

TRADE IN VALUE ADDED: ITALY

The international fragmentation of production in global value chains (GVCs) challenges the way we look at the global economy. Today, “what you do” - the activities a firm or country is involved in - matters more for growth and employment than “what you sell” - the products that make up final sales or exports.

Understanding how GVCs work and how they affect economic performance is essential, as is determining which policies help derive the greatest benefits, and reduce the risks. The OECD-WTO Trade in Value Added (TiVA) database facilitates analysis of GVCs by measuring trade in value-added terms to generate new insights about the commercial relations among economies and the process of value creation. Drawing on the third version of the TiVA database, this note describes Italy’s trade patterns in value-added terms, with a view to informing policy debates in a range of areas, including trade, innovation, and investment.

Accompanying this note is a User Guide designed to assist interpretation and provide context to the indicators presented: http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf

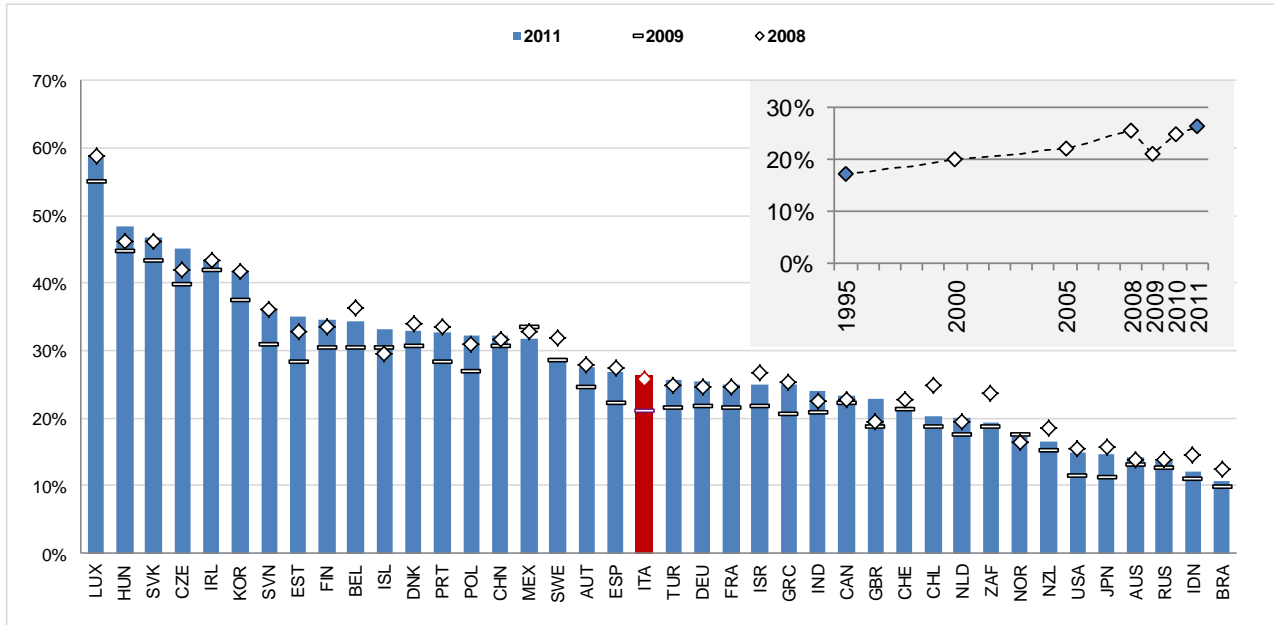
Key findings

- The foreign content (26.4%) of Italy’s exports reached a new high in 2011, surpassing pre-crisis levels.
- For the total economy Italy’s services content of exports in 2011 (55.1%) was marginally above the OECD average (54.3%) but the services content of manufacturing exports was the seventh highest in the OECD.
- Of the total domestic value added produced by the manufacturing sector in Italy, nearly half (48.6%) reflected foreign final demand in 2011, with particularly high rates in the Basic metals (74.6%) and Motor vehicles (67.6%) industries.

The role of foreign and domestic value added in exports

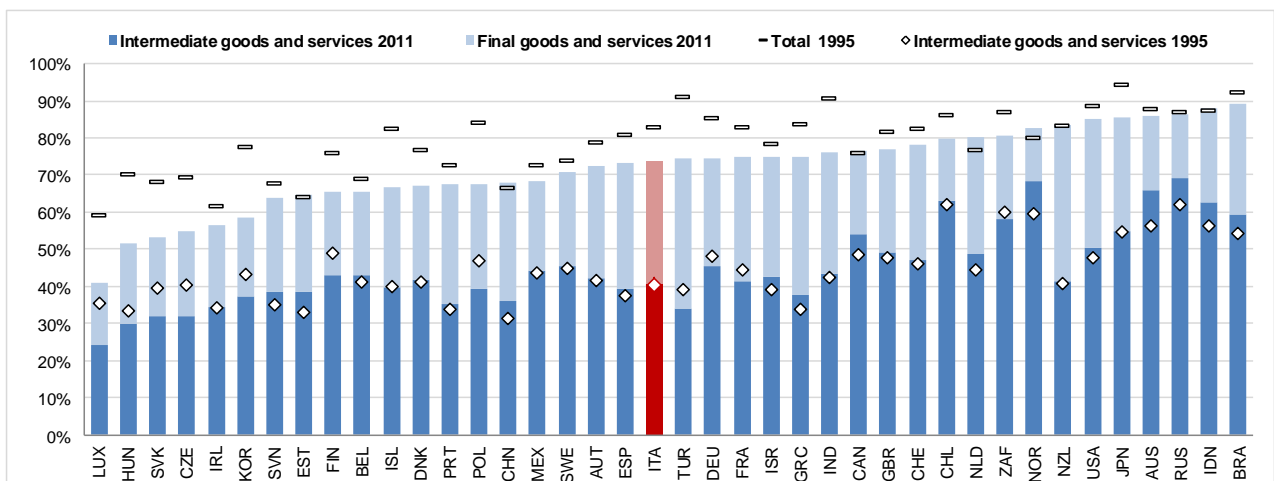
The foreign content of Italy's exports rebounded strongly to 26.4% in 2011, following the decline to 21.1% in 2009, and was higher than the pre-crisis high of 25.7% in 2008 (Figure 1). The foreign content of Italian exports has increased 9.2 percentage points since 1995.

Figure 1. Foreign value added content of gross exports by country
percent, 2008, 2009, and 2011 (right insert = time series for Italy)



Of Italy's total exports of domestic value-added in 2011, 55.0% reflected exports of intermediates, higher than in 2009 (50.0%), in part reflecting the rebound in GVCs that were disproportionately affected by the crisis, and higher than 1995 (48.9%) (Figure 2). Italy's share of intermediates in total exports of domestic value added was lower than the OECD average of 61.5%, however.

Figure 2. Domestic value added content of gross exports by end-use category by country
percent, 1995 and 2011



Direct exports by the Wholesale, retail & hotels industry (reflecting in part tourism and upstream distribution services) generated the greatest source of domestic value added in 2011, accounting for 12.4% of the total value added of exports. The next three most important industries were Machinery (10.5%), Transport & telecoms (6.1%), and Textiles & apparel (5.6%) (Figure 3a). The largest foreign contributions were in the Machinery and Basic metals industries, which together contributed 6.5% of Italy's total exports.

The foreign content of exports rose in all industries between 1995 and 2011. The three industries with the highest foreign value added shares in Italy's exports in 2011 were Coke & petroleum, Basic metals, and Chemicals, with 74.3%, 47.5%, and 34.6% respectively, compared to 41.7%, 25.6% and 25.8% in 1995 (Figure 3b).

Figure 3a. Italy's industry share of domestic and foreign value content of gross exports
percent of total gross exports, 2011

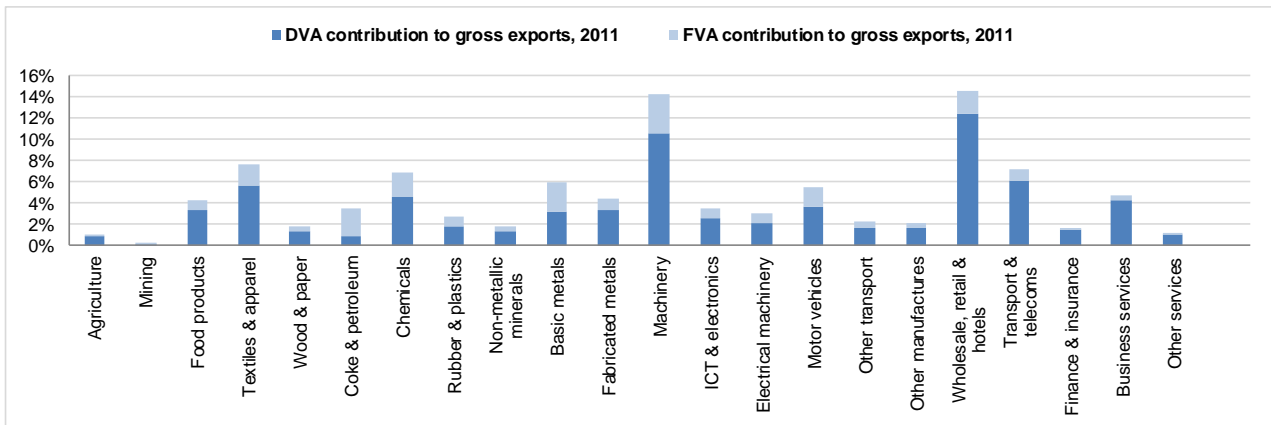
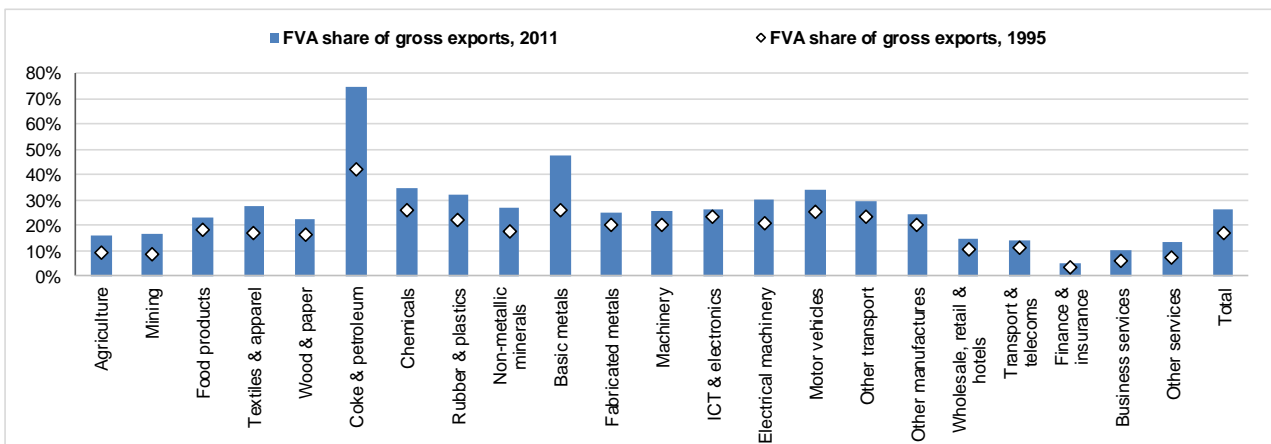
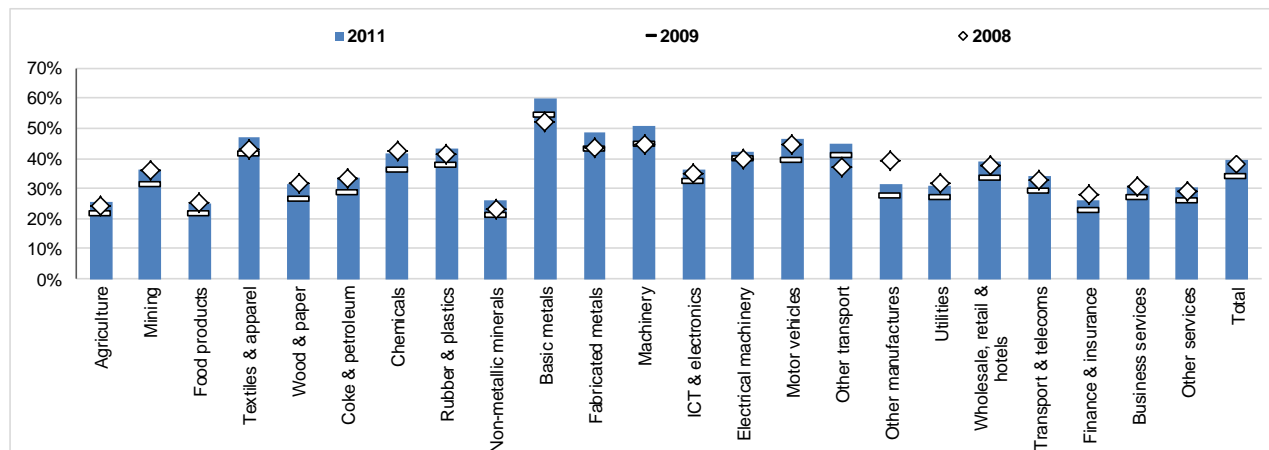


Figure 3b. Italy's foreign value added content of gross exports
1995 and 2011



Of the total value of Italy's imports of intermediate products and services in 2011, 39.4% was subsequently embodied in exports, higher than the OECD average (39.3%) and higher than in 2009 (34.3%), (Figure 4). The products with the highest shares were Basic metals, Machinery and Fabricated metals, at 59.6%, 50.6% and 48.4% respectively.

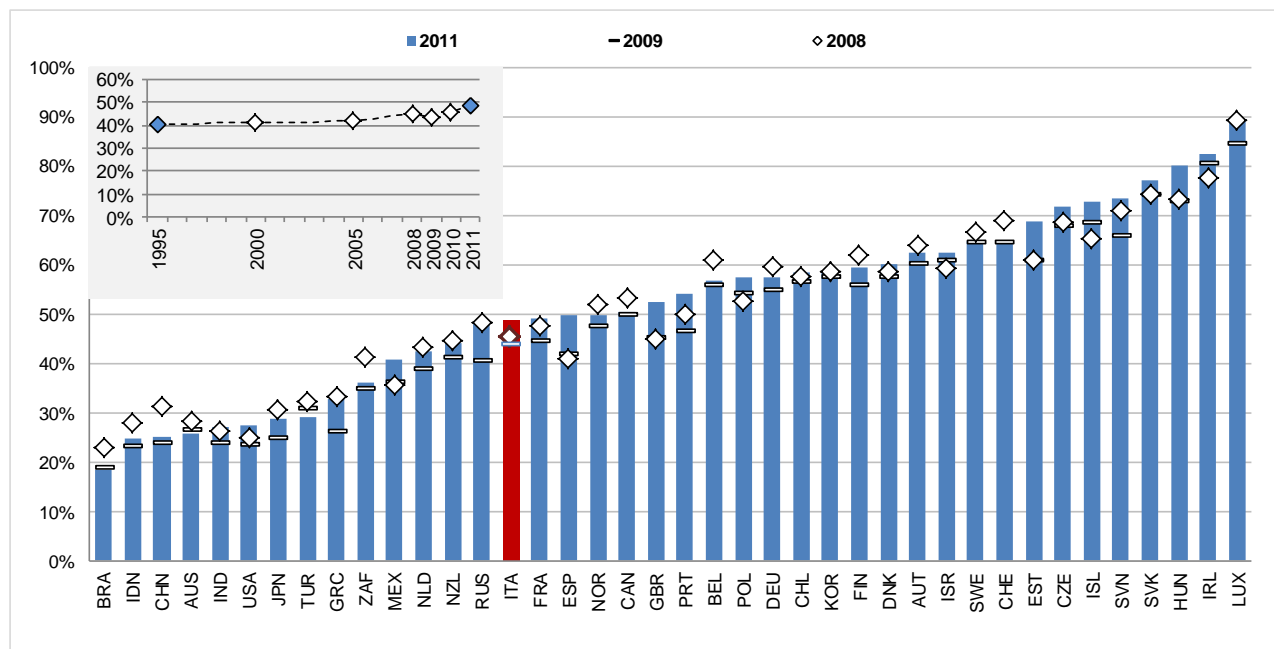
Figure 4. Italy's imported intermediate inputs used for exports, by import category
percent of intermediate imports, 2008, 2009, and 2011



The destination of domestic value added produced in Italy

Of the total domestic value added produced by the manufacturing sector in Italy, nearly half (48.6%) reflected foreign final demand in 2011, higher than in 2009 (43.8%) and 2008 (45.1%) (Figure 5) and also higher than the OECD average (41.9%) in 2011.

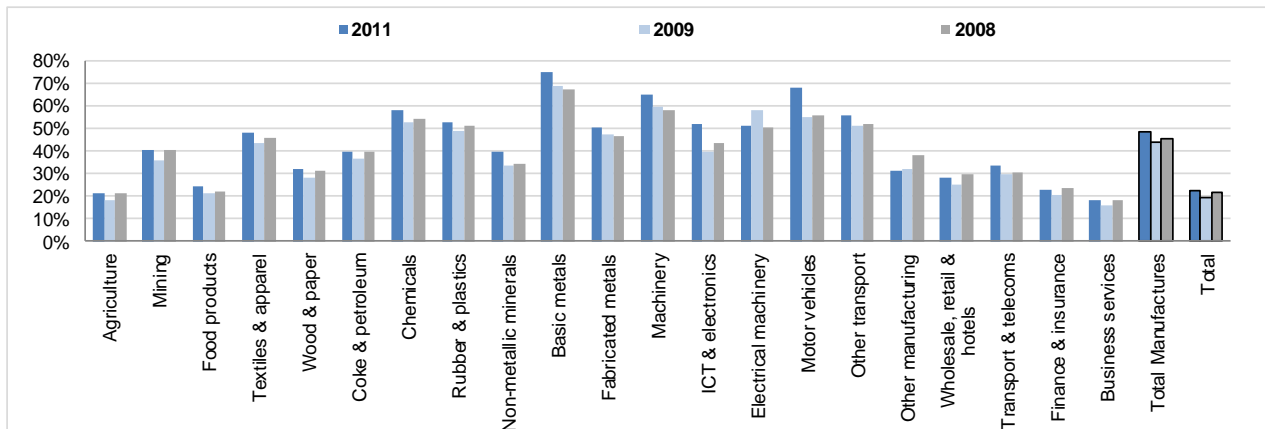
Figure 5. Manufacturing domestic value added in foreign final demand by country,
percent of total manufacturing value added, 2008, 2009, and 2011 (left insert = time series for Italy)



Note: Final demand excludes inventories: See also http://www.oecd.org/sti/ind/TIVA_2015_Guide_to_Country_Notes.pdf

At the total economy level, 22.1 % of Italy's domestic value added was driven by foreign final demand, but significant differences exist across industries. Basic metals (74.6%) and Motor vehicles (67.6%) had the highest levels of export orientation in Italy, with the lowest shares in Business services (18.1%) and Agriculture (20.9%) (Figure 6).

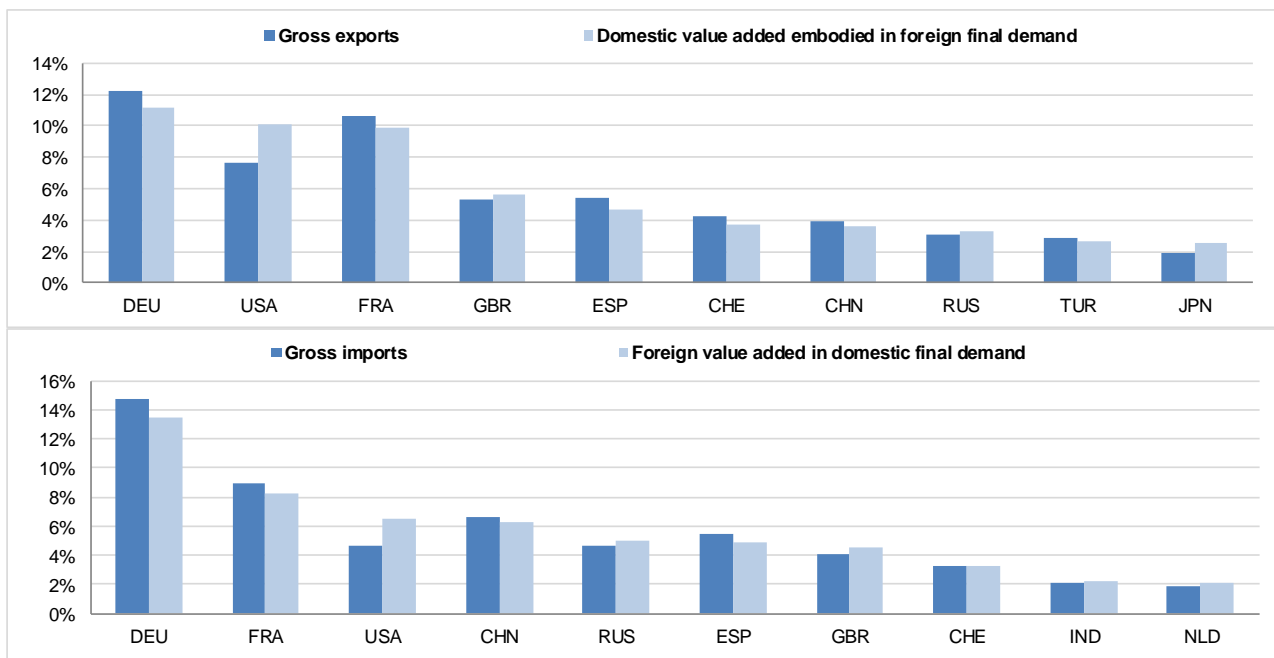
Figure 6. Italy's domestic value added in foreign final demand, percent of value added by industry, 2008, 2009, and 2011



Note: Final demand excludes inventories: See also http://www.oecd.org/sti/ind/TIVA_2015_Guide_to_Country_Notes.pdf

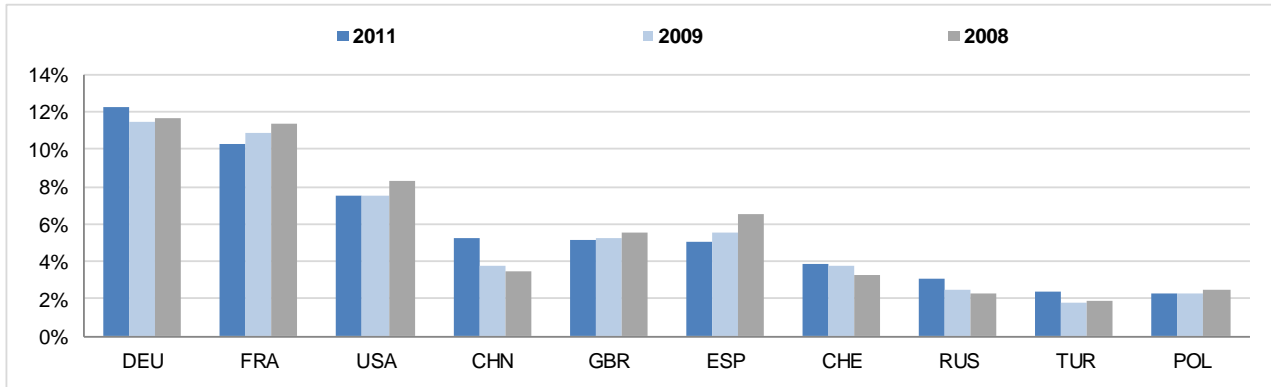
In gross terms, Germany (12.2%), France (10.6%) and the United States (7.7%) were the three most important Italian export market destinations. While in value-added terms, the share exported to the United States (10.1%) is larger, partly reflecting Italian value-added embodied in other European exports to the United States (Figure 7, top). For imports, Italy's top three partners were Germany (14.7%), France (9.0%) and China (6.7%), while in value-added terms the United States (6.5%) is a more important partner than China (Figure 7, bottom).

Figure 7. Italy's exports to and imports from main partner countries percent of total gross and value added exports and imports, 2011



Looking only at exports of intermediates goods and services, Italy's major export destinations in 2011 were Germany (12.2%), France (10.3%), the United States (7.5%) and China (5.2%) (Figure 8). China has particularly grown in importance in recent years.

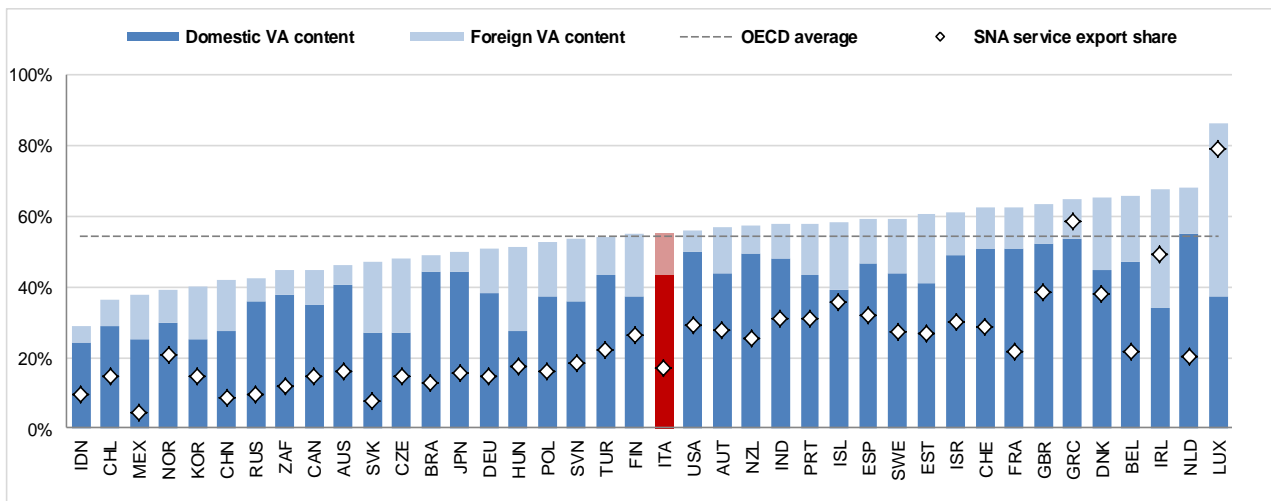
Figure 8. Italy's domestic value added embodied in intermediate exports to main partner countries
percent of total intermediate exports, in value added terms, 2008, 2009, and 2011



The importance of services

In 2011 the service content of total exports in Italy was 55.1%, above the OECD average of 54.3 (Figure 9).

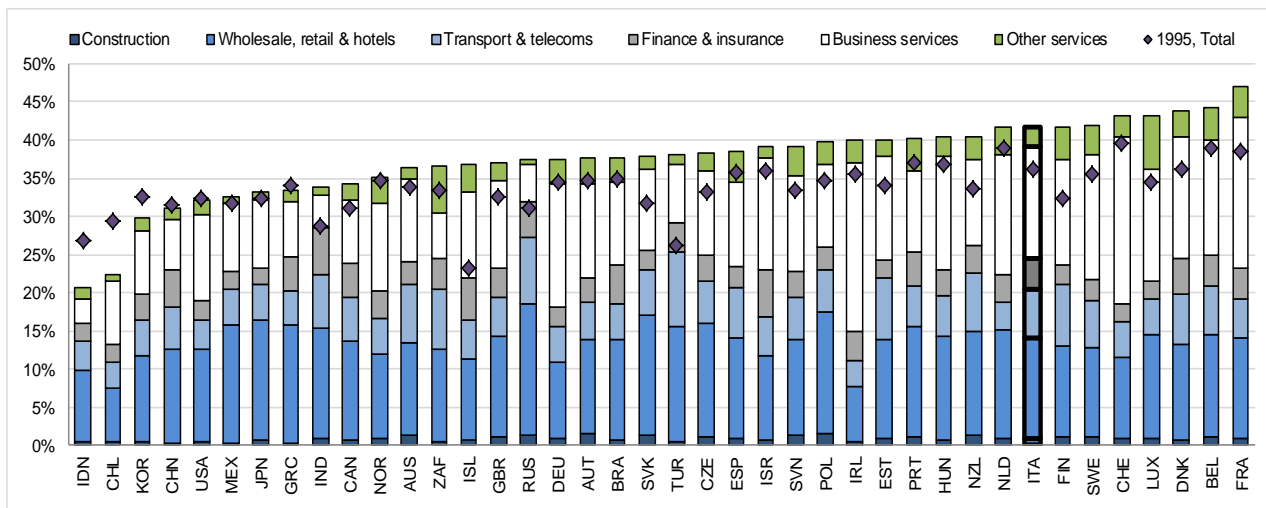
Figure 9. Services content of gross exports by country, gross and value-added terms,
percent of total gross exports, 2011



Note: SNA services export shares include re-exports in the denominator, and include any actual differences in free on board and basic prices (the distribution margin provided by resident distributors to resident exporters) in goods.

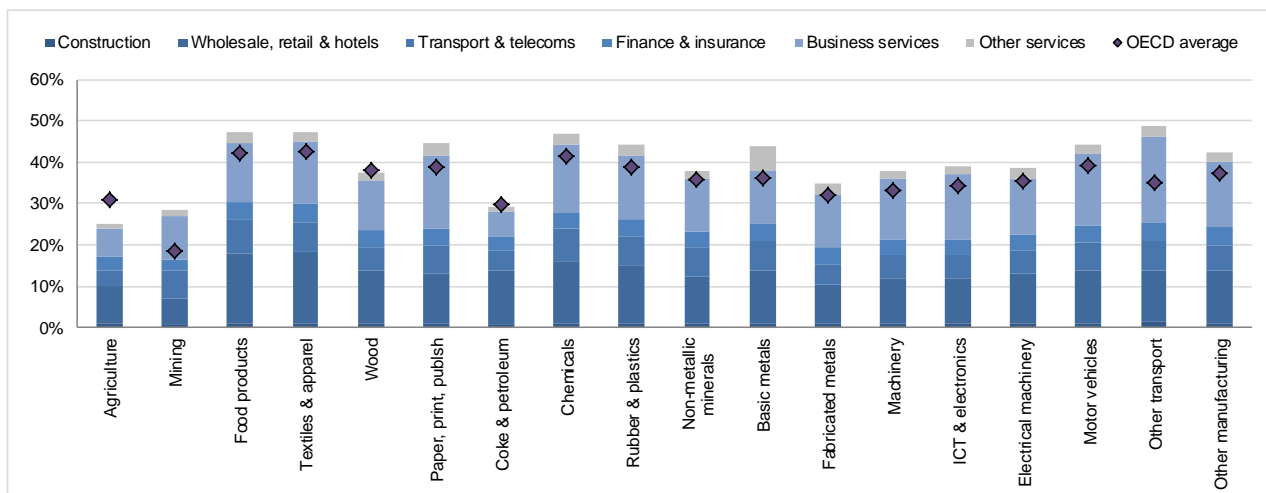
For exports of manufactured goods alone, 41.7% of the total value reflected services sector value-added, above the OECD average (36.9%). Of this share, the Business services sector accounted for 14.6% of total gross exports, with the Wholesale, retail & hotels and Transport & telecoms industries accounting for 13.2% and 6.5% respectively (Figure 10).

Figure 10. Services value added embodied in manufacturing exports, by country, percent of total gross exports, 1995 and 2011



At the individual sectoral level, the services content of exports was almost identical with the OECD average in most sectors. The highest shares were in the Other transport equipment (48.9%), Textiles & apparel (47.1%) and Food products (47.1%) industries (Figure 11).

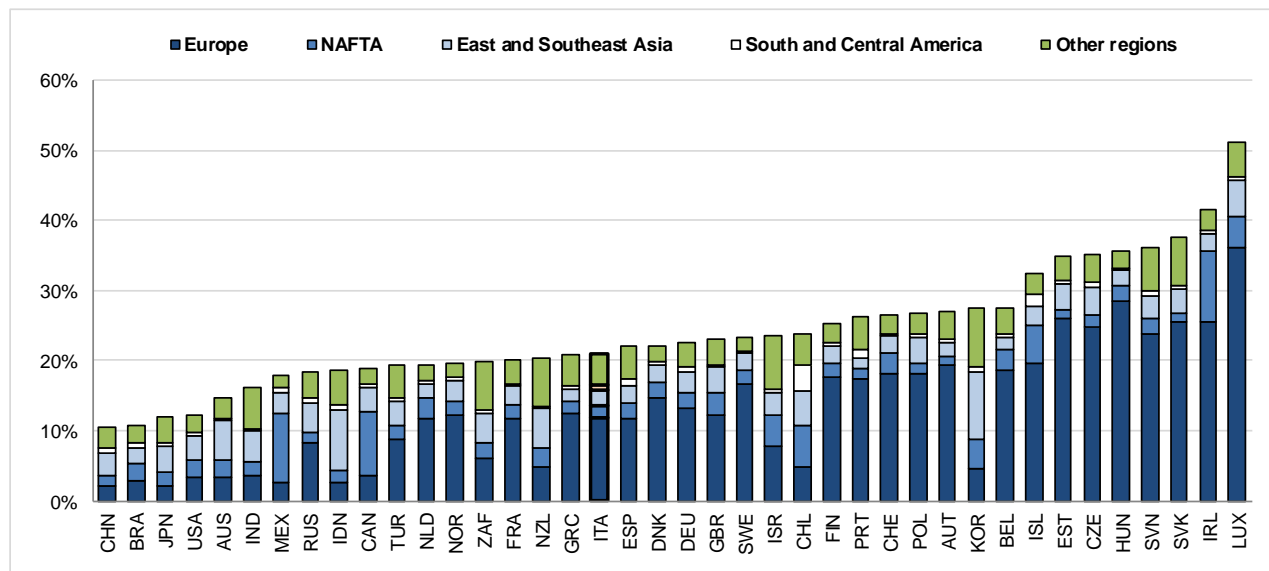
Figure 11. Italy's Services content of gross exports, by exporting industry and service category percent of gross exports by industry 2011



The origin of domestic consumption

In 2011, 21.0% of Italy's total final domestic consumption reflected foreign content, of which Europe contributed 11.9 percentage points, NAFTA 1.5 pp, East and Southeast Asia 2.4 pp, South and Central America 0.6 pp and other regions 4.6 pp (Figure.12).

Figure 12. Foreign value added content of domestic consumption by country
by source region, 2011



Further Information

The information included in this note is based on the 2015 edition of the Trade in Value Added (TiVA) database.

- » Access the data at <http://oe.cd/tiva>
- » Please contact us with your questions at tiva.contact@oecd.org