



## ITALY

### What's happening in this economy

Italy's recovery from the financial and economic crisis continues, with growth, inflation and wage pressures expected to remain muted in 2019 and 2020.

A number of foreign companies, including from Australia, have been attracted in recent years by relatively low asset prices and efforts to increase infrastructure spending, reduce red tape, and undertake macro-economic reforms.

Several Italian companies that already have some investment experience outside Italy are exploring expansion beyond traditional markets (e.g. European Union, United States), often with a view to an investment strategy for the Asia Pacific.

Italy represents a market of over 60 million consumers. It is the third largest economy in the Eurozone and the eighth in the world. Notably, Italy is a major global source of manufactured goods; it is Europe's second largest manufacturer (after Germany) and the sixth in the world.

The opportunities for trade, partnerships and investments between Australia and Italy are significant, including in areas such as renewable energy, agribusiness and food, advanced manufacturing, digital technologies, international health, international education, infrastructure and rail, and defence. Italy is also a priority source market for tourism to Australia.

Italy supported the start of negotiations for an Australia–European Union Free Trade Agreement.

### Trade, investment, and commercial opportunities and activities

- Australian companies operate and invest in Italy. Lendlease, for example has secured major contracts to develop the Milan Expo 2015 site (a project worth around AUD 3.25 billion) and the Santa Giulia site, again in Milan (also around AUD 3.25 billion). Other success stories include:
  - Macquarie Infrastructure and Real Estate, which has invested around AUD 1.6 billion in gas infrastructure and renewables
  - Westfield, which is investing around AUD 2.6 billion in a shopping centre joint venture adjacent to Milan's Linate airport
  - Ansett Aviation Training, which has opened a state-of-the-art flight simulation centre at Malpensa airport near Milan
  - Goodman, which is developing logistical facilities for e-commerce deliveries

#### Key Facts and Figures

- Population: 60.5 million
- GDP growth: 0.9% (2018)
- GDP per capita: USD 34,260 (2018)
- Political system: parliamentary republic
- Two-way trade (2018):
  - merchandise: AUD 7.92 billion
  - services: AUD 3.18 billion
- Top bilateral exports:
  - Australia: wool, education, coal, tourism, wheat and beef
  - Italy: tourism, medicaments, travel goods, passenger vehicles, heating and cooling equipment
- Two-way investment: AUD 7.8 billion



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- Chep (Brambles Group), which is offering innovative solutions to move goods around Italy, and
- Cochlear, which is distributing its implants in the market and which has helped improve the lives of many profoundly deaf Italians.
- Australian companies are also active in Italy in sectors such as oil and gas, mining, fashion, and the wine industry.
- Renewable energy is an important sector as Italy has one of the highest import dependence rates for energy and fossil fuels in Europe:
  - strong government support for renewable energy generation led Italy to achieve its 2020 Renewable Energy Target in 2017
  - the most important renewable sources are solar PV, hydro, wind and geothermal
  - following the cancellation of government incentives and the subsequent restructuring of the sector, the industry's stronger players are looking at opportunities for partnership and expansion overseas
  - the largest investors have good awareness of Australia as a destination for FDI and R&D collaboration, and
  - industry is innovative in areas of interest for Australia, such as digitalised networks, energy storage and co-generation.
- The Italian food and beverage industry is among the five largest in Europe and Italy's second largest manufacturing industry. It has over 56,000 active companies:
  - while most of these are SMEs, Italy is home to a number of world-leading brands and multinationals
  - Australia is perceived as a small but historic importer of Italian food and beverages, and supplier of key agri-food commodities such as durum wheat, and
  - the industry is slowly but increasingly capturing Australia's potential as hub for the Indo Pacific and destination of supply-chain driven FDI.
- Italy is a global leader in the industrial machinery sector and industrial automation:
  - Italian products and technologies are present in many of the largest and most complex supply chains. Exports represent, on average, over 80 per cent of annual turnover
  - Italian companies also tend to be smaller than European competitors. The vast majority are family-owned enterprises with turnovers of between €15m and €60m
  - such companies are dynamic and flexible enough to pursue opportunities on a global scale, and
  - Australia is seen as an interesting market as well as a strategic location. We are seeing promising joint venture developments in the aerospace sector and interesting opportunities that may arise through the recent establishment of the Australian Space Agency
- The financial technologies sector has witnessed significant growth, enhanced by a fast-growing fintech district and a new trade association to support and promote further growth:



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- these companies are often ‘born globals’ that quickly expand into new markets, and
- many look first to the UK, but once their products or services are adapted to UK culture and language, they are well-placed to consider Australia and the Indo Pacific for further growth opportunities.
- The pharmaceutical sector has one of the highest levels of investment in R&D and many of the largest companies rely heavily on external sourcing of innovations, having moved away from high-cost, high-risk “discovery” R&D:
  - there is relative ease of access to R&D directors, who are always interested in genuine innovation
  - the challenge often lies in establishing a concrete commitment to progress discussions with potential Australian partners, particularly for early phase discoveries, and
  - there is also a concentration of smaller biotech companies in northern Italy that could benefit from the opportunities offered by the R&D Tax Incentive and undertaking clinical trials in Australia.
- Italy is the largest source market in Europe for student enrolments in Australia, but it is a competitive environment and it is important to maintain Australia’s profile and positioning to increase market share:
  - Italy does not have a formal edtech sector so opportunities are limited, but the government has launched various initiatives to support its growth, and
  - in borderless education and training, current market feedback suggests there is often a preference for local options when considering online qualifications. But there may be opportunities for short, industry-related borderless training in areas where Australia has specific expertise.
- Italy is home to major infrastructure companies:
  - rail is a key subsector, with expertise in engineering and construction, railway maintenance, safety technology and protocols development, and
  - Australia remains an attractive market for Italian companies because of the number of ongoing, announced and ‘under development’ projects.
- Defence is also an important sector of the Italian economy:
  - Leonardo has a wide range of contracts and investments related to the defence sector in Australia, and
  - participation of Italian shipbuilding company Fincantieri in bidding for Australia’s Future Frigate Program contract, albeit unsuccessful, has created supply chain opportunities in the world’s largest diversified shipbuilder.
- Italy is a mature, priority growth market that is expected to be worth over AUD 1 billion to Australia in the coming years.
- Italy is a relatively small source of foreign direct investment:
  - In 2018 Italy’s investment in Australia totalled AUD 1.3 billion, which included AUD 606 million in foreign direct investment. Conversely Australia’s investment in Italy totalled AUD 6.5 billion.
- Recent Italian investments or partnerships in Australia have been in the infrastructure, agriculture and renewable energy sectors:



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- major construction companies such as Salini Impregilo (North West Rail Link in Sydney, Perth’s airport rail link, Snowy Hydro 2.0) and Ghella (Sydney Metro tunnel, Brisbane’s Legacy Tunnel) have favoured Australia’s resilient and low-risk markets and partners
- Ferrero has invested in Australia’s first large-scale hazelnut plantation
- Enel, the world's biggest private renewable energy producer, has identified Australia as a significant component of its global strategy and has started electricity production at the Bungala project (South Australia), an AUD 200 million investment. This was recently followed by its success in a reverse auction in Victoria for the generation of energy and green certificates from the Cohuna Solar Farm (an investment of close to AUD 60 million)
- Italy’s ENI is also a significant investor in hydrocarbons on the North West Shelf, contributing to future LNG exports. It also invests in renewable energy projects
- Sitael, a specialist manufacturer in the space sector, has recently invested in South Australia and will design and manufacture satellites there
- Italy’s largest bank, Intesa SanPaolo, has an important and growing presence in Australia, and
- Leonardo has a wide range of activities in Australia, including the recent decision to establish a helicopter repair and overhaul facility in Victoria, the only one of its kind in the southern hemisphere.

Upcoming or recent business facilitation and promotional events include:

- a seminar on the progress and benefits of the Australia–EU free trade agreement targeting key companies that can benefit from such an agreement and champion its realisation (September)
- meetings and seminars with key players in the Italian space industry sector—including the Italian Space Agency—emphasising the opportunities in Australia, given—in 2019—both the establishment of the Australian Space Agency and the signing of the Square Kilometre Array Convention (September)
- a series of meetings and discussions throughout 2018 and 2019 with Italian and Australian companies and institutions on establishing an Australian chamber of commerce or similar body in Italy. The aim is to help promote bilateral trade and investment, including for small and medium size enterprises, as well as to advocate an Australia–EU free trade agreement
- various events and meetings throughout 2019 promoting Australia as an investment destination in regional Italy. This included Treviso (January), Padua (January), Bologna (February), Florence (March), Varese (March), Brescia (April, May and October), and Bolzano (June), and
- a series of visits to Australia by Italian start-ups and scale-ups.

It was announced recently that Italy will host the 2026 Winter Olympics. This will create opportunities for Australian companies.

## Trade policy and negotiations

Australia and the EU have started ambitious free trade agreement negotiations. Italy is a founding member of the EU. The Australia–EU FTA will create new opportunities for Australian businesses and drive exports, economic growth and job creation.



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Australia and Italy are active members of the Group of 20 (G20), World Trade Organization (WTO) and Organization for Economic Cooperation and Development (OECD).

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