A thick dark blue vertical bar is positioned on the left side of the page. From its base, several thin, light blue lines curve upwards and outwards, creating an abstract, grass-like or plant-like graphic.

ITALY

Economic conjuncture and
forecasts for 2018

inadvance
MAKING YOUR FUTURE

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The following executive report deals with the current economic situation in Italy and its forecast for 2018 from a macroeconomic point of view. The analysis has reflected the high potential of the Italian market and the good prospects.

While it is true that Italy will grow at a lower rate than other countries in the euro zone (such as Spain), it is one of the main countries to which Spanish companies export their products each year. The potential of the Italian market continues to rise, it is a market in constant expansion, which offers great facilities to foreign products. Furthermore, Italy should not be seen only as a commercial partner, but offers many possibilities for companies from all over the world who want to develop synergies in the transalpine market, thus merging know-how with which to increase competitiveness.

The economic projection for the following year is positive, the GDP in Italy will increase by around 1.2%, thanks in part to the development and potential of the agri-food and textile sectors, which, in recent years, have risen as main actors in the expansion of the Italian economy.

ECONOMIC SITUATION

The Italian economy has been very affected by the global financial crisis: since 2007 it has contracted more than 9% since 2007 and has suffered 13 quarters of recession. In the first quarter of 2015 it was possible to get out of the recession, but the growth was lower than the expectations of the government and the European average. In 2016, growth was 0.8% of GDP, at the same level as the previous year, the growth of 2017 was around 1.1%. The forecasts for the year 2018 are quite similar to the forecasts for previous years, where GDP growth is expected to be between 0.9 and 1.1%. This timid recovery is mainly due to foreign trade.

In 2016, despite the reforms adopted, the Italian economy remained very vulnerable to unforeseen changes. The labor market reform has not produced the expected results and the banking sector is still plagued by bad debts (18% of the portfolio). Public debt is stabilized, but remains very high (more than 130% of GDP). Italy must face a massive exodus of young people who choose to emigrate. In 2016, the country suffered two earthquakes and a humanitarian crisis caused by the arrival of 170,000 immigrants. In December 2016 the Italians voted "no" (69%) in the referendum on constitutional reform, which led to the resignation of Prime Minister Matteo Renzi. The subsequent political uncertainty was exploited by the 5 Star Movement, a populist, anti-system and anti-European formation. The government of Matteo Renzi has launched numerous reforms focused on labor and labor laws, public administration, taxation and the reactivation of consumption through tax cuts. The budgets for 2017 included measures to stimulate investment, a reduction in corporate tax and an increase in lower pensions. The deficit target of 2.3% is higher than that allowed by the EU.

The unemployment rate, which has increased since the beginning of the global crisis, stands at 11.5% and has hardly been reduced by the increase in the active population. Young people are the most affected, with a rate close to 35%. Regional inequalities remain very large between the highly industrialized and dynamic north and the rural and poor areas of the south.

Indicadores de crecimiento	2014	2015	2016	2017 (e)	2018 (e)
PIB (miles de millones de USD)	2.155,15	1.825,82	1.850,74	1.807,43	1.838,47
PIB (crecimiento anual en %, precio constante)	0,1	0,8	0,9	0,8	0,8
PIB per cápita (USD)	35.457	30.032	30.507	29.747	30.260
Saldo de la hacienda pública (en % del PIB)	-1,1	-0,9	-1,3	-1,6	-0,8
Endeudamiento del Estado (en % del PIB)	131,8	132,0	132,6	132,8	131,6
Tasa de inflación (%)	0,2	0,1	-0,1	1,3	1,3
Tasa de paro (% de la población activa)	12,6	11,9	11,7	11,4	11,0
Balanza de transacciones corrientes (miles de millones de USD)	40,53	29,57	50,76e	37,04	32,22
Balanza de transacciones corrientes (en % del PIB)	1,9	1,6	2,7e	2,0	1,8

Fuente: IMF – World Economic Outlook Database, 2017

Nota: (e) Datos estimados

MAIN ECONOMIC SECTORS

Italy is one of the most important agricultural powers of the European Union, being the largest European producer of rice, fruit, vegetables and wine. The agricultural sector contributes around 2% of the Italian GDP and depends on the importation of raw materials used in agricultural production due to the limited natural resources available in the country. These imports are responsible for more than 80% of the country's energy.

Italian industrial activity is concentrated mainly in the north of the country (Milan, Turin and Venice). The Italian industrial fabric is formed mainly by small and medium family businesses; More than 90% of industrial companies have less than 100 employees. Italy is the sixth export market in the EU and the first the world's leading exporter of luxury goods. The main industries are dedicated to precision machinery, motor vehicles, chemical and pharmaceutical products, electrical goods, fashion and clothing. The country has suffered a strong deindustrialization, but it remains the second manufacturing power in Europe and the seventh in the world.

The service sector represents around 75% of GDP and employs 70% of the workforce. Tourism plays a fundamental role, being one of the most profitable and fastest growing sectors. Italy is the third tourist destination of the European Union and the fifth in the world.

Repartición de la actividad económica por sector	Agricultura	Industria	Servicios
Empleo por sector (en % del empleo total)	3,8	26,6	69,7
Valor añadido (en % del PIB)	2,1	24,1	73,8
Valor añadido (crecimiento anual en %)	-0,7	1,0	0,6

Fuente: World Bank, 2016

FOREIGN TRADE

Italy is the tenth exporter and the eleventh importer worldwide; Trade represents about 57% of GDP (2015). Manufactured products represent more than 90% of the country's exports.

Since the sovereign debt crisis of 2010 and after several years of structural deficit, Italy has changed course. Since 2015 the country continued the spectacular recovery of its foreign trade, with a record surplus of 45 billion euros. Exports increased by 3.8% and imports by 3.3% compared to 2014. In 2017 the surplus reached 41.6 billion euros.

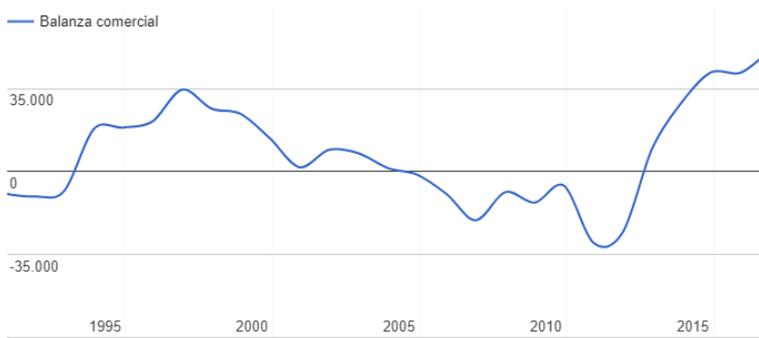
The main trading partners of Italy are the European Union (Spain, Germany, France, United Kingdom), and the United States and Switzerland.

In 2016 Italy registered a surplus in its commercial balance of 51,497.8 million euros, 3.06% of its GDP, higher than the surplus reached in 2015, of 41,806.9 million euros, on 2 , 53% of GDP. The variation of the commercial balance has been due to an increase in exports from Italy accompanied by a decrease in imports

If we take the trade balance as a reference with respect to GDP, in 2017 Italy has gained positions. It has moved from position 39 that occupied in 2016, to be placed in position 38 of said ranking

If we look at the evolution of the balance of the trade balance in Italy in recent years, the surplus has increased with respect to 2016 as we have seen, as it happens with respect to 2006, in which the deficit was 20,451.8 million euros, which represented 1.32% of its GDP.

Next, the evolution of the balance of the Italian trade balance is shown.



It is appreciated as the trend of the trade balance is rising for Italy. Each course the trend is greater, so we can intuit that Italy is at a time of economic growth, driven by a commercial balance in full development

CONCLUSIONS:

Growth forecasts for the Italian economy have improved markedly, with an estimated growth of 1.9% by 2018, compared to 1.8% in previous years.

This greater optimism is justified in a context of rising employment rates, a flexible monetary policy and less political uncertainty. At the same time, external demand is expected to consolidate, with better prospects for trading partners in the euro area.

For Spain:

Italy is one of the main destination countries for products manufactured in Spain. The forecasts for the transalpine country are very favorable for the coming years, which will encourage the relationship between both countries to remain fruitful.

From Inadvance-Making your future we encourage all companies to bet on the Italian market, a country that offers many opportunities to various sectors, where the Spanish product has a great reputation.

