-912	-2,478	-3,668	-4,281	-5,792
other	-2,374	-4,089	-642	1,001	1,992	-1,192	-970
public	-3,763	-1,057	-5,547	-6,796	-8,323	-7,985	-6,891
EU accounts	-5,634	-5,727	-6,289	-6,537	-8,143	-8,304	-7,955
other	1,871	4,670	742	-259	-180	319	1,064
Current account	-740	-10,014	-17,352	-13,056	-23,628	-38,506	-37,366

Source: Bank of Italy

Table 2.1

Italy's foreign trade (FOB-CIF)

	2001	2002	2003	2004	2005	2006	2007(1)
Exports FOB							
millions of euros	272,990	269,064	264,616	284,413	299,923	332,013	358,633
% change	4.8	-1.4	-1.7	7.5	5.5	10.7	8.0
Imports CIF							
millions of euros	263,757	261,226	262,998	285,634	309,292	352,465	368,080
% change	2.0	-1.0	0.7	8.6	8.3	14.0	4.4
Balance							
millions of euros	9,233	7,838	1,618	-1,221	-9,369	-20,452	-9,447
change from previous year	7,327	-1,395	-6,220	-2,839	-8,148	-11,083	11,005
Normalized balance (2)	1.7	1.5	0.3	-0.2	-1.5	-3.0	-1.3
Exports: average unit values, % change (2005=100)	2.0	0.9	-0.2	2.5	4.8	5.1	4.9
Imports: average unit values, % change(2005=100)	0.8	-1.0	-0.8	3.3	7.9	9.5	2.6
Exports: volume, % change (2005=100)	3.1	-2.3	-1.4	4.9	0.6	5.3	2.9
Imports: volume, % change (2005=100)	1.3	0.0	1.5	5.1	0.4	4.1	1.8
Terms of trade (3), % change (2005=100)	1.2	1.9	0.6	-0.8	-2.9	-4.0	2.3
Real cover ratio (4), % change (2005=100)	1.7	-2.3	-2.9	-0.2	0.2	1.2	1.1
Prices of Italian industrial products sold abroad, % change (2000=100)	....	....	-0.9	0.9	2.1	2.9	2.3

(1) Provisional data for 2007; 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.

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

(3) Ratio between average unit values of exports and imports.

(4) Ratio between the export volume index and import volume index.

Source: Based on ISTAT data

Table 2.2

Constant-market-shares analysis of Italy's share of world imports⁽¹⁾⁽²⁾

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-2007
Market share	3.98	4.18	3.84	3.41	3.52	3.51	3.58	3.44	3.23	3.16	3.25	
Change		0.19	-0.33	-0.44	0.11	-0.01	0.07	-0.15	-0.21	-0.07	0.09	-0.73
Competitiveness effect		-0.02	-0.12	-0.09	0.00	-0.04	0.01	-0.03	-0.10	0.00	-0.02	-0.40
Structure effect		0.22	-0.20	-0.34	0.13	0.08	0.08	-0.11	-0.16	-0.06	0.15	-0.21
<i>sectoral</i>		0.12	-0.10	-0.25	0.11	0.05	-0.01	-0.09	-0.11	-0.06	0.08	-0.27
<i>geographical</i>		0.15	-0.13	-0.13	0.05	-0.01	0.08	-0.04	-0.04	-0.02	0.03	-0.06
<i>interaction</i>		-0.05	0.03	0.05	-0.03	0.04	0.02	0.02	-0.01	0.02	0.04	0.12
Adaptation effect		0.00	-0.01	-0.01	-0.02	-0.04	-0.02	-0.01	0.05	-0.01	-0.03	-0.12

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-2007
Market share	12.58	12.35	11.94	11.69	11.49	11.24	11.15	10.91	10.73	10.73	10.78	
Change		-0.23	-0.42	-0.25	-0.20	-0.25	-0.09	-0.24	-0.19	0.00	0.05	-1.80
Competitiveness effect		-0.15	-0.12	-0.01	-0.11	-0.17	0.03	0.05	-0.11	0.16	-0.01	-0.45
Structure effect		-0.02	-0.25	-0.18	-0.02	0.16	-0.03	-0.25	-0.23	-0.14	0.15	-0.82
<i>sectoral</i>		-0.07	-0.22	-0.34	0.02	0.03	-0.08	-0.18	-0.19	-0.11	0.13	-1.01
<i>geographical</i>		0.09	0.01	0.10	-0.02	-0.08	0.03	-0.05	0.03	-0.01	-0.02	0.07
<i>interaction</i>		-0.04	-0.03	0.06	-0.02	0.21	0.02	-0.01	-0.07	-0.03	0.03	0.13
Adaptation effect		-0.06	-0.06	-0.05	-0.07	-0.24	-0.08	-0.03	0.16	-0.02	-0.08	-0.53

(1) The "world" consists of the 15 members of the pre-enlargement European Union plus Brazil, Canada, China, Japan, Malaysia, Mexico, South Korea, Switzerland, Taiwan and the United States. The results of the constant-market-shares analysis differ in part from those published in previous Reports because the imports of the individual member countries of the EU are now taken into account whereas the EU had previously been treated as a single market.

(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 of 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 2.3

Italy's foreign trade by geographical region and with the main countries
(millions of euros)

	EXPORTS			IMPORTS			BALANCE		
	2007	% share	% change in value 06-07	2007	% share	% change in value 06-07	2006	2007	Normaliz. balance in 2007 (%)
European Union	215,269	60.0	6.1	209,658	57.0	3.4	121	5,611	1.3
<i>EU-15</i>	183,653	51.2	5.4	184,812	50.2	2.4	-6,195	-1,159	-0.3
<i>France</i>	41,011	11.4	4.8	33,180	9.0	1.4	6,382	7,831	10.6
<i>Germany</i>	46,144	12.9	5.0	62,257	16.9	5.3	-15,167	-16,113	-14.9
<i>Spain</i>	26,487	7.4	8.2	15,626	4.2	4.1	9,461	10,861	25.8
<i>United Kingdom</i>	20,789	5.8	3.1	12,154	3.3	-3.8	7,538	8,635	26.2
Other European countries	40,641	11.3	10.0	39,713	10.8	3.6	-1,718	928	1.2
<i>Russia</i>	9,579	2.7	25.6	14,354	3.9	5.6	-5,967	-4,776	-20.0
<i>Switzerland</i>	13,414	3.7	6.3	11,118	3.0	7.6	2,293	2,295	9.4
North Africa	10,014	2.8	21.2	25,257	6.9	-0.9	-17,234	-15,243	-43.2
Other African countries	4,649	1.3	6.0	6,617	1.8	12.2	-1,512	-1,968	-17.5
North America	27,160	7.6	-0.3	12,793	3.5	6.1	15,176	14,367	36.0
<i>United States</i>	24,390	6.8	-0.6	11,087	3.0	3.5	13,831	13,303	37.5
South and Central America	12,029	3.4	21.7	10,648	2.9	13.3	487	1,381	6.1
<i>Mercosur</i>	3,555	1.0	13.8	5,109	1.4	10.0	-1,522	-1,554	-17.9
Middle East	16,808	4.7	24.0	16,075	4.4	7.6	-1,384	733	2.2
Central Asia	4,549	1.3	21.5	7,020	1.9	-1.7	-3,394	-2,471	-21.4
East Asia	22,190	6.2	5.3	38,035	10.3	10.6	-13,318	-15,845	-26.3
<i>China</i>	6,311	1.8	11.0	21,764	5.9	21.5	-12,225	-15,453	-55.0
<i>Japan</i>	4,338	1.2	-3.2	5,359	1.5	-1.5	-957	-1,022	-10.5
<i>DAEs(1)</i>	9,344	2.6	4.0	7,501	2.0	-2.4	1,285	1,843	10.9
Oceania	3,373	0.9	13.6	1,684	0.5	-0.9	1,270	1,689	33.4
WORLD	358,633	100.0	8.0	368,080	100.0	4.4	-20,452	-9,447	-1.3

(1) Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand.
Source: Based on ISTAT data

Table 2.4

Size of the markets and Italy's shares
(at current prices)

	SIZE OF MARKETS (1)			ITALY'S MARKET SHARES (2)				
	2003	2006	2007	2003	2004	2005	2006	2007
European Union	41.7	38.2	38.7	6.1	5.9	5.6	5.5	5.5
<i>France</i>	5.2	4.1	4.0	9.7	9.4	9.1	8.9	8.9
<i>Germany</i>	9.9	9.3	9.7	7.1	6.9	6.4	6.3	6.2
<i>United Kingdom</i>	4.1	3.5	3.1	5.4	5.4	5.0	4.7	4.6
<i>Spain</i>	2.1	1.8	1.7	10.2	10.0	9.6	9.4	9.5
Other European countries	5.3	6.1	6.2	7.9	8.1	7.2	7.0	6.6
<i>Russia</i>	1.8	2.4	2.5	5.8	6.0	5.8	5.9	5.9
<i>Switzerland</i>	1.4	1.2	1.2	10.1	11.1	10.0	9.7	9.7
North Africa	0.9	1.2	1.1	12.2	11.2	10.1	10.1	10.7
Other African countries	1.5	1.7	1.8	3.4	3.1	3.2	3.0	2.8
North America	13.3	11.9	11.5	1.9	1.8	1.7	1.6	1.7
<i>United States</i>	9.6	8.7	8.5	2.1	2.0	1.9	1.7	1.8
South and Central America	5.2	5.9	5.7	2.4	2.2	2.0	2.0	2.3
Middle East	3.7	5.0	4.7	5.1	4.9	4.4	4.6	5.0
Central Asia	1.4	1.7	1.8	2.1	2.1	2.0	2.1	2.2
East Asia	25.9	27.0	27.0	1.3	1.2	1.0	1.0	1.0
<i>China</i>	5.8	8.1	8.9	1.2	1.1	1.0	1.0	1.0
<i>Japan</i>	6.3	5.4	5.1	1.4	1.3	1.2	1.1	1.1
Oceania	1.2	1.3	1.3	2.9	2.9	2.6	2.3	2.4
WORLD	100.0	100.0	100.0	4.0	3.9	3.6	3.5	3.6

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

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

Source: Based on IMF-DOTS data

Table 2.5

Italian exports: top 20 countries of destination in 2007

		Rank in 2006	Value (euros mn) 2007	Percentage changes		Percentage shares		Cumulative percentage
				2006-07	2006	2007	2007	
1	Germany	1	46,144	5.0	13.2	12.9	12.9	
2	France	2	41,011	4.8	11.8	11.4	24.3	
3	Spain	4	26,487	8.2	7.4	7.4	31.7	
4	United States	3	24,390	-0.6	7.4	6.8	38.5	
5	United Kingdom	5	20,789	3.1	6.1	5.8	44.3	
6	Switzerland	6	13,414	6.3	3.8	3.7	48.0	
7	Belgium	7	10,584	10.7	2.9	3.0	51.0	
8	Russia	10	9,579	25.6	2.3	2.7	53.6	
9	Poland	11	8,680	21.7	2.2	2.4	56.1	
10	Austria	8	8,471	2.7	2.5	2.4	58.4	
11	Netherlands	9	8,439	5.7	2.4	2.4	60.8	
12	Greece	12	7,367	7.8	2.1	2.1	62.8	
13	Turkey	13	7,207	6.6	2.0	2.0	64.8	
14	China	14	6,311	11.0	1.7	1.8	66.6	
15	Romania	15	5,447	-1.5	1.7	1.5	68.1	
16	United Arab Emirates	21	4,443	34.2	1.0	1.2	69.4	
17	Japan	16	4,338	-3.2	1.4	1.2	70.6	
18	Sweden	18	3,964	8.8	1.1	1.1	71.7	
19	Czech Republic	20	3,781	13.0	1.0	1.1	72.7	
20	Hungary	19	3,586	7.0	1.0	1.0	73.7	
	Other countries		94,202	6.5	25.2	26.3	100.0	
	WORLD		358,633	8.0	100.0	100.0	100.0	

Source: Based on ISTAT data

Table 2.6

Italian imports: top 20 countries of origin in 2007

		Rank in 2006	Value (euros mn) 2007	Percentage changes		Percentage shares		Cumulative percentage
				2006-07	2006	2007	2007	
1	Germany	1	62,257	5.3	16.8	16.9	16.9	
2	France	2	33,180	1.4	9.3	9.0	25.9	
3	China	4	21,764	21.5	5.1	5.9	31.8	
4	Netherlands	3	20,175	2.3	5.6	5.5	37.3	
5	Belgium	6	15,869	6.8	4.2	4.3	41.6	
6	Spain	5	15,626	4.1	4.3	4.2	45.9	
7	Russia	7	14,354	5.6	3.9	3.9	49.8	
8	Libya	8	14,005	10.7	3.6	3.8	53.6	
9	United Kingdom	9	12,154	-3.8	3.6	3.3	56.9	
10	Switzerland	11	11,118	7.6	2.9	3.0	59.9	
11	United States	10	11,087	3.5	3.0	3.0	62.9	
12	Austria	12	8,667	-6.1	2.6	2.4	65.3	
13	Poland	14	6,371	13.8	1.6	1.7	67.0	
14	Algeria	13	6,338	-21.0	2.3	1.7	68.7	
15	Japan	15	5,359	-1.5	1.5	1.5	70.2	
16	Turkey	16	5,344	-1.2	1.5	1.5	71.6	
17	Iran	20	4,186	7.5	1.1	1.1	72.8	
18	Sweden	19	4,112	3.6	1.1	1.1	73.9	
19	Romania	17	4,052	-5.9	1.2	1.1	75.0	
20	Czech Republic	25	3,961	25.8	0.9	1.1	76.1	
	Other countries		88,099	4.7	23.9	23.9	100.0	
	WORLD		368,080	4.4	100.0	100.0	100.0	

Source: Based on ISTAT data

Table 2.7

Italy's foreign trade by sector
(amounts in millions of euros)

	EXPORTS			IMPORTS			BALANCE	
	2007	% share	% change in value 06-07	2007	% share	% change in value 06-07	2006	2007
PRODUCTS OF AGRICULTURE AND FISHING	4,848	1.4	10.0	10,149	2.8	2.0	-5,538	-5,301
PRODUCTS OF MINING AND QUARRYING	1,295	0.4	18.8	54,282	14.7	-1.4	-53,981	-52,986
<i>Energy products</i>	664	0.2	46.4	49,468	13.4	-1.9	-49,996	-48,805
PRODUCTS OF MANUFACTURING	345,219	96.3	8.0	293,978	79.9	5.9	42,225	51,241
Food products, beverages, tobacco	18,861	5.3	5.5	22,939	6.2	3.2	-4,358	-4,078
Textiles and clothing	27,791	7.7	1.3	17,569	4.8	1.2	10,086	10,222
<i>Textiles</i>	14,112	3.9	-2.0	7,952	2.2	1.4	6,559	6,159
<i>Clothing</i>	13,679	3.8	4.9	9,617	2.6	1.1	3,527	4,063
Footwear and leather products	14,102	3.9	1.6	7,646	2.1	1.8	6,369	6,456
<i>Footwear</i>	7,660	2.1	-0.1	3,861	1.0	-4.0	3,647	3,798
Wood and cork products (excluding furniture)	1,656	0.5	10.0	4,243	1.2	4.1	-2,569	-2,587
Paper products, printing and publishing	6,947	1.9	3.8	7,405	2.0	5.2	-340	-457
Refined petroleum products	12,891	3.6	14.2	6,808	1.8	-1.0	4,408	6,083
Chemical and pharmaceutical products	34,026	9.5	4.0	47,162	12.8	4.5	-12,430	-13,136
<i>Basic chemical products</i>	11,716	3.3	7.7	22,804	6.2	4.7	-10,894	-11,088
<i>Pharmaceutical and medical products</i>	11,945	3.3	1.2	14,512	3.9	6.0	-1,893	-2,567
Rubber and plastic products	12,901	3.6	6.0	7,450	2.0	6.5	5,173	5,452
Glass, ceramics and non-metallic construction materials	9,773	2.7	2.4	3,635	1.0	6.7	6,137	6,138
Basic metals and fabricated metal products	42,881	12.0	13.2	49,374	13.4	13.5	-5,604	-6,494
<i>Iron and steel products</i>	18,917	5.3	18.5	23,014	6.3	18.8	-3,420	-4,097
<i>Nonferrous metals</i>	7,548	2.1	10.3	20,016	5.4	8.5	-11,607	-12,467
<i>Finished metal products</i>	16,416	4.6	8.8	6,344	1.7	12.1	9,422	10,071
Mechanical machinery & equipment	74,581	20.8	11.4	26,932	7.3	13.6	43,260	47,650
<i>General industrial machinery</i>	35,691	10.0	13.8	14,738	4.0	15.7	18,623	20,953
<i>Specialized industrial machinery</i>	30,931	8.6	11.8	9,488	2.6	9.6	19,015	21,443
<i>Household equipment & appliances</i>	7,202	2.0	-0.4	2,433	0.7	13.6	5,091	4,769
ICT products, electrical equipment and precision instruments	31,065	8.7	3.8	39,467	10.7	-2.8	-10,652	-8,402
<i>ICT products</i>	8,256	2.3	-8.6	20,195	5.5	-8.0	-12,927	-11,939
<i>Electrical equipment & apparatus</i>	14,134	3.9	10.7	10,124	2.8	7.4	3,340	4,010
<i>Medical and precision instruments</i>	8,675	2.4	6.5	9,148	2.5	-0.7	-1,065	-473
Transport equipment	40,824	11.4	14.7	47,105	12.8	8.5	-7,816	-6,281
<i>Motor vehicles and parts</i>	29,450	8.2	11.3	41,164	11.2	10.1	-10,904	-11,714
<i>Other transport equipment</i>	11,374	3.2	24.8	5,941	1.6	-1.4	3,087	5,433
Other manufactures	16,919	4.7	3.8	6,244	1.7	8.9	10,563	10,675
<i>Furniture</i>	9,410	2.6	3.9	1,868	0.5	10.9	7,375	7,542
<i>Jewelry, gold and silver</i>	4,691	1.3	4.0	1,358	0.4	13.8	3,316	3,333
OTHER PRODUCTS	7,271	2.0	7.8	9,672	2.6	-2.3	-3,158	-2,401
TOTAL	358,633	100.0	8.0	368,080	100.0	4.4	-20,452	-9,447

Source: Based on ISTAT data

Table 2.8

Volumes and prices of Italian exports and imports by sector
(percentage changes between 2006 and 2007 for exports and imports;
indices, 2005=100, for relative volumes and terms of trade)

	EXPORTS		IMPORTS		RELATIVE VOLUMES(a)		TERMS OF TRADE(b)	
	volumes	average unit values	volumes	average unit values	2006	2007	2006	2007
PRODUCTS OF AGRICULTURE AND FISHING	4.6	5.1	-2.1	4.2	98.5	105.3	101.5	102.4
PRODUCTS OF MINING AND QUARRYING	10.2	7.8	0.9	-2.3	93.0	101.6	92.8	102.4
PRODUCTS OF MANUFACTURING	3.0	4.9	2.3	3.6	100.0	100.7	98.8	100.0
Food products, beverages and tobacco	3.3	2.2	0.1	3.1	101.9	105.2	98.4	97.5
Textiles and clothing	-2.3	3.7	-1.7	2.9	93.7	93.1	98.7	99.4
Footwear and leather products	-5.8	7.9	-2.5	4.4	95.2	92.0	100.0	103.3
<i>Footwear</i>	-6.8	7.1	-5.5	1.5	95.1	93.8	101.4	107.0
Wood and cork products (excluding furniture)	6.2	3.6	-0.3	4.4	97.2	103.5	99.7	98.9
Paper products, printing and publishing	2.3	1.4	3.0	2.2	102.7	102.1	96.5	95.7
Refined petroleum products	10.8	3.1	-4.0	4.7	93.9	108.4	97.2	95.8
Chemical and pharmaceutical products	0.9	3.1	0.9	3.6	98.6	98.6	99.9	99.5
<i>Basic chemical products</i>	4.5	3.0	0.7	4.0	97.7	101.5	99.2	98.2
<i>Pharmaceutical and medical products</i>	-2.8	4.2	2.5	3.4	95.8	90.9	100.7	101.4
Rubber and plastic products	1.9	4.1	1.6	4.9	98.1	98.4	100.6	99.8
Glass, ceramics, non-metallic construction materials	-1.0	3.4	2.6	4.0	99.0	95.5	101.5	100.9
<i>Ceramic tiles</i>	-3.7	3.9	13.0	2.6	85.6	73.0	104.0	105.3
Basic metals and fabricated metal products	2.3	10.6	3.0	10.2	98.8	98.2	93.3	93.6
<i>Iron and steel tubes and pipes</i>	3.3	12.3	24.7	9.5	101.6	84.2	101.6	104.2
Mechanical machinery and equipment	6.4	4.7	11.1	2.3	104.5	100.1	98.3	100.6
<i>Agricultural machinery</i>	3.6	1.6	8.1	1.0	99.6	95.5	97.9	98.5
<i>Household equipment and appliances</i>	-4.3	4.0	12.2	1.3	94.2	80.3	98.3	101.0
ICT products, electrical equipment and precision instruments	-0.1	3.9	0.6	-3.3	97.9	97.3	104.8	112.6
<i>Insulated wires and cables</i>	9.8	2.1	0.4	4.0	96.0	105.0	115.0	112.9
<i>Lamps and lighting equipment</i>	2.2	7.9	10.5	1.8	104.5	96.6	101.9	108.0
Transport equipment	9.9	4.4	5.9	2.5	103.7	107.6	100.3	102.2
<i>Motor vehicles</i>	10.7	4.0	6.9	2.4	113.3	117.4	101.2	102.7
Other manufactures	0.1	3.8	6.4	2.4	98.4	92.5	98.1	99.4
<i>Furniture</i>	0.7	3.2	9.2	1.6	91.1	83.9	100.4	102.0
TOTAL	2.9	4.9	1.8	2.6	101.2	102.3	96.0	98.2

(a) Export volume index as a percentage of import volume index.

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

Source: Based on ISTAT data

Table 2.9

Size of sectors and Italy's market shares

	% SHARE OF WORLD EXPORTS			ITALY'S MARKET SHARES						
	2001	2006	2007	2001	2002	2003	2004	2005	2006	2007
PRODUCTS OF AGRICULTURE AND FISHING	2.6	2.2	2.4	2.3	2.3	2.3	2.1	2.1	2.1	2.1
PRODUCTS OF MINING AND QUARRYING	8.2	11.8	11.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PRODUCTS OF MANUFACTURING	84.8	80.8	81.5	4.5	4.5	4.5	4.4	4.2	4.2	4.3
Food products, beverages and tobacco	5.1	4.5	4.7	4.0	4.2	4.3	4.3	4.2	4.2	4.2
Textiles and clothing	5.8	4.5	4.4	7.2	7.0	7.1	7.0	6.6	6.5	6.6
<i>Textiles</i>	2.9	2.1	2.1	8.4	8.1	8.1	8.0	7.3	7.2	7.1
<i>Clothing</i>	2.9	2.4	2.3	5.9	6.0	6.1	6.1	6.0	5.8	6.1
Footwear and leather products	1.4	1.1	1.1	15.2	14.8	14.7	14.6	13.6	13.3	13.6
<i>Footwear</i>	0.8	0.6	0.6	15.2	14.8	14.6	14.3	13.0	12.7	12.7
Wood and cork products (excluding furniture)	1.0	0.9	0.9	2.3	2.2	2.2	2.0	2.0	2.0	2.2
Paper products, printing and publishing	2.5	1.9	2.1	3.6	3.7	3.7	3.8	3.8	3.8	3.4
Refined petroleum products	2.7	4.1	4.1	2.7	2.6	2.9	2.8	3.0	2.8	3.2
Chemical and pharmaceutical products	9.4	10.0	10.2	3.7	3.7	3.6	3.4	3.4	3.3	3.3
<i>Basic chemical products</i>	4.3	4.8	5.0	2.6	2.5	2.3	2.3	2.2	2.1	2.1
<i>Pharmaceutical and medical products</i>	2.4	2.8	2.9	5.4	5.2	4.9	4.5	4.8	4.6	4.3
Rubber and plastic products	2.2	2.2	2.2	6.2	6.2	6.3	6.3	6.0	5.9	5.9
Glass, ceramics and non-metallic construction materials	1.2	1.0	1.0	11.7	11.5	11.3	11.0	10.1	9.9	9.7
Basic metals and fabricated metal products	6.8	8.8	9.4	4.6	4.6	4.6	4.7	4.6	4.5	4.7
<i>Iron and steel products</i>	2.2	3.2	3.5	5.1	4.8	4.6	4.8	4.9	5.3	5.5
<i>Basic metals</i>	0.4	0.4	0.5	8.7	8.5	8.8	9.7	8.3	8.1	8.0
Mechanical machinery and equipment	8.1	7.8	8.3	9.6	9.6	9.9	9.6	9.1	9.1	9.2
<i>General industrial machinery</i>	3.8	3.7	4.0	8.8	8.8	9.3	9.3	8.7	9.0	9.2
<i>Specialized industrial machinery</i>	3.5	3.3	3.6	9.7	9.6	9.7	9.3	8.9	8.8	8.9
<i>Household equipment and appliances</i>	0.7	0.7	0.7	14.0	13.8	13.8	13.3	12.1	11.5	11.2
ICT products, electrical equipment and precision instruments	22.0	19.8	18.6	1.8	1.7	1.7	1.7	1.7	1.6	1.7
<i>ICT products</i>	14.7	12.8	11.5	1.2	1.0	1.0	0.9	0.9	0.8	0.7
<i>Electrical equipment and apparatus</i>	4.0	3.7	3.8	3.4	3.4	3.5	3.6	3.5	3.6	3.8
<i>Medical and precision instruments</i>	3.3	3.2	3.2	2.7	2.8	2.8	2.7	2.7	2.7	2.8
Transport equipment	13.5	11.7	11.9	3.2	3.3	3.3	3.3	3.2	3.2	3.5
<i>Motor vehicles and parts</i>	9.4	8.7	8.9	3.2	3.0	3.2	3.2	3.1	3.2	3.4
<i>Other transport equipment</i>	4.1	3.0	3.0	3.1	4.0	3.4	3.8	3.4	3.2	3.9
Other manufactures	3.0	2.6	2.7	8.6	8.1	7.9	7.5	6.7	6.5	6.4
<i>Furniture</i>	1.0	0.8	0.9	14.3	13.8	13.2	12.7	11.5	11.1	11.1
<i>Jewelry, gold and silver</i>	0.9	0.9	0.9	8.8	7.7	6.9	6.3	5.5	5.4	5.4
OTHER PRODUCTS	4.4	5.2	4.7	1.5	1.7	2.6	2.7	2.4	1.7	2.1
TOTAL	100.0	100.0	100.0	4.0	4.0	4.0	3.9	3.6	3.5	3.7

Note: In the absence of updated official data, world trade is approximated by summing the exports of 36 countries (the EU-15 plus Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Norway, the Philippines, South Africa, South Korea, Switzerland, Taiwan, Turkey and the United States) with their imports from the rest of the world after multiplying the latter by a factor of 1.275 in order to compensate for the non-inclusion of trade between non-reporting countries. The disparities with respect to the figures published by the UN (Comtrade) for available years vary according to product but are all very small.

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

Table 2.10

Merchandise exports of the Italian regions (1)
(values in millions of euros, percentage changes and percentage shares)

	Value 2007	% change in value 06-07	PERCENTAGE SHARES				
			2003	2004	2005	2006	2007
North-West	143,814	8.2	41.8	41.1	41.5	40.8	40.8
Piedmont	36,964	5.9	11.4	11.2	10.9	10.7	10.5
Valle d'Aosta	870	47.6	0.2	0.2	0.2	0.2	0.2
Lombardy	101,296	8.6	28.8	28.4	29.0	28.6	28.8
Liguria	4,686	11.3	1.4	1.3	1.4	1.3	1.3
North-East	111,900	7.2	31.5	32.1	31.6	32.1	31.8
Trentino-Alto Adige	6,146	8.0	1.8	1.8	1.8	1.7	1.7
Veneto	47,525	2.7	14.5	14.4	13.8	14.2	13.5
Friuli-Venezia Giulia	12,331	11.3	3.2	3.5	3.3	3.4	3.5
Emilia-Romagna	45,898	11.0	12.0	12.4	12.7	12.7	13.0
Center	55,387	7.3	16.1	16.0	15.4	15.8	15.7
Tuscany	26,265	6.9	7.8	7.8	7.4	7.5	7.5
Umbria	3,613	11.3	0.9	0.9	1.0	1.0	1.0
Marche	12,345	6.8	3.3	3.2	3.2	3.5	3.5
Lazio	13,165	7.6	4.0	4.0	3.8	3.8	3.7
South and Islands	41,099	11.8	10.6	10.8	11.5	11.3	11.7
Abruzzo	7,315	11.8	2.0	2.2	2.1	2.0	2.1
Molise	628	2.4	0.2	0.2	0.2	0.2	0.2
Campania	9,303	10.9	2.7	2.6	2.6	2.6	2.6
Puglia	7,122	3.5	2.2	2.3	2.3	2.1	2.0
Basilicata	2,096	21.7	0.6	0.5	0.4	0.5	0.6
Calabria	428	30.1	0.1	0.1	0.1	0.1	0.1
Sicily	9,523	19.8	1.9	2.0	2.5	2.4	2.7
Sardinia	4,683	8.0	0.9	1.0	1.3	1.3	1.3
Total regions	352,200	8.1	100.0	100.0	100.0	100.0	100.0

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

Source: Based on ISTAT data

Table 2.11

Industrial districts' shares of Italian exports and Italy's shares of world exports⁽¹⁾

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
INDUSTRIAL DISTRICTS' SHARES OF ITALIAN EXPORTS										
Food system	21.3	21.6	20.8	21.4	22.4	22.4	22.8	22.5	22.7	23.6
Personal and leisure-time goods	51.4	51.9	52.6	51.6	50.2	48.6	48.2	51.0	51.6	49.2
Home and furnishings	37.7	37.5	38.1	38.6	38.0	37.9	38.0	39.2	40.6	39.6
Mechanical machinery and equipment	27.8	27.8	27.7	28.2	27.5	27.5	28.0	29.1	29.8	28.8
Total typical "Made in Italy" products	37.6	37.6	38.1	38.1	37.1	36.2	36.0	37.4	37.9	36.4
Total manufactures	30.9	30.6	30.0	30.4	29.9	29.7	29.7	30.5	31.7	30.8
ITALY'S SHARES OF WORLD EXPORTS										
Food system	4.6	4.6	4.4	4.4	4.8	4.8	4.9	4.7	4.7	4.7
Personal and leisure-time goods	9.3	8.7	8.3	8.7	8.4	8.4	8.2	7.8	7.6	7.7
Home and furnishings	13.6	12.5	11.7	11.8	11.5	11.3	10.9	10.0	9.7	9.7
Mechanical machinery and equipment	8.4	8.0	7.3	7.6	7.6	7.8	7.7	7.3	7.4	7.6
Total typical "Made in Italy" products	8.7	8.3	7.8	8.0	7.9	8.0	7.8	7.4	7.3	7.4
Total manufactures	5.0	4.6	4.3	4.5	4.5	4.5	4.4	4.2	4.2	4.3

(1) The sectors indicated in this table do not coincide with those referred to with the same or similar names elsewhere in this publication. For a list of the products included and the method of calculation, see "Ice-Osservatorio sull'internazionalizzazione dei distretti industriali" <http://www.ice.gov.it/editoria/>, May 2008.

Source: Based on ISTAT, Eurostat and national statistical institutes data

Table 2.12

Internationalization of Italian firms
(exports in millions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007(1)
No. of exporting firms	182,830	183,385	188,915	191,016	195,910	196,973	198,351	201,680	206,795	196,885
% change	1.4	0.3	3.0	1.1	2.6	0.5	0.7	1.7	2.5	....
Value of exports(2)	215,382	216,798	254,081	266,435	266,571	262,057	281,877	296,954	328,715	353,852
% change	4.2	0.7	17.2	4.9	0.1	-1.7	7.6	5.3	10.7	7.6
No. of foreign affiliates	....	....	16,677	18,251	18,767	19,292	20,004	20,315	20,974	....
% change	....	....	....	9.4	2.8	2.8	3.7	1.6	3.2	....
No. of workers abroad	....	....	1,177,684	1,252,711	1,248,938	1,238,055	1,223,138	1,206,790	1,231,911	....
% change	....	....	....	6.4	-0.3	-0.9	-1.2	-1.3	2.1	....

(1) Provisional data.

(2) Refers only to the exports of the identified firms and therefore differs from the export figures reported in the other tables.

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 class; millions of euros for sectoral totals)

	2001				2006			
	Under 50 workers	50-249 workers	250 + workers	Total	Under 50 workers	50-249 workers	250 + workers	Total
Manufacturing	24.1	29.3	46.6	225,997	21.2	30.9	48.0	274,275
Food products, beverages	32.0	34.5	33.5	11,689	29.7	36.5	33.8	14,209
Textile products, knitwear	37.1	32.9	30.0	13,531	36.8	32.4	30.9	11,598
Clothing	32.6	30.6	36.8	10,515	29.4	30.1	40.5	10,323
Footwear, hides and leather products	44.0	38.3	17.6	12,215	39.7	36.0	24.3	12,271
Wood and wood products (excluding furniture)	48.3	46.4	5.3	1,851	45.3	41.1	13.7	1,684
Paper, paper products and publishing	22.2	32.3	45.5	5,032	17.1	34.2	48.6	6,448
Refined energy products	1.6	2.1	96.3	4,861	1.7	3.2	95.1	7,774
Chemical products and man-made fibers	22.7	26.0	51.3	22,327	19.1	26.6	54.4	27,921
Rubber and plastic products	23.0	42.5	34.4	9,982	21.9	42.2	35.9	12,415
Glass, ceramics and non-metallic construction materials	26.4	29.7	43.9	7,566	22.6	31.6	45.8	8,253
Basic metals, fabricated metal products, etc.	21.8	38.4	39.8	22,204	19.0	38.7	42.3	37,695
Mechanical machinery and equipment, household appliances	21.1	32.7	46.2	43,813	20.0	33.8	46.2	55,695
ICT, electrical apparatus, precision instruments	15.9	21.2	62.9	22,277	17.8	31.9	50.3	23,927
Motor vehicles	7.2	8.7	84.2	17,843	5.2	9.5	85.3	22,370
Other transport equipment	9.9	12.0	78.1	7,056	9.2	12.2	78.5	8,069
Furniture	38.4	35.9	25.7	7,544	32.6	42.0	25.3	8,003
Other products of manufacturing	50.4	39.4	10.2	5,691	47.9	39.8	12.3	5,620
Wholesale trade	81.5	11.6	6.9	28,973	75.0	13.1	12.0	40,587
Other sectors	38.3	23.9	37.9	7,201	32.9	13.4	53.7	9,423
Total	30.8	27.2	42.0	262,171	28.3	28.1	43.6	324,285

Source: Based on ISTAT data

Table 2.14

