

# WESGRO

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## Italy Fact Sheet

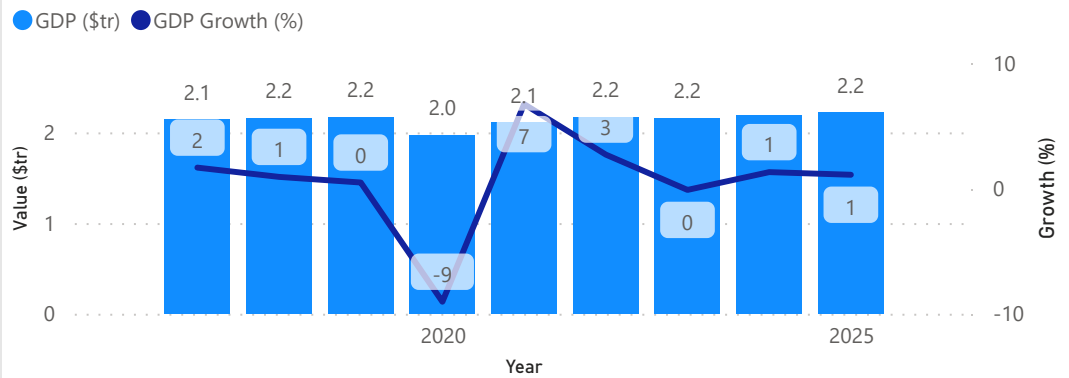
### November 2022

Cape Town and the Western Cape – A Leading Regional Economy

# 1) Economic Overview - Italy

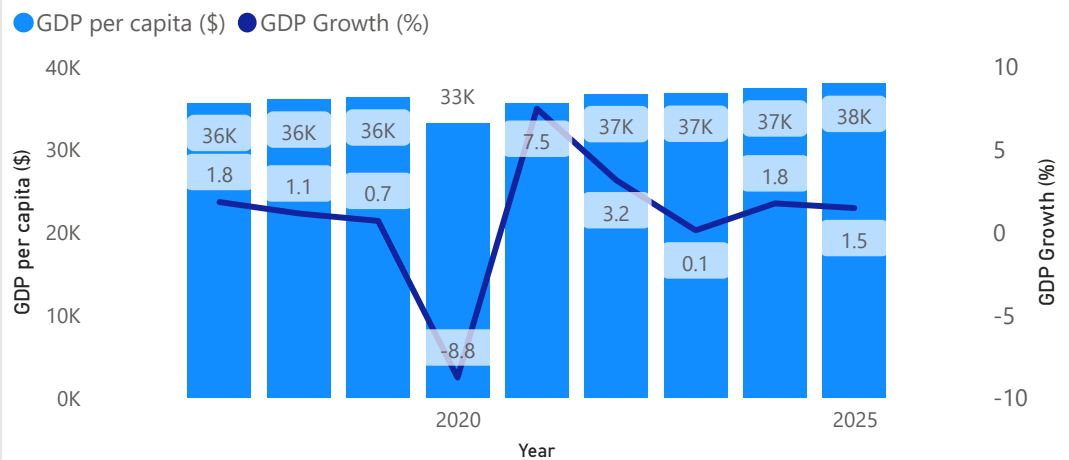
In 2021, Italy's real GDP stood at \$2.1tr, growing by 7% y-o-y following a contraction of -9% in 2020 due to the impact of the COVID-19 pandemic. According to the Internal Monetary Fund (IMF), economic growth of 3% (in real terms) is expected in 2022, lower than what was recorded in 2021. This is as a result of the impact of the war in Ukraine, and the resultant monetary policy tightening, continued supply chain disruptions and higher-than-expected inflation. Further slowdowns are predicted for 2023. However, growth is forecast to pick up in subsequent years as energy prices moderate, reinforced by public investment spending under the National Recovery and Resilience Plan

Figure 1: Italy GDP, 2017-2025f



Source: Euromonitor, 2022

Figure 2: Italy GDP per capita, 2017-2025f



Source: Euromonitor, 2022

According to the World Bank, Italy is the 28<sup>th</sup> largest country in the world in real GDP per capita terms. Italy's real GDP per capita averaged \$35,338 between 2017 and 2021. It stood at \$35,586 in 2021, increasing by 7.5% from 2020. Real GDP per capita is expected to grow at an average annual growth rate of 1.41% between 2022 and 2025, reaching \$37,944 by 2025.

Italy's economy is divided into a developed industrial north, dominated by private companies, and a less developed and highly subsidized agricultural south. The industrial economy is driven, in large part, by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them being family-owned. In terms of sectoral contribution to Gross Value-Added (GVA), financial Intermediation, real estate, renting and business activities dominated Italy's GVA in 2021, accounting for 29.79% of GVA. Manufacturing (16.94%) and education, health, social work and other community, social and personal service activities (13.75%) were the second and third largest contributors to GVA.

Figure 3: Italy Sector Contribution to GVA (%), 2021



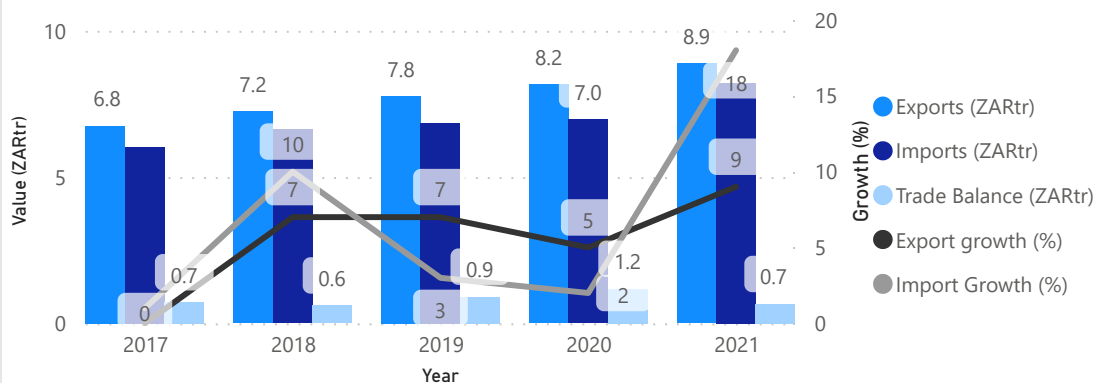
Source: Euromonitor, 2022

## 2) Trade

### 2.1) Italy's Global Merchandise Trade

In 2021, Italy's exports stood at ZAR8.9trn, increasing by 9% from the 2020 value of ZAR8.2trn. The country's imports increased by 18%, from ZAR8.2trn in 2021 to ZAR7.0trn in 2020, thus narrowing the trade deficit to ZAR0.66trn. Moreover, the value of exports increased at an average annual rate of 6% between 2017 and 2021, while imports grew at an average rate of 7% per annum over the same period.

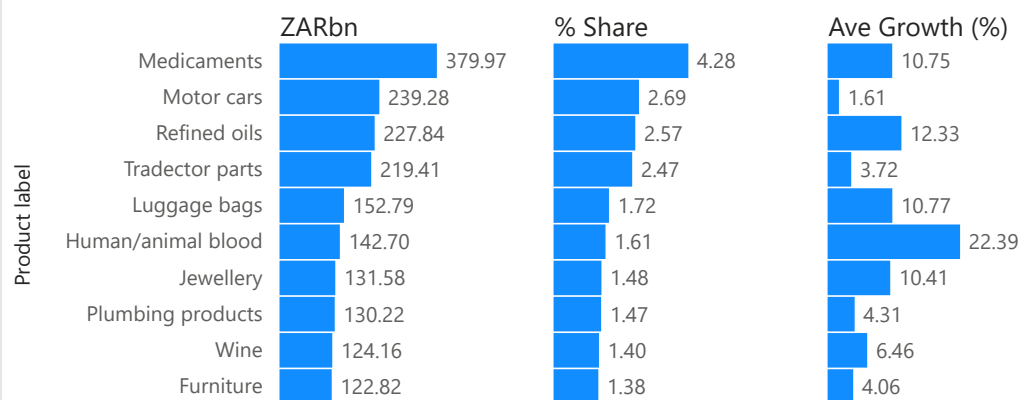
Figure 4: Italy Trade with Globe, 2017-2021



Source: Trademap, 2022

Italy's exports basket was quite diversified in 2021, as shown in figure 5. Medicaments were Italy's top exported product, valued at ZAR379.97bn and accounted for 4.28% of total exports. Motor cars, at a value of ZAR239.28bn and accounting for 2.69% of the country's total exports, was the second highest exported product while petroleum oils (excluding crude) came third at a value of ZAR227.84bn (or 2.75%). Out of the top 10 products exported by Italy, human/animal blood recorded the highest average annual growth of 22.39% from 2017 to 2021, followed by refined oils (12.33%) and luggage bags (10.77%).

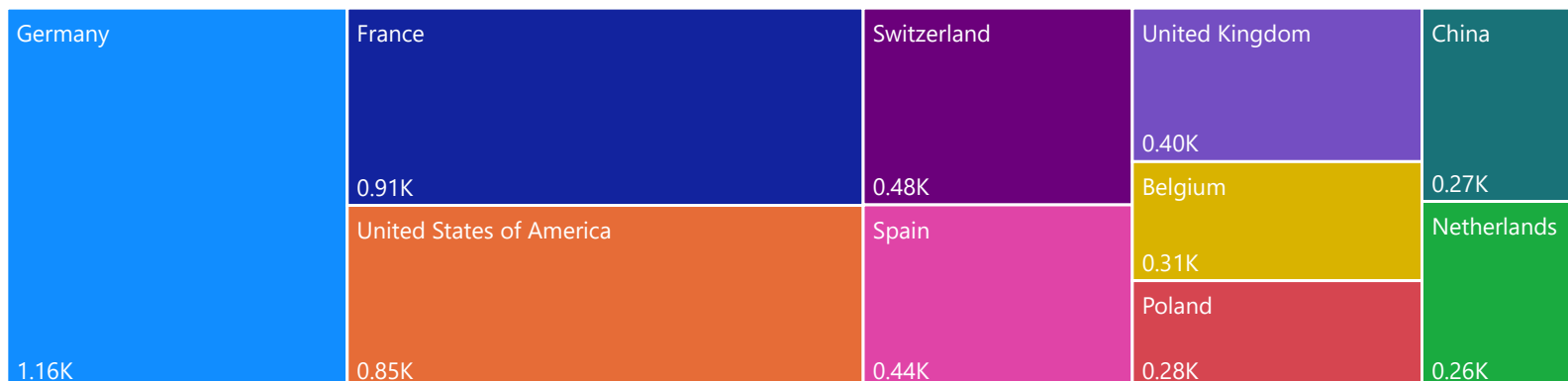
Figure 5: Italy Top Export Products, 2021: (Average Growth: 2017-2021)



Source: Trademap, 2022

Germany was the leading destination market for Italy's exports in 2021, with exports to the fellow European country valued at ZAR1161.34bn, representing 13.08% of total exports. The exports of parts and accessories for tractors, medicaments and motor cars were Italy's top three exported products to Germany in 2021, collectively accounting for 12.08% total exports. France and the United States followed in second and third places on Italy's list of main destination markets for its exports. Italy's exports to France were valued at ZAR913.31bn, while the country's exports to the United States stood at ZAR846.81bn.

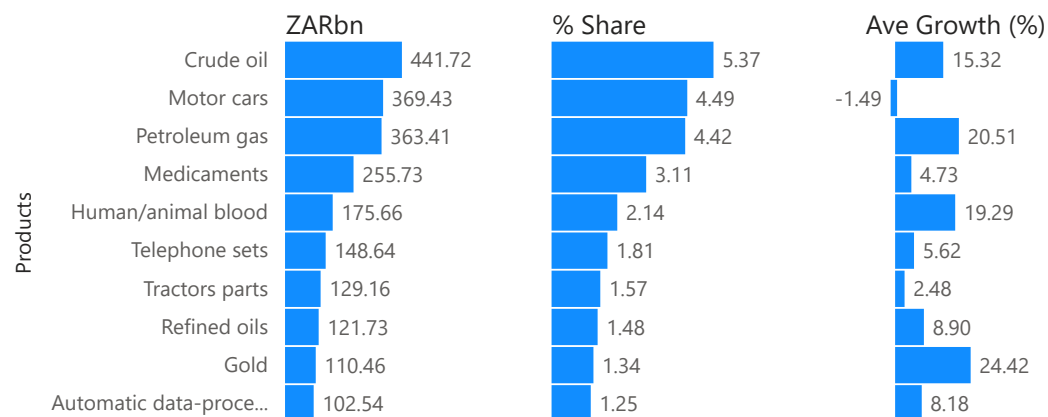
Figure 6: Italy Top Export Markets (ZARbn), 2021



Source: Trademap, 2022

Turning to imports, crude oil was the largest imported good into Italy in 2021, reaching a total value of ZAR441.72bn and comprising a share of 5.37% of the entire Italian import basket. Motors cars ranked in second place with a value of ZAR369.43bn (a share of 4.49%), while petroleum gas ranked third with a value of ZAR363.41bn and a share of 4.42%. Out of the top 10 imported products by Italy, the exports of gold recorded the highest average annual growth of 24.42% from 2017 to 2021, followed petroleum gas (20.51%) and human/animal blood (19.29%).

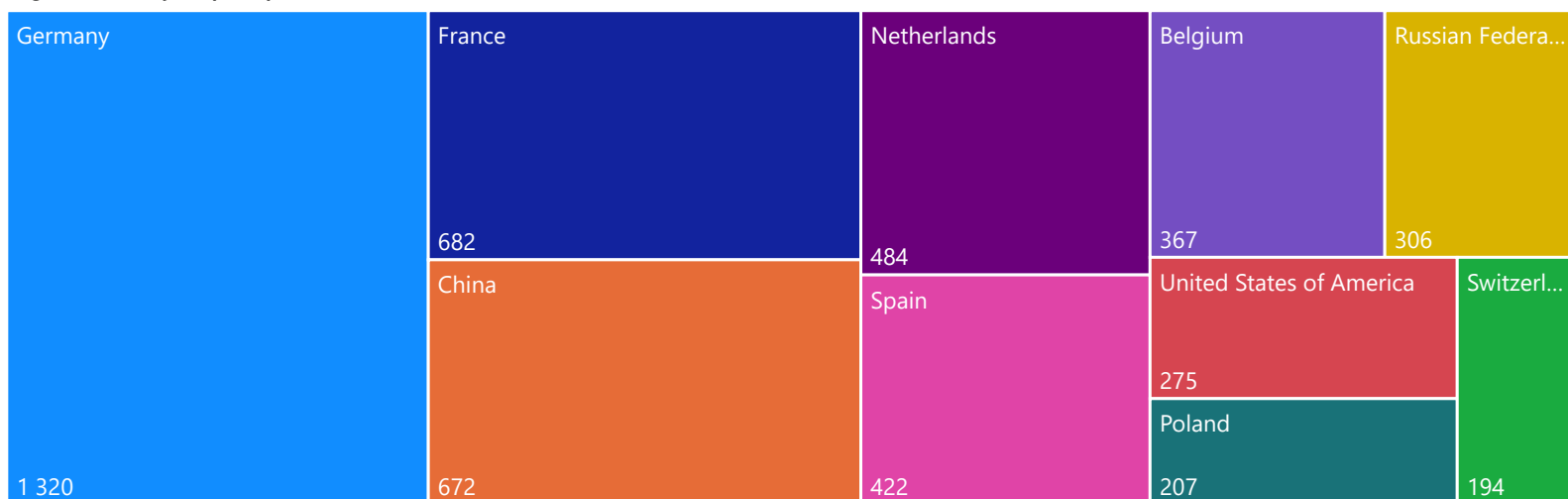
Figure 7: Italy Top Import Products, 2021: (Average growth: 2017-2021)



Source: Trademap, 2022

Germany was also the leading source market for Italy's imports in 2021, accounting for 16.05% of total imports. Imports of motor cars, human blood and medicaments were the top three imported products from Germany by Italy in 2021, collectively accounting for 16.77% of Italy's import basket. France followed in second place, with imports reaching a total value of ZAR682.28bn, while China came third, with imports from this nation reaching a total value of ZAR672.18bn.

Figure 8: Italy Top Import Markets (ZARbn), 2021



Source: Trademap, 2022

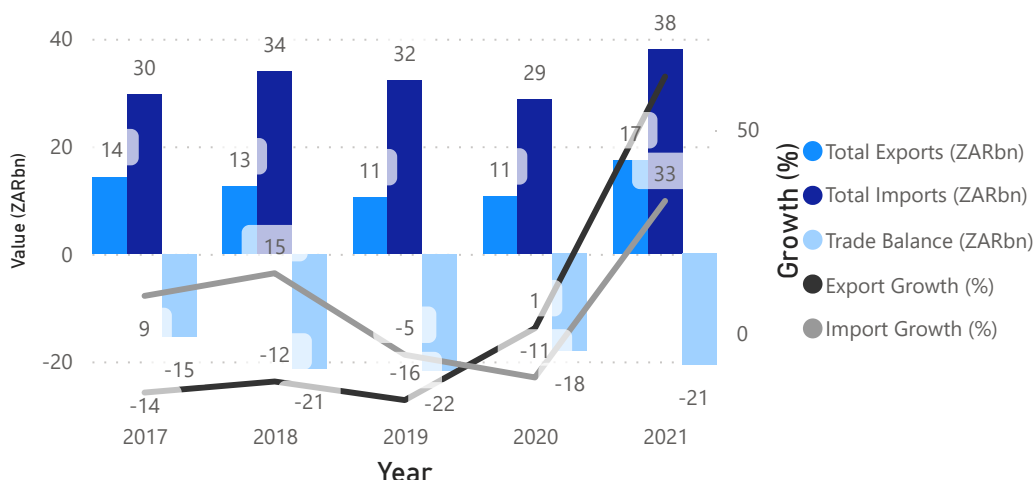
## 2.2) Trade Agreements and developments

Since the EU and South Africa concluded a Trade Development and Cooperation Agreement (TDCA) in 1999, the two parties have enjoyed solid and growing trade relations. In June 2016, the European Union (EU) and South Africa – together with Botswana, Lesotho, Mozambique, Namibia and Swaziland – signed the **Southern African Economic Partnership Agreement (EU-SADC EPA)** that regulates trade in goods between the two regions, thereby replacing the trade-related provisions of the TDCA. Under the EU-SADC EPA, the EU has fully or partially removed customs duties on 98.7% of imports from South Africa while guaranteeing full free access for the rest of the signatory countries. EU currently remains South Africa's biggest trade and investment partner

## 2.3) Bilateral Trade: South Africa and Italy

Italy's extensive trade surplus with South Africa ensures its ranking as the 17th largest destination market for South Africa's exports in 2021. Moreover, both South Africa's exports to and imports from Italy increased substantially between 2020 and 2021. The value of South Africa's exports to Italy increased by 63.02% y-o-y to ZAR17.40bn in 2021, up from ZAR10.67bn in 2020. The increase in exports was largely driven by an impressive growth of more than 100% in South African exports of refined copper and citrus fruit to the European country. There was also an increase of a more than 40% in the exports of ferro-alloys, iron ores and concentrates, coal, motor cars and maize.

Figure 9: SA Trade with Italy, 2017-2021

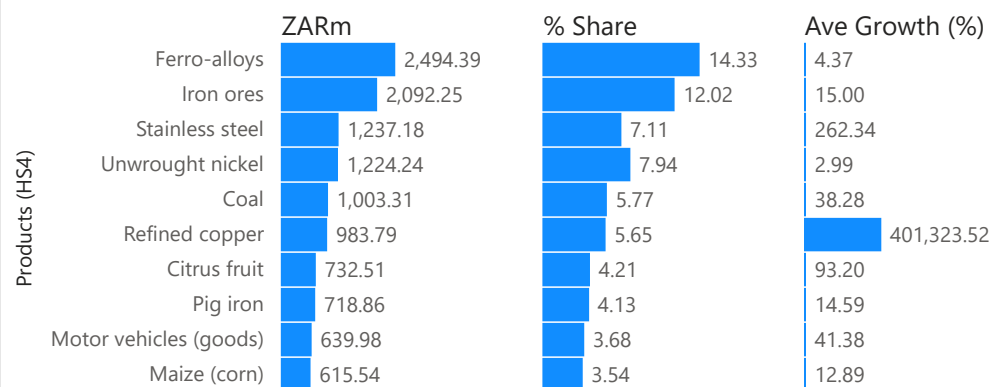


Source: Quantec, 2022

Ferroalloys were South Africa's top export product to Italy in 2021 at a value of ZAR2,494.39m, accounting for 14.33% of the export basket to the country. Iron ores followed in second place, reaching a value of ZAR2,092.25m and accounting for 12.02% of total exports to Italy in 2021. Stainless steel came third at a value of ZAR1,237.18m (or 7.11%).

Refined copper registered the highest growth in exports, increasing at an average annual rate of 401323.52% per annum from 2017 to 2021. This was followed flat-rolled products of stainless steel and concentrates (262.34%), and citrus fruit (93.20%).

Figure 10: SA Top Exports to Italy, 2021: (Average Growth: 2017-2021)

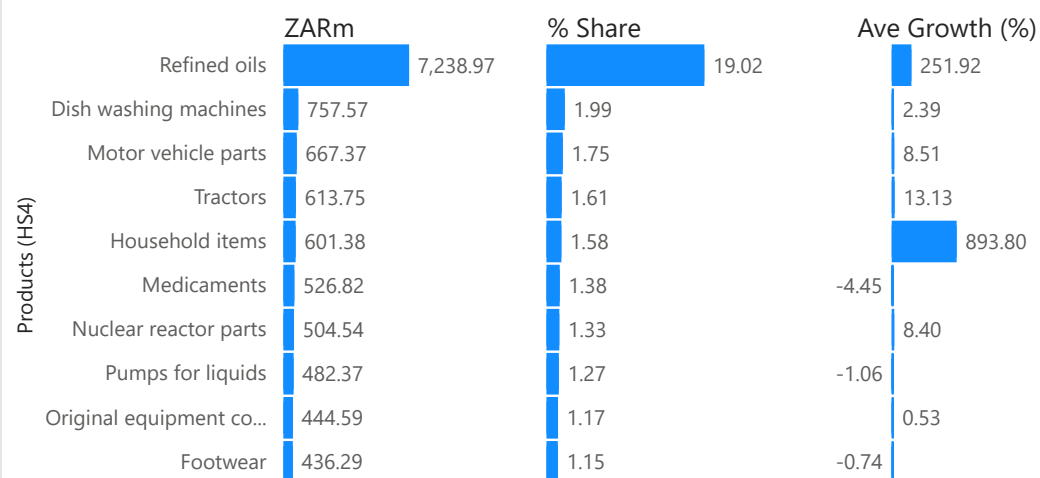


Source: Quantec, 2022

Refined oils have been South Africa's top imported product from Italy for the past five years (2017-2021). The rand value of South Africa's imports of refined oils from Italy was ZAR7,238.97 in 2021, accounting for 19.02% of total imports from the European country. Dish washing machines followed in second place at a value of ZAR757.67m (with a 1.99% share), while motor vehicle parts followed in third place (ZAR667.37m or 1.75%).

Higher growth in imports was seen in household items (893.80%), petroleum oils, other than crude (251.92%) and tractors (13.13%) over the period, 2017-2021.

Figure 11: SA Top Imports from Italy, 2021: (Average Growth: 2017-2021)



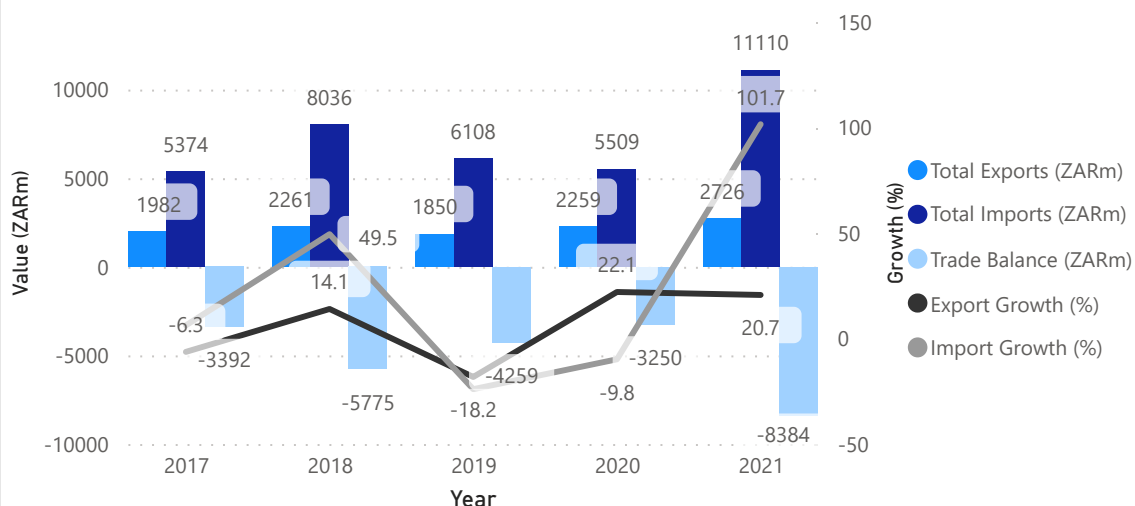
Source: Quantec, 2022

## 2.4) Bilateral Trade: Western Cape and Italy

The Western Cape's exports to Italy increased substantially between 2020 and 2021, reaching ZAR2,726.11m in 2021. In 2021 the province's exports to Italy grew by 20.70% y-o-y, which was largely due to increases in the exports of wine (382.61%), maize (190.62%) and prepared or preserved fish (30.25%).

In turn imports from Italy grew at 101%, driven by non-crude petroleum oil imports. Overall, the Western Cape's exports to Italy increased at an average annual rate of 6.47% from 2017 to 2021, while imports grew at an average annual rate of 24.74% over the same period.

Figure 12: WC Trade with Italy, 2017-2021

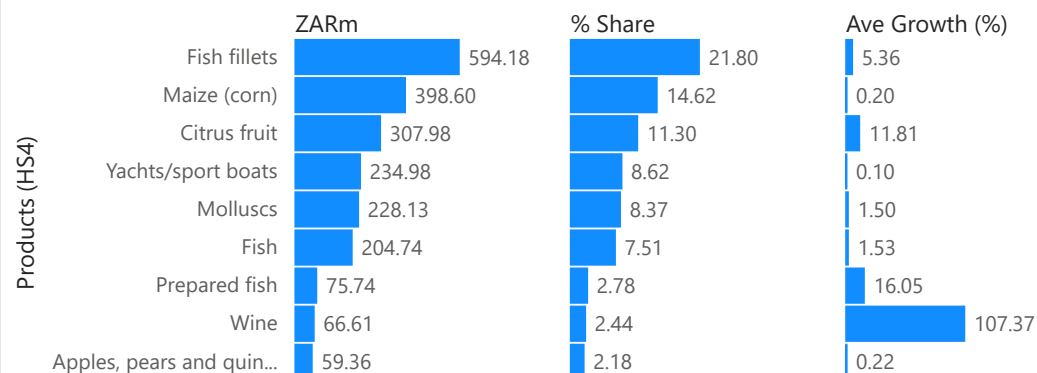


Source: Quantec, 2022

The Western Cape's top exported product to Italy in 2021 was fish fillets, valued at ZAR594.18m and accounted for 21.80% of total export receipts earned by the Western Cape from trade with Italy. Maize placed second with a value of ZAR398.80m (14.62%), followed by citrus fruit, valued at ZAR307.98m (11.30%).

Higher growth in imports, over the 2017-2021 period, was seen in wine, increasing at an average rate of 107.37%.

Figure 13: WC Top Exports to Italy, 2021: (Average Growth : 2017-2021)

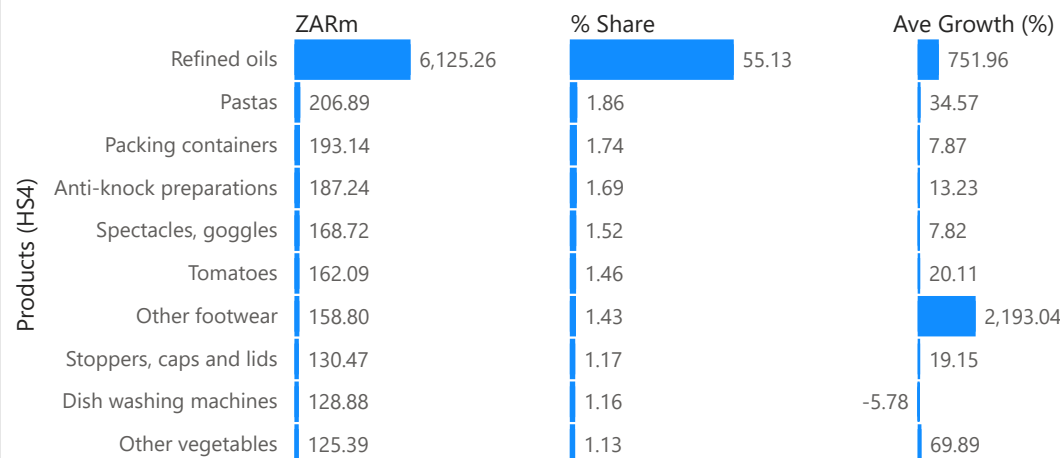


Source: Quantec, 2022

Refined oils dominated the Western Cape's imports from Italy in 2021, accounting for 55.13% of total imports. Other top Italian products imported by the Western Cape in 2021 were pastas, valued at ZAR206.89m (or 1.86%) and articles for conveyance or packaging goods, valued at ZAR193.14m (or 1.74%).

Moreover, the fastest growing imported products over the five-year period were other footwear (2193.04%), refined oils (751.96%) and other vegetables (69.89%).

Figure 14: WC Top Imports from Italy, 2021: (Average Growth: 2017-2021)



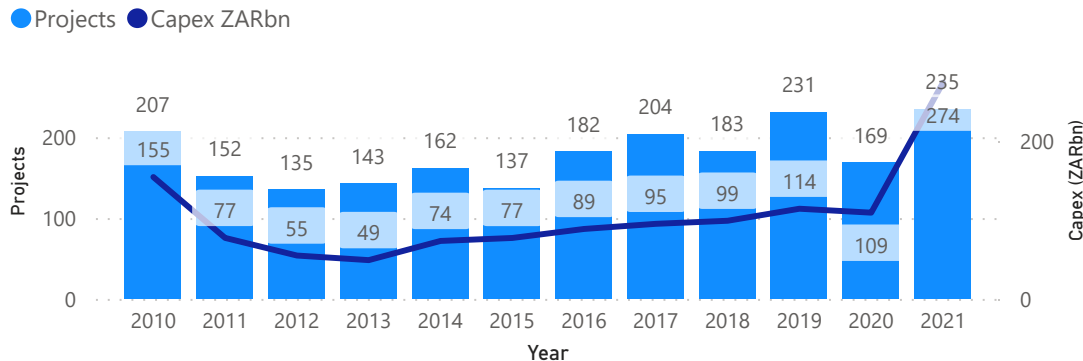
Source: Quantec, 2022

### 3) Foreign Direct Investment

#### 3.1) FDI into Italy

A total of 2,140 foreign direct investment (FDI) projects were recorded into Italy between 2010 and 2021. These projects represented a total capital investment (capex) of ZAR1.27tr, which equated to an average investment of ZAR592.74m per project. During the period, 207,060 jobs were created.

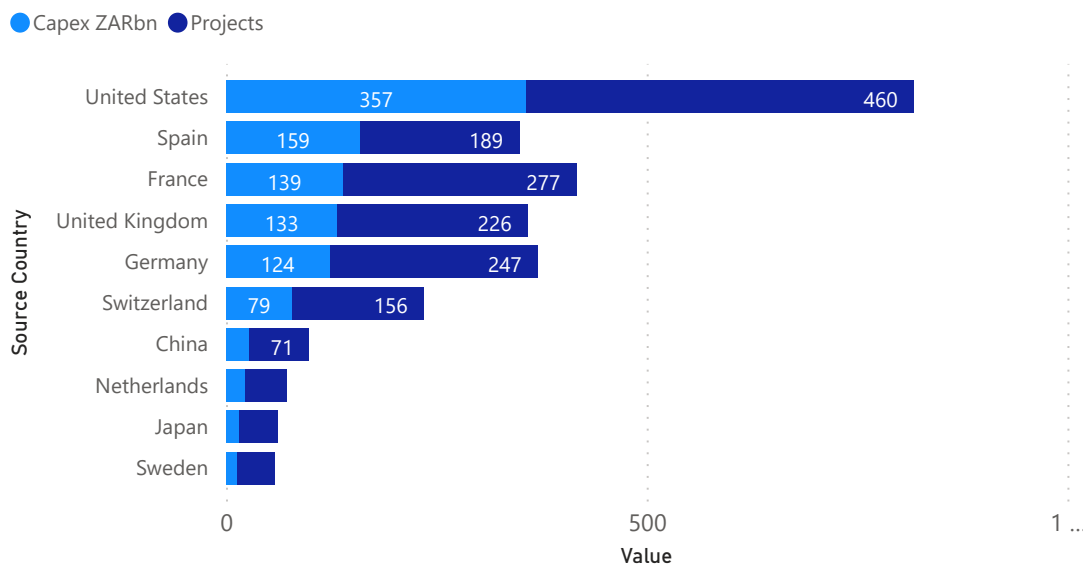
Figure 15: FDI into Italy, 2010-2021



Source: FDI Markets, 2022

United States was the main source of FDI into Italy over the period 2010 to 2021. The country accounted for 21.50% (4460 projects) of total FDI projects into Italy, these projects had a capex value of ZAR357.30bn. Other large sources of FDI into Italy were France, which ranked in second place with a total capex of ZAR139.40bn and 277 projects, while Germany ranked in third, with a capex reaching ZAR123.50bn and 247 projects invested over the period 2010-2021.

Figure 16: FDI into Italy by Source Markets, 2010-2021

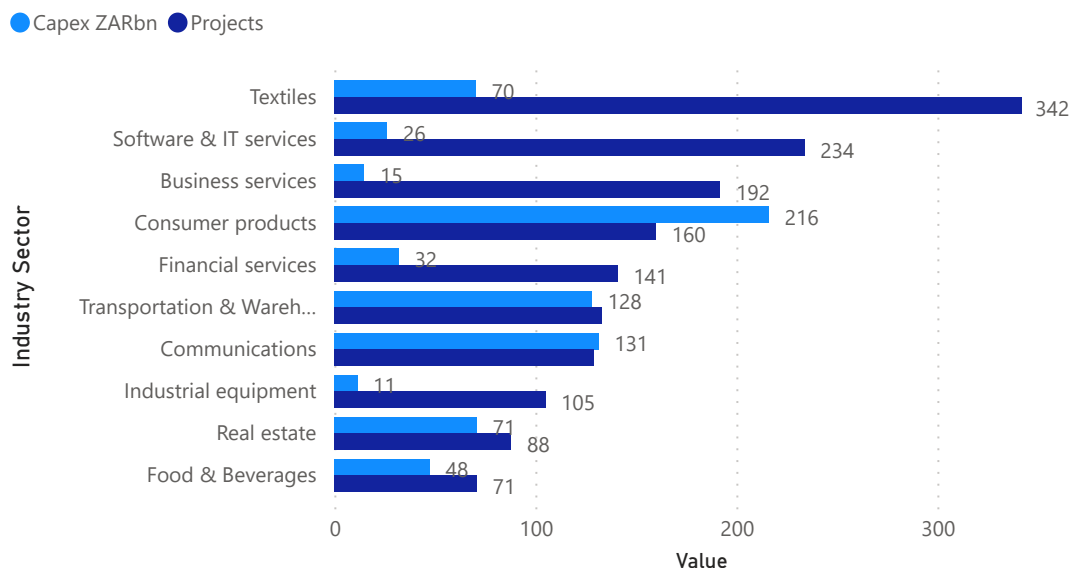


Source: FDI Markets, 2022

Italy's textiles sector was the largest recipient of FDI investment in terms of projects, the sector accounted for 15.98% of the total number of inward projects into Italy. The software and IT services was the second largest recipient, receiving 234 projects (or 10.93% of all projects). The third highest share of global FDI projects into Italy went into the business services sector (307 projects or 8.7%).

While most of capex went into consumer products (17.05%), transportation and warehousing (10.11%) and communications (10.36%).

Figure 17: FDI into Italy by Sector, 2010-2021



Source: FDI Markets, 2022

## 3.2) OFDI From Italy to the Globe

Italian companies made 5,360 FDI investments into the global economy between 2010 and 2021. These projects represented a total capital expenditure of ZAR3.59trn. This equated to an average investment of ZAR7669.28m per project. During the period, 513, 744 jobs were created.

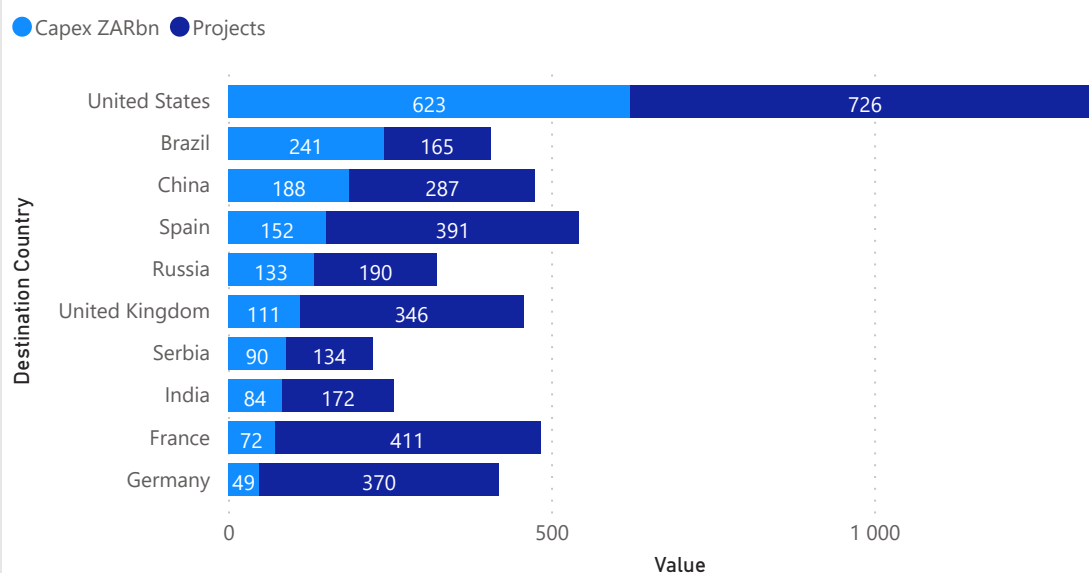
Figure 18: Trend in OFDI from Italy, 2010-2021



Source: FDI Markets, 2022

United States was also the main destination for FDI out of Italy over the period 2010 to 2021. The country received 726 FDI investments from Italy, accounting for 13.54% of total outward projects at a capex value of ZAR623.27bn. It was followed by France, which ranked second with 411 projects and a total capex of ZAR72.36bn. Spain came third, receiving 391 projects with a capex reaching ZAR152.36bn from Italy over the review period.

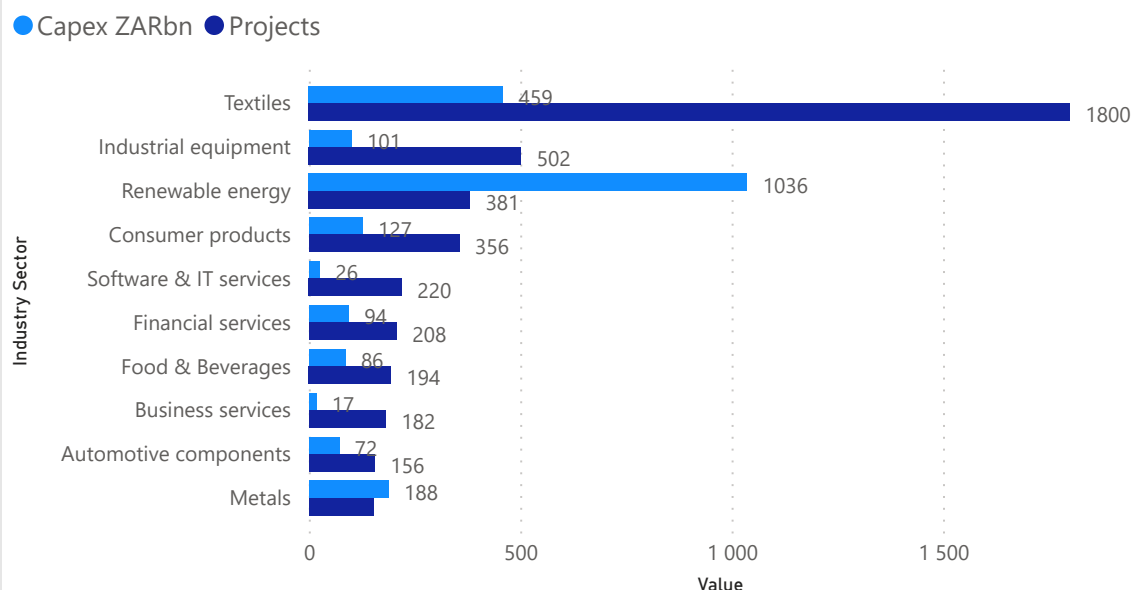
Figure 19: OFDI from Italy by Destination Market, 2010-2021



Source: FDI Markets, 2022

Most FDI projects from Italy were made into textiles, a total of 1, 800 projects, equivalent to 33.58% of the total outward FDI projects over the review period. This was followed by the industrial equipment sector (502 projects or 9.37%), and into the renewable energy sector (356 projects or 2.41%).

Figure 20: OFDI from Italy by Top Sectors, 2010-2021



Source: FDI Markets, 2022

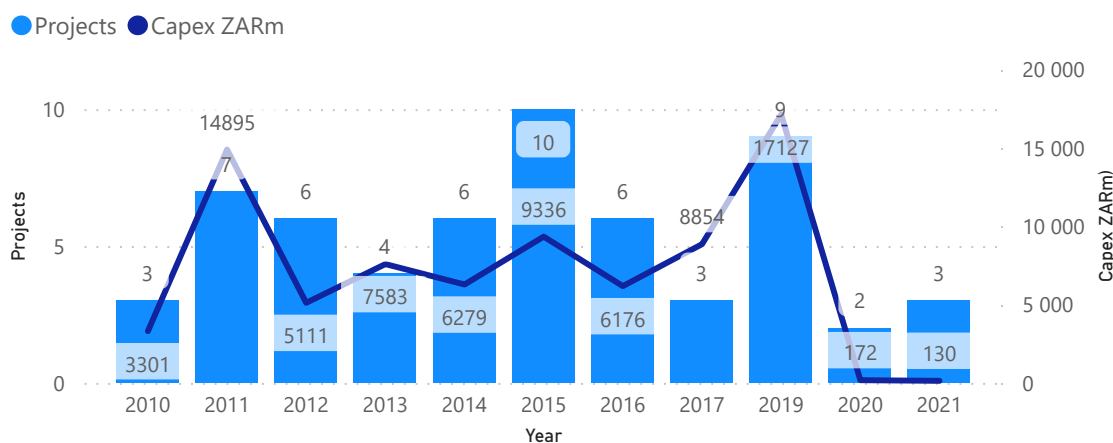
In terms of outward FDI by Italy as measured by capex, renewable energies dominated at 28.89%, followed by textiles (12.80%), and the metals sector (5.24%).



### 3.3) Bilateral FDI: Italy into South Africa

Investments made by Italy into South Africa between 2010 and 2022 are shown in the figure 21. A total of 59 FDI projects were undertaken by Italian companies in South Africa during this period. These projects generated an estimated capex of ZAR78.96bn, which equated to an average investment of ZAR1.34bn per project, leading to the creation of about 3, 581 jobs.

Figure 21: FDI from Italy into SA, 2010-2021

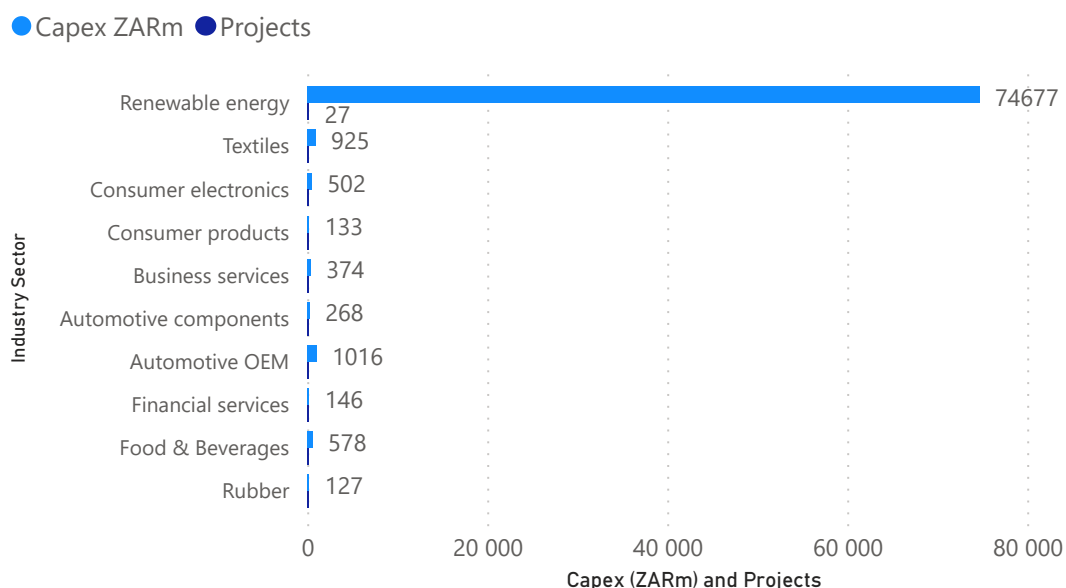


Source: FDI Markets, 2022

South Africa's renewables energy sector was the top recipient of FDI projects from Italy. The sector received a total of 27 projects, accounting for 45.8% of all projects made by Italy into the country. It was followed by the textiles sector (12 projects or 20.34%) and the industrial equipment sector (4 projects or 6.78%).

While the largest share of capital expenditure accumulated from these projects went into the renewables energy sector (a share of 94.57%). The automotive OEM sector received the second largest share of capital expenditure of 1.29%, followed by textiles (1.17%).

Figure 22: FDI from Italy into SA by Sectors, 2010-2021



Source: FDI Markets, 2022

Figure 23 alongside shows the top 10 Italian companies (by capex) investing into South Africa over the period 2010 to 2021. Enel Gren Power invested with 13 projects into South Africa's renewable energy sector, which reached a total capex value of ZAR40, 469.99bn and created 386 jobs over the period under review. Building Energy was the second largest investor, investing with 10 projects with an accumulative value of ZAR27, 974.02m.

Figure 23: Italian Companies Investing in SA, 2010-2021

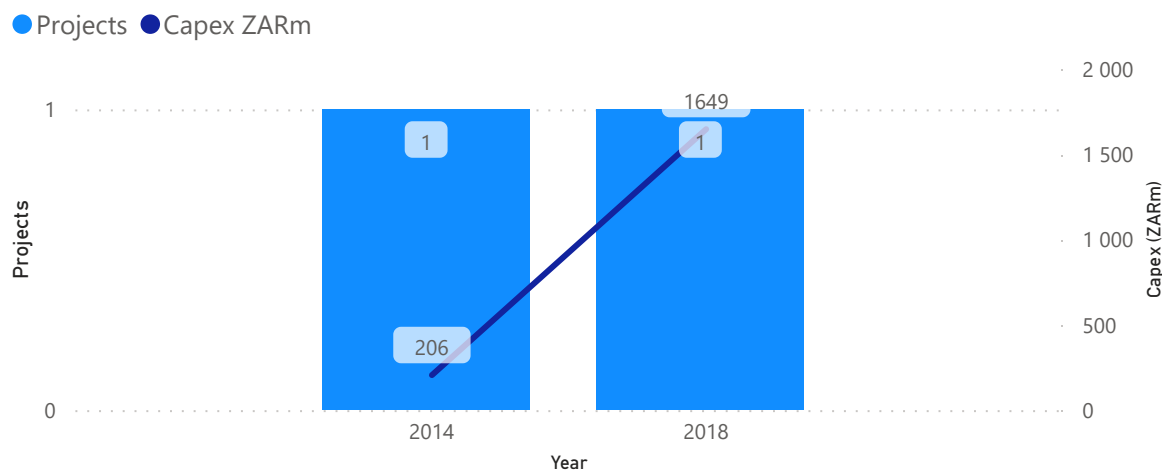
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Enel Green Power	13	40 469.99	386	Renewable energy
Building Energy	10	27 974.02	429	Renewable energy
TerniEnergia	3	3 376.33	68	Renewable energy
Moncada Costruzioni (Moncada Energy Group)	1	2 856.31	41	Software & IT services
Iveco SpA	1	1 015.51	1000	Automotive OEM
Ferrero	1	578.32	107	Food & Beverages
Smeg South Africa	3	501.62	240	Consumer electronics
Mopar	1	268.45	71	Automotive components
ATR	1	223.96	39	Business services
Salvatore Ferragamo	1	182.55	86	Textiles
<b>Total</b>	<b>35</b>	<b>77 447.06</b>	<b>2467</b>	

Source: FDI Markets, 2022

### 3.4) Bilateral FDI: South Africa into Italy

Investments made by South African companies into Italy between 2010 and 2021 are shown in the figure 24. A total of 2 FDI projects were recorded from South Africa into Italy over the review period. These projects represented a total capital investment of ZAR1.85bn, which equated to an average investment of ZAR928.1m per project. During the period, 111 jobs were created.

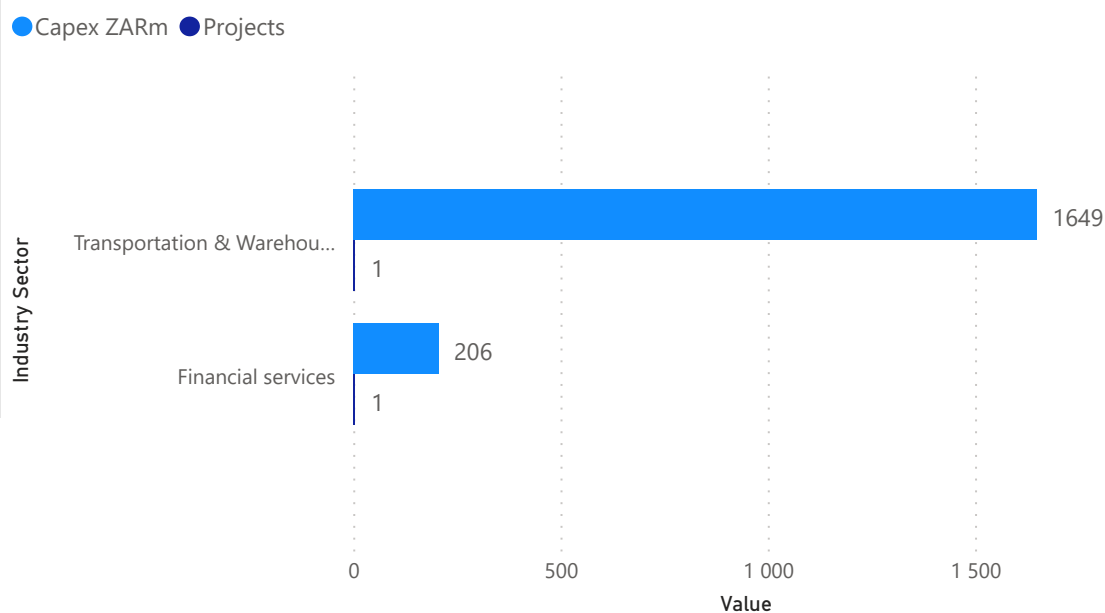
Figure 24: FDI from SA into Italy, 2010-2021



Source: FDI Markets, 2022

In terms of sector classification of outward FDI by South Africa to Italy between 2010 and 2021, as measured primarily by the capex value, Italy's transportation and warehousing sector was the key recipient of outward FDI from South Africa, accounting for 88.921% of capex. The financial services sector followed in second place (11.08%).

Figure 25: FDI from SA into Italy by Sector, 2010-2021



Source: FDI Markets, 2022

An overview of South African companies investing into Italy over the period, 2010 to 2021 is presented in Figure 26. Palletways invested in 1 project in Italy's transportation and warehousing sector, which reached a total capex of ZAR1,649.05m. Investec was another South Africa company that invested in Italy over the review period.

Figure 26: SA Companies Investing into Italy, 2010-2021

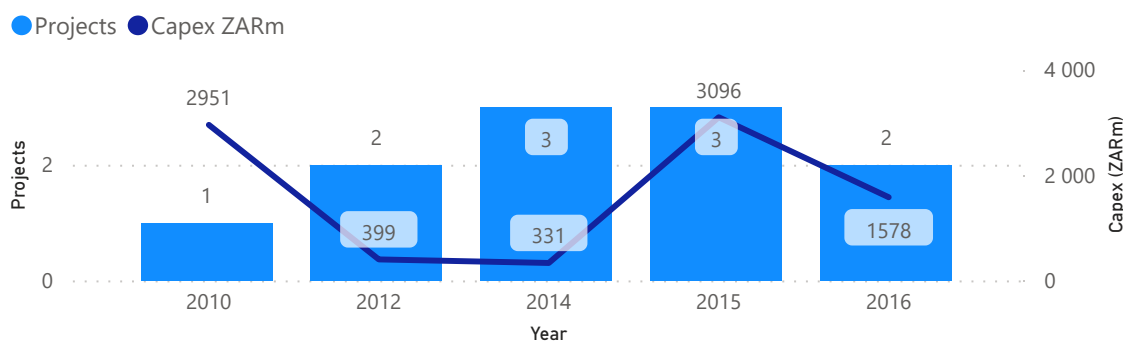
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Palletways	1	1 649.05	105	Transportation & Warehousing
Investec	1	205.56	6	Financial services
<b>Total</b>	<b>2</b>		<b>111</b>	

Source: FDI Markets, 2022

### 3.5) Bilateral FDI: Italy into the Western Cape

The Western Cape recorded a total of 11 FDI projects from Italy between 2010 and 2021, these projects had a total capex of value of ZAR8.36bn and led to the creation of 444 jobs.

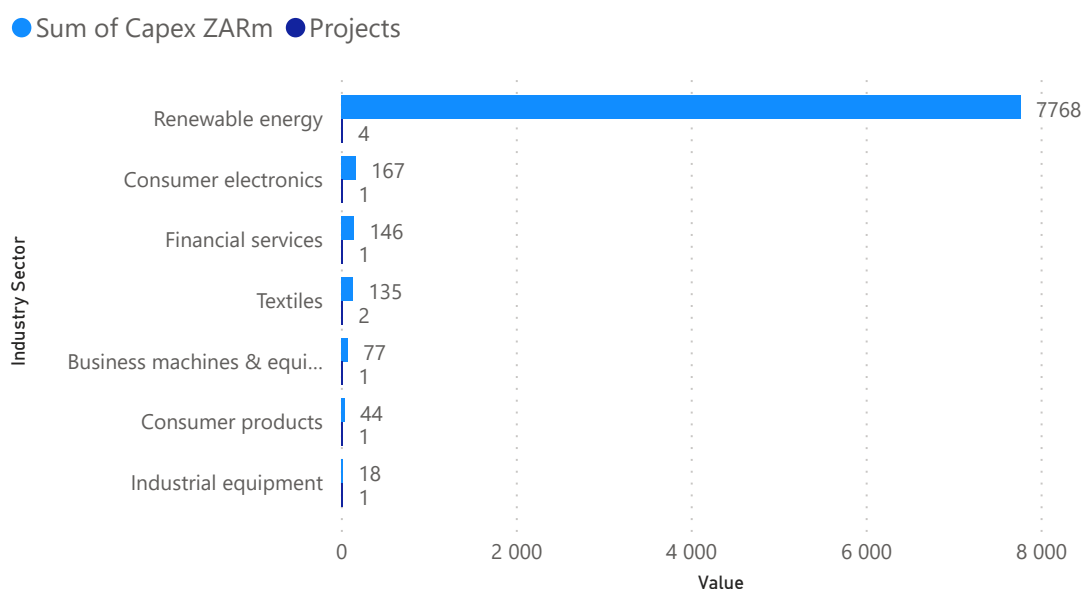
Figure 27: FDI from Italy into WC, 2010-2021



Source: FDI Markets, 2022

The Western Cape's renewables energy sector was the top recipient of FDI (by capex) from Italy. The sector received a total of 4 projects, accounting for 36.36% of all projects and with a relative share of 92.97% of total capex. The consumer electronics sector was the second largest recipient of FDI from Italy, with 1 project (or 9.09%) and a 2.00% share of total capex, followed by the financial services sector, with one project (9.09%) and a 1.74% share of total capex.

Figure 28: FDI from Italy into WC by Sector, 2010-2021



Source: FDI Markets, 2022

Figure 29 shows the top 10 Italian companies (by capex) investing into the Western Cape over the period, 2010-2021. Building Energy and Enel Green Power both invested in 1 project each, and both projects had a value of ZAR2,951.42m.

Other Italian companies which invested in the Western Cape were TerniEnergia (2 projects and ZAR1,865.3m capex) and Smeg (1 project and ZAR167.20m capex).

Figure 29: Italian Companies Investing into WC, 2010-2021

Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Building Energy	1	2 951.42	21	Renewable energy
TerniEnergia	2	1 865.34	49	Renewable energy
U-Start	1	145.73	17	Financial services
Datalogic	1	76.70	36	Business machines & equipment
Just Cavalli	1	67.50	50	Textiles
Sedicisei SRL (Save My Bag)	1	67.50	50	Textiles
Poltrona Frau	1	44.49	115	Consumer products
SACMI Group	1	18.41	5	Industrial equipment

Source: FDI Markets, 2022

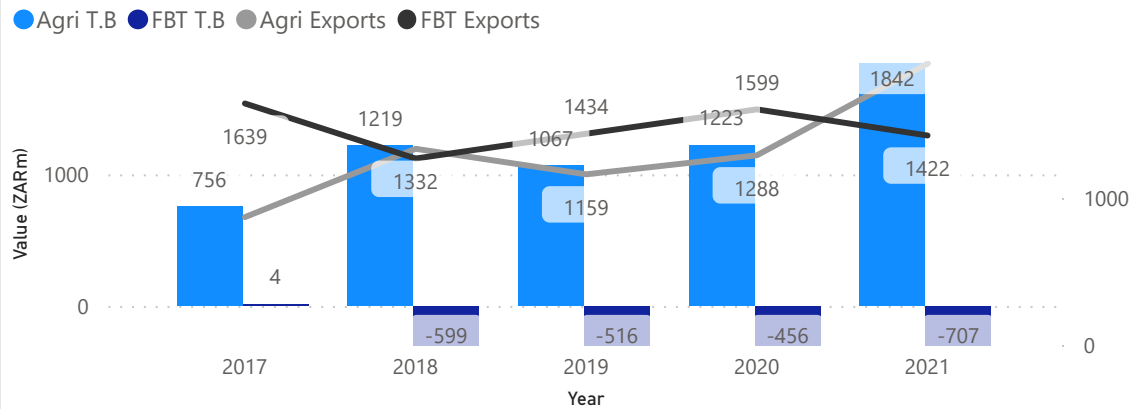
### 3.6) Bilateral FDI: Western Cape into Italy

According to FDI markets, there were no FDI from the Western Cape to Italy between 2010 and 2021.

## 4) Western Cape Agribusiness Trade with Italy

The Western Cape was a net exporter of primary agricultural products with Italy over the last five years, recording a trade surplus of ZAR755.64m in 2017. As agricultural exports increased faster than the rate of agriculture imports, this led to a widening of the agricultural trade surplus, to reach ZAR1,842.24m by 2021. Moreover, over the period under review, the Western Cape was a net exporter of food, beverage and tobacco trade with Italy in 2017. For the remainder of the period, it became a net importer of food, beverage and tobacco trade with Italy.

Figure 30: WC Agriculture and FBT Trade with Italy, 2017-2021

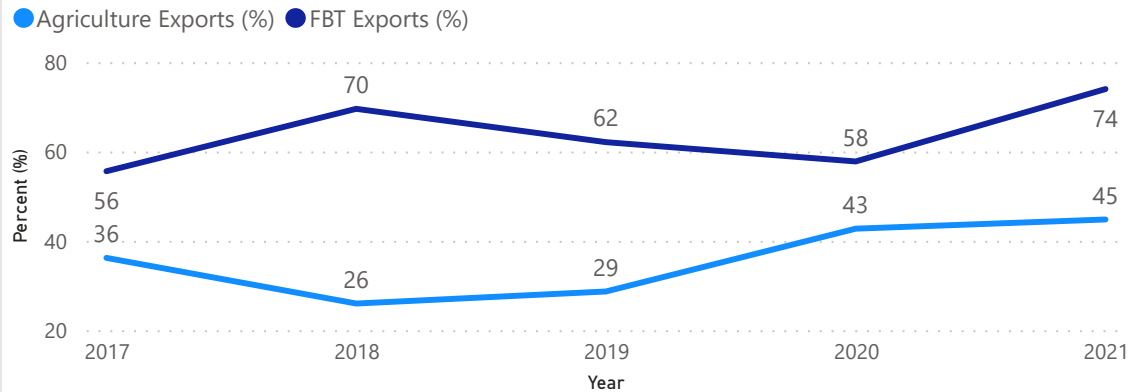


Source: Quantec, 2022

The majority of South Africa's agribusiness exports with Italy in 2021 came from the Western Cape. The province accounted for an average annual share of 35.67% of primary agricultural exports and 63.80% of food, beverage and tobacco exports over the period, 2017-2021.

The Western Cape's share of agribusiness exports with Italy increased in 2021, with the province accounting for 44.79% of primary agriculture exports and 73.99% of food, beverage and tobacco exports.

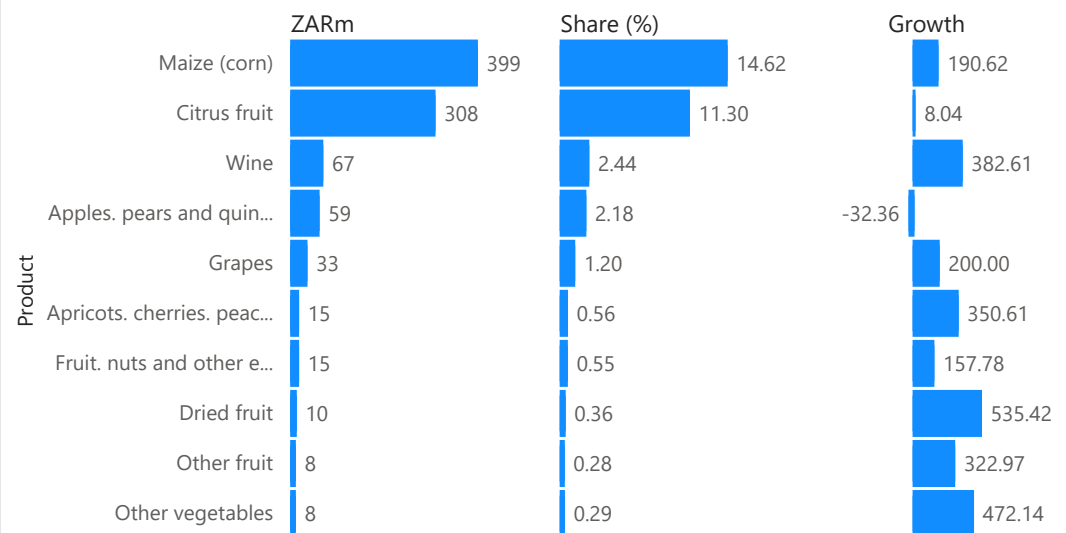
Figure 31: WC Share of National Agri and FBT exports to Italy, 2017-2021



Source: Quantec, 2022

The Western Cape's top agribusiness exported products to the Italy between 2017 and 2021 are shown in figure 32. Maize was the largest agricultural export from the Western Cape to Italy in 2021, valued at ZAR398.60m (with a share of 14.62%). This product grew by a rate of 190.62% y-o-y between 2020 and 2021. Citrus fruit was the Western Cape's second largest agricultural export to Italy in 2021, reaching a value of ZAR307.98m and growing by 8.04% y-o-y between 2020 and 2021. This was followed by wine, with a value of ZAR66.61m and a growth rate of 382.61% y-o-y between 2020 and 2021.

Figure 32: Top Agri Exports from WC to Italy, 2021: (Average Growth: 2017-2021)

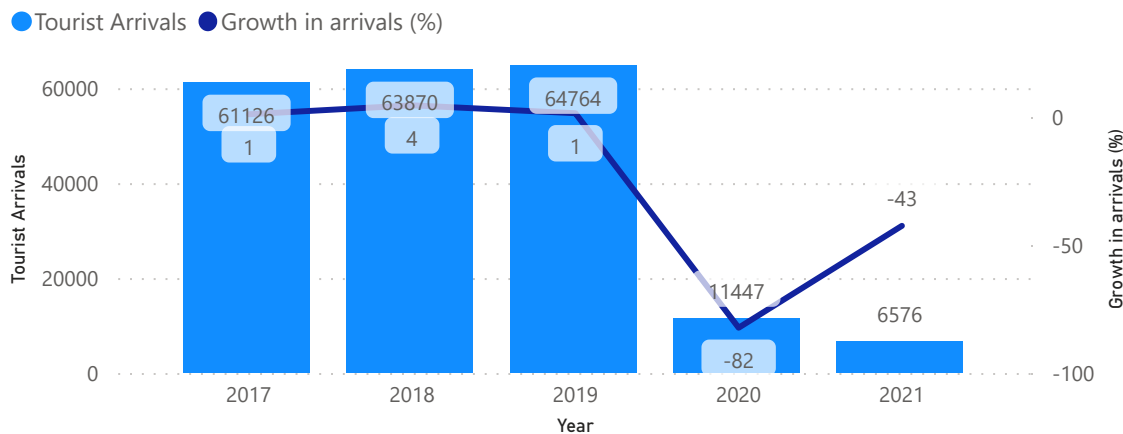


Source: Quantec, 2022

## 5) Tourism: South Africa and Western Cape Tourism Flows with Italy

In 2021, Italy ranked as South Africa's 9th largest source market for tourist arrivals. Between 2016 and 2021, South Africa received 268,557 Italian tourist arrivals and over 50% visited the Western Cape (144, 898).

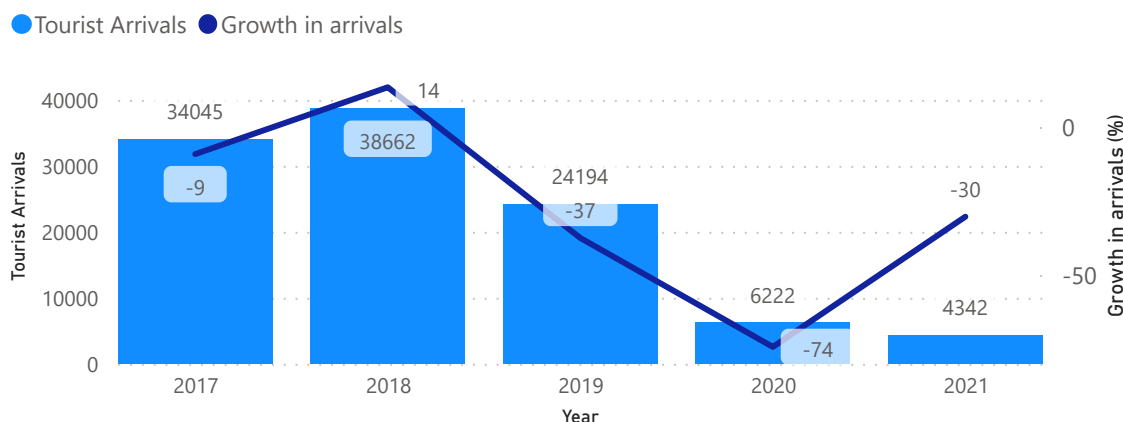
Figure 33: Italy Tourist Arrivals to SA, 2017-2021



Source: South African Tourism, 2022

Pre-Covid 19, the highest share of tourists to South Africa was received in 2019 with 64,764 arrivals, a y-o-y growth of 1,4% when compared to 2018.

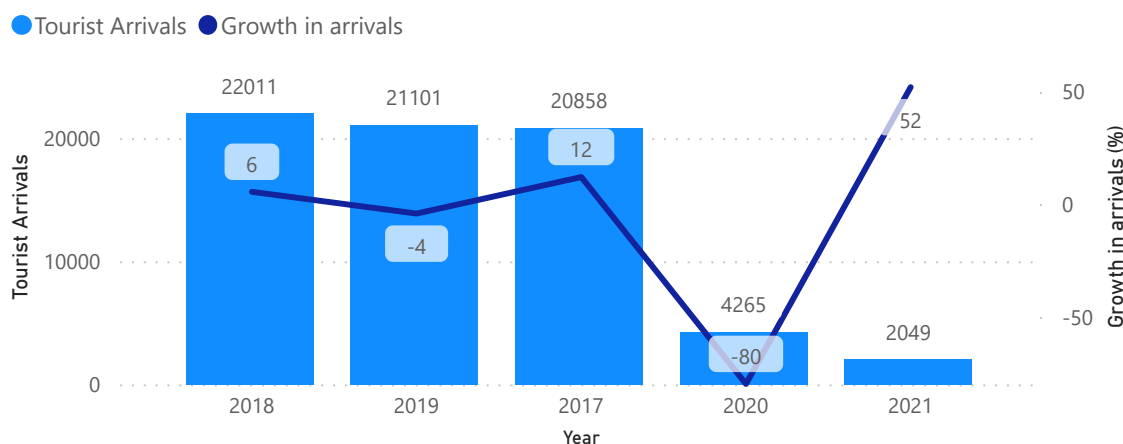
Figure 34: Italy Tourist Arrivals to WC, 2017-2021



Source: South African Tourism, 2022

When observing the arrival trends of Italian tourists to Cape Town (via air), a consecutive y-o-y growth was recorded between 2016 and 2018 with 22,011 tourists recorded in 2018. Between January and August 2022, Cape Town recorded 7,535 tourists via air, growing by 717% when compared to the same period in 2021 and recovering by 52% against 2019.

Figure 35: Italy Passenger Movement Through CTIA, 2017-2021



Source: StatsSA, 2022

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