

FOCUS ON INTERNATIONAL TRADE

ITALY

THE REPUBLIC OF ITALY TODAY

Location	The Italian Republic comprises a peninsula, extending from southern Europe into the Mediterranean Sea, and a number of adjacent islands. The two principal islands are Sicily, to the south-west, and Sardinia, to the west. The Alps form a natural boundary to the north, where the bordering countries are France to the north-west, Switzerland and Austria to the north and Slovenia to the north-east.
Size	301,338 sq. km. (116,346 sq. miles).
Population	61,095,551 (July 2022)*.
Population Growth Rate	-0.13% (2022).*
Life expectancy	82.59 years (men 80.25 years and women 85.08 years). In 2022*
Birth Rate	6.95 births/1000 in July 2022*
Death Rate	11.31 deaths/1000 in July 2022*
Literacy	99.2% (99.4 % male and 99% female). In 2018.
Capital City	Rome
Other Large Cities	Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Bari, Catania, Venice, Verona, Messina, Trieste, Padua, Taranto, Brescia, Reggio di Calabria, Modena, Prato, Cagliari, Parma, Perugia, Livorno, Foggia, Salerno, Reggio nell' Emilia, Ravenna, Ferrara, Vicenza, Trento, Terni, Piacenza, Udine, Catanzaro, Bolzano etc.
Religion	Christian 80%. Muslims NEGL, Atheists and Agnostics 20%.
Language	The principal language is Italian. German and Latin are spoken in the Alto Adige region on the Austrian border, and French in the Valle d'Aosta region (bordering France and Switzerland), while in southern Italy there are Greek-speaking and Albanian minorities. A language related to Catalan is spoken in north-western Sardinia.
Climate	The climate is temperate in the north and Mediterranean in the south, with mild winters and long, dry summers. The average temperature in Rome is 7.4°C (45.3°F) in January and 25.7°C (78.3°F) in July.
International Relations	Italy is a member UN, WTO, NATO, BIS, OECD, EU, Council of Europe, WEU, OSCE, CERN, CEI, Inter-American Development Bank, Asian Development Bank, IOM and the Antarctic Treaty. Italy is a signatory to the Schengen Accord of June 1990, which abolishes border controls between Italy, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Luxembourg, the Netherlands, Norway, Portugal, Spain and Sweden.
Internet domain	.it
International dialing code	+39
Currency	The unit of currency is the <i>euro</i> (EUR).

***Estimated Figure**

NATIONAL ECONOMY

The Italian economy rebounded vigorously from the COVID-related drop in output and has avoided economic scarring. Employment and labor force participation have fully recovered, and banks' nonperforming loans have continued to decline and their capital positions have strengthened. Nevertheless, the economy is now facing major new challenges. The war in Ukraine and COVID-related disruptions to global supply chains have pushed up energy prices and inflation more broadly and intensified shortages of key products, even as global demand is slowing. Ensuring an adequate supply of energy is a priority. A severe drought across the Northern part of the country will further pressure food prices and exacerbate energy security challenges. Yields on Italian government bond have risen and spreads have widened on the prospective tightening of monetary policies and political uncertainty amid a weakened global outlook. Reinvigorating trend growth is essential to strengthen public finances in order to meet social, climate and other goals, while also moderating the high level of public debt .

Growth is projected to moderate sharply and remain subdued owing to the war in Ukraine, monetary policy tightening, continued supply chain disruptions and higher and more persistent inflation. In all, the economy is forecast to expand by 3 percent in 2022, mostly on strong carryover from last year, with a further slowdown to around $\frac{3}{4}$ percent in 2023. Annual average inflation is expected to peak in 2022 at $6\frac{3}{4}$ percent and to moderate gradually thereafter. In subsequent years, as energy prices moderate, growth is forecast to pick up, reinforced by public investment spending under the National Recovery and Resilience Plan (NRRP).

Uncertainty surrounding the baseline forecast is high, and downside risks could materially affect the outlook, complicating the task of reducing public debt. A further spike in energy prices and/or a rapid tightening of financial conditions could compress growth, and weigh on fiscal consolidation efforts. Difficulties delivering NRRP investments and reforms would reduce support for demand, weaken longer-term productivity enhancements and delay EU financing. Sustained high inflation could erode recent external competitiveness gains. A complete suspension of Russian energy imports in the coming months could reduce output significantly this year and next relative to the baseline.

Executive Board Assessment

In the course of Article IV consultation between IMF and Italy, Executive Directors of IMF commended the authorities' effective pandemic policy response, which delivered a robust and full recovery. However, major new challenges brought about by elevated energy prices related to Russia's invasion of Ukraine, as well as tightening financial conditions, global supply chain disruptions, and political uncertainty have considerably dimmed the economic outlook. Together with longstanding weak productivity, these factors bring to the fore risks associated with Italy's high public debt.

Directors underscored the need for sustained, decisive improvements in fiscal balances, commencing this year by saving part of revenue overperformance. They commended the authorities' pre-emptive efforts to strengthen the security of energy supplies and recommended that compensation for higher energy prices be temporary and targeted, and that price signals be retained. Rationalizing current spending, broadening the tax base, strengthening tax compliance, and implementing growth-enhancing reforms—including public administration, civil justice, and competition—are needed to achieve and maintain a sizable primary surplus to keep public debt on a firmly downward path.

Directors welcomed the resilience of the banking sector to the pandemic shock but suggested caution given the highly uncertain outlook. Banks should prepare for severe downside scenarios and temporary capital conservation may be warranted in specific cases, including to cope with potential weakening of asset quality. Continued close monitoring, including of smaller and weaker banks, will be important. More efficient debt restructuring to help firms avoid financial distress would also be necessary. Directors commended the progress in implementing the FSAP recommendations and encouraged prioritizing key remaining recommendations.

Directors welcomed the authorities' commitment to their National Recovery and Resilience Plan and commended the timely implementation of Next Generation EU-related targets and milestones. They recommended continued steadfast progress to lift labor productivity, investment, and potential growth, as well as accelerate the green transition. Efficient execution of public investment and strong reform momentum will be essential for success. Improving carbon tax design, making green investment incentives more cost-effective, and streamlining approval procedures for investments in renewables would help accelerate decarbonization and strengthen energy security. A number of Directors saw merit in a coordinated EU approach on carbon taxation. Directors encouraged a continued strengthening of the anti-corruption and AML/CFT frameworks.

Italy: Selected Economic Indicators, 2019–23

	2019	2020	2021	2022	2023
				Proj.	Proj.
Output					
Real GDP growth (%)	0.5	-9.0	6.6	3.0	0.7
Employment					
Unemployment (%)	9.9	9.3	9.5	8.8	9.3
Prices					
Inflation (% pa)	0.6	-0.1	1.9	6.7	3.5
General Government Finances					
Revenue (% GDP)	46.9	47.4	48.3	48.6	48.3
Expenditure (% GDP)	48.5	57.0	55.4	54.2	52.2
Fiscal balance (% GDP)	-1.5	-9.6	-7.2	-5.6	-3.9
Public debt (% GDP)	134.1	155.3	150.9	147.7	146.3
Money and Credit					
Credit to the private sector (% change) 1/	0.2	4.7	2.1
Corporate bank loan rates under 1 million euros (%)	1.9	1.9	1.8
Balance of Payments					
Current account (% GDP)	3.2	3.7	2.4	0.5	1.2
Outward FDI (% GDP)	0.1	1.2	0.2	0.0	0.0
External debt (% GDP)	124.2	139.9	137.6	137.2	137.1
Exchange Rate					
REER (% change)	-2.4	0.5	-0.2
Sources: Italian authorities; and IMF staff estimates.					
1/ Twelve-month credit growth, adjusted for securitizations.					

"**NATIONAL ECONOMY**" is based on IMF Executive Board Concludes 2022 Article IV Consultation with Italy August 1, 2022.

FOREIGN TRADE

Italy's total exports in 2016 were of the order of US\$ 462,407 million. It increased to US\$ 494,934 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (10.37%) in 2017 and fell maximum (-8.29%) in 2020 in comparison with 2016 and 2019 respectively. The annual average compound growth rate worked out at 1.71%.

Imports, on the other hand, were of the order of US\$ 421,945 million in 2020 while in 2016 it was US\$ 408,236 million. Imports during the period from 2016 to 2020, in terms of percentage,

grew highest (12.04%) in 2017 and fell maximum (-11.36%) in 2020 as compared to 2016 and 2019 respectively. The annual average compound growth rate worked out at 0.83%.

Volume of trade registered an annual average (compound) growth rate of 1.30% from US\$ 870,643 million in 2016 to US\$ 916,879 million in 2020.

Italy enjoyed a surplus balance of payment in the said period.

Italy's export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

Italy's import included food and live animals, crude materials (inedible) except fuels, mineral fuels, lubricants etc., petroleum, petroleum products etc., crude petroleum oils etc., chemicals and related products, organic chemicals, basic manufactures, textile yarn, fabrics etc., general industrial machinery equipment and parts, office machines and automatic data-processing equipment, telecommunications and sound equipment, other electrical machinery apparatus etc., road vehicles and parts, passenger motor cars (excl. buses) and miscellaneous manufactured articles etc. and major exported items were food and live animals, chemicals and related products, basic manufactures, textile yarn, fabrics etc., non-metallic mineral manufactures, machinery and transport equipment, machinery specialized for particular industries, general industrial machinery and equipment, electrical machinery, apparatus etc, road vehicles and parts, and furniture and parts etc.

Italy's major trading partners are Algeria, Austria, Belgium, China PR, France, Germany, Greece, Hong Kong, Hungary, Ireland, Japan, Libya, Netherlands, Poland, Romania, Russia, Spain, Sweden, Switzerland, Turkey, UK and USA etc.

There are major international airports at Bologna (G. Marconi), Genoa (Cristoforo Colombo), Milan (Linate and Malpensa), Naples (Capodichino), Pisa (Galileo Galilei), Rome (Leonardo da Vinci), Turin and Venice (Marco Polo). A number of other airports have a small selection of international flights. The national carrier, Alitalia, is 89.3% owned by the state. There are also a number of other Italian airlines, most notably Meridiana. The busiest airport for passenger traffic is Rome. Linate had been the principal Milan airport and for many years Italy's second busiest for passenger traffic, but in 1998 a new terminal was opened at Malpensa with many foreign operators subsequently using it instead of Linate.

Augusta, Genoa, Livorno, Melili Oil Terminals, Ravenna, Taranto, Trieste, Venice etc. are the major ports of Italy. There are 2400 km of inland waterways that used for commercial traffic.

BILATERAL TRADE WITH INDIA

Indo-Italy bilateral trade in 2016-17 was of the order of Rs.59,306.83 crores. It increased to Rs.63,492.60 crores in 2020-21. The annual compound growth rate of volume of trade during the period from 2016-17 to 2020-21 was 1.72%. India enjoyed a surplus balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at 1.35% and 2.18% respectively.

India's exports to, and imports from Italy of Merchandise Goods between 2016-17 and 2020-21 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Italy during 2016-17 to 2020-21, along with their growth rates are depicted in **Table III & IV** respectively.

SOME IMPORTANT LINKS

Embassy of India, Rome

Via XX Settembre, 5, 00187 Rome,

Italy [*Con. acc. as PR of India to

FAO, IFAD & WFP and as Amb to

San Marino (City of San Marino)].

Telephone: 00-39-06-4884642 to 45

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E-Mail: amb.rome@mea.gov.in (Amb); dcm.office@indianembassy.it (DCM);

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Web: www.indianembassy.it

Consulate General of India, Milan

Via Larga 16,

20122 Milan, Italy.

Telephone: 00-39-02-8057691, 865337

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hoc.milan@mea.gov.in (HOC); ssconsul@consolatoindia.com (SS Cons);

servizi.commerciali1@consolatoindia.com (Commercial Wing)

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New Delhi-110021

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Telex: 31-82089

Web Site: <http://www.italembdelhi.com>

Email: ambasciata.newdelhi@esteri.it

Names and addresses of the organizations engaged in foreign trade in Italy are:-

Istituto Nazionale per il Commercio Estero (ICE)

(Italian Institute for Foreign Trade)

Via Liszt, 21

I—00144 ROME EUR

Tel: (003906) 59921

Fax: (003906) 59647382/54218242

Email: ice@ice.it

URL: <http://www.italtrade.com>

<http://www.ice.it>

Unione Italiane delle Camere di Commercio,

Industria, Artigianato e Agricoltura
(UNIONCAMERE)

Cam.di Com., Ind., Art. E Agri.

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Fax: (003906) 4704202

Email: segreteria.generale@unioncamere.it

URL: <http://www.unioncamere.it>

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Sources

The Statesman Year Book, the Europa World Year Book, Monthly Bulletin on Statistics UN Publication, IMF, World Bank.org, BBC News, the World Fact Book, World Development Indicator, MEA, wikipedia.org and D.G.C.I & S etc.

“NOTICE”

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TABLE I

ITALY'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE BETWEEN 2016 AND 2020.

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	462407		408236		8,70,643		54171
2017	511737	10.67	457374	12.04	9,69,111	11.31	54363
2018	550264	7.53	503925	10.18	10,54,189	8.78	46339
2019	539694	-1.92	476014	-5.54	10,15,708	-3.65	63680
2020	494934	-8.29	421945	-11.36	9,16,879	-9.73	72989

Annual Growth Rate	Compound Growth Rate	1.71	0.83	1.30
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NOTE : Figures relate to calendar year, January to December.

SOURCE : **UN COMTRADE PUBLICATION**

TABLE - II

INDIA'S EXPORT TO AND IMPORT FROM ITALY MERCHANDISE GOODS DURING 2016-2017 TO 2020-2021

(Value in Rs. CRORES)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2016-17	33167.20		26139.63		59306.83		7027.57
2017-18	36808.73	10.98	30336.74	16.06	67145.47	13.22	6471.99
2018-19	39092.27	6.20	37001.66	21.97	76093.93	13.33	2090.61
2019-20	35263.61	-9.79	31764.72	-14.15	67028.33	-11.91	3498.89
2020-21	34995.44	-0.76	28497.16	-10.29	63492.60	-5.27	6498.28
Annual	Compound	<u>Growth Rate</u>					
	1.35		2.18		1.72		

NOTE : Figures relate to Financial Year April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics,
Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO ITALY
2016-2017 TO 2020-2021 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Iron And Steel	5125.81	6665.69	5125.81	5199.36	6920.42	30.04	-23.10	1.43	33.10
	Share in total export	15.45	18.11	13.11	14.74	19.78				
2	RMG Cotton Including Accessories	1676.17	1688.78	1676.17	1561.96	1389.57	0.75	-0.75	-6.81	-11.04
	Share in total export	5.05	4.59	4.29	4.43	3.97				
3	Products Of Iron & Steel	1129.06	1121.97	1129.06	1421.00	1358.10	-0.63	0.63	25.86	-4.43
	Share in total export	3.40	3.05	2.89	4.03	3.88				
4	Telecom Instruments	13.72	11.48	11.78	414.03	1238.46	-16.33	2.61	3414.69	199.12
	Share in total export	0.04	0.03	0.03	1.17	3.54				
5	Auto Components/Parts	837.45	1097.61	837.45	1096.41	1171.79	31.07	-23.70	30.92	6.88
	Share in total export	2.52	2.98	2.14	3.11	3.35				
6	Organic Chemicals	513.95	617.98	738.51	785.80	1035.56	20.24	19.50	6.40	31.78
	Share in total export	1.55	1.68	1.89	2.23	2.96				
7	Residual Chemicals And Products	1052.76	1051.07	1052.76	884.86	916.64	-0.16	0.16	-15.95	3.59
	Share in total export	3.17	2.86	2.69	2.51	2.62				
8	Marine Products	1097.31	1055.26	1097.31	906.31	894.70	-3.83	3.98	-17.41	-1.28
	Share in total export	3.31	2.87	2.81	2.57	2.56				
9	Electric Machinery And Equipments	450.31	497.22	652.84	658.49	840.36	10.42	31.30	0.87	27.62
	Share in total export	1.36	1.35	1.67	1.87	2.40				
10	Indl. Machinery For Dairy Etc.	699.05	794.38	955.98	859.37	840.18	13.64	20.34	-10.11	-2.23
	Share in total export	2.11	2.16	2.45	2.44	2.40				
	Total export to ITALY	33167.20	36808.73	39092.27	35263.61	34995.44	10.98	6.20	-9.79	-0.76

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORT FROM ITALY
2016-2017 TO 2020-2021 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Incl. Machinery For Dairy Etc.	4805.19	5119.17	5603.84	5526.26	4560.33	6.53	9.47	-1.38	-17.48
	Share in total imports	18.38	16.87	15.14	17.40	16.00				
2	Residual Chemical & Products	1094.13	1280.43	1561.20	1565.33	1760.77	17.03	21.93	0.26	12.49
	Share in total imports	4.19	4.22	4.22	4.93	6.18				
3	Products of Iron & Steel	1022.43	983.93	1378.52	1428.63	1107.53	-3.77	40.10	3.64	-22.48
	Share in total imports.	3.91	3.24	3.73	4.50	3.89				
4	Elec. Machinery And Equipments	972.36	1106.88	1186.47	1155.88	1082.68	13.83	7.19	-2.58	-6.33
	Share in total import	3.72	3.65	3.21	3.64	3.80				
5	Project Goods	467.38	900.57	710.40	1289.24	1040.33	92.68	-21.12	81.48	-19.31
	Share in total import	1.79	2.97	1.92	4.06	3.65				
6	Misc. Engineering Items	1038.12	962.53	1312.34	1017.06	916.99	-7.28	36.34	-22.50	-9.84
	Share in total import	3.97	3.17	3.55	3.20	3.22				
7	Bulk Drugs, Drugs Intermediates	701.86	686.79	812.35	727.21	878.65	-2.15	18.28	-10.48	20.82
	Share in total import	2.69	2.26	2.20	2.29	3.08				
8	Project Goods	467.38	900.57	710.40	1289.24	798.63	92.68	-21.12	81.48	-38.05
	Share in total import	1.79	2.97	1.92	4.06	2.80				
9	Auto Components/Parts	460.11	813.49	811.41	627.04	792.83	76.80	-0.26	-22.72	26.44
	Share in total import	1.76	2.68	2.19	1.97	2.78				
10	AC Refrigration Machinery Etc.	646.85	623.17	886.71	729.98	774.75	-3.66	42.29	-17.68	6.13
	Share in total import	2.47	2.05	2.40	2.30	2.72				
	Total import from ITALY	26139.63	30336.74	37001.66	31764.72	28497.16	16.06	21.97	-14.15	-10.29

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

