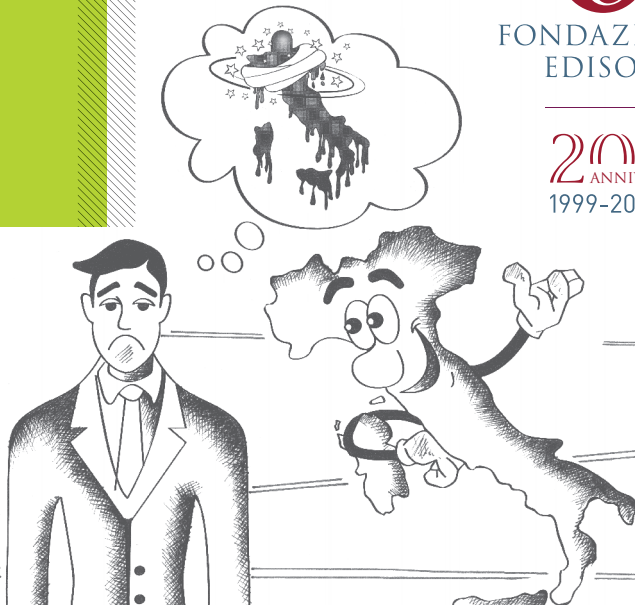



10 FALSE MYTHS ABOUT THE ITALIAN ECONOMY



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On the occasion of its twentieth anniversary (1999-2019), Fondazione Edison has found it useful to publish a series of special booklets analyzing the strengths of the Italian economy, while at the same time considering Italy's significant problems and gaps.

These booklets, including this one, deal with significant macroeconomic and sectorial aspects and are intended to provide experts as well as laymen with data and objective analysis to improve the overall knowledge of the Italian socio-economic system.

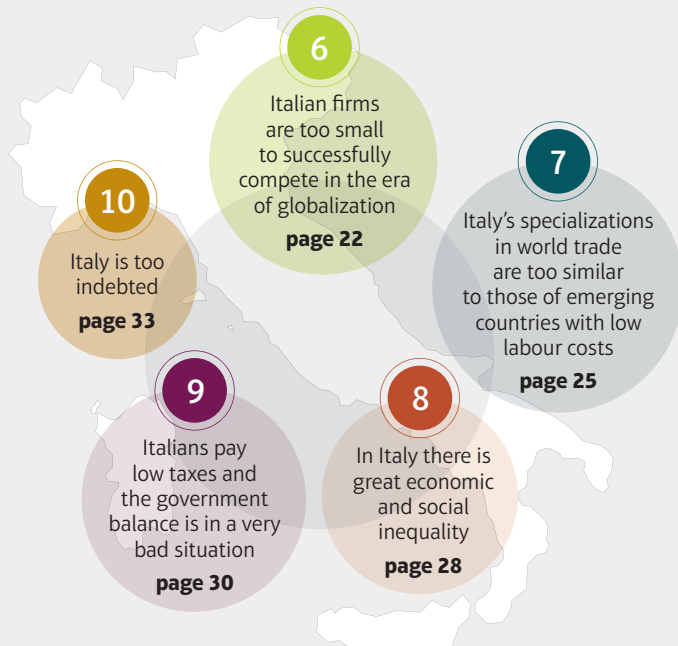


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10 **FALSE** MYTHS ABOUT THE ITALIAN ECONOMY



10 FALSE MYTHS ABOUT THE ITALIAN ECONOMY





1

Italy is one of the weakest economies in Europe.



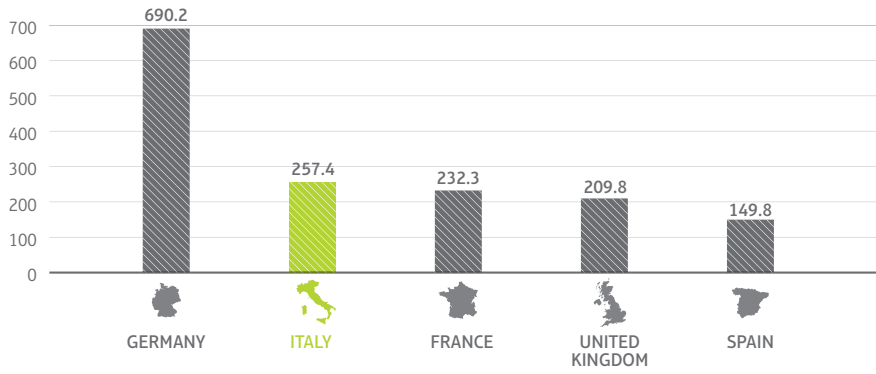
FALSE!

Italy has the second biggest manufacturing industry in the European Union, the largest agricultural sector in terms of value added and the second highest number of nights spent by foreign tourists.

MANUFACTURING VALUE ADDED: YEAR 2017

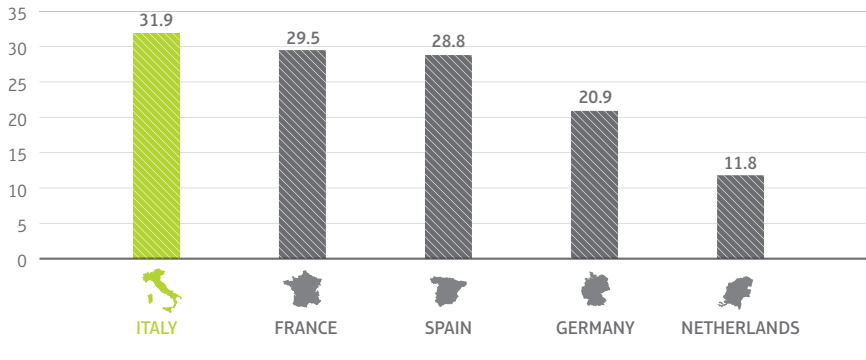
TOP 5 EU COUNTRIES

(billion euro)



AGRICULTURAL VALUE ADDED: YEAR 2017 TOP 5 EU COUNTRIES

(billion euro)

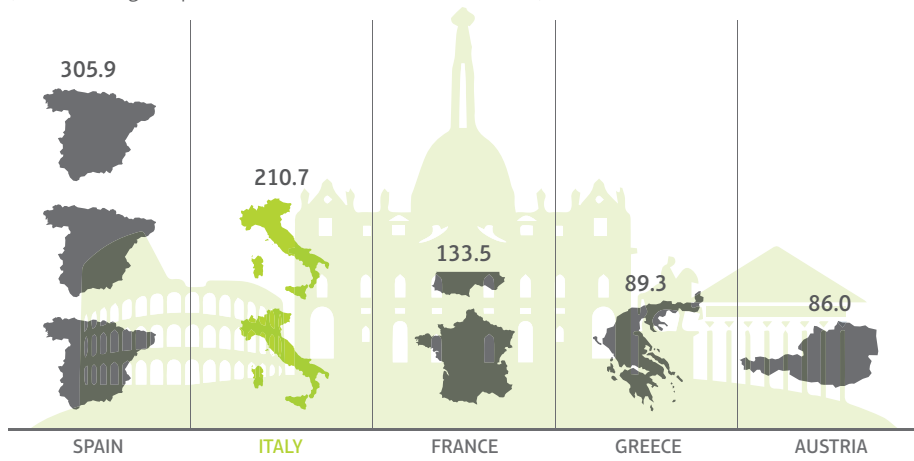


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TOURISM - ALL ACCOMODATION ESTABLISHMENTS TOP 5 EURO AREA COUNTRIES BY NUMBER OF OVERNIGHT STAYS OF FOREIGN TOURISTS: YEAR 2017

(millions of nights spent in all accomodation establishments)





2

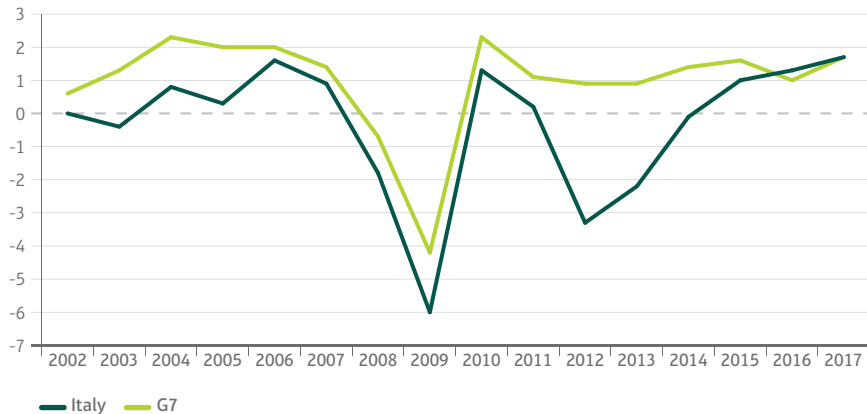
Italy is on the list of countries with the lowest growth.

FALSE!

Even if it was true in the past, in recent years Italy's GDP per capita has grown faster than the G7. Household per capita consumption increased faster in Italy than in many other EU countries including Germany, France, the Netherlands, Sweden, Austria, Belgium and Finland.

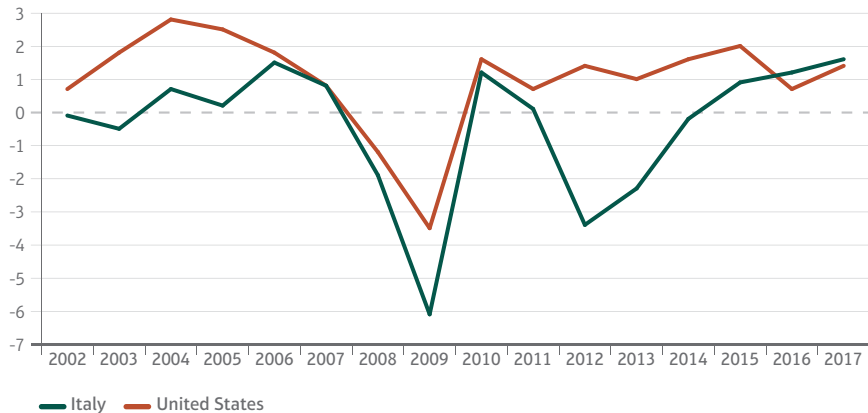
GDP PER CAPITA GROWTH RATE IN ITALY AND G7 COUNTRIES: 2002-2017

(constant prices, % change)



GDP PER CAPITA GROWTH RATE IN ITALY AND UNITED STATES: 2002-2017





(constant prices, % change)



GROSS DOMESTIC PRODUCT (GDP)

Gross domestic product real growth, per capita

Compound annual growth rate

	2003-2005	2006-2008	2009-2011	2012-2014	2015-2017
 ITALY	0.3%	0.2%	-1.6%	-1.9%	1.4%
 GERMANY	0.5%	2.9%	0.8%	0.8%	1.4%
 FRANCE	1.0%	1.1%	-0.1%	0.1%	1.1%
 UNITED STATES	2.4%	0.6%	-0.3%	1.4%	1.5%



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PER CAPITA HOUSEHOLD CONSUMPTION GROWTH IN THE WESTERN COUNTRIES OF THE EUROPEAN UNION

(chain linked volumes, index 2010=100)

COUNTRY	2014	2017	% CHANGE
CYPRUS	91.1	100.5	10.3%
SPAIN	92.7	100.5	8.4%
PORTUGAL	93.2	100.8	8.2%
IRELAND	97.7	103.7	6.1%
UNITED KINGDOM	102.0	107.8	5.7%
ITALY	92.4	97.3	5.3%
SWEDEN	103.4	108.2	4.6%
FINLAND	101.8	106.3	4.4%
MALTA	102.0	105.9	3.8%
GERMANY	103.0	106.8	3.7%
NETHERLANDS	96.9	100.2	3.4%
DENMARK	100.2	103.6	3.4%
FRANCE	99.4	102.7	3.3%
BELGIUM	99.8	102.2	2.4%
GREECE	82.3	83.8	1.8%
LUXEMBOURG	100.6	101.0	0.4%
AUSTRIA	99.6	99.8	0.2%



3

Italy is not competitive.

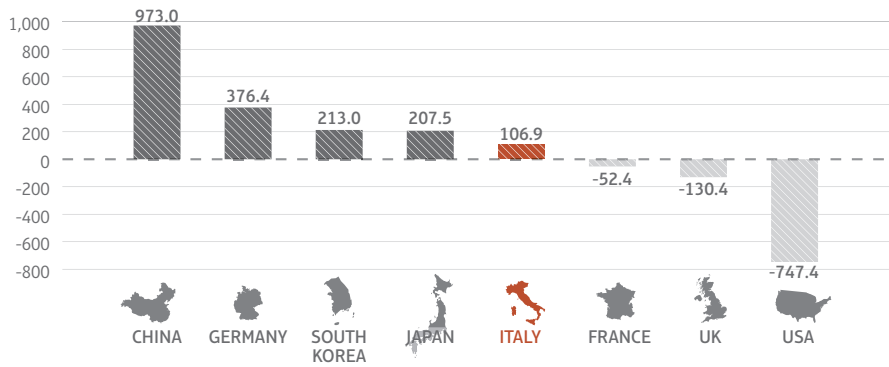
FALSE!

Italy has the fifth largest trade balance in the world for manufactured products. And it is the leader or co-leader at the global level for hundreds of manufactured goods.

MANUFACTURING (EXCL. FOOD) TRADE BALANCE: YEAR 2017

SELECTION OF SOME G20 COUNTRIES

(billion dollar)



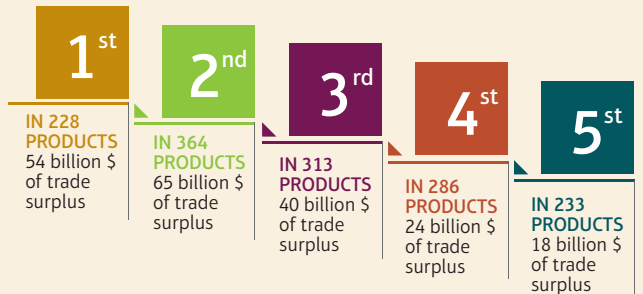
PRODUCTS IN WHICH ITALY HOLDS THE TOP SPOT IN THE WORLD FOR TRADE BALANCE: YEAR 2016

Index of competitive excellence of Italy in the world export market -
Fortis-Corradini Index (case study on a total sample of 5,206
products internationally traded)

ITALY IS...



TOTAL
1,424 PRODUCTS
201 billion \$
of trade surplus



MACRO-SECTORS IN WHICH ITALIAN PRODUCTS HOLD THE TOP FIVE POSITION IN THE WORLD FOR TRADE BALANCE: YEAR 2016

Index of competitive excellence of Italy in the world export market - Fortis-Corradini Index (case study on a total sample of 5,206 products internationally traded)





4

Italian enterprises do not invest enough
in equipment.




FALSE!

In recent years Italy's investment in machinery and transport equipment has grown twice as fast as that of Germany.

INVESTMENT IN EQUIPMENT

Investment in machinery and equipment real growth

Compound annual growth rate

	2003-2005	2006-2008	2009-2011	2012-2014	2015-2017
 ITALY	1.1%	1.4%	-3.0%	-6.8%	6.8%
 GERMANY	3.5%	7.8%	-2.7%	0.0%	3.3%
 FRANCE	1.3%	4.2%	-3.3%	0.2%	4.9%



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5






Italy doesn't invest enough in research & development.

FALSE!







In its sectors of specialization Italy is a leading country for R&D expenditure. In the European Union, it spends the most on R&D in textiles, wearing apparel, shoes and furniture; and it has the second highest R&D expenditure in the machinery and equipment industry. Furthermore, Italy has the second highest number of Community designs filed by the European Union Intellectual Property Office (EUIPO) in the EU.

RESEARCH & DEVELOPMENT MANUFACTURING OF MACHINERY AND EQUIPMENT

Business expenditure on R&D
(million euro)

	2013	2014	2015	2016
 GERMANY	5,388	5,651	5,459	5,653
 ITALY	1,372	1,462	1,509	1,635
 FRANCE	1,035	n.a.	n.a.	n.a.
 UNITED KINGDOM	883	927	1,197	1,014
 SPAIN	218	211	222	229

COMMUNITY DESIGNS FILED (number)

	2014	2015	2016
 GERMANY	18,819	16,951	14,828
 ITALY	8,903	9,798	9,348
 UNITED STATES	8,056	8,014	6,861
 UNITED KINGDOM	5,736	6,040	4,783
 FRANCE	5,949	5,643	4,649
 CHINA (EXCEPT HONG KONG)	4,230	5,941	3,802

Community Designs refer to design protections throughout the European Union, which covers 28 countries. European Union Intellectual Property Office (EUIPO) is the official office of the European Union for the registration of Community Trade marks and Designs. A registered Community design (RCD) is an exclusive right that covers the outward appearance of a product or part of it. The fact that the right is registered confers on the design great certainty should infringement occur. An RCD initially has a life of five years from the filing date and can be renewed in blocks of five years up to a maximum of 25 years. Decreasing numbers for the last years are due to the length of the registration procedure and not necessarily due to a lower protection activity.



6

Italian firms are too small to successfully compete in the era of globalization.



FALSE!



Italy's small and medium-size manufacturing enterprises export more than those of all other OECD countries, with exports totalling over USD 170 billion.

EXPORT OF MANUFACTURING ENTERPRISES BY SIZE CLASS IN OECD COUNTRIES: YEAR 2015

SMALL ENTERPRISES (10-49 PERSONS EMPLOYED)

RANK	COUNTRIES	NUMBER OF TRADING ENTERPRISES	RANK	COUNTRIES	EXPORT (BLN \$)	AVERAGE EXPORT PER ENTERPRISE (MLN \$)
1	ITALY	33,840	1	ITALY	55.7	1.65
2	UNITED STATES	24,474	2	GERMANY	28.2	1.20
3	GERMANY	23,450	3	SPAIN	20.7	1.54
4	SPAIN	13,470	4	UNITED STATES	16.8	0.69
5	POLAND	10,953	5	UNITED KINGDOM	13.6	1.26
6	UNITED KINGDOM	10,767	6	NETHERLANDS	12.8	3.16
7	FRANCE	8,809	7	FRANCE	11.2	1.27
8	CANADA	6,215	8	CANADA	9.4	1.51
9	PORTUGAL	5,494	9	POLAND	7.1	0.65
10	NETHERLANDS	4,062	10	SWEDEN	5.8	1.73

EXPORT OF MANUFACTURING ENTERPRISES BY SIZE CLASS IN OECD COUNTRIES: YEAR 2015

MEDIUM ENTERPRISES (50-249 PERSONS EMPLOYED)

RANK	COUNTRIES	NUMBER OF TRADING ENTERPRISES	RANK	COUNTRIES	EXPORT (BLN \$)	AVERAGE EXPORT PER ENTERPRISE (MLN \$)
1	UNITED STATES	14,437	1	ITALY	114.5	15.17
2	GERMANY	11,977	2	GERMANY	111.4	9.30
3	ITALY	7,546	3	UNITED STATES	58.2	4.03
4	POLAND	5,093	4	SPAIN	49.6	13.48
5	UNITED KINGDOM	4,630	5	NETHERLANDS	45.8	25.58
6	FRANCE	3,804	6	CANADA	43.2	13.65
7	SPAIN	3,676	7	UNITED KINGDOM	40.1	8.66
8	CANADA	3,168	8	FRANCE	34.4	9.03
9	CZECH REPUBLIC	2,464	9	BELGIUM	27.2	26.70
10	MEXICO	2,365	10	AUSTRIA	26.2	20.39



7

Italy's specializations in world trade are too similar to those of emerging countries with low labour costs.

FALSE!

Maybe this was true in the past. But Made in Italy is now completely different: it is the top of luxury and quality in traditional goods like fashion, furniture, food and wine. And it is at the top of innovation and technology in machinery and mechanical engineering, transport equipment and pharmaceutical products.

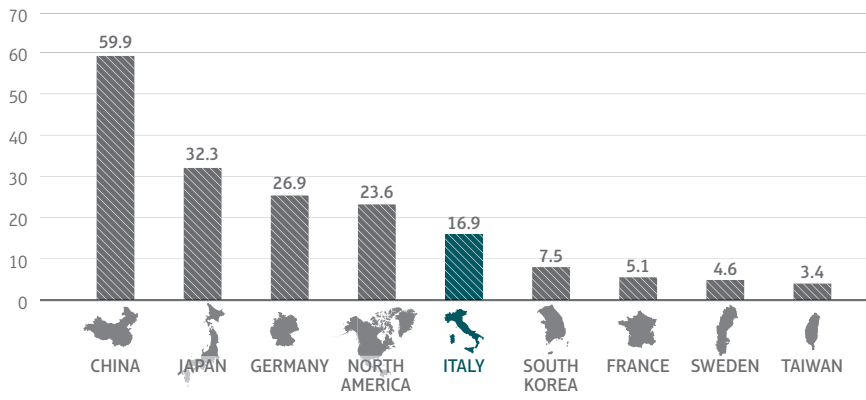
TOP EU COUNTRIES BY PHARMACEUTICAL PRODUCTION: YEAR 2016

(billion dollar)



OPERATIONAL STOCK OF INDUSTRIAL ROBOTS IN THE SECTOR OF METALS, METAL PRODUCTS AND INDUSTRIAL MACHINERY: YEAR 2017

(thousands of robots)





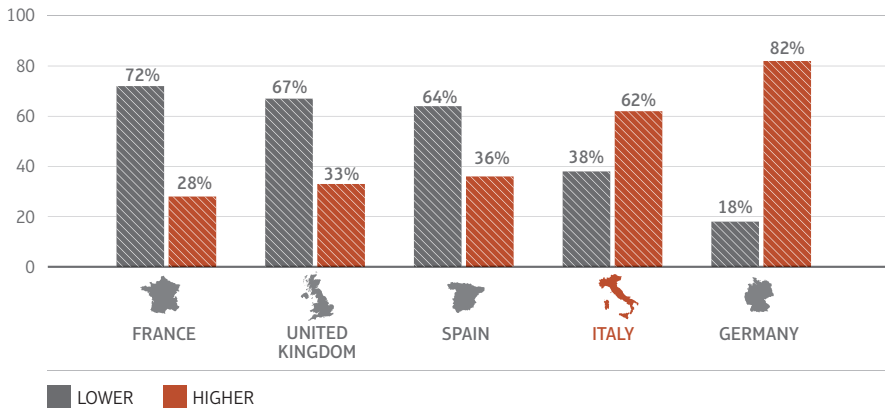
8

In Italy there is great economic and social inequality.

FALSE!

In Italy only 38% of people live in regions with a per capita GDP at purchasing power parity lower than the European Union average, compared to 72% in France, 67% in the United Kingdom and 64% in Spain.

PERCENTAGE OF THE NATIONAL POPULATION LIVING IN REGIONS WITH A GDP PER CAPITA AT PURCHASING POWER PARITY LOWER OR HIGHER THAN THE EU AVERAGE: YEAR 2016





9

Italians pay low taxes and the government balance is in a very bad situation.

FALSE!

Italian tax rates are more or less in line with the European average. And from 1995 to 2018 Italy's cumulative government primary balance before interest payments reached the level of EUR 724 billion, an absolute record in Europe, well ahead of Germany.

TOTAL TAX RATE: EURO AREA COUNTRIES

(percentage of GDP)

	2013	2017	CHANGE
ITALY	43.6	42.2	-1.4
BELGIUM	47.6	46.5	-1.1
AUSTRIA	43.3	42.2	-1.1
FINLAND	43.7	43.3	-0.4
MALTA	33.6	33.2	-0.4
PORTUGAL	37.1	36.7	-0.4
SLOVENIA	36.9	36.7	-0.2
LUXEMBOURG	39.7	40.1	0.4
SPAIN	33.8	34.2	0.4
GERMANY	39.5	40.3	0.8
FRANCE	47.4	48.2	0.8
ESTONIA	31.7	32.8	1.1
LATVIA	29.5	31.2	1.7
CYPRUS	31.5	33.7	2.2
NETHERLANDS	36.3	38.8	2.5
LITHUANIA	27.0	29.6	2.6
SLOVAKIA	30.1	33.0	2.9
GREECE	38.5	41.6	3.1

TOTAL TAX RATE

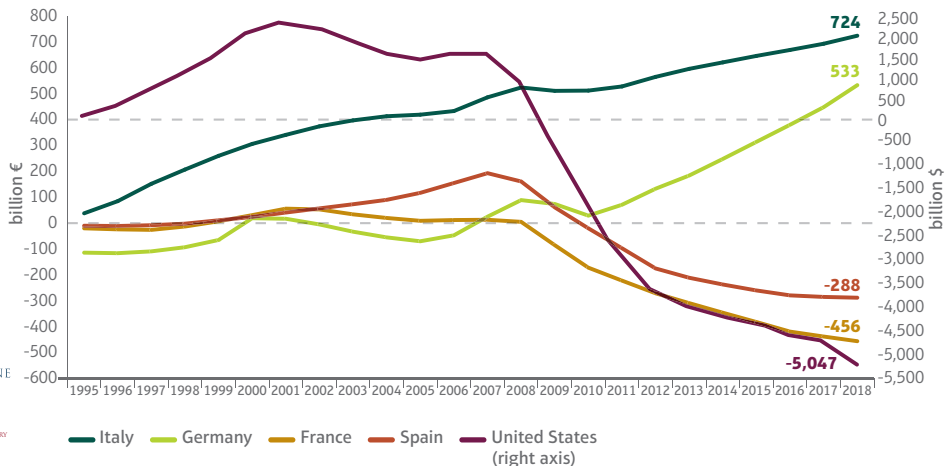
General government; total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected



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CUMULATIVE GOVERNMENT PRIMARY BALANCE OF THE MAIN EURO AREA COUNTRIES AND UNITED STATES: 1995-2018





10








Italy is too indebted.

FALSE!

Considering private and public debt combined, Italy is less indebted than many other advanced countries. Household debt is one of the lowest globally. The public debt is very high in terms of percent of GDP but it looks more sustainable if compared to the historically high government primary surplus mentioned above and Italian household net financial worth, that is twice as high as GDP. Furthermore, only 1/3 of Italian public debt is financed by foreign investors; the private domestic sector is financially strong and Italy's net international financial position is only slightly negative (-6% of GDP in 2017) and more comfortable than those of many other important OECD countries.

PRIVATE SECTOR DEBT, CONSOLIDATED








(percentage of GDP)

	2002	2005	2008	2011	2014	2017	MEMO	2008	2011	2014	2017
 ITALY	82.7	96.0	113.9	122.7	119.0	110.5	 IRELAND	236.4	274.0	278.3	243.6
 GERMANY	122.1	117.0	109.7	102.5	98.6	100.1	 PORTUGAL	196.2	204.1	190.5	162.2
 FRANCE	103.8	109.6	122.4	135.3	141.5	148.2	 SPAIN	195.9	196.4	165.8	138.8
							 GREECE	113.0	130.2	129.2	116.4

The private sector debt is the stock of liabilities (at the end of the year) held by the sectors Non-financial corporations and Households and non-profit institutions serving households. The instruments taken into account to compile the private sector debt are debt securities and loans.








PRIVATE FINANCIAL WORTH

Households; non-profit institutions serving households
Financial net worth
(percentage of GDP)

	2002	2005	2008	2011	2014	2017	MEMO	2008	2011	2014	2017
 ITALY	196.5	216.4	181.3	163.8	195.6	202.6	 PORTUGAL	93.4	101.9	116.5	119.6
 GERMANY	90.8	113.1	104.3	112.4	124.1	131.3	 SPAIN	64.7	80.1	114.4	118.0
 FRANCE	121.7	131.5	118.9	133.2	149.0	166.5	 IRELAND	36.8	67.4	91.3	76.9
							 GREECE	60.5	43.0	77.2	87.9







GENERAL GOVERNMENT DEBT/PRIVATE WORTH

General government consolidated gross debt
(percentage of household financial net worth)

	2002	2005	2008	2011	2014	2017	MEMO	2008	2011	2014	2017
 ITALY	51.9	47.1	56.5	71.1	67.4	64.8	 GREECE	180.8	400.2	231.7	200.3
 GERMANY	65.4	59.2	62.5	69.9	60.0	48.7	 PORTUGAL	76.8	109.3	112.1	104.3
 FRANCE	49.5	51.3	57.9	65.9	63.7	59.2	 IRELAND	115.2	164.5	114.0	88.9
							 SPAIN	61.1	86.8	87.8	83.1

GENERAL GOVERNMENT DEBT HELD BY NON RESIDENTS

(billion euro)

	2017	MEMO	2017
 FRANCE	1,106.3	 SPAIN	504.6
 GERMANY	1,036.2	 PORTUGAL	131.0
 ITALY	730.5	 IRELAND	119.9










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NET INTERNATIONAL INVESTMENT POSITION

(percentage of GDP)

	2002	2005	2008	2011	2014	2017		MEMO	2008	2011	2014	2017
 ITALY	-11.1	-15.4	-21.7	-18.3	-21.0	-6.3		 IRELAND	-95.3	-139.1	-164.3	-149.3
 GERMANY	0.0	13.3	18.1	23.2	40.6	54.0		 GREECE	-75.8	-88.8	-131.9	-140.5
 FRANCE	6.7	-2.0	-13.8	-8.7	-15.6	-20.1		 PORTUGAL	-95.1	-100.7	-118.6	-104.9
								 SPAIN	-80.2	-91.9	-98.0	-83.8

The International Investment Position (IIP) is a statistical statement that provides an aggregate view of the net financial position (assets minus liabilities) of a country vis-à-vis the rest of the world. It allows for a stock-flow analysis of the external position of a country. It shows at a point in time the value and composition of: the financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets, and the liabilities of residents of an economy to non-residents.



This booklet has been compiled by Marco Fortis, Fondazione Edison, with the collaboration of Stefano Corradini and Andrea Sartori

March 2019



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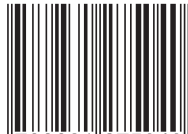


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Foro Buonaparte, 31
20121 Milan (Italy)
Tel. +39 02.6222.7455
info@fondazioneedison.it
www.fondazioneedison.it

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