



KCCI - Country Wrap: Italy (June. 2019)



Italy – a brief overview

Italy is the third largest economy in Europe and eighth largest in the world. It has been at the forefront of European economic and political unification, joining the Economic and Monetary Union in 1999. Italy has a diversified industrial economy, divided into a developed industrial North which is dominated by private companies and a less-developed, highly subsidized, agricultural South, where unemployment is high.

The Italian economy is driven by the manufacturing of high-quality consumer goods produced by SMEs. Italy's exceptionally high public debt and structural impediments to growth have rendered it vulnerable. Public debt has increased steadily since 2007. The government still faces pressure from investors and European partners to sustain its efforts to address Italy's longstanding structural economic problems.

Key Industries of Italy

Main industries of Italy are tourism, machinery, iron and steel, chemicals, food processing, textiles, motor vehicles, clothing, footwear and ceramics. The agricultural products of Italy include fruits, vegetables, grapes, potatoes, sugar beets, soybeans, grain, olive, beef, dairy products and fish.

Italy's major trading commodities and partners

The main commodities exported by Italy include engineering products, textiles and clothing, production machinery, motor vehicles, transport equipment, chemicals, food, beverages and tobacco, minerals and nonferrous metals. The country export these commodities to Germany, France, US, Switzerland, UK and Spain. The commodities that are imported by Italy include engineering products, chemicals, transport equipment, energy products, minerals and nonferrous metals, textiles and clothing, food, beverages, and tobacco. The country import these commodities from Germany, France, China, Netherlands, Spain and Belgium.

Economic Relations between Pakistan and Italy

Pakistan and Italy share healthy and dynamic bilateral relations. Italy has great economic potential and increasing bilateral trade and cooperation with Pakistan in diversified areas of economic activity will help both the countries. Italian investments in Pakistan have also been growing and a great example is oil exploration giant ENI who is very active in Pakistan. The two countries recently signed an inter-governmental agreement on cooperation in the field of LNG and a MoU on cooperation between the trade development authorities of the two countries in the field of marble mining, leather and denim clothing.

Italy is among the top ten trading partners of Pakistan in the world and third largest in context of trade with European Union. Italy helped Pakistan acquire the EU Generalized Scheme of Preferences (GSP-Plus). Pakistan and Italy have institutional mechanism of annual bilateral political consultations under framework of Pakistan-Italy Strategic Engagement Plan of 2013. The next round of annual bilateral political consultations will be held in Rome in 2019 at mutually convenient dates. Italy provided Pakistan \$100 million under the Pakistan Italian Debt for Development Swap Agreement to social development projects in health, education and sanitation in Pakistan. The Italian government has also agreed to provide a credit line equivalent to \$10 billion for Italian investors willing to invest in Pakistan.

Bilateral Trade Relations between Pakistan and Italy

Trade relations between Pakistan and Italy have been improving with the passage of time. During Fiscal Year 2018, Pakistan exported goods of worth \$ 772.63Mn as against exports of \$ 710.80Mn in the same period last year showing increase of 8.70%. The goods imported by Pakistan during Fiscal Year 2018 were recorded at \$ 946.74Mn as against \$ 854.59Mn last year showing an increase of 10.78%. It is expected that the bilateral relations would further improve in the future.

Commerce Potential Between Pakistan and Italy

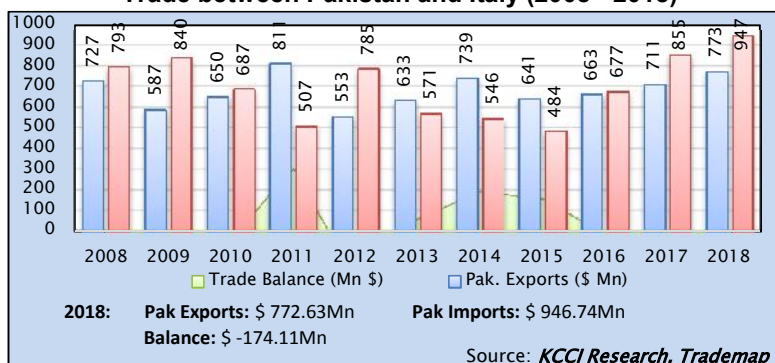
Bilateral commerce would improve tremendously after Italy held its single country exhibition in Pakistan in Jun'19. Pakistan can benefit from Italian supremacy in the leather industry to boost its own value addition production in the sector. Italy could explore huge investment opportunities in Pakistan's marble and mineral sectors while the time is also ideal to invest in the automobile sector.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	2,273	2,307	1.50%
GDP per Capita	\$	37,500	38,000	1.33%
GDP growth	%	0.90	1.50	0.60%
Forex Reserves	\$ Bn	130.6	136	4.13%
External Debt	\$ Bn	2,300	2,444	6.26%
Exports of Goods	\$ Bn	454.1	499.1	9.91%
Imports of Goods	\$ Bn	387.1	426.7	10.23%
Trade Balance	\$ Bn	67.0	72.4	8.06%
Current Account	\$ Bn	47.3	52.8	11.67%
FDI - at Home	\$ Bn	471.7	495.2	4.98%
FDI - at Abroad	\$ Bn	584.1	607.8	4.06%
CPI	%	-0.1	1.4	1.50%
Prime Lending Rate	%	3.5	3.3	-0.20%
Population	Mn	N/A	62.1	-
Unemployment	%	11.7	11.4	-0.30%
Literacy Rate	%	N/A	99.2	-

Sources: KCCI Research, CIA Factbook

Trade between Pakistan and Italy (2008 - 2018)



Source: KCCI Research, Trademap

Italy's Trade - Commodity Wise (2018)

Top 10 Exports Items (\$ Mn)	Top 10 Imports Items (\$ Mn)
Machinery 105,966	Mineral fuels & oils 67,548
Vehicles not railway 44,740	Vehicles not railway 50,476
Electric mach. & equip. 33,735	Machinery 47,577
Pharmaceuticals 27,725	Electric machinery & equip. 37,377
Plastics & articles 22,075	Pharmaceuticals 26,692
Iron/Steel Articles 19,410	Plastics & articles 21,927
Mineral fuels, oils 18,762	Iron/Steel Articles 21,810
Iron and steel 14,960	Organic chemicals 16,240
Furniture 14,482	Optical/precision goods 13,278
Apparel and clothing 13,630	Pearls, stones, metals 11,048

Sources: KCCI Research, Trademap

Pakistan's Trade with Italy - Commodity Wise (2018)

Top 10 Export Items (\$ Mn)	Top 10 Import Items (\$ Mn)
Cotton 177.47	Machinery 348.36
Made-up Textiles 163.87	Aircraft, spacecraft, parts 166.21
Unknitted Apparel 96.64	Electric machinery & equip. 93.70
Knitted Apparel 59.55	Commodities 47.46
Cereals 49.27	Pharmaceuticals 37.33
Raw hides and skins 47.45	Optical/precision goods 26.92
Footwear, gaiters 22.56	Iron & steel 20.65
Beverages & vinegar 22.38	Mineral fuels & oils 20.62
Man-made staple fibre 21.57	Misc. chemicals 18.32
Leather Products 19.68	Tanning & Dying extracts 15.88

Sources: KCCI Research, Trademap