



Press Release

Italian exports focusing on innovation and sustainability to surpass 660 billion (+6.8%) in 2023. SACE presents the 2023 Export Report “The Future is Now. Together”

- In 2023, cross-border sales of goods will exceed EUR 660 billion with a growth rate of 6.8%, continuing at a rate of 4.6% in 2024 and 3.8% on average per year over the next two years.
- It is becoming increasingly clear that the energy transition and digital revolution are emerging as phenomena destined to have a profound effect, at different rates, on the ability of companies to control foreign markets.
- There is a strong drive for investments in new technologies such as 4.0 and artificial intelligence, but training and new business models are also needed: companies that invest in 4.0 and innovate their business models are about three times more likely to export than those investing without changing their model.
- Exports of environmental goods are analysed for the first time. Significant investments for the ongoing transition will support Italian exports of these goods, which will grow by 9.3% this year, 9.7% next year, accelerating to around 14% per year on average in 2025-26.
- The geographic areas showing excellent prospects as destinations include the Gulf countries - such as Saudi Arabia (+15.6%) and the United Arab Emirates (+10%) - China (+17%) and India (+10.3), Thailand (+13.5%) and Vietnam (+8.1%), along with Mexico (+8.4%) and Brazil (+7.2%), that have committed to the energy transition and digital transformation, without forgetting the United States (+6%) and noting Croatia (+14.4%), a new entry in the Eurozone and gateway to markets in the Balkan region.

Milan, 22 June 2023 - In a world still exposed to shocks and uncertainties, investing in digitisation, innovation and the energy transition is crucial for Italian companies to further strengthen their competitiveness in international markets and grow sustainably.

This is the message emerging from **SACE's 2023 Export Report "The Future is Now. Together"**, a guide that for the past 17 years has been helping companies to find their way in foreign markets and seize internationalisation opportunities in a complex global context such as the current one, characterised by less favourable financial conditions, fiscal policies with less room for manoeuvring, the progressive erosion of consumer purchasing power, a slowdown in industrial production and multiple trade tensions. In this scenario, 2023 will be a year with a weak but positive macroeconomic outlook, to be followed by a more dynamic 2024, with global GDP expected to grow at +1.7% this year and +2.5% next year; the same trend will apply to international trade in goods, whereas trade in services will already become buoyant this year. The degree of trade openness - calculated as the ratio between total trade and world GDP - is essentially stable, without, therefore, any setbacks in the process of market integration or an end to globalisation: we can therefore speak of re-globalisation, i.e. an adjustment to Global Value Chains with a view to greater diversification in suppliers and outlet markets.

Exports are confirmed as a solid development driver for the Italian economy. After last year's strong performance (+20%), mainly attributable to the price component, **exports of goods will grow by 6.8% in 2023, to exceed EUR 660 billion. Next year, the rate will remain brisk at +4.6% before settling at +3.8% on average per annum over the next two years.** Green investments and new technologies provide a strong impetus for innovation, with an in-depth chapter dedicated to the subject in this year's Report.

*"The technological revolution and sustainable transition are the challenges that all of us, together, are called on to face today to design the world of tomorrow", commented **Alessandra Ricci, CEO of SACE.** "Companies that invest in sustainability and digitalisation are also those exporting more and better. Our 2023 Export Report highlights this specific connection and supporting companies in these processes is the mission that we at SACE Group have set ourselves, in order to contribute to the community's long-term prosperity. I would like to invite our partners, the approximately 40,000 companies we support every day, to invest in this journey, always relying on our information, training and insurance-financial tools and our network of relationships, to strengthen their ability to manage risks, seize opportunities and take advantage of the changes taking place".*

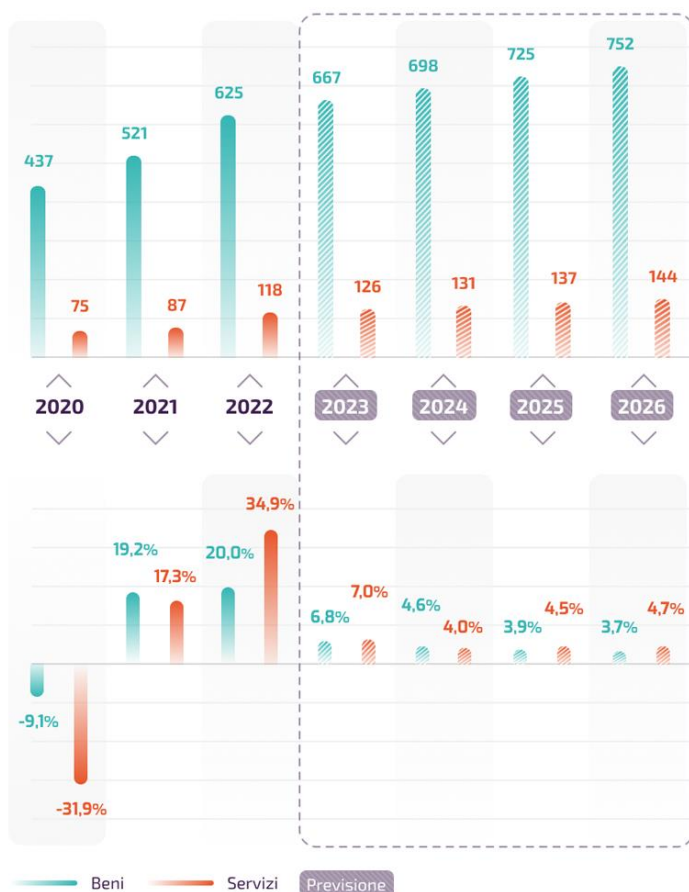


“In a context that is certainly not straight forward, the performance of Italian exports, albeit slowing down in physiological terms, has been confirmed as robust for both this year and the next. Our Export Report represents a reference compass for companies wanting to grow abroad, even in new geographies and with an eye focused on intercepting market signals,” explained **Alessandro Terzulli, Chief Economist of SACE**. “This is why, for the first time, this year we wanted to analyse the international flow of goods linked to the energy transition, where Italy is second only to Germany in Europe, and the digital transformation, which is now considered an accelerator for companies’ competitiveness, even those that are internationalised”.

Export trends

In 2023, Italian cross-border sales of goods will surpass EUR 660 billion in value, thanks to expected

ESPORTAZIONI ITALIANE DI BENI E SERVIZI IN VALORE (€ MLD; VAR. % ANNUA)



growth of 6.8%, a sustained trend albeit at a lower rate than the previous two years in physiological terms, continuing at a rate of +4.6% in 2024 and 3.8% on average per year over the next two years.

This year, the volume contribution to growth is expected to recover (+1.3%) - still at a relatively modest rate, partly due to the weakness in international trade - which will then gradually intensify over the next three years.

Italy’s global market share, growing from 2.4% in 2022 to 2.6% in 2023, could increase further despite the slight anticipated deterioration in overall price competitiveness, in line with Germany and France.

The solid performance by service exports

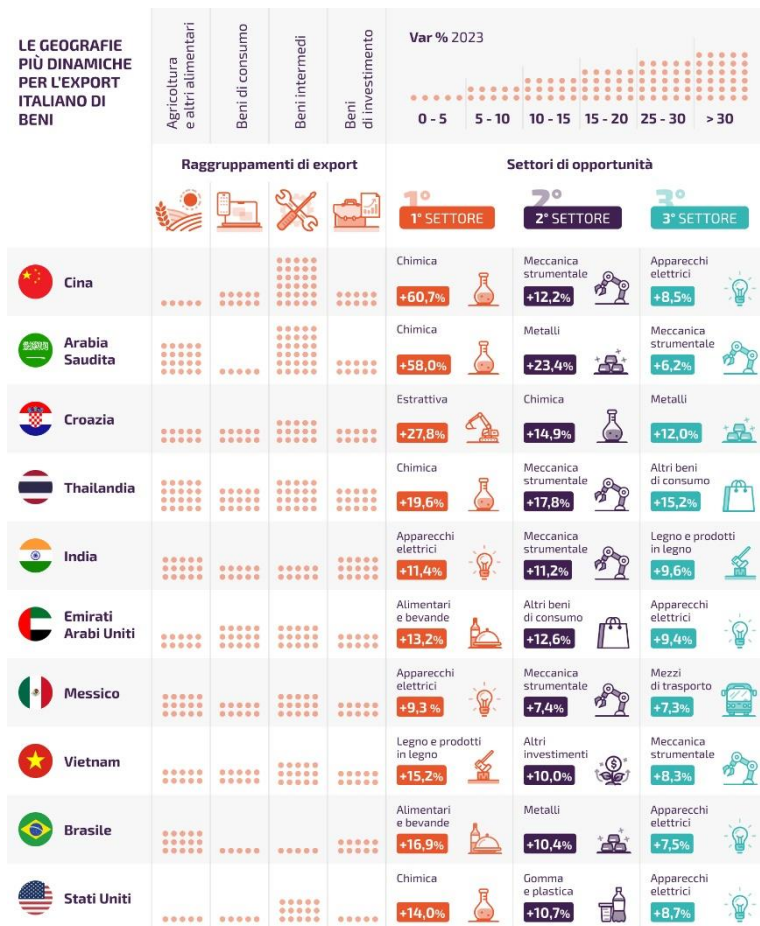
continues. After surpassing pre-pandemic figures in 2022, these will maintain robust growth this year (+7%), and then return to rates in line with the historic average, to surpass EUR 140 billion at the end of the forecast period. The greatest impetus will continue to come from the tourism sector.

Where to export?

Primary economies such as Germany, the United States, France and China remain the main geographical areas of reference for Italian sales, but there are important changes underway: The Gulf countries, India, Thailand and Vietnam, not forgetting Mexico, Brazil and Croatia - the Eurozone's new entry - present

increasingly significant opportunities for our exports.

Among the main destination markets, the biggest boost is expected from **China (+17% in 2023)**, which has completely reopened after years of anti-Covid restrictions, thus benefiting industrial sectors not only in China, but also in those countries that are well integrated in its supply chains; Beijing, together with New Delhi, will be the driving force for the whole Asian area and, as a consequence, for the world. **India (+10.3% in 2023)** is confirmed as one of the fastest growing markets for Italian exports of goods thanks to the important developments in its production system, which have already been ongoing for



several years, with a major commitment in this regard from the government.

Italian sales trend will also be impacted positively by the robust economic growth of **Vietnam, a market that will see our exports grow by 8.1% in 2023 and 6.5% in 2024**, favoured by its stable political environment and increasing role as a manufacturing hub for the region.

The outbreak of the Russian-Ukrainian conflict has accelerated the restructuring of energy on the international arena, favouring the Gulf economies that have been able to allocate additional and substantial resources for investment plans aimed at production diversification. This has also had positive effects on the demand for Italian goods, particularly in **Saudi Arabia (+15.6%)** and the **United Arab Emirates (+10%)**, where our exports are showing double-digit growth rates this year and not less than 5% for 2024.

In Latin America, besides being the two largest markets, Mexico and Brazil are among the areas with

the most favourable demand prospects. **Mexico (+8.4%)**, the only truly manufacturing country in the region, has now assumed a much more central position in the regional and global scenario, and is also strengthened by the nearshoring phenomenon, which has been underway since last year. **Brazil's** ambition **(+7.2%)** to increase the weighting of manufacturing in relation to the value-added total will stimulate our sales. **Croatia (+14.4%)**, which joined the Eurozone in January 2023, a country close to us and gateway to the Balkan region, will also represent a market of opportunity.

Finally, the large size of the domestic market and energy independence continue to ensure that the **United States** economy performs fairly well. This will be further strengthened by the boost that the Inflation Reduction Act will give to many sectors, with positive repercussions also for our exports **(+6%)**. Our companies will in fact benefit from the plan's significant investments, not only by investing directly in the US market, but also by establishing on-site supply contracts with customers along the entire value chain.

Sustainable transition and exports

For the first time, the SACE Export Report also analyses exports of environmental goods (EG), which include goods related to environmental protection - such as catalytic converters for vehicles - and those adapted to be more environmentally friendly or "cleaner", such as biofuels, mercury-free batteries, hybrid and electric cars.



This is because sustainability and the energy transition are key concepts in the global fight against climate change: it is therefore necessary to identify and quantify international flows of goods related to these issues to map the key players in the transition, provide a basis for negotiating agreements to reduce trade barriers in goods that are crucial for greater environmental sustainability, and identify possible dependencies in terms of supply from specific countries.

Over the past twenty years, the value of international trade in EG has grown at an average annual rate of 7.6% (higher than the +5.8% increase in total export goods), reaching over USD 1,750 billion. The main players are Europe and Asia, the latter being the fastest growing.

In recent decades, **Italy has ranked second in the EU, with exports amounting to USD 60 billion in 2021, representing 3.4% of world trade** (+5% CAGR 2000-21). More specifically, our country's main export sectors are **instrumental mechanics**, but also **electrical equipment** (e.g. electric motors and generators, distribution boards) and **other investments** (especially measuring and control instruments).

The strong investments for the transition underway, also in the light of European policies supporting these issues, will drive **Italian exports of environmental goods, with these expected to grow by 9.3% this year and 9.7% next year, accelerating to about 14% per year on average in 2025-26.**

Artificial intelligence and foreign trade

Businesses are experiencing a new “industrial revolution” driven by information and its processing. In this sense, AI and digital are strategic tools for their growth. Currently, AI is already present in many sectors. It is more prevalent among companies with a greater propensity to trade, and it has been shown to result in improved business models and support export projection, effectively increasing the productivity of companies that use it by more effectively managing value chains and lowering trade costs. **Recent surveys of Italian companies conducted by the Centro Studi Tagliacarne-Unioncamere, for example, also show that around 67% of companies that invest in digital technologies are exporting, compared to 44% of those that do not invest.** Industry 4.0 requires not only the simple adoption of technologies to be fully effective, but also innovation of the company's business model: **companies that invest in 4.0 and innovate their business model are, in fact, about three times more likely to export than those that invest without changing their model (14.5% vs. 5.2%).** The first category also has a greater presence in international markets than companies that do not invest in 4.0: **in broader terms, 47% of companies that invest in 4.0 and have changed their business model are expected to increase their export share in 2023, whereas among those that do not invest, only 30% will see an increase in the value of their exports.**

Thanks to an advanced manufacturing and automation industry - based also on Industry 4.0 programmes - Italy is already highly specialised in the combination of AI with physical systems such as sensors, automation systems and robots, as underlined by data from the Artificial Intelligence Observatory at the Polytechnic University of Milan. Our country also has a good level of application in services (from healthcare to research and finance to transport). Further impetus will also be given to environmental sustainability thanks, for example, to increasingly precise and accurate forecasting of extreme climatic events, the effects of which are reflected in various sectors, one of which is agriculture. Despite the extensive progress made by Italian companies, there are still areas

for improvement, particularly in SMEs, both in terms of finding the economic resources to finance their technological innovation and in terms of training and organising their human capital.

Alternative scenarios

In a context that is still characterised by certain risks and relatively high levels of uncertainty, alternative scenarios cannot be disregarded. In the worst-case scenario, inflationary pressures will be more persistent in 2023, implying a further **tightening of monetary policies** by several Central Banks and thus of global credit conditions, with consequences for global economic growth, international trade and, not least, exports of Italian goods.

In an improved scenario, **pressures on commodity prices and production costs will ease**, inflation will fall faster bringing a stop to interest rate increases, with positive implications for GDP, international trade and Italian exports.

SACE is an Italian insurance-financial group controlled directly by the Italian Ministry of the Economy and Finance. Its mission is to support businesses and the national economy through a wide range of instruments and solutions to improve competitiveness in Italy and worldwide. For forty-five years, the SACE Group has been the partner of reference for Italian enterprises looking to export and grow on international markets. The Group also works with the banking sector, providing financial guarantees to ensure companies have access to credit. This role was recently expanded to include new instruments to support liquidity and investments in business competitiveness and sustainability, as part of Italy's Green New Deal for the domestic market. With a portfolio of insured operations and guaranteed investments worth EUR 164 billion, SACE, together with all the Group companies - SACE FCT, which operates in factoring, SACE BT, active in the Credit, Surety Bonds and Other Asset Damage classes, and SACE SRV, specialising in credit recovery and information asset management activities - serves more than 37 thousand companies, mainly SMEs, supporting their growth in Italy and in more than 200 countries worldwide.

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