

TRADE IN VALUE ADDED: ITALY

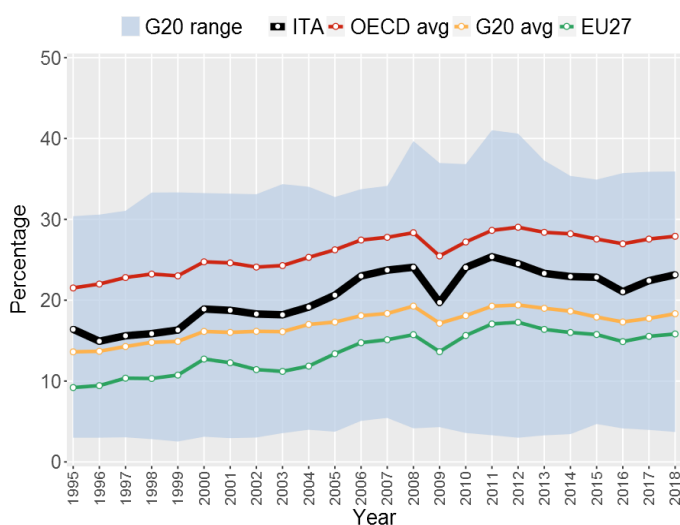
February 2022

Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Italy, with a view to informing policy making for a range of areas including trade, innovation, and investment.

Key findings

- ▶ In line with global trends of a slowdown in GVC integration after the 2008-2009 Financial Crisis, the foreign content in Italian gross exports decreased after 2011. However, more recently, foreign content increased from 21.1% to 23.1% between 2016 and 2018, but remained lower than the 2008 levels of 24.1% (Figure 1).
- ▶ The export orientation of all Italian industries has increased over the period of 2008 to 2018, with 24.7% of Italy's domestic value added being driven by foreign final demand in 2018 compared to 21% in 2008. The industries with the highest domestic value added in foreign final demand shares were *Basic metals* (69.3%), *Machinery* (67%) and *Electrical equipment* (63.5%) (Figure 2).
- ▶ While Germany is Italy's top export partner in gross terms, United States is top final destination of Italian value added - reflecting the role of EU partners such as France and Germany in exporting Italian value added to meet demand outside EU e.g. in United States and China. Similarly, value added from United States and China may reach Italy via imports from EU partners (Figure 5).
- ▶ GVC ties to the German economy have grown in importance over the last decade. As well as being among Italy's top trading partners, the share of Italian domestic value added embodied in manufactured imports from Germany increased from 18.1% in 2008 to 21.6% in 2018, further widening the gap between Germany and the next highest partner country (France, 14.4% in 2018) (Figures 5 and 6).
- ▶ Italy's service content in gross exports has increased in the last decade from 53.3% in 2008 to 54.7% in 2018. (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



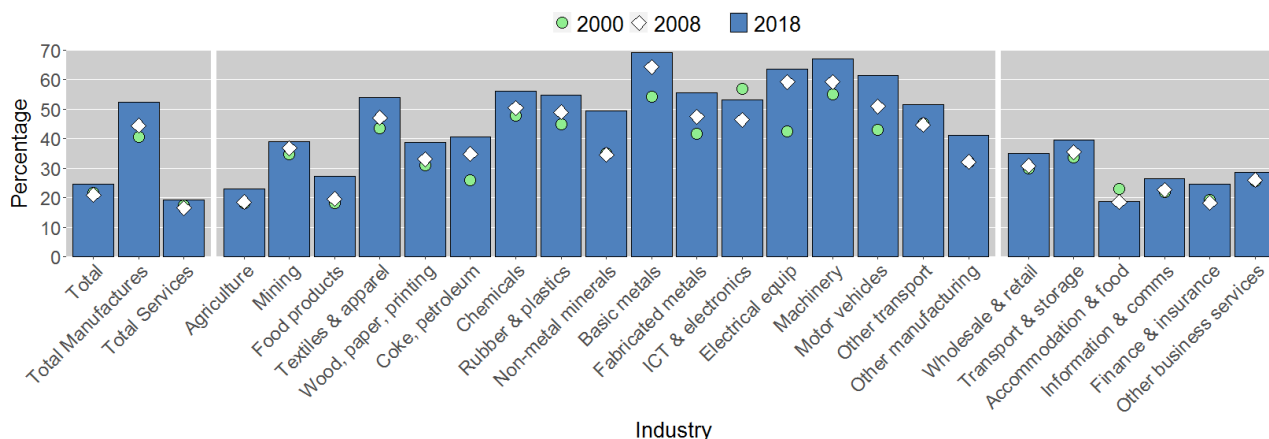
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Italy's exports is estimated to have decreased from 24.1% to 23.1% - below the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 0.9 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 24.7% of Italy's domestic value added was driven by foreign final demand, up from 21% in 2008. By industry, the shares ranged from *Basic metals* (69.3%) and *Machinery and equipment, nec* (67%) at the higher end to *Accommodation and food services* (18.7%) at the lower end.

Figure 2. Italy - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (60.7%), *Basic metals* (41.4%) and *Electrical equipment* (32.6%). *Wholesale and retail trade* generated the greatest source of domestic value-added content of exports in 2018, accounting for 11.5% of gross exports (Figure 3b), followed by *Machinery and equipment, nec* (9.6%) and *Transport and storage* (6%). The most foreign content in total exports came from *Machinery and equipment, nec* (3.4%).

Figure 3a. Italy - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

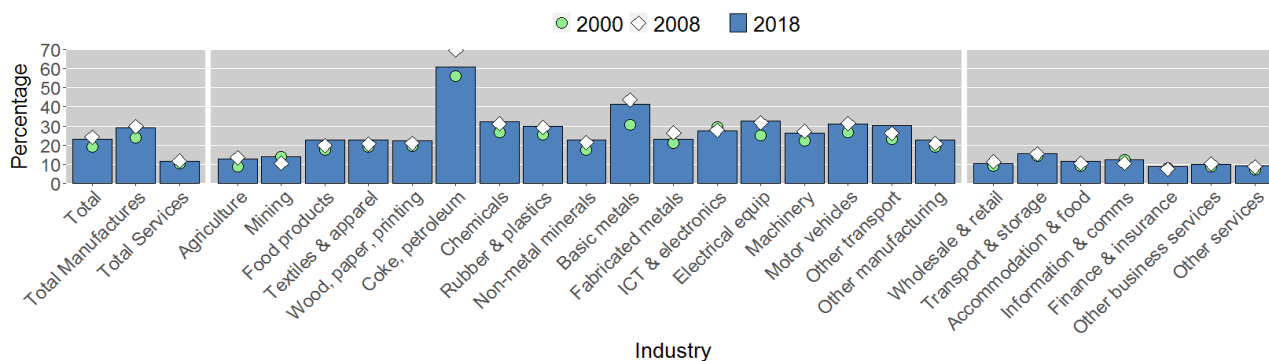
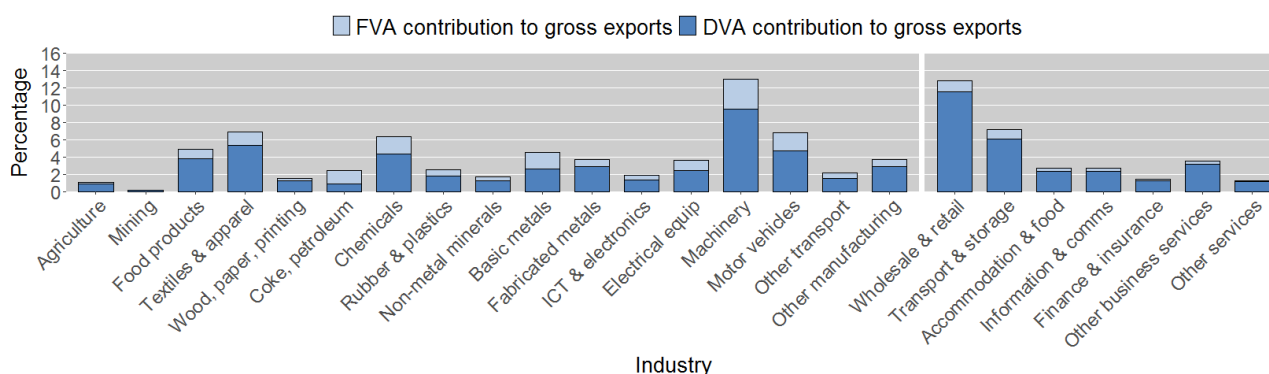
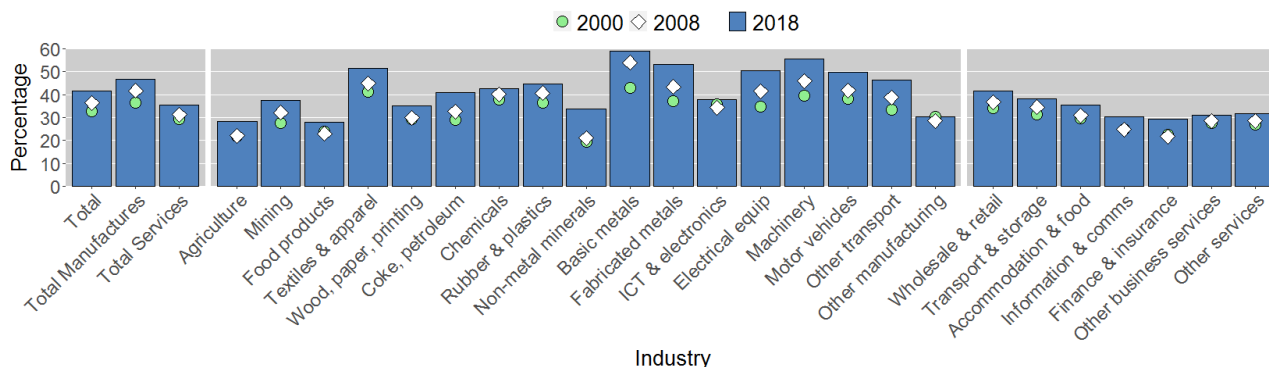


Figure 3b. Italy - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Italy's imports of intermediate goods and services in 2018, 41.4% was subsequently embodied in exports, lower than the OECD average of 47.9%, and above the share in 2008 (36.4%). The originating industries with the highest shares of intermediate imports used in Italy's exports were *Basic metals* (58.8%), *Machinery and equipment, nec* (55.5%) and *Fabricated metal products* (53%).

Figure 4. Italy - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Italy: international flows of goods and services, main players

In gross terms, Germany (11%), the United States (10.5%) and France (9.4%) were the three most important Italian export market destinations in 2018. The top three final destinations for Italy's value added were the United States (13%), Germany (9.9%) and France (8.5%).

For imports in gross terms, Italy's top three partners in 2018 were Germany (14.5%), France (9.2%) and China (6.3%), while in value-added terms, the top three were Germany (13.5%), France (8.5%) and China (7.1%).

Figure 5 Italy - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

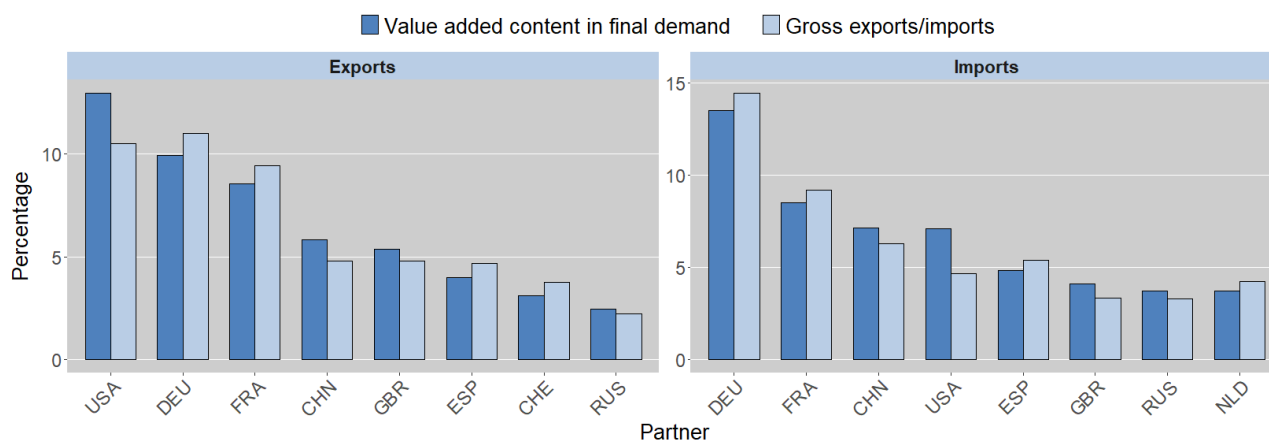
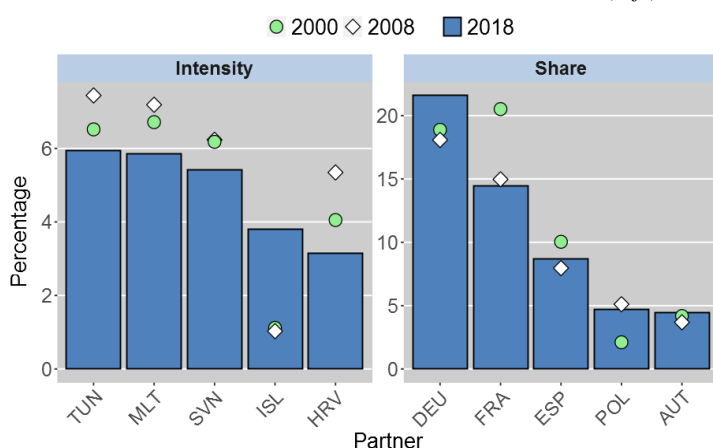


Figure 6. Italy's domestic value-added content of manufactured imports, top 5 partners

As a share of total Italy's value added embodied in Italy's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Italy's domestic value added embodied in Italy's manufactured imports (Figure 6, right) came from Germany (21.6%), France (14.4%) and Spain (8.7%).

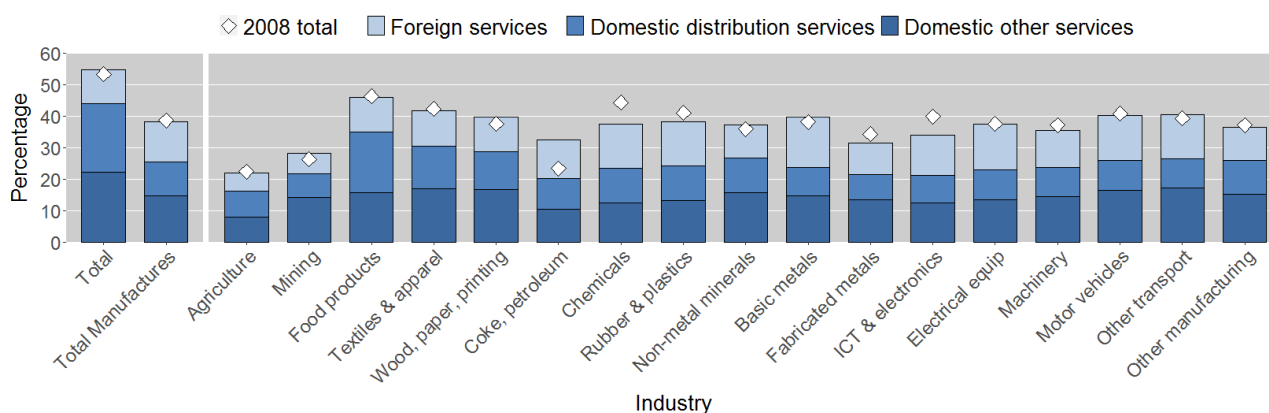
The trading partners with the highest shares of Italy's value added in their exports of manufactures to Italy (Figure 6, left) in 2018 were Tunisia (5.9%), Malta (5.8%) and Slovenia (5.4%).

The importance of services in international trade

Services are a major contributor to Italy's economy, accounting for 54.7% of Italy's gross exports in 2018 (Figure 7) - close to the OECD average of 55.7%. Foreign services contributed 10.6% to the value of total gross exports. For manufactures, services value-added content was 38.2% of gross exports, with the highest shares in *Food and beverages* (46.1%), *Textiles and apparel* (41.9%) and *Other transport equipment* (40.6%).

Figure 7. Italy - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

Note: This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.