

Country Insight Snapshot

Italy

July 2018





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4a

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook: Stable

CORE OUTLOOK

+ Italy possesses a well-educated pool of human capital.

- Excessive fiscal constraints, pervasive corruption, endemic tax evasion and bureaucratic delays are all obstacles to long-term growth potential.

- The small size and family ownership of the vast majority of businesses hampers technological innovation.

KEY DEVELOPMENT

Although the economy has been expanding since 2014, official data shows that the number of people living in absolute poverty continued to grow in 2017.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

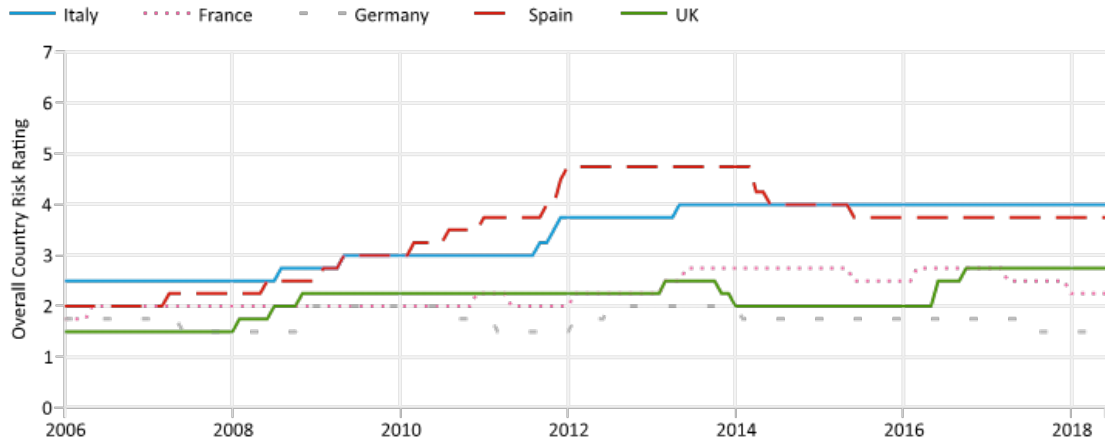
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

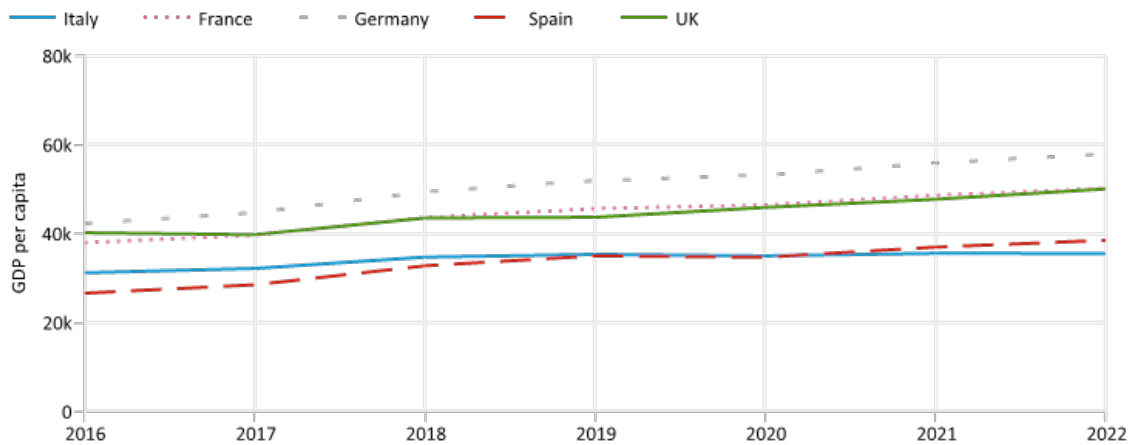
Rating History and Comparison



Source : Dun & Bradstreet

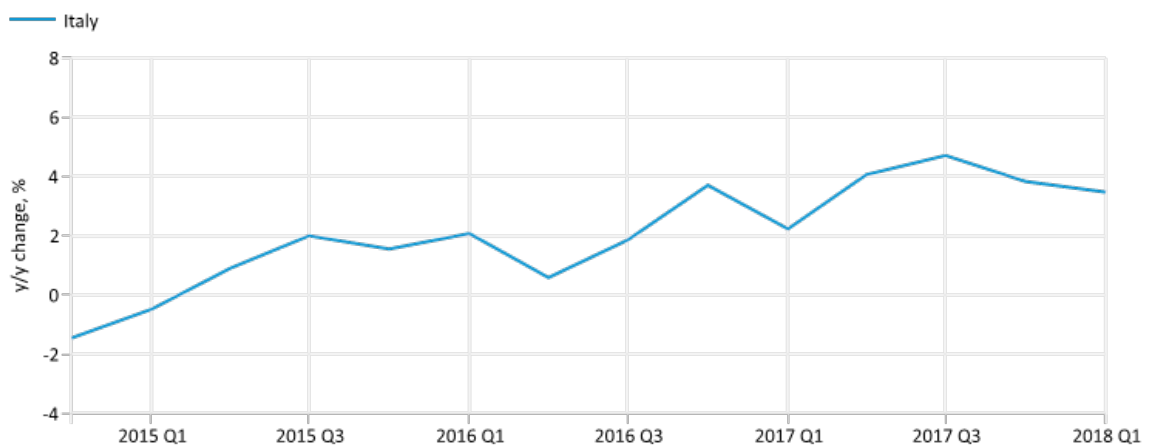
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	1.5	2.6	2.7	2.7	2.8	3.0	3.1	3.2
Govt balance, % GDP	-2.6	-2.5	-2.3	-1.8	-1.5	-0.5	-0.5	-0.2
Inflation, annual avge %	0.1	-0.1	1.3	1.6	1.6	1.8	2.0	2.0
Real GDP Growth, %	0.8	1.0	1.5	1.5	1.6	1.6	1.7	1.8
Unemployment, %	11.9	11.7	11.3	10.8	10.0	9.8	9.6	9.4

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Italy's international competitiveness has not improved significantly over the past year, and the country remains behind most of its peers. The World Economic Forum's latest *Global Competitiveness 2017-2018* report ranks Italy as the world's 43rd most competitive economy (out of 137 countries) - one position above last year (out of 138 countries). Italy scores particularly well in three macro-categories: health and primary education, market size, and business sophistication. The country performs better than most of its peers in terms of life expectancy (3rd), GDP (PPP, 12th), and state of cluster development (8th). On the other hand, according to Italian firms the most problematic factors when doing business are: inefficient government bureaucracy, tax rates, restrictive labour regulations, and tax regulations that continue to undermine Italy's international competitiveness.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-120 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

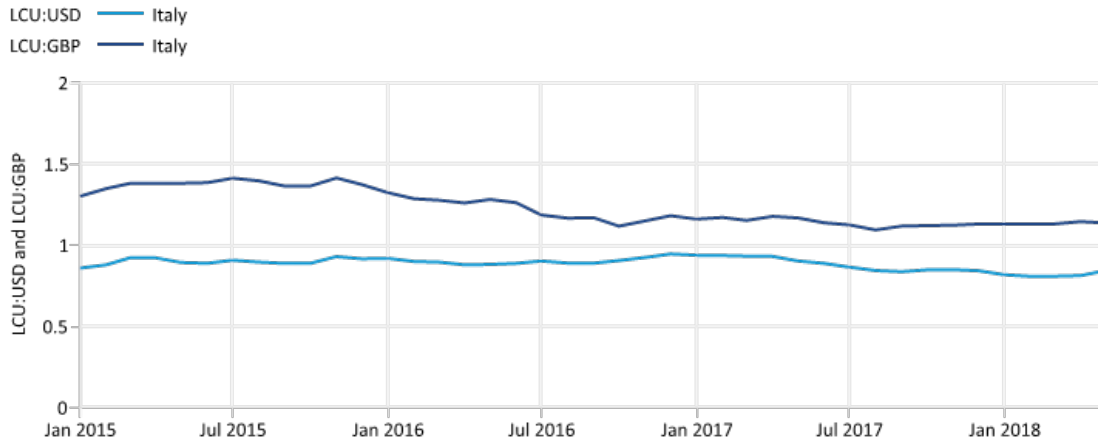
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



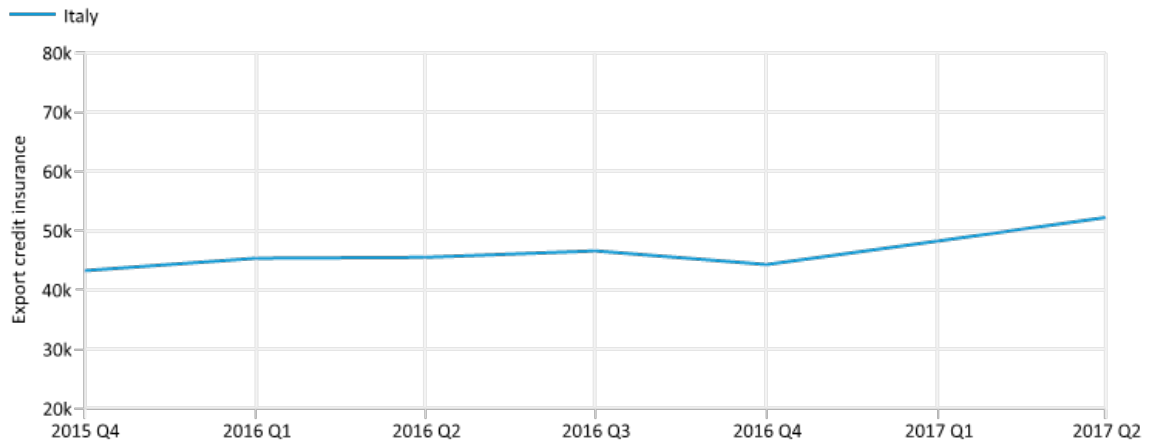
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Market Potential

Absolute poverty increases

Although the Italian economy has been expanding since 2014, data from the national statistics office (ISTAT) reveals that the number of people living in absolute poverty continued to grow in 2017, exceeding 5m 'units' (or 778,000 households, the highest value since 2005, when the time series was first recorded). Overall, 6.9% of households and 8.4% of people lived in absolute poverty last year, up from 6.3% and 7.9% in 2016. Even though absolute poverty also increased in the wealthier northern part of the country, it remains higher in the South (the so-called *Mezzogiorno*): 10.3% of households (up from 8.5% in 2006) and 11.4% of people (up from 9.8%) did not earn enough to buy goods and services deemed essential for an acceptable standard of living. The incidence of poverty is higher among households with at least one child (10.5%), and it nearly doubles for households with three or more children (20.9%). As expected, poverty increased for unemployed people and for those with a low level of education; but it was higher among foreigners: some 1.6m foreigners (or 32.3% of the total) lived in absolute poverty in 2017. Furthermore, while an average of 29.2% of foreign households lived in absolute poverty last year, this percentage rose to 40.0% for foreign families living in the *Mezzogiorno*.

Short-Term Economic Outlook

Private spending and investment drive Q1 growth

Definitive data reveals that household consumption and gross fixed capital formation were the main growth drivers in Q1, when Italy's real GDP expanded by 1.4% y/y (or by 0.3% q/q), a slower rate than the 1.6% y/y growth rate recorded in Q4. A prolonged period of political uncertainty was an important factor weighing on growth, and given the significant delay in filling the political vacuum (almost three months), we expect GDP growth to decelerate further in Q2. Overall, official data shows that private consumption and investment rose by 0.8% y/y and by 4.5% y/y, respectively; government spending increased by 0.2% y/y, while net external demand dragged on growth as a 1.8% y/y rise in exports was more than offset by a 6.3% y/y increase in imports.

Meanwhile, high-frequency indicators paint a mixed picture: while industrial production data suggest stronger industrial activity in the months ahead, disappointing retail sales and labour market data hint at persisting downward pressure (albeit receding) on domestic demand. Industrial production went up by an average 3.5% y/y in Q1, boosted by a 5.0% y/y increase in non-durable consumer goods and by a 2.5% increase in durables. Industrial output expanded further in April, rising by 2.3% y/y: output in the manufacturing sector expanded by 2.9% y/y. Against this backdrop, labour market conditions deteriorated slightly in April, with the unemployment rate coming in at 11.2%, up from an average 11.1% in Q1. Furthermore, retail sales (a good proxy for the health of the broader economy), fell by 1.5% y/y in the same period, after contracting by an average 0.8% y/y in Q1.



COUNTRY PROFILE AND STATISTICS

Overview

Italy is situated in southern Europe, with 7,600km of Mediterranean coastline and borders with France, Switzerland, Austria and Slovenia. The economy is the world's seventh-largest.

Following the breakdown of the multi-party system in the early 1990s amid revelations of rampant corruption, the Italian polity has realigned, with one loose alliance on the left of the political spectrum and another on the right. However, government stability and effectiveness are still lacking.

A founding member of the EU, Italy has traditionally supported closer European integration: the ambition to qualify for euro-membership was an important catalyst for macroeconomic stabilisation in the 1990s. However, the economy still faces enormous long-term challenges: the population is in decline, productivity growth has stalled, and the export-oriented economy has lost international market share due to intensifying global competition in many areas of Italy's industrial specialisation. Internally, there is a prosperity gap between the rich north and the poorer south.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Giuseppe Conte
Capital	Rome
Timezone	GMT +01-00
Official language	Italian
Population (millions)	59.4
GDP (USD billions)	1,916.2
GDP per capita (USD)	32,281
Life expectancy (years)	82.7
Literacy (% of adult pop.)	99.0
Surface area (sq km)	301,340

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017
Real GDP growth (%)	-1.7	0.2	0.8	1.0	1.5
Nominal GDP in USDbn	2,130	2,153	1,832	1,860	1,916
Nominal GDP in local currency (bn)	1,604	1,623	1,651	1,682	1,700
GDP per Capita in USD	35,701	36,138	30,792	31,303	32,281
Population (year-end, m)	59.7	59.6	59.5	59.4	59.4
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.9	0.9	0.9
Current Account in USDbn	21.4	41.5	27.8	47.8	52.6
Current Account (% of GDP)	1.0	1.9	1.5	2.6	2.7
FX reserves (year-end, USDbn)	331.0	327.6	333.9	344.4	353.2
Import Cover (months)	1.3	1.3	1.5	1.5	1.4
Inflation (annual avge, %)	1.2	0.2	0.1	-0.1	1.3
Govt Balance (% GDP)	-2.9	-3.0	-2.6	-2.5	-2.3

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	1.5	1.6	1.6	1.7	1.8
Nominal GDP in USDbn	2,064	2,098	2,076	2,105	2,100
Nominal GDP in local currency (bn)	1,718	1,720	1,730	1,740	1,750
GDP per Capita in USD	34,812	35,436	35,108	35,662	35,631
Population (year-end, m)	59.3	59.2	59.1	59.0	58.9
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	55.6	58.7	61.7	64.6	67.4
Current Account (% of GDP)	2.7	2.8	3.0	3.1	3.2
FX reserves (year-end, USDbn)	384.2	403.8	424.4	441.6	459.5
Import Cover (months)	1.4	1.3	1.3	1.3	1.3
Inflation (annual avge, %)	1.6	1.6	1.8	2.0	2.0
Govt Balance (% GDP)	-1.8	-1.5	-0.5	-0.5	-0.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Italy	France	Germany	Spain	UK
Income per Capita (USD)	34,812	43,712	49,516	32,867	43,622
Country Population (m)	59.3	65.2	82.3	46.4	66.6
Internet users (% of population)	61.3	85.6	89.6	80.6	94.8
Real GDP Growth (% p.a., 2018 - 2027)	0.5 - 2.0	1.3 - 2.5	1.8 - 3.0	1.5 - 3.0	1.8 - 3.5

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 285m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the online *International Risk & Payment Review*, which provides timely and concise economic, political and commercial information and analysis on 132 countries. This subscription-based service (www.dnbcountryrisk.com) carries essential information on payment terms and delays. It also includes the unique Dun & Bradstreet Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.