

Press Release

## **Italian Exports Continue to Grow Toward € 540 billion in 2021 (+ 5.8% in 2018 and + 4.5% in the next three years)**

- SACE presents its new Export Report “Keep Calm & Made in Italy” in an era of uncertainty, Made in Italy exports are the strength to target with greater focus and continuity
- 20 high-priority markets to ensure medium/long-term growth and investments in infrastructure to recapture € 70 billion in "lost" exports

Milan, 12 June 2018 – Despite uncertainties, the future awaiting Italian exports in the next four years is one of growth and opportunity. Backed by the marked development in the past ten years and excellent performance in 2017, Italian exports have all the potential to keep growing and seizing the opportunities presented by the foreign markets, even in a highly complex context.

This is the picture drawn by “**Keep Calm & Made in Italy**”, the latest Export Report of the SACE SIMEST Hub, presented today in Milan.

The study, which includes projections for Italian exports in 2018-2021 by country and sector and provides details on the global phenomena of greatest impact, projects a picture of guarded optimism for our exporting companies and devotes an in-depth look at the infrastructure sector, the key to bolstering Italy's international penetration.

“The brilliant performance of Italian exports in 2017 is not an isolated victory but confirmation of the strength of our exports, which since the crisis of 2008 have adjusted, improved in quality, focused in specialization, and are increasingly oriented toward markets of greatest potential, stated **SACE Chairman Beniamino Quintieri**. “For 2018 we predict a 5.8% increase in Italian exports, a positive trend that will continue into the following three years at an average annual rate of 4.5%: a true ‘national heritage’, exports will continue to make a decisive contribution to the growth of the country.”.

“The uncertainty and unpredictability characterizing the markets at this moment in history are important, but we must get used to considering them the new normal,” explained **Roberta Marracino, SACE's Research and Communication Area Manager**. “These are factors of complexity that must be confronted without alarm and without losing sight of the existing opportunities in the foreign markets and the priorities to capture. Among these, investments in infrastructure, especially in ports, shipping and intermodal transport, are essential for an economy that bases more than 30% of its GDP on exports, and they could enable us to recover € 70 billion in exports each year.”

## **Italian Exports | The forecasts for 2018-2021**

After a brilliant performance in 2017 (+ 7.4%), Italian exports will continue to advance in 2018 (+ 5.8%) and in the following three years 2019-2021 (+ 4.5% annual average), approaching € 500 billion in 2019 and exceeding 540 billion in 2021. Exports of services will also grow and in the projection range could reach € 116 billion.

In this context, barring unforeseen circumstances, Italian companies will be able to rely on various certainties: a recovery of investments, accompanied by rising commodity prices; trade agreements of the European Union with Canada, Mexico, the Mercosur countries, Japan, India and ASEAN countries; and the high quality of Made in Italy, which makes our exports less susceptible to price competition.

The greatest uncertainties concern the pressures on exchange rates, where a euro-dollar ratio above 1.3 could negatively impact the competitiveness of our exports, the evolution of the global value chains, with the policies of import substitution in key markets like China, India and the United States, which might affect the opportunities for Italian exports, and the risks of rising protectionism, the source of greatest concern.

## **Toward a trade war? | The forecasts in case of escalating protectionism**

Although the risk of an actual trade war is rather limited (probably 5-10%), the effects of such escalation might be strong at the global level and for the individual countries involved.

The initial impacts could affect global growth, which would slow to 2.8% in 2018 (3.3% in the base scenario) and could drop to 2.1% in 2019 (from 3.0%). World trade would also decline by 4.2% in 2018 (5.2% in the base scenario) and would plummet to 2.4% in 2019 (from 4.4%). The Chinese economy would suffer a slight slowdown, with an average rate of 5.7% in 2018-19, while it would prove to be a boomerang for the United States, with an average rate of 2.8% in the two-year period.

In this alternative scenario, Italian exports would suffer the effects of declining demand from the countries most affected by the measures—particularly the United States and Mexico—losing almost two percentage points in 2018 (from 5.8% to 3.9%) and over 3.5 points the following year (from 5.2% to 1.6%).

## **The export map | Trends by area and sector**

In 2018, the markets that powered the boom in 2017 are again crucial for Italian exports. The best performance is expected from Asia (+ 8.4%), with China, India and Indonesia leading the way; Latin America (+ 7.5%) with the recovery of trade with Brazil; and emerging Europe (+ 7.0%) especially Russia, despite the reservations linked to international sanctions. The outlook for our exports is also positive for North America (6.1%), Sub-Saharan Africa (+ 5.4%), advanced Europe (+ 4.8%), and the Middle East and North Africa (+ 4.7%). In 2019-2021, Italian exports will "slow down" on the average (+ 4.5%), uniformly for all areas.

From the sector standpoint, intermediate goods will register the highest growth rates in the next four years: the projected increase is 8.1% in 2018 and an average 4.7% in the following subsequent years. The most promising sector in the intermediate goods category is chemicals-pharmaceuticals, which are not among the traditional fields of Italian production specialization, but which recorded excellent performance in 2017 and offer interesting prospects for coming years.

Exports of investment goods, the most important in terms of weight (40% of total exports) are expected to increase by 5% in 2018 and slightly less (4.6%) in the following three years, testifying to the signs of a recovering global investment cycle. The sectors that will perform the best include transport vehicles, one of the driving sectors of Italian exports in 2017, especially in the automotive sector (+ 4.6% in 2018 and + 6.9% average in 2019-2021), and capital machinery, Italy's leading export sector (+ 5.2% in 2018 and 3.1% in the three subsequent years).

### **Essential and promising | The 20 high-priority markets for Made in Italy**

Based on risk indicators, growth in economy and demand, the dynamics of Italian exports in coming years, and our competitive positioning against our traditional competitors, SACE has identified 15 high-potential geographical areas for Italian exports and investments in the medium-long term: a selection of target markets—emerging and advanced—that accounted for € 95 billion in Italian sales in 2017, 85 in 2016, (equal to 21% of total exports) and are expected to contribute a third of increased exports between 2018 and 2021.

These 15 areas, indicated last year and confirmed this year as "essential", are: Saudi Arabia, Brazil, China, United Arab Emirates, India, Indonesia, Kenya, Mexico, Peru, Qatar, Czech Republic, Russia, United States, South Africa, and Vietnam.

In addition there are five "promising", destinations where our exports were greater or stable last year and for which significant growth is expected in coming years: Turkey, an established market that could offer a diversified range of opportunities; but also Senegal, a smaller market to be explored with interesting opportunities opened by the government's development program (*Plan Sénégal Emergent*); and then Colombia, the Philippines, and Morocco, where a mix of economic recovery and increased foreign investment will bolster the demand for goods Made in Italy.

	Markets	Exports 2017 (€ bns)	Growth projections (2018-2021)	Export Opportunity Index (min. 0 - max. 100)	Investment Opportunity Index (min. 0 - max. 100)
Essential	United States of America	40.5	5.3%	78	69
	China	13.5	9.7%	83	72
	Russia	8.0	4.7%	66	52
	Czech Republic	5.9	7.3%	74	61
	United Arab Emirates	5.3	3.1%	68	61
	Mexico	4.3	7.1%	65	61
	Saudi Arabia	3.9	3.7%	69	53
	Brazil	3.8	6.1%	63	52
	India	3.6	7.2%	75	72
	South Africa	1.8	5.1%	68	51
	Vietnam	1.2	8.3%	69	68
	Indonesia	1.1	5.2%	66	61
	Qatar	0.9	8.1%	62	47
	Peru	0.7	5.6%	70	67
	Kenya	0.2	3.1%	58	50
Promising	Turkey	10.1	4.4%	68	52
	Morocco	1.9	7.4%	74	65
	Philippines	0.7	8.9%	67	63
	Colombia	0.6	5.5%	63	60
	Senegal	0.2	6.3%	64	51



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#### Contacts for the media

SACE | Press Office

T. +39 06 6736888

[mediarelations@sace.it](mailto:mediarelations@sace.it)

#### Contacts for companies

SACE | Customer Care

T. +39 06 6736000

[info@sace.it](mailto:info@sace.it)

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