



Confindustria-BDI Bilateral Summit

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Strategy Consultants

Acknowledgements

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- > Information provided by and the interaction with CSC have been essential for Roland Berger analysis and interpretation of the underlying macro-economic phenomenon and figures

Trading in the last decade: Italy and Germany continue to be the leading European exporters and key trading partners of each other

- > Both Germany and Italy have remained the two top European exporters – respectively #3 and 5 globally – even through the years of globalization
- > The two countries remain key trading partners of each other, in spite of a reduction in the trade deficit of Italy vs. Germany in 2012 due to a decline of imports
- > By and large, the contribution of Germany's export to its GDP has been greater than Italy's also because of the strength of some high value segments such as transport vehicles and electronics
- > In the last decade, Germany has carried out significant economic and social reforms, especially in the labor market

Positioning along the value chain: Germany has strengthened its Client position in the global value chain, Italy has moved upstream

- > Since 2005 we see some diverging trends for Germany's and Italy's position in the global value chains:
 - Germany has progressively reduced its local content of export while Italy has increased
 - Germany has strengthened its position as Client in the global value chain while Italy has drastically reduced it
- > The supplier / client ratio shows Italy has become more a supplier and Germany more a client along the global manufacturing value chain

Competing at global level: Italy performed better in the "medium quality" goods, while Germany boosted its share of "high quality"

- > Italy has performed better in the "medium quality" goods, while Germany increased its share of "high quality" goods exports more than Italy
- > Germany's share increase in "high quality" goods is due to Vehicles and Electrical Products, Italy remains strong in Textile and F&B

Contents

Page



1 Trading in the last decade

7



2 Positioning along the value chain

15



3 Competing at global level

23

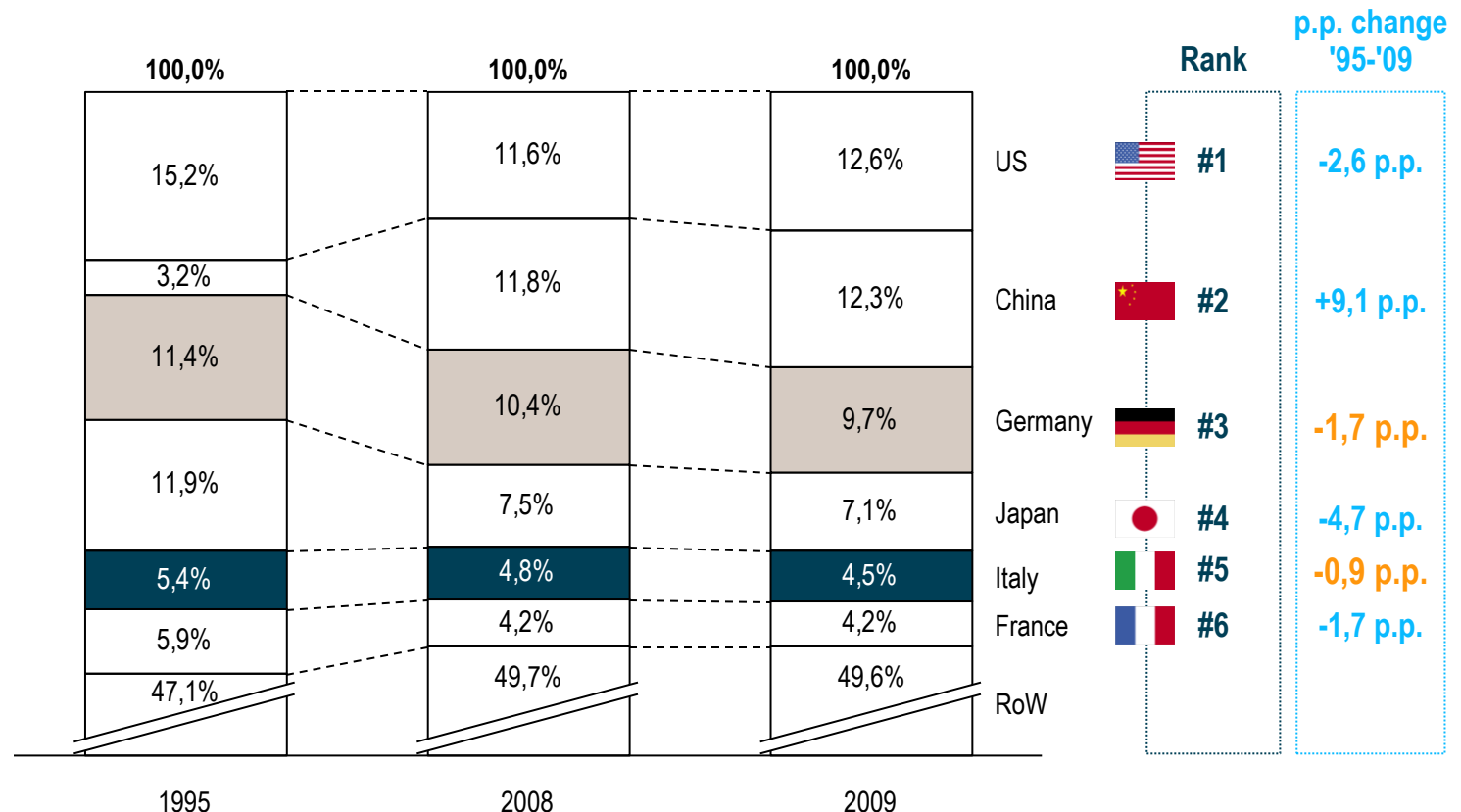


1. TRADING IN THE LAST DECADE

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Germany and Italy have remained the two top European exporters – resp.ly #3 and 5 globally – even through the years of globalization

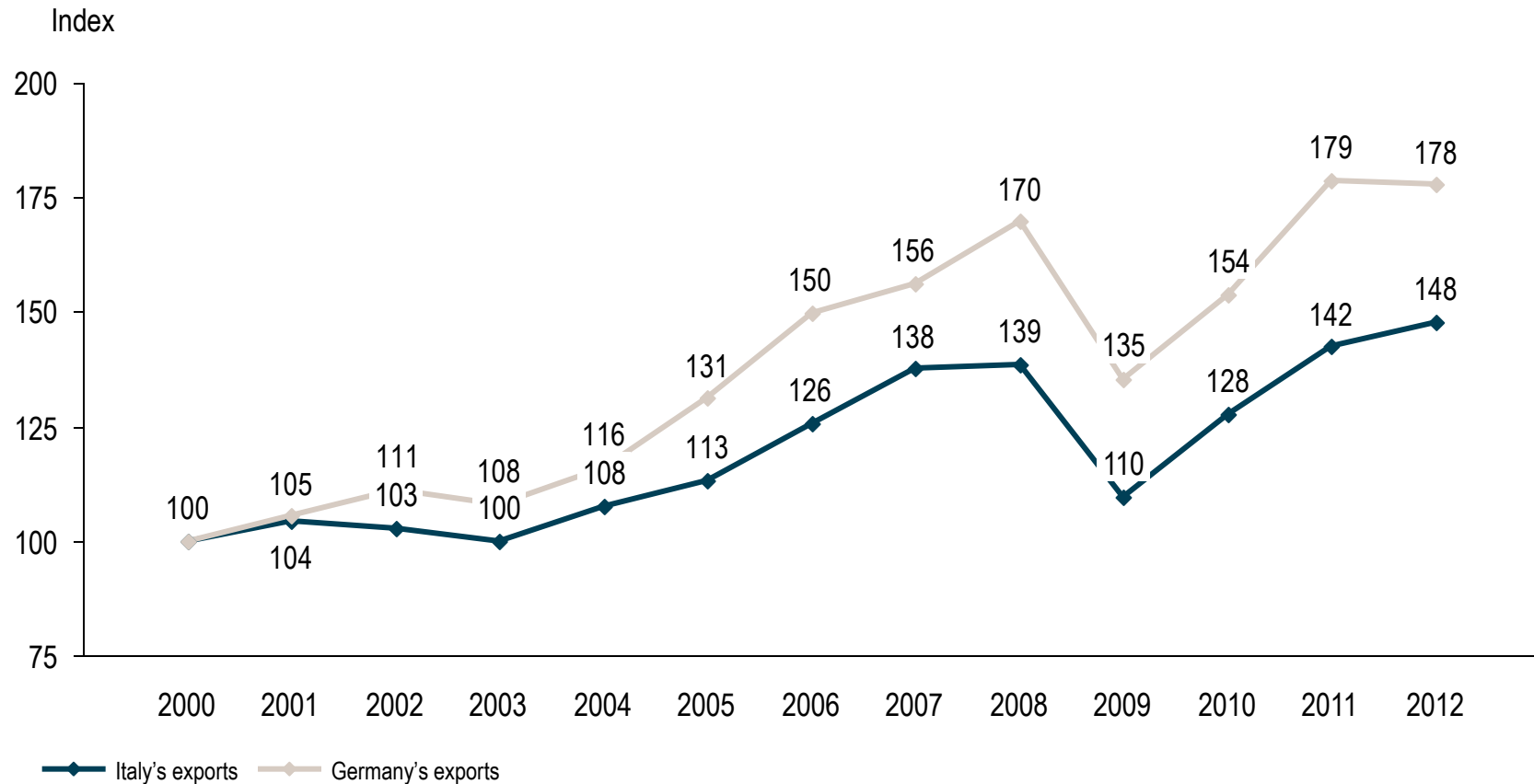
Value added share of the top exporting countries in manufacturing [1995 – 2009¹⁾; %]



1) Trade in value added (TiVA) latest OECD data are only available until 2009; therefore, although the analyses we will present are until 2009, they still take into consideration medium to long term trends that can offer a perspective on the present and future situations

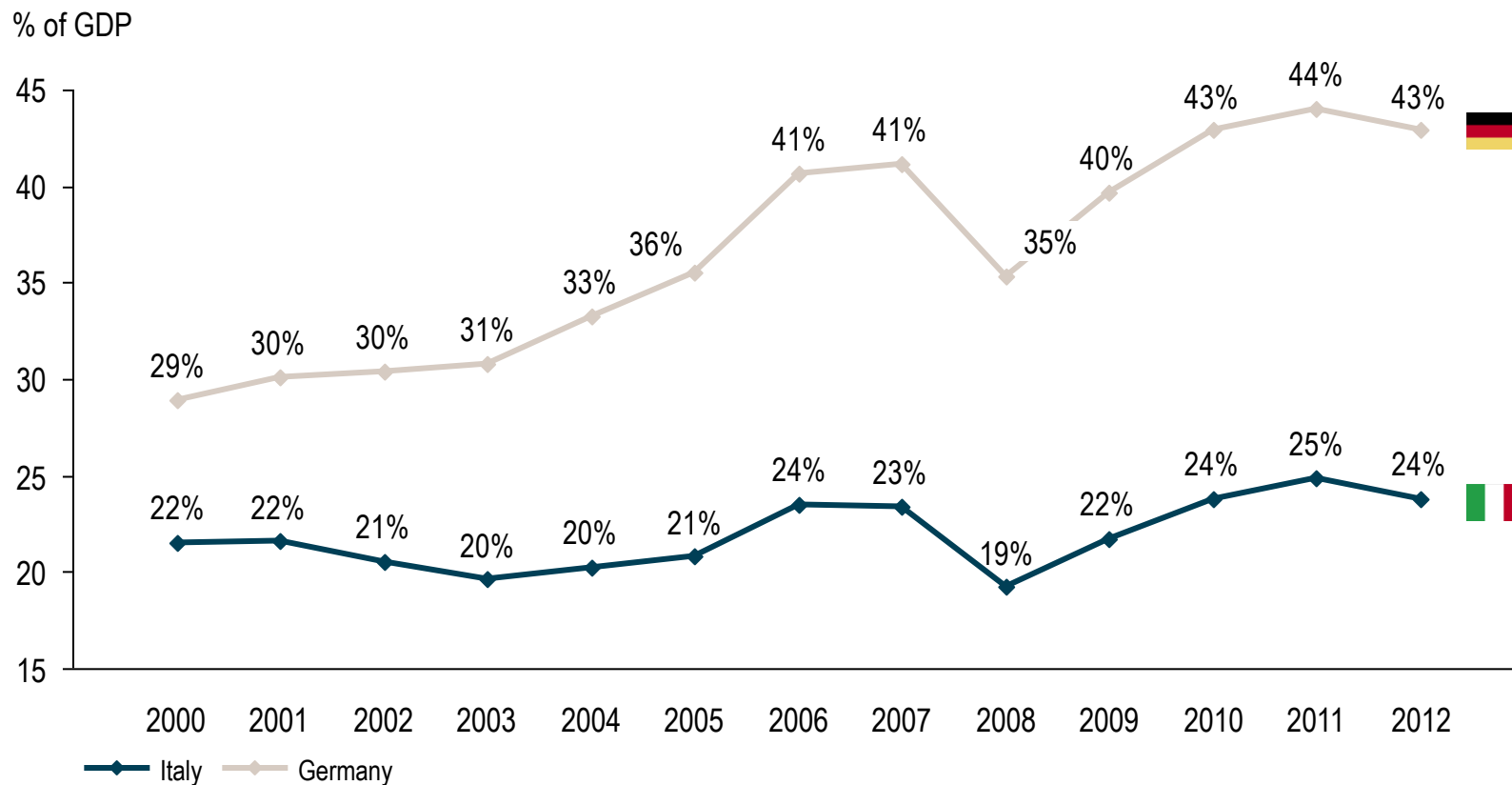
Both Germany's and Italy's export have grown steeply since the introduction of Euro, with Germany benefitting the most

Italy's and Germany's worldwide manufacturing exports [2000 – 2012; 2000 = 100]



Export has contributed to Germany's GDP more than Italy's has

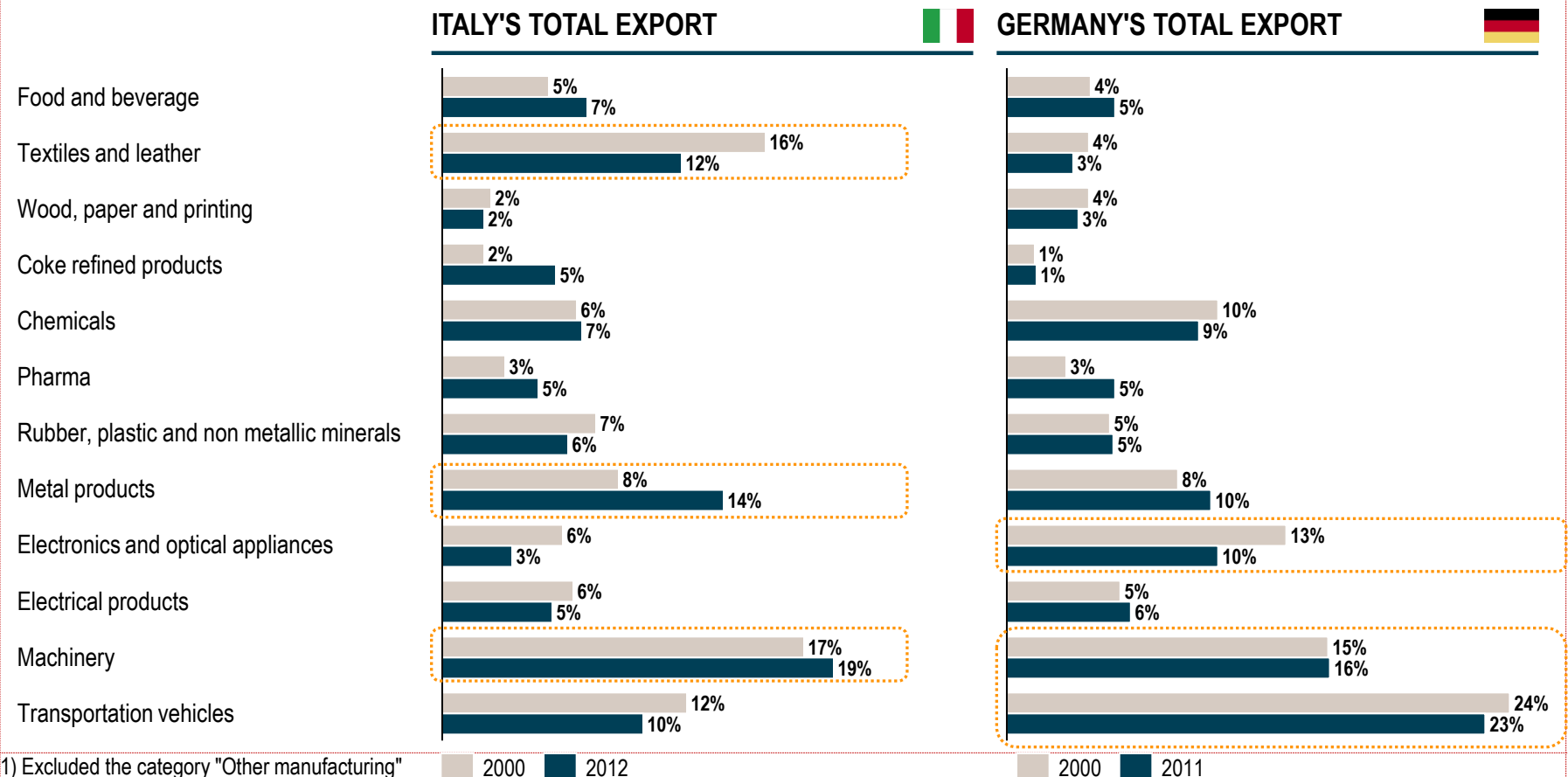
Export of goods¹⁾ [2000 – 2012; % of GDP]



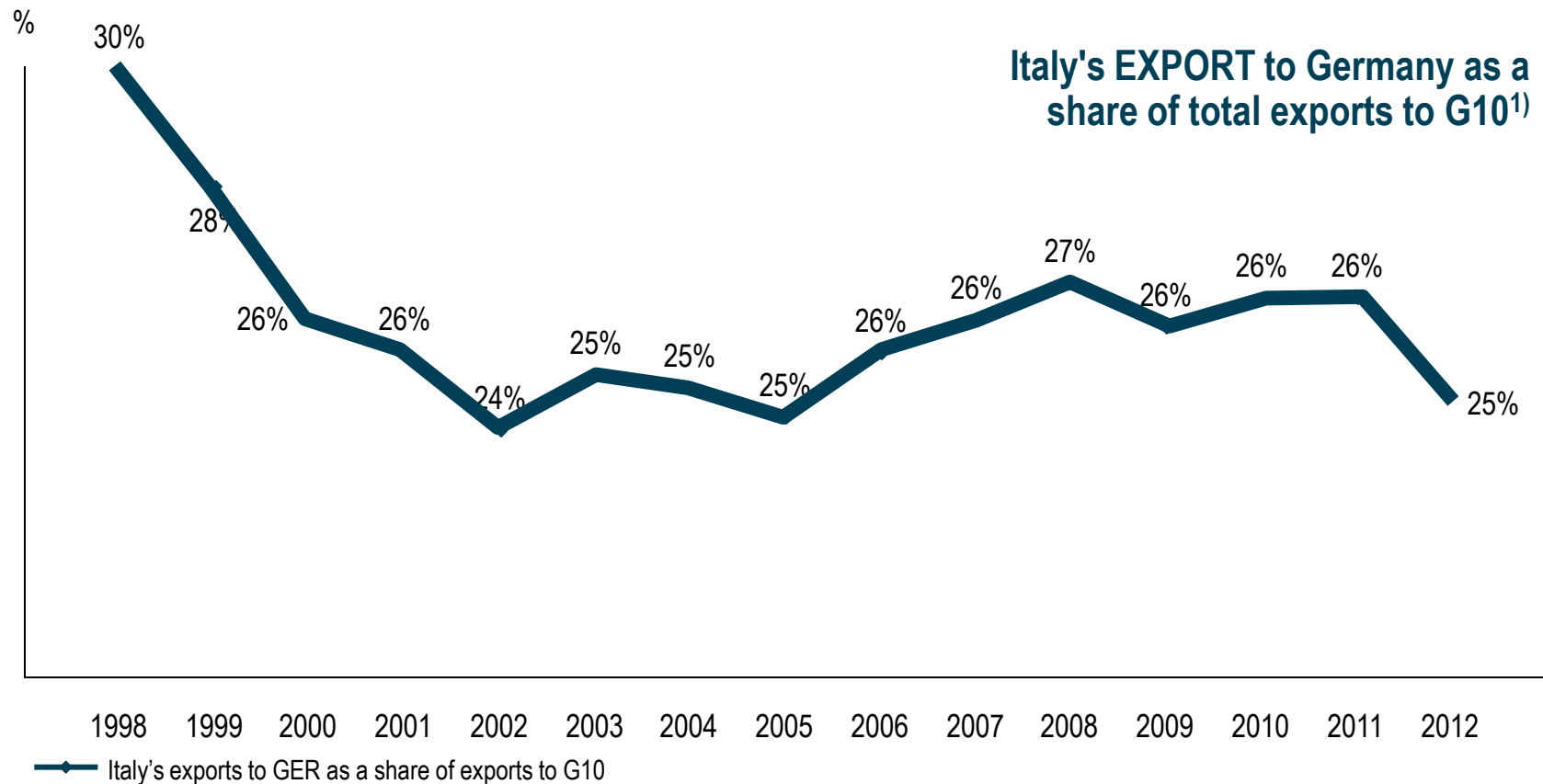
1) Does not include export of services

Italy and Germany excel in specific sectors, with Italy leading in textiles and Germany in vehicles and both strong in machinery

Exports by manufacturing sector¹⁾ as share of total exports [2000 – 2012; %]

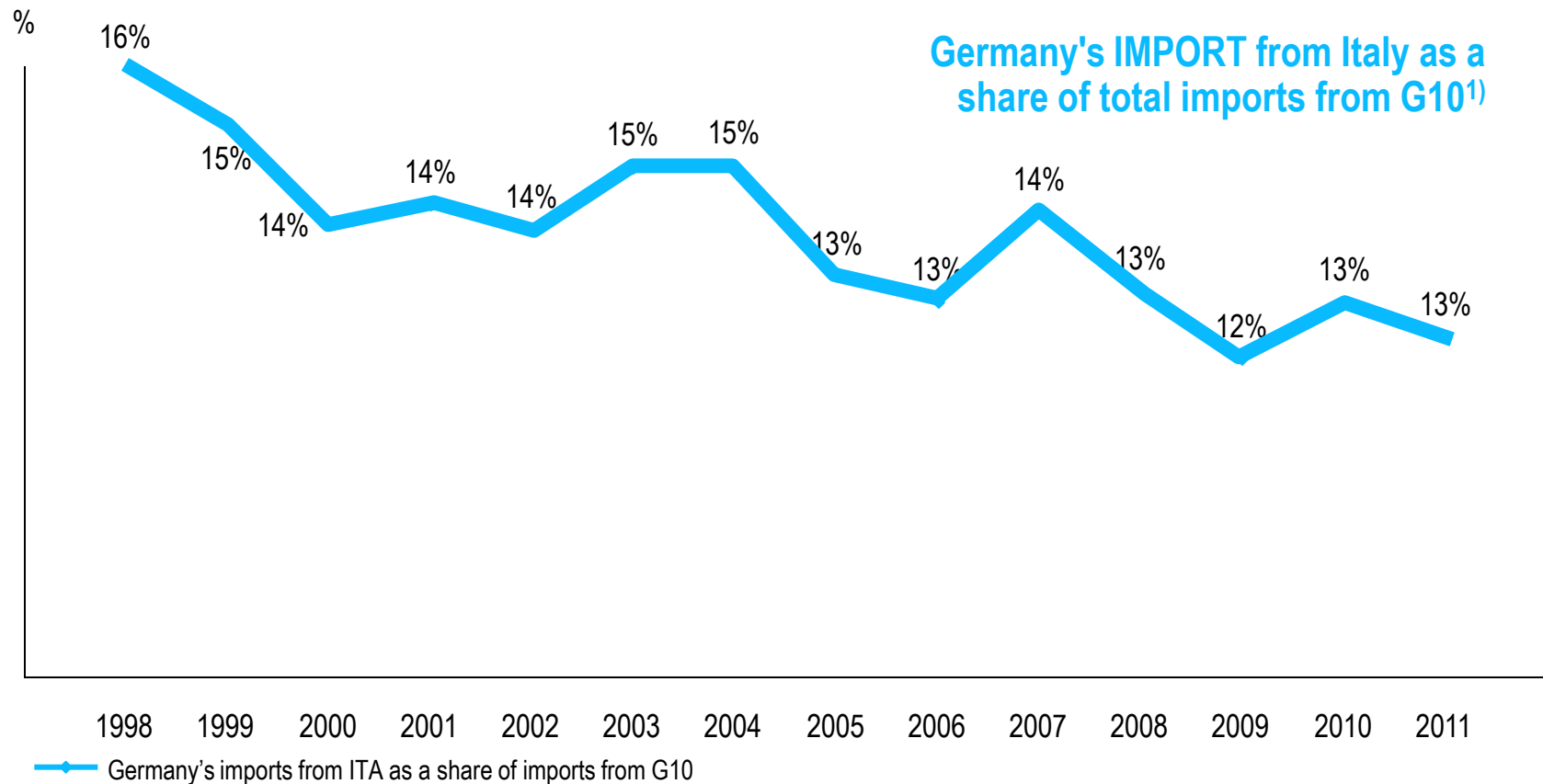


Germany remains the key trading partner for Italy among the most industrialized countries



1) Belgium, Canada, France, Germany, Japan, Italy, Netherlands, Sweden, Switzerland, US, UK

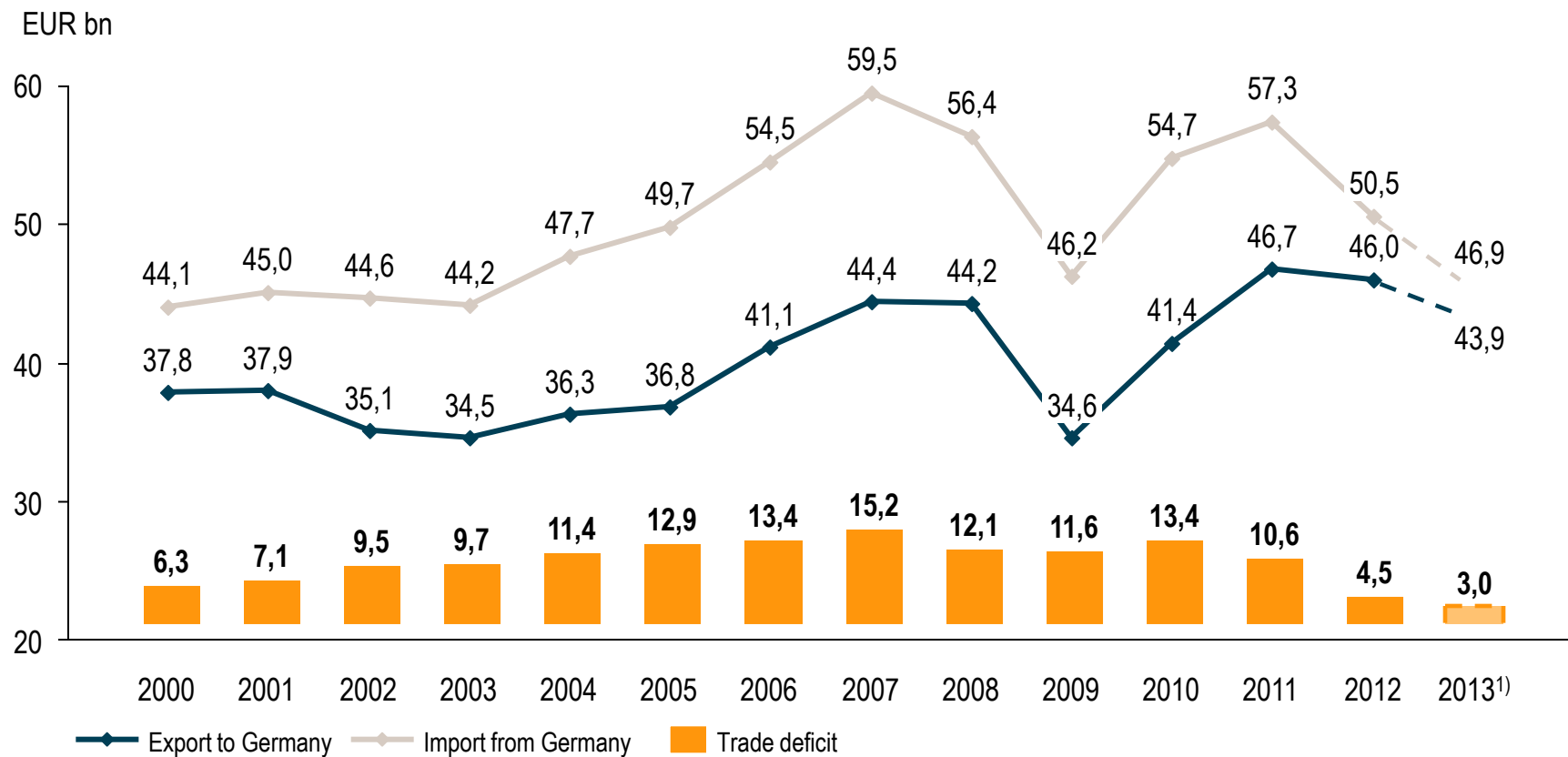
Likewise, Italy continues to be a key trading partner for Germany



1) Belgium, Canada, France, Germany, Japan, Italy, Netherlands, Sweden, Switzerland, US, UK

Italy's historical trade deficit with Germany has drastically shrunk in 2012 because of the fall of imports

Italy – Germany manufacturing trade balance [2000 – 2012; EUR bn]



1) Preliminary estimates interpolating Jan-Jun 2013 trade data



2. POSITIONING ALONG THE VALUE CHAIN

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Methodology Note

- > Data presented for the following sections are mainly provided by OECD
- > Most recent available data are until 2009 (2011 data are expected to be released in November)
- > Therefore, although the analyses we will present are until 2009 they still take into consideration medium to long term trends that can offer a perspective on the present and future situations

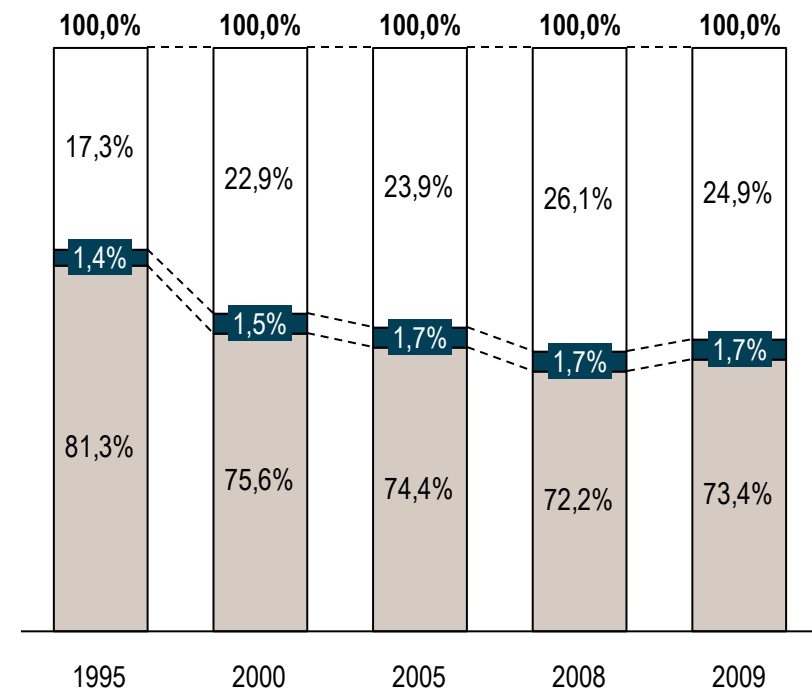
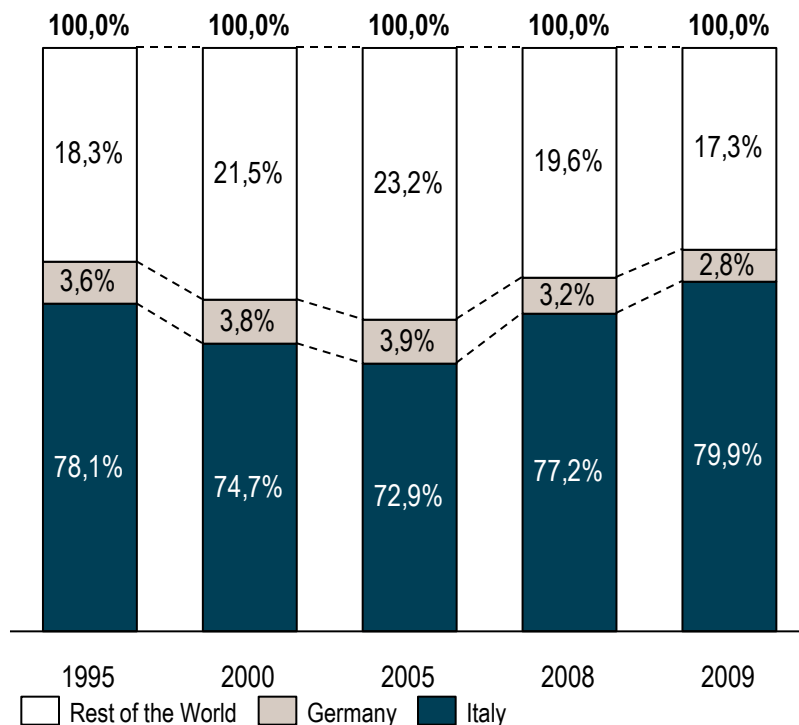
Germany has progressively reduced its local content of export while Italy has slightly increased it since 2005

Value added of exports by country of origin [1995 – 2009¹⁾; %]

ITALY'S EXPORTS

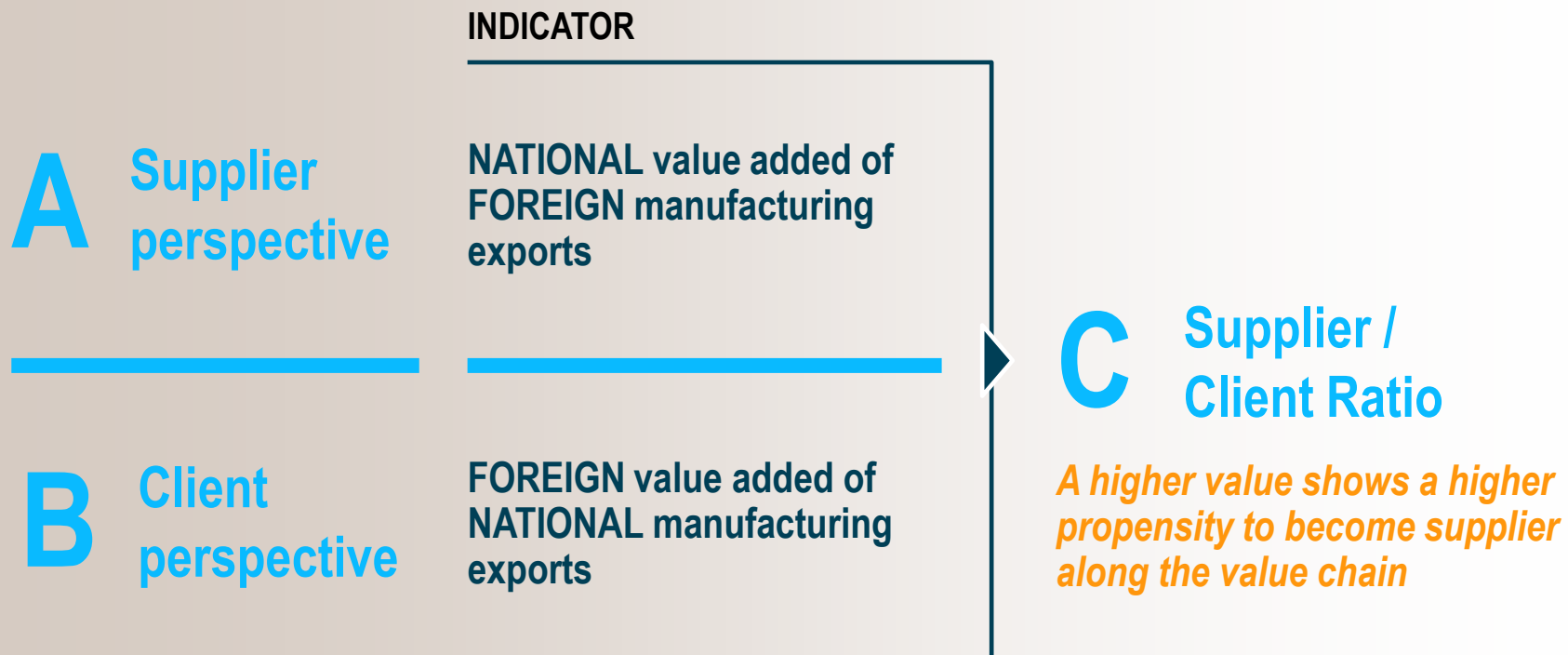


GERMANY'S EXPORTS



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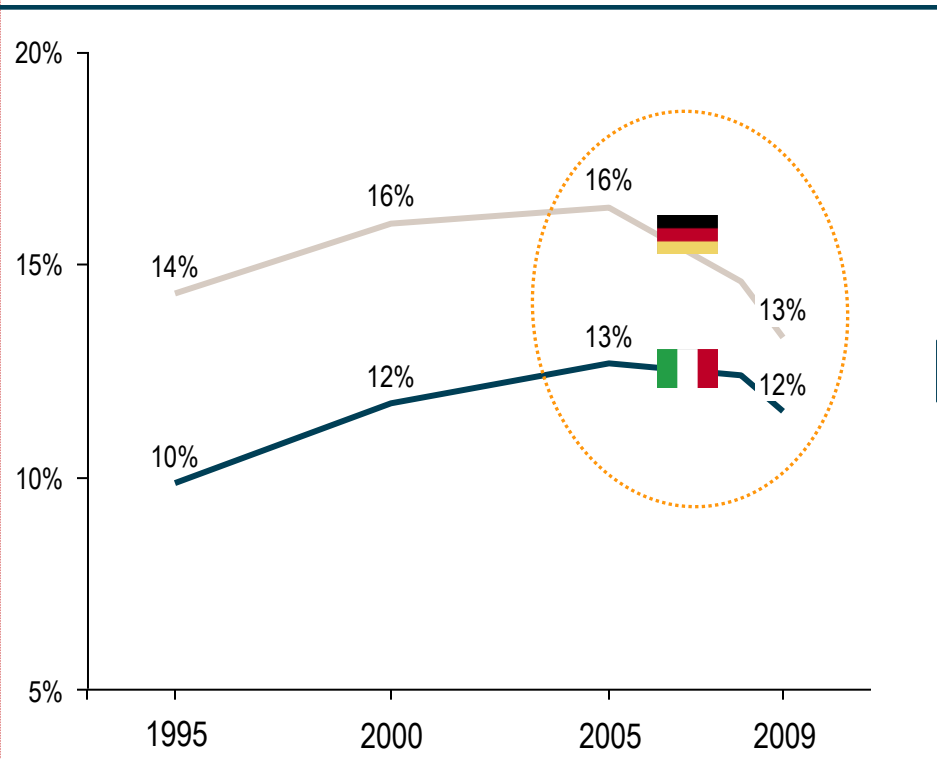
Italy's and Germany's exports have been analyzed on the basis of the change of their relative positioning on the global value chains



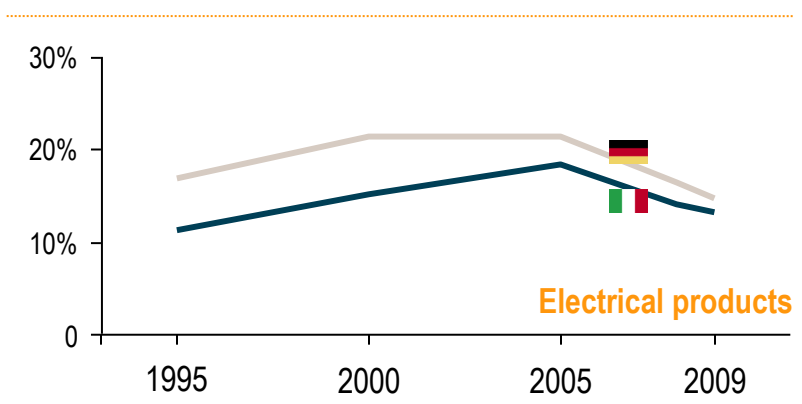
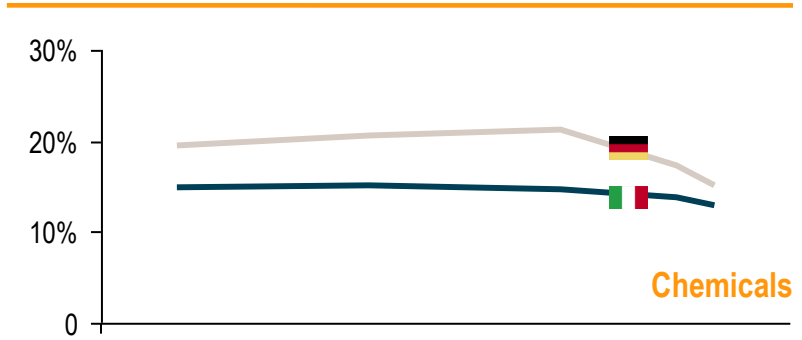
Since 2005 both Germany and Italy have reduced their position as suppliers in the global value chains

Supplier perspective [1995 – 2009¹⁾]

National value added of foreign manufacturing exports [%]



Manufacturing sectors: examples

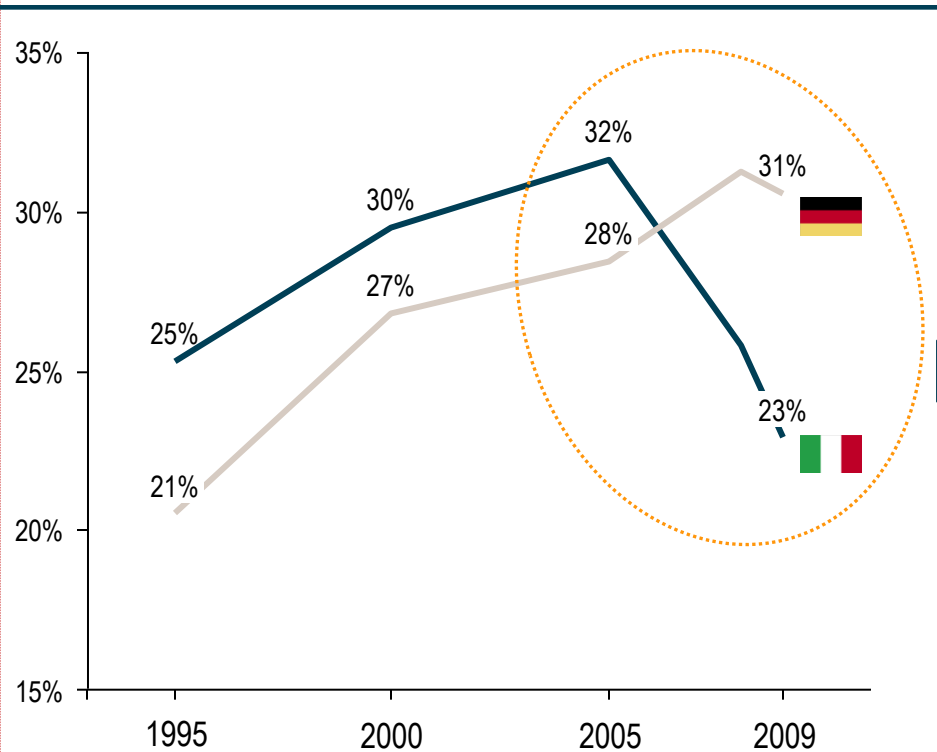


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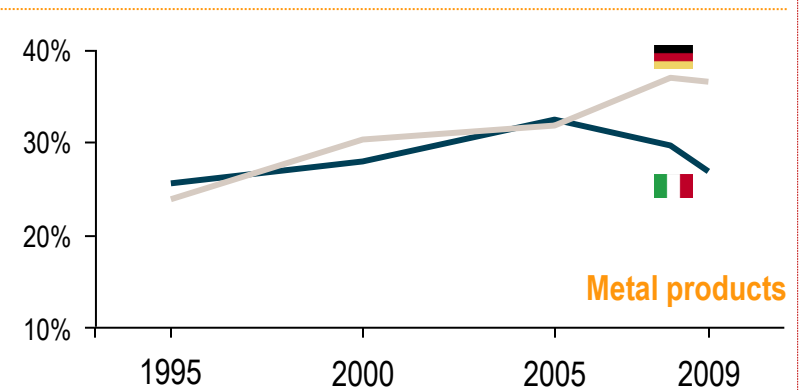
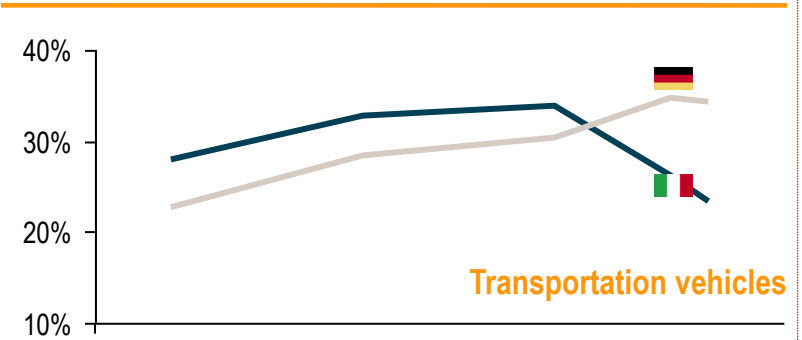
However, since 2005 Germany has strengthened its position as Client in the global value chain while Italy has drastically reduced it

Client perspective [1995 – 2009¹⁾]

Foreign value added of national manufacturing exports [%]



Manufacturing sectors: examples

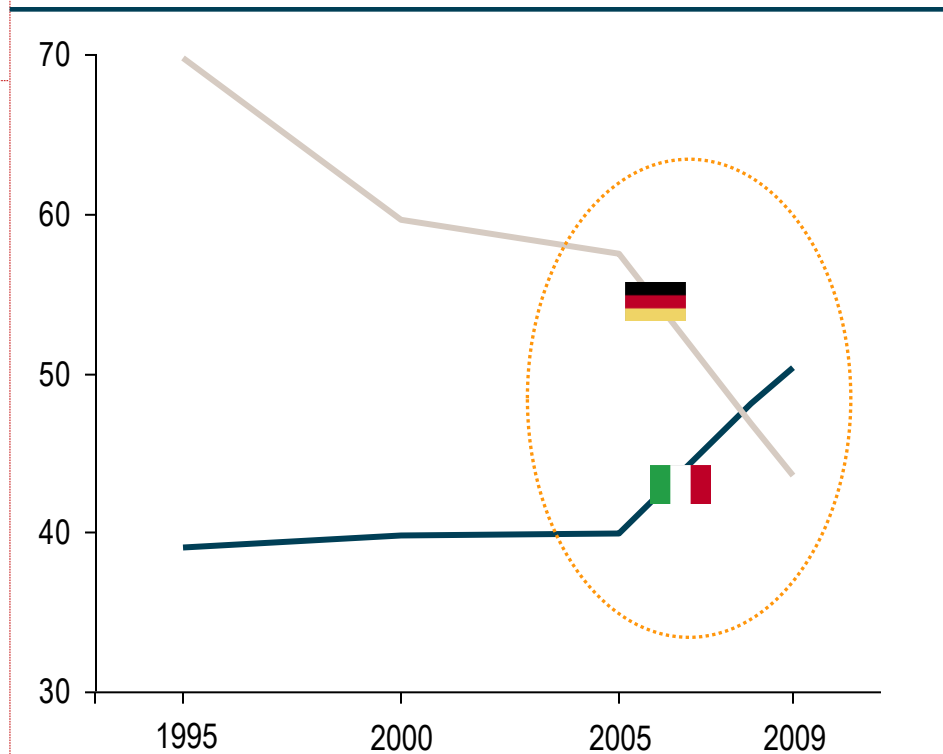


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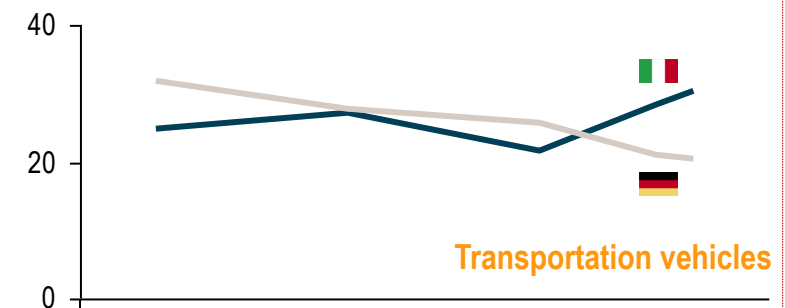
The supplier / client ratio shows Italy becoming more a supplier and Germany more a client along the global manufacturing value chain

Supplier / Client ratio [1995 – 2009¹⁾]

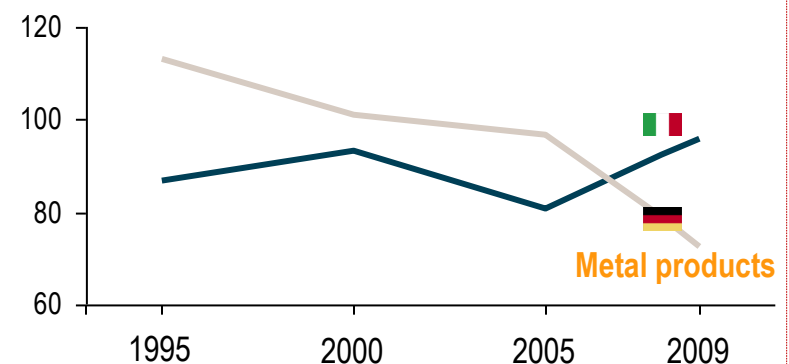
Ratio between the supplier and the client perspectives



Manufacturing sectors: examples



Transportation vehicles

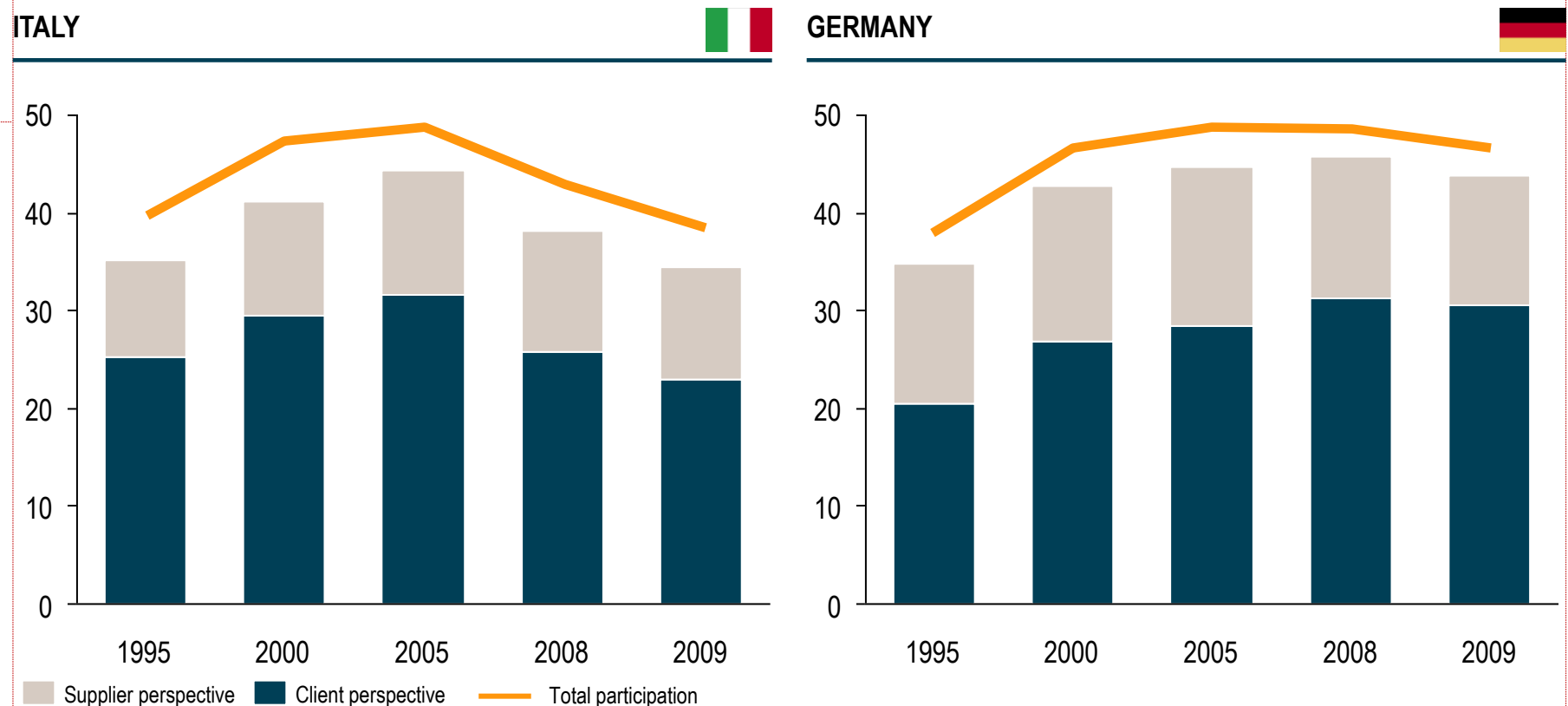


Metal products

¹⁾ Trade in value added (TiVA) latest OECD data are only available until 2009; therefore, although the analyses we will present are until 2009, they still take into consideration medium to long term trends that can offer a perspective on the present and future situations

Italy's participation in the global value chains is decreasing over time – Germany relies more on integrated production networks

Total participation in global value chains – Manufacturing [1995 – 2009¹⁾]



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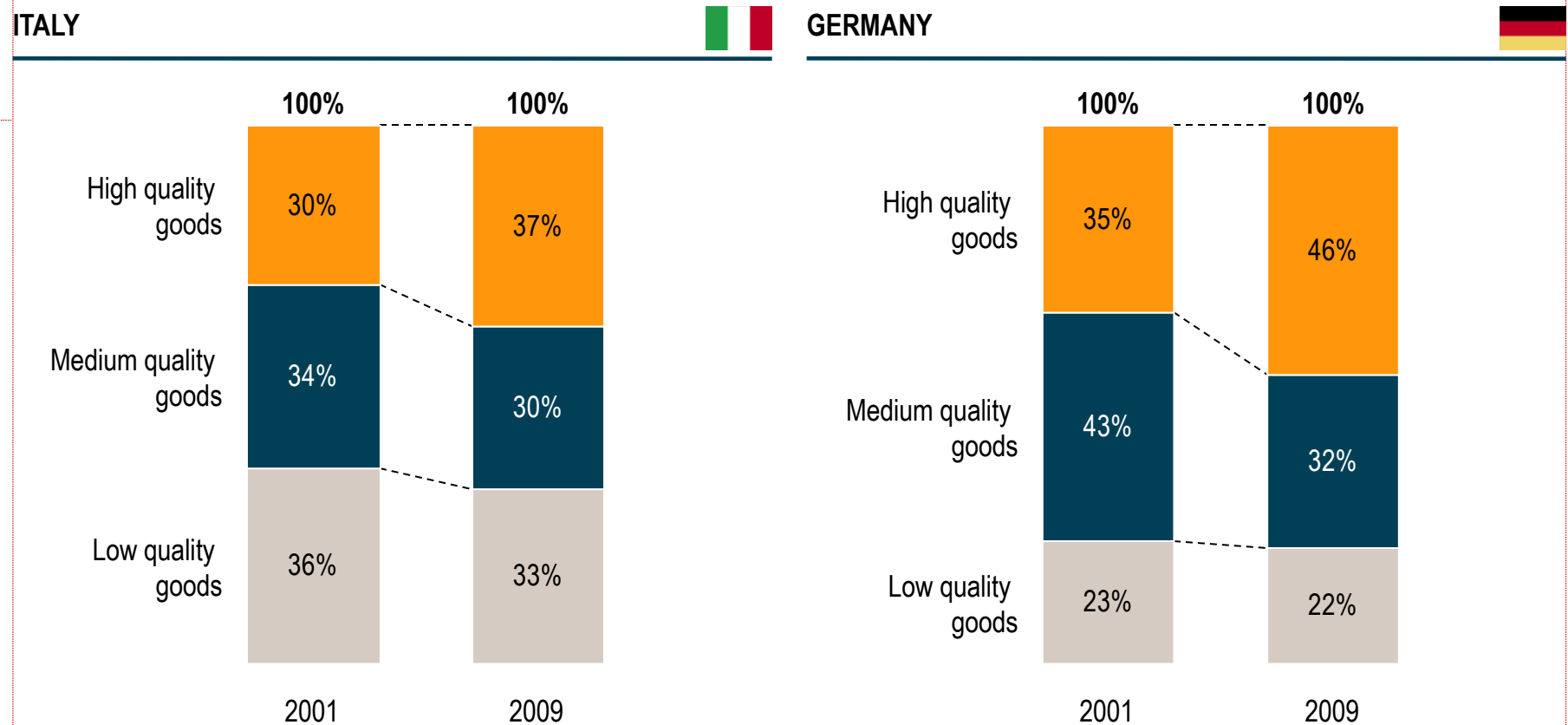


3. COMPETING AT GLOBAL LEVEL

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Germany increased its export share of "high quality" goods more than Italy, which however performed better in the "medium quality"

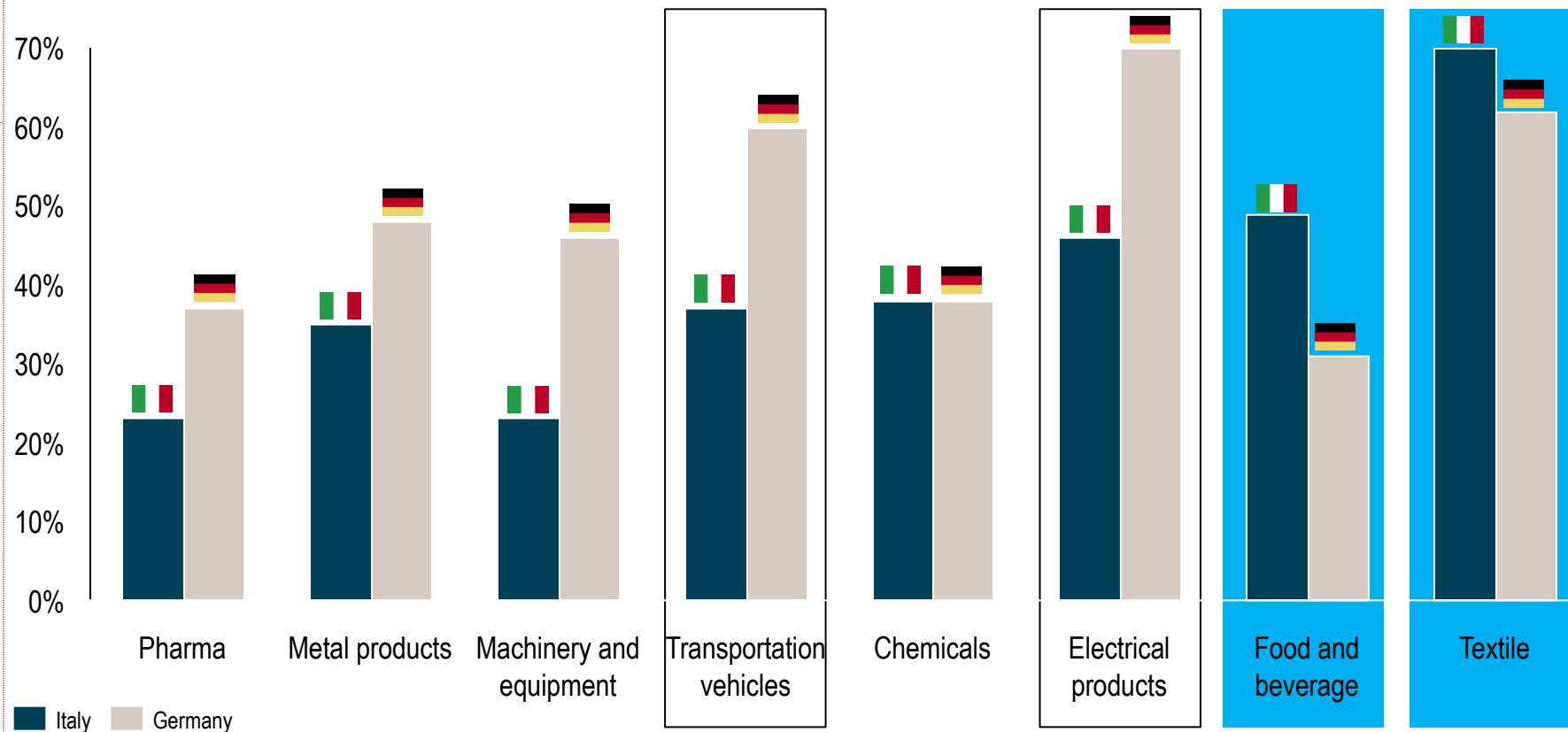
Manufacturing exports by quality of goods¹⁾ [2001 – 2009; %]



1) Quality of goods defined according to the Average Unit Value of export flows ("Valore Medio Unitario"), i.e. the ratio between the value and the volume of units exported

Germany's export share in "high quality" goods increased due to Vehicles and Electrical Products, Italy is strong in Textile and F&B

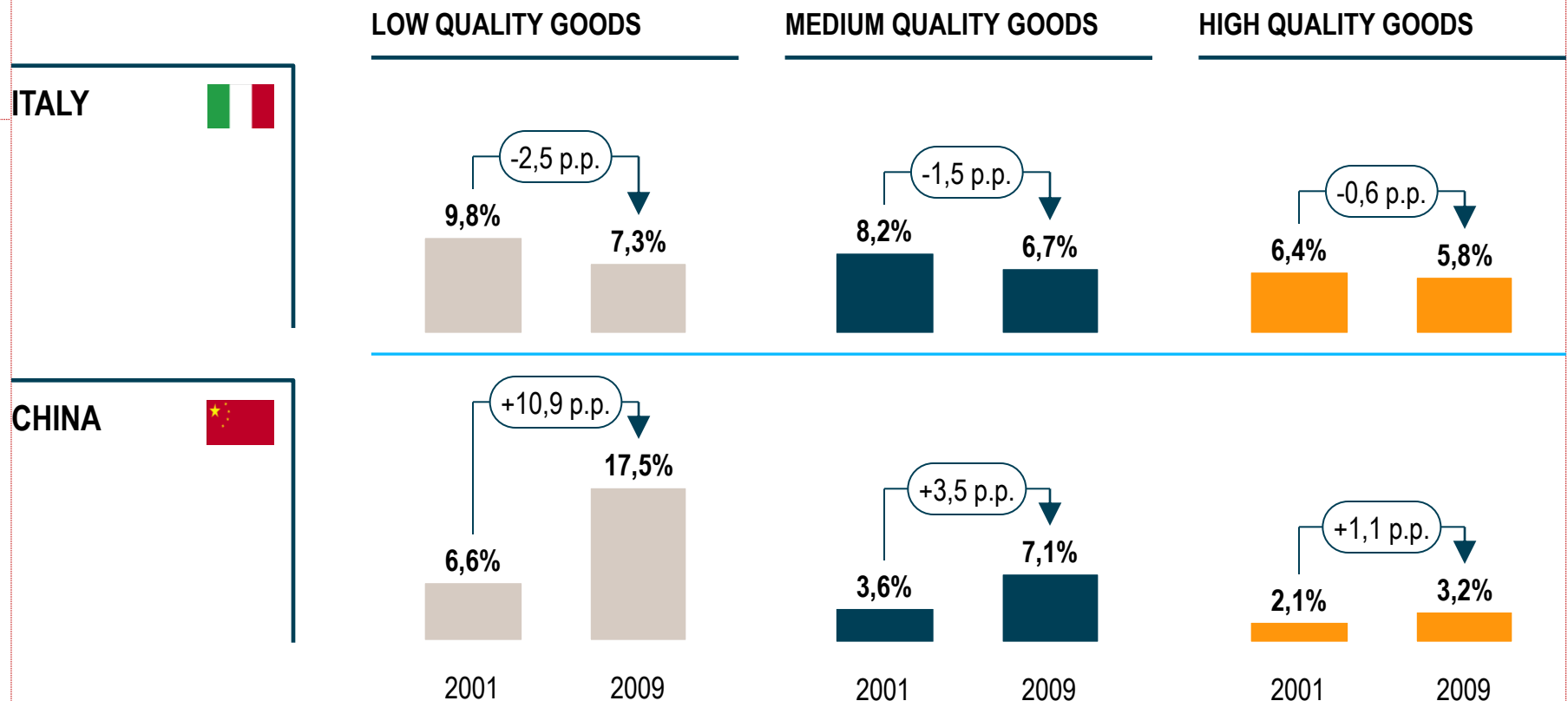
High quality goods¹⁾ as share of total exports by sector [2009; %]



1) Quality of goods defined according to the Average Unit Value of export flows ("Valore Medio Unitario"), i.e. the ratio between the value and the volume of units exported

Italy's relatively higher share of lower quality goods exposes its export to the Chinese competition

Italy's and China's share of the German market by quality of goods¹⁾ [2001 – 2009; %]



1) Quality of goods defined according to the Average Unit Value of export flows ("Valore Medio Unitario"), i.e. the ratio between the value and the volume of units exported