

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	61,021,855 (2023)*.
Population Growth Rate	-0.11% (2023).*
Life expectancy	82.79 years (men 80.46 years and women 85.26 years). In 2023*
Birth Rate	7 births/1000 in 2023*
Death Rate	11.27 deaths/1000 in 2023*
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 has weathered well the effects of Russia's war in Ukraine, growing by 3.7 percent in 2022. Private consumption rose robustly on recovery in employment, buoyant tourism, and extensive fiscal support of real purchasing power. Growth in services and construction offset weakness in manufacturing, especially in energy-intensive industries affected by high energy prices. Consumer prices increased, largely on surging energy prices, financial conditions tightened considerably and yields on Italian government bonds have risen as monetary policy tightened. The labour market performed strongly, nominal wages have risen but real wages fell. Banks' capital and liquidity buffers remained broadly stable at comfortable levels and NPLs declined further, but risks remain elevated amid the uncertain outlook for the economy and the future path of monetary policy. Extensive policy support and rising interest costs kept fiscal deficits very high. The public debt ratio declined but remains very high. A declining working-age population could lower growth over the longer term.

Growth is expected to enter a slower phase and downside risks dominate the outlook. Growth is forecast to moderate to 1.1 percent in 2023 and to 0.9 percent in 2024, and then to pick up temporarily to 1.1 percent in 2025. Headline inflation is projected to decline steeply to 5.2 percent in 2023 and to 2.5 percent in 2024, driven by lower energy and food prices. A sharper tightening of monetary policy could transmit asymmetrically to Italy and further raise borrowing costs while renewed global financial stress could reduce funding availability, causing public and private spending to retrench and reviving concerns about sovereign-bank-corporate linkages. Policies that slow public debt reduction or prolonged delays in receiving Next GenerationEU (NGEU) disbursements could raise financing concerns. Growth could be negatively affected by renewed jumps in energy prices, fragmentation of foreign trade and investment or a generalized decline in external demand.

Executive Board Assessment

In the course of Article IV consultation between IMF and Italy, Executive Directors of IMF agreed with the thrust of the staff appraisal. They commended the Italian economy's resilience to sequential adverse shocks, noting the strong recovery in output and employment. However, they noted that the fiscal deficit has widened sharply, the public debt ratio is very high, and core inflation remains elevated. A declining working-age population could lower economic growth over the longer term. With risks mainly to the downside, Directors highlighted the need to focus on fiscal adjustment and ambitious structural reforms to raise productivity and potential growth, and enhance energy security and meet the authorities' climate goals.

Directors underscored the importance of decisively lowering the public debt ratio and welcomed the authorities' commitment in this regard. They broadly supported frontloading fiscal adjustment by saving part of revenue windfalls and spending more efficiently, although a number of Directors considered the authorities' planned near-term adjustment to be adequate. Many Directors emphasized that Italy's overall risk of sovereign stress is moderate. Over the medium to long term, a strong primary surplus is needed to sustain steady, decisive debt reduction. Directors agreed that consolidation will need to be underpinned by well-defined and efficient measures, including a base-broadening tax reform, continued action on tax compliance, and pension reform. Growing primary current spending below the pace of nominal GDP would carve out room for public investment. Prudently managing publicly-guaranteed loans while strictly limiting new guarantees will also be critical.

Directors welcomed the improvement in banking sector buffers and the strengthened supervisory oversight in recent years but noted the still-sizable links between banks and the sovereign. Preserving financial stability in the context of tightening monetary policy and rising funding costs is a priority. Close attention will be necessary for banks with smaller liquidity cushions, sizable exposure to commercial real estate, and weaker business models. Maintaining adequate headroom on capital and liquidity on a forward-looking basis will also be important. Directors noted that banks' recourse to public-sector backstops should generally be avoided. Efforts to strengthen the AML/CFT regime should continue.

Directors underscored the need to raise potential growth and address future challenges. They recommended implementing comprehensive and ambitious reforms and resolving bottlenecks to critical investments while also promoting competition and transparency. Boosting productivity and labor force participation and closing the gender employment gap, including through improved education and better tax incentives, would help counter the effects of a contracting working-age population. Accelerating clean electricity capacity would strengthen energy security and support climate targets. Directors encouraged the timely and effective implementation of the National Recovery and Resilience Plan supported by NextGenerationEU (NGEU) funding.

Table 1. Italy: Summary of Economic Indicators, 2019-24

(Annual percentage change, unless noted otherwise)

7/25/2023 13:06	2019	2020	2021	2022	Projections	
	2019	2020	2021	2022	2023	2024
Real GDP	0.5	-9.0	7.0	3.7	1.1	0.9
Real domestic demand	-0.2	-8.4	7.2	4.3	0.9	1.0
Final domestic demand	0.2	-8.0	6.6	4.7	1.3	0.8
Private consumption	0.2	-10.4	4.7	4.6	1.3	1.2
Public consumption	-0.6	0.0	1.5	0.0	-1.1	-2.2
Gross fixed capital formation	1.2	-7.9	18.6	9.4	3.1	2.2
Stock building 1/	-0.5	-0.5	0.5	-0.4	-0.3	0.1
Net exports 1/	0.7	-0.8	0.0	-0.5	0.2	-0.1
Exports of goods and services	1.6	-13.5	14.0	9.4	2.2	2.8
Imports of goods and services	-0.7	-12.1	15.2	11.8	1.7	3.2
Savings 2/	21.6	21.6	23.7	20.5	22.2	23.9
Investment 2/	18.2	17.7	20.7	21.8	21.5	22.9
Resource utilization						
Potential GDP	0.4	-4.0	4.1	0.0	0.7	0.7
Output gap (percent of potential)	-1.8	-7.0	-4.3	-0.8	-0.4	-0.3
Employment	0.7	-3.1	0.8	2.4	0.8	0.1
Unemployment rate (percent)	9.9	9.3	9.5	8.1	8.0	8.1
Prices						
GDP deflator	0.9	1.6	0.6	3.0	6.2	3.6
Consumer prices	0.6	-0.1	1.9	8.7	5.2	2.5
Consumer prices (core)	0.6	0.5	0.8	4.0	4.8	3.2
Hourly compensation 3/	2.9	5.1	-1.8	3.2	4.5	2.5
Productivity 3/	0.5	0.8	1.4	-0.9	0.2	0.7
Unit labor costs 3/	2.4	4.4	-3.1	4.1	4.3	1.8
Fiscal indicators						
General government net lending/borrowing 2/	-1.5	-9.7	-9.0	-8.0	-4.5	-3.4
General government primary balance 2/ 4/	1.9	-6.2	-5.5	-3.6	-0.5	0.8
Structural overall balance (percent of potential GDP)	-0.6	-5.4	-4.6	-1.7	-2.1	-2.9
Structural primary balance (percent of potential GDP)	2.7	-2.2	-1.2	2.7	1.9	1.2
4/						
General government gross debt 2/	134.1	154.9	149.9	144.4	140.5	138.8
Exchange rate regime						
0.9	0.9	0.8	0.9	
Nominal effective rate: CPI based (2000=100)	103.0	105.2	106.4	104.6
Financial sector						
-2.4	2.8	1.0	0.1	-2.0	-1.0	
External sector 2/						

Current account balance	3.3	3.9	3.1	-1.2	0.7	0.9
Trade balance	3.4	3.6	2.3	-1.4	0.5	0.7
Capital account balance	-0.1	0.1	0.1	0.5	0.8	0.8
Sources: National Authorities; and IMF staff estimates.						
1/ Contribution to growth.						
2/ Percent of GDP.						
3/ In industry (including construction).						
4/ Primary revenue minus primary expenditure.						

"NATIONAL ECONOMY" is based on IMF Executive Board Concludes 2023 Article IV Consultation with Italy July 26, 2023.

FOREIGN TRADE

Italy's total exports in 2017 were of the order of US\$ 503,054 million. It increased to US\$ 615,910 million in 2021. Exports during the period from 2017 to 2021, in terms of percentage, grew highest (23.48%) in 2021 and fell maximum (-7.24%) in 2020 in comparison with 2020 and 2019 respectively. The annual average compound growth rate worked out at 5.19%.

Imports, on the other hand, were of the order of US\$ 568,202 million in 2021 while in 2017 it was US\$ 451,416 million. Imports during the period from 2017 to 2021, in terms of percentage, grew highest (33.23%) in 2021 and fell maximum (-10.21%) in 2020 as compared to 2020 and 2019 respectively. The annual average compound growth rate worked out at 5.92%.

Volume of trade registered an annual average (compound) growth rate of 5.54% from US\$ 954,470 million in 2017 to US\$ 1,184,112 million in 2021.

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

Italy's export and import, volume and balance of trade between 2017 and 2021 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 2018-19 was of the order of Rs.76,093.93 crores. It increased to Rs.114,446.17 crores in 2022-23. The annual compound growth rate of volume of trade during the period from 2017-18 to 2022-23 was 10.74%. 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 15.58% and 4.83% respectively.

India's exports to, and imports from Italy of Merchandise Goods between 2018-19 and 2022-23 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Italy during 2018-19 to 2022-23, along with their growth rates are depicted in **Table III & IV** respectively.

SOME IMPORTANT LINKS

Embassy of India, Rome

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Italy [*Con. acc. as PR of India to
FAO, IFAD & WFP and as Amb to
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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.
Piazza Sallustio, 21
I—00187 ROME
Tel: (003906) 4704207
Fax: (003906) 4704202
Email: segreteria.generale@unioncamere.it
URL: <http://www.unioncamere.it>

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

Associazione Italiana Commercio Estero (AICE)
(Association italienne du commerce exterieur)
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URL: <http://www.cerved.com>

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 2017 AND 2021.							
(Figures in US MILLION DOLLARS)							
Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017	503054		451416		9,54,470		51638
2018	549907	9.31	503581	11.56	10,53,488	10.37	46326
2019	537748	-2.21	474957	-5.68	10,12,705	-3.87	62791
2020	498804	-7.24	426476	-10.21	9,25,280	-8.63	72328
2021	615910	23.48	568202	33.23	11,84,112	27.97	47708
Annual Compound Growth Rate	5.19		5.92		5.54		
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 2018-2019 TO 2022-2023**

(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
2018-19	39092.27		37001.66		76093.93		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
2021-22	60962.49	74.20	37630.04	32.05	98592.53	55.28	23332.45
2022-23	69766.11	14.44	44680.06	18.74	114446.17	16.08	25086.05
Annual Compound Growth Rate	15.58		4.83		10.74		
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****2018-2019 TO 2022-2023 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Iron And Steel	5125.81	5199.36	6920.42	15949.55	14041.03	1.43	33.10	130.47	-11.97
	Share in total export	13.11	14.74	19.78	26.16	20.13				
2	Telecom Instruments	11.78	414.03	1238.46	1704.42	5905.61	3414.69	199.12	37.62	246.49
	Share in total export	0.03	1.17	3.54	2.80	8.46				
3	Aluminium Products Of Aluminium	1761.85	734.73	501.37	3681.33	4044.70	-58.30	-31.76	634.25	9.87
	Share in total export	4.51	2.08	1.43	6.04	5.80				
4	Petroleum Products	769.98	1421.00	436.86	1991.01	3272.10	84.55	-69.26	355.75	64.34
	Share in total export	1.97	4.03	1.25	3.27	4.69				
5	Products Of Iron & Steel	1129.06	1421.00	1358.10	2031.87	2294.35	25.86	-4.43	49.61	12.92
	Share in total export	2.89	4.03	3.88	3.33	3.29				
6	RMG Cotton Including Accessories	1676.17	1561.96	1389.57	1903.73	2057.38	-6.81	-11.04	37.00	8.07
	Share in total export	4.29	4.43	3.97	3.12	2.95				
7	Auto Components/Parts	837.45	1096.41	1171.79	1720.30	1912.82	30.92	6.88	46.81	11.19
	Share in total export	2.14	3.11	3.35	2.82	2.74				
8	Organic Chemicals	738.51	785.80	1035.56	1411.15	1709.27	6.40	31.78	36.27	21.13
	Share in total export	1.89	2.23	2.96	2.31	2.45				
9	Products Of Iron & Steel	652.84	658.49	840.36	1068.16	1570.18	0.87	27.62	27.11	47.00
	Share in total export	1.67	1.87	2.40	1.75	2.25				
10	Indl. Machinery For Dairy Etc.	955.98	859.37	840.18	1256.81	1477.83	-10.11	-2.23	49.59	17.59
	Share in total export	2.45	2.44	2.40	2.06	2.12				
	Total export to ITALY	39092.27	35263.61	34995.44	60962.49	69766.11	-9.79	-0.76	74.20	14.44

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****2018-2019 TO 2022-2023 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Indl. Machinery For Dairy Etc.	5603.84	5526.26	4560.33	5723.44	4560.33	-1.38	-17.48	25.50	-20.32
	Share in total imports	15.14	17.40	16.00	15.21	10.21				
2	Residual Chemical & Products	1561.20	1565.33	1760.77	2362.33	1760.77	0.26	12.49	34.16	-25.46
	Share in total imports	4.22	4.93	6.18	6.28	3.94				
3	Misc. Engineering Items	1312.34	1017.06	916.99	1336.98	916.99	-22.50	-9.84	45.80	-31.41
	Share in total imports.	3.55	3.20	3.22	3.55	2.05				
4	Elec. Machinery And Equipments	1186.47	1155.88	1082.68	1397.85	1082.68	-2.58	-6.33	29.11	-22.55
	Share in total import	3.21	3.64	3.80	3.71	2.42				
5	Products of Iron & Steel	1378.52	1428.63	1107.53	1321.26	1107.53	3.64	-22.48	19.30	-16.18
	Share in total import	3.73	4.50	3.89	3.51	2.48				
6	Machine Tools	1580.09	1725.48	1040.33	1324.45	916.99	9.20	-39.71	27.31	-30.76
	Share in total import	4.27	5.43	3.65	3.52	2.05				
7	Paper, Paper Board And Products	471.45	556.91	731.21	832.07	878.65	18.13	31.30	13.79	5.60
	Share in total import	1.27	1.75	2.57	2.21	1.97				
8	AC Refrrigeration Machinery Etc.	886.71	729.98	774.75	845.75	774.75	-17.68	6.13	9.16	-8.39
	Share in total import	2.40	2.30	2.72	2.25	1.73				
9	iron And Steel	882.23	905.81	763.65	975.26	792.83	2.67	-15.69	27.71	-18.71
	Share in total import	2.38	2.85	2.68	2.59	1.77				
10	IC Engine and Parts	572.79	480.12	508.20	1015.02	774.75	-16.18	5.85	99.73	-23.67
	Share in total import	1.55	1.51	1.78	2.70	1.73				
	Total import from ITALY	37001.66	31764.72	28497.16	37630.04	44680.06	-14.15	-10.29	32.05	18.74

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.