ITALY'S MACHINE-BUILDING INDUSTRY

2009 was a year of severe economic crisis for the capital goods sector as a whole, after the stagnation posted in 2008.
The preliminary data indicates that sales on foreign markets, like those on the domestic market (including both sales to Italian manufacturers as well as imports), have plummeted by about 30%.

2007 – 2009 Performance of the industry (millions of Euros)

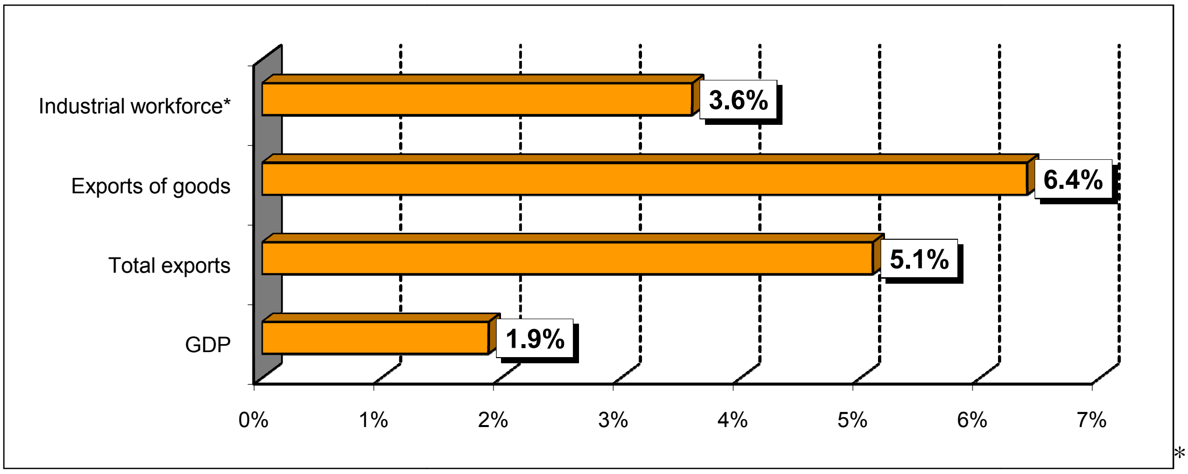
	2007	2008	2009*	*08/07*	*09/08*
Production	40,851	40,861	28,908	0.0%	-29.3%
Exports	26,692	26,853	18,551	+0.6%	-30.9%
Domestic sales	14,159	14,008	10,357	-1.1%	-26.1%
Imports	7,438	7,123	4,326	-4.2%	-39.3%
Apparent consumption	21,597	21,131	14,683	-2.2%	-30.5%

* Preliminary data

Production value has dropped by 29.3%, settling at 28.9 billion Euros. All the member associations of Federmacchine have suffered dwindling sales.
Exports have reached 18.6 billion Euros (-30.9% with respect to the previous year), the lowest value ever over the last decade. Domestic sales, which were already sluggish in 2008, fell 26.1% to a value of little more than 10 billion Euros. The Italian market crisis (-30.5%) has severely hurt imports (-39.3%, for a value of 4.3 billion Euros).

Machine-building's impact on the Italian economy

Production of the nearly 6,600 firms belonging to the 12 categories currently forming Federmacchine has fallen, as stated previously, to a value of 28.9 billion Euros in 2009, which corresponds to 1.9% of the Gross Domestic Product. The machine-building industry's largest contribution to the Italian economy is its exports. With 18.6 billion Euros, the sales of machinery abroad account for 5.1% of all Italian exports, and this share increases to 6.4% when considering exports of goods only.
In 2008, its employment accounted for 3.6% of the total workforce in Italian industry.



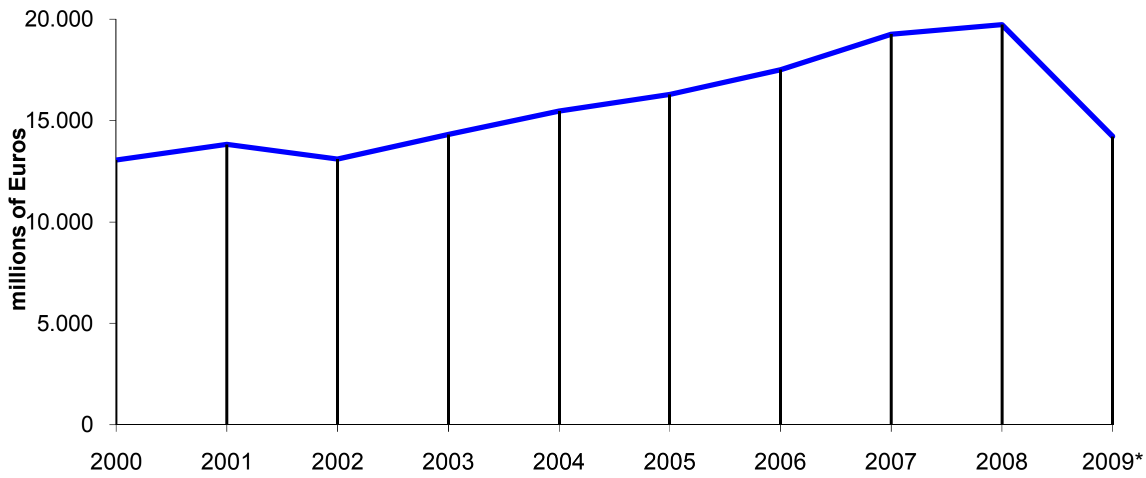
* 2008 data - Processing of ISTAT, ICE data

Propensity to export and the foreign balance

One of the distinguishing features of the Italian capital goods manufacturing industry is its high propensity to export which, based on preliminary 2009 data, has reached 64.2% of the sales. All sectors have an exports-

to-sales ratio of more than 55%, with peaks bordering on 90%. In 2009, the overall trade balance of the Federmacchine sectors should amount to a surplus of 14.2 billion Euros (-27.9% over 2008).
This is the first negative year with a decline after five consecutive years of growth, returning the trade balance to the 2003 level.

The Italian trade balance in capital goods



In order to appreciate just how important this result is for the Italian economy, it should be noted that the overall trade balance for goods in 2009 was a deficit of 4.1 billion Euros.
The only two sectors with a surplus were Furnishing and Clothing (+15.9 billion Euros) and Machines and mechanical equipment (+36.1 billion Euros).

The foreign trade trend during 2009

During the first nine months of 2009, the **exports** of the machine-building sector fell drastically. Under closer examination, it can be seen that exports bottomed out in the second quarter (shrinking by over 30%), while signs of mild improvement could already be seen during the third quarter.
In terms of value, the **imports** data shows a sharper decline, dropping approximately 10 percentage points more than the exports. The quarterly profile indicates a trend similar to that of foreign sales, which is not surprising given the global nature of the economic crisis. Imports bottomed out during the second quarter of the year (with a -42.8% trend), and during the third quarter the magnitude of the contraction eased to 34.5%.

Italy’s machinery industry and the leading European countries

On a worldwide level, the Italian machine-building industry consistently ranks on top, out-performing all other Italian industrial sectors; in fact, it can safely be considered one of the major strengths of Italy's economy.
The structure of the Italian machine-building industry is unique with respect to European competitors, which represent the typical benchmark, also because the European Union remains the leading area worldwide for production and consumption of machinery.
The data on which the statistics are based come from the Eurostat site and are for the year 2007, the last year for which the data was published. The sector considered is NACE DK “machinery and equipment“, the sector closest to that of the machine-building industry, even though more extensive.
Let’s try to analyze Italy’s contribution within the European Union, starting with the most general data related to the Gross Domestic Product: Italy contributes 12.5% of the overall European income and ranks fourth, after Germany, the United Kingdom and France.

Italy’s contribution in Europe

	Germany	United Kingdom	France	Italy	Spain	Other EU 27

GDP	19.6%	16.5%	15.3%	12.5%	8.5%	27.5%
Industry	25.8%	10.1%	13.5%	13.8%	7.8%	29.0%
Machinery	33.7%	8.3%	10.3%	18.0%	4.7%	24.9%

Processing of Eurostat data

Focusing our attention on the manufacturing industry, Germany confirms its top ranking with a share of 25.8%, followed by Italy, which moves up two positions, with 13.8%, ahead of France and the United Kingdom. If we narrow the focus to the machinery sector, Germany's share increases even further to 33.75% and Italy strengthens its second-place ranking with 18%, followed by a distance by France and the United Kingdom respectively with 10.1% and 8.3%. This is an additional confirmation of Italy's specialization and strength in the sector, even in a European context characterized by an even greater presence of the industry. Similar values are obtained when considering the workforce instead of sales. The machinery sector's workforce in Germany is 29.5% of the European total, while in Italy it's 15.3% and in the United Kingdom and France it's less than 10%.

The overall picture changes, however, if we look at the number of firms: Italy alone accounts for 23.5% of the European firms, while Germany is second with 11.9%. The other countries have an even lower number of firms. This means that the Italian firms are, on average, much smaller than their European competitors.

The "machinery and equipment" industry in Europe in 2007

	Number of firms	Average sales (millions of Euros)	Average number of employees	Sales/employee ('000 Euros)
Italy	41,497	3.0	13.9	215
Germany	21,043	11.0	52.6	209
France	16,228	4.4	19.4	225
Spain	14,650	2.2	13.0	171
United Kingdom	12,856	4.4	21.9	203
Other EU countries	70,610	2.4	18.3	133
EU 27	176,884	3.9	21.2	183

Processing of Eurostat data

With respect to the European average, German companies have triple the sales and more than twice as many employees. The English companies always rank near or above average, as do the French companies (in terms of sales). The Italian and Spanish firms, however, place significantly lower with 77% and 56%, respectively, of the average sales. Even though the companies are smaller than the major competitors, this doesn't stop the Italian companies from reaching top efficiency levels. The sales per employee, with the European average being 183,000 Euros/employee, is as high as 215,000 Euros/employee for the Italian firms, second only to the French firms (225,000) and ahead of the German firms (209,000).