



Italy



Business Support on Your Doorstep

Enterprise Europe Network London Country Profile February 2007

ITALY



Country's full name: The Italian Republic (Italia or Repubblica Italiana).

Capital city: Rome (3.8 million).

Population: 57.7 million.

Official language: Italian; in parts of the country German and French.

Currency: Euro (Since January 2002).

Religion: Roman Catholic 84%, Jewish 6%, Muslim and Protestant 10%.

Area: 301,230 sq km.

Terrain: Mostly rugged and mountainous, some plains and coastal lowlands.

Climate: Temperate. The winter is rather cold in the Alps, cold and foggy on the Po Plain and in the central Apennines and mild in the coastal areas. The summer is

hot and dry in most of the country, however the coastal regions are somewhat cooler.

Administrative divisions: Italy is divided into 20 regions. Five of these regions enjoy a special autonomous status that enables them to enact legislation on specific local issues.

Weights and measures: Metric.

Time zone: GMT plus one hour. From late March to late October a daylight saving scheme is in operation which is two hours ahead of GMT.

International dialing code: 00 39.

Government: The Federal Republic of Italy is a representative democracy with a federal structure consisting of 20 regions. The Federal Parliament consists of two chambers, the Senate (Senato della Repubblica) with 315 seats and the Chamber of Deputies (Camera dei Deputati) with 630 seats. Both chambers serve five year terms. An electoral reform passed in December 2005 introduced a system of 100% proportional representation in the Parliament. The 2006 parliamentary elections resulted in a centre/left-coalition led by Romano Prodi, who succeeded Silvio Berlusconi as Prime Minister after a close election. Prodi is not a party representative but has formed a coalition with eight minor parties that holds the majority in the Parliament. Giorgio Napolitano was elected President in May 2006. The next elections will be held in May 2011.

ECONOMIC OVERVIEW

The Italian economy has been characterised by low growth in recent years. Since 2001 the annual growth has decreased from 1.5% to just 0.2% which means that Italy is now one of the countries with the lowest growth rate in the EU. It is however predicted that the growth rate in 2006 will be between 1.1 and 1.5% due to an increase in exports and household consumption.

The unemployment rate is currently 7.7% for the whole country. However, there are large regional differences, e.g. the unemployment rate in northern Italy is 4.3% compared to 14% in southern Italy. The Italian budget deficit was just 1.4% in 2001 but increased significantly to 4.1% in 2005, which is well above the 3% limit set by the EU. According to Italy's arrangement with the EU, the budget deficit should be decreased to 3.8% in 2006 in order to reach the target of 3% in 2007. However, recent figures show a rise to 4.8%. The Prodi government is very focused on a firm fiscal policy in order that Italy can honour its commitment to the EU.

Italy is ranked as the eighth largest economy in the world and the fourth largest in Europe. The Italian economy is regionally divided; the north is industrial, rich and dynamic while the south is agricultural and poor. Italy is well-known for its 'family capitalism' which means that more than 90% of companies have less than 100 employees. Italy is losing its competitiveness due to massive outsourcing, especially in the textile and clothing industry. However, large privatisation programmes offer excellent opportunities for investors and exporters.

ECONOMIC INDICATORS	
Population (2005)	57.7 million
Unemployment rate (2005)	7.7%
GDP per head (PPS) (euro) (2006)	24,900
GDP average growth rate (2005)	0.2%
Inflation rate (2005)	2.2%
Total exports (million euro) (2005)	295,739
Total imports (million euro) (2005)	305,686
Internet users (2006)	40%

Sources: Eurostat, www.um.dk

INFRASTRUCTURE / ENVIRONMENT

Roads

The country has 479,688 km of roads, including 6,200 km of motorway. Because of several infrastructure problems, numerous projects to improve road access are currently being carried out. One of these projects is the construction of a new east-west motorway in northern Italy.

Railways

Italy has 19,314 km of tracks of which 11,613 km are electrified. A key objective of the Italian government is the completion of the 900 km high speed train tracks, which should increase and improve traffic between the most frequently serviced cities, i.e. Milan-Naples and Turin-Venice. FS Divisione Cargo is the main Italian freight operator and is ranked third in Europe.

Shipping

There are 2,400 km of waterways in Italy. The main Italian ports are Gioia, Genoa, Livorno and Naples on the Mediterranean coast and Ancona, Bari and Brindisi on the Adriatic rim. The waterways are used mainly for commercial traffic and are of limited overall value compared to road and rail freight. There are almost 600 vessels (1000 GRT) in the Italian merchant marine.

Civil aviation

There is a total of 133 airports in Italy. The national airline is Alitalia. The main international airports are located in Turin, Milan, Genoa, Venice, Pisa, Rome, Naples and Palermo. There are five heliports, these are located in the major cities and used mainly for business trips and hospital services. Over 70 million passengers flew into Italy in 2005 and approximately 700,000 tonnes of cargo came through Italian airports.

Energy

Italy has one of the highest consumptions of energy in the world and imports 80% of its energy. Oil is the most important energy source and accounts for 60% of Italy's total expenditure, while gas, coal and hydro energy make up the rest. Italy is one of the few countries in the world that have closed down operating nuclear power plants.

Environment

Due to Italy's extensive reliance on energy imports, the top priority of the Italian government is to increase the use of renewable energy, i.e. solar, biomass and geothermal. Energy continues to be a big environmental problem in Italy, which is why the government wants to double the country's own production of energy from renewable resources by 2012. Public awareness of environmental problems is increasing due to the effects of climate change, air pollution and oil spills. Consequently, the Italian government is strengthening environmental laws, not only in response to Italian public opinion but also because of the country's environmental obligations towards the EU.

Telecommunications

Italy is the third largest market in the EU for telecommunication products. The telecommunication market is still dominated by the former state-owned company, Telecom Italia. In 2005 40% of Italian households had internet access and there were approximately 55 million mobile telephone subscribers. 70% of SMEs with more than 10 employees have internet access and use it on a daily basis. In 2005 telecommunications expenditure accounted for 3.4% of the Italian GDP.

MAJOR SECTORS OF THE ECONOMY

Agriculture

The agricultural industry employs 1.4 million people (5% of the total workforce) and accounts for approximately 2.1% of Italy's GDP. Italy remains the top food and foodstuffs producer in the EU. Due to its climate, the south of Italy specialises in fruits, vegetables, olive oil, wine and durum wheat while the north produces grains, sugar beets, soybeans, meat and dairy products. Italian farms are often small, with less than seven hectares, and family run. The main agricultural exports are luxury products such as wine, pasta and olive oil whereas the main imports are meat, sea-food, dairy products and beverages.

Food and beverages

Italy is among the top four countries in Europe with regard to the production of food and beverages and its products are well-known globally. Playing a central role in the Italian economy, the sector's value added accounts for about one fourth of the industry's total turnover.

In recent years Italy has experienced a significant increase within ecological production, which is also known as biological production. The main reason for this increase is heightened consumer awareness of animal welfare and health issues. Many items are internationally renowned and their reputation is built on high standards of quality and safety.

Motorcycles

The Italian motorcycle industry is the second largest in the world and the leading in Europe. The motorcycle industry has always been the most important industry in Italy as it consists of over 170 large companies (some of them have been active for a century) which employ almost 15,000 workers and 10,000 in related industries. The annual turnover is 5 billion euro, 50% of which comes from international markets. Italy produces 700,000 units per year and exports approximately 350,000.

Telecommunications and ICT

Italy is the fourth largest market in Europe with one of the highest growth prospects for the next two years in the European telecommunications and ICT sector. People working in telecommunications and ICT are highly skilled with over 40,000 engineers, physicists, IT specialists and mathematicians graduating every year. The Italian telecommunications research system extends throughout the country with several international centres of excellence working in close cooperation with companies. As a major market, Italy hosts most of the world's top ICT companies. It has also recently been selected by many top multinationals as the location for their international research or design centres, including Microsoft, Nokia, Motorola, Samsung, Alcatel, Marconi and LG Electronics.

Tourism

With an annual revenue of approximately 70 billion euro, accounting for 5.4% of GDP, more than 33,000 hotels and 400,000 jobs, the tourism sector is one of the driving forces of the Italian economy. Italy is among the top five most sought after tourist destinations in the world with more than 37 million arrivals in 2004. Spending on tourism is equal to 10.8% of final domestic consumption in the country.

Textiles and footwear

The majority of the textile industry is located in two regions, Schio-Valdagno and Lecchese. The textile industry employs almost 30,000 people and exports account for 9.2% of the country's total exports. In 2004 Italy imported clothing and other textiles primarily from Eastern Europe and Asia corresponding to 5.1% of the country's total imports. The textile exports account for 62% of the annual turnover in this sector. Italians are spending more money on clothes than previously and the clothing industry is currently experiencing a trend towards high quality, expensive and prestigious brands.

Footwear is also considered an important sector, it employs 28,000 people and has an annual turnover of just over 1.2 billion euro. The majority of exports in this sector go to the US, France and Germany.

BANKING AND FINANCE

Banking

Banca d'Italia is the central bank in Italy and is part of the European Central Banking System. Banca d'Italia also manages 'Centrale dei Rischi Finanziari' and 'Ufficio Italiano Cambi'. The former is a central risk office which collates information on bank loans to individuals and companies, while the latter manages currency reserves, collects statistics on the external balance of payments and controls money laundering activities.

In 2005 there were approximately 800 banks and 29,000 branches in Italy. The ten largest banks control 65% of the market. There are 58 foreign banks which operate in Italy through branches or representative offices, the two largest are Dexia Crediop (Belgium) and Deutsche Bank (Germany). The main Italian banks have representative offices in London as well as trading arrangements with British banks. In Italy, the British financial presence includes merchant and investment banking, venture capital and mortgage lending.

Banca d'Italia (Central Bank of Italy), Via Nazionale 91, 00184 Rome, Italy

Tel: 0039 06 47921. Email: email@bancaditalia.it

Website: www.bancaditalia.it

Finance

The Italian derivatives market (IDM) and the interest rate derivatives market (IMF), in which options are traded, are organised and managed by Borsa Italiana S.p.a, the Italian stock exchange. In 2005, the financial statements of Borsa Italiana showed net earnings of 43.1 million euro from a 133.4 million euro turnover.

Borsa Italiana (Italian stock exchange), Piazza degli affari 6, 20123 Milan, Italy

Tel: 0039 02 724261. Fax: 0039 02 7200 4333. Email: info@borsaitaliana.it

Website: www.borsaitaliana.it

OPPORTUNITIES FOR UK EXPORTERS / INVESTORS

Overview

Italy's economic and financial conditions are extremely favourable and the business environment is constantly improving thanks to ongoing legislative reforms. Italian government policies are increasingly directed at the structural reform of the economy with the liberalisation of key sectors such as energy and telecommunications as the main focus. This will provide new investment and co-operation opportunities for British companies but success requires long-term commitment.

Located at the centre of the Mediterranean region, Italy represents the ideal platform for expansion into emerging markets, such as Turkey and the Balkan region, with which Italy boasts a long history of cultural and socio-economic exchange. Italy is the UK's eighth largest market with exports worth £12.2 billion in 2005. The UK is Italy's fourth largest supplier after Germany, France and the Netherlands.

Italian consumers are sophisticated and demanding, particularly in terms of quality. Traditional, high quality British consumer goods often do very well and designer items or recognised fashion brands are also very popular. British technology, equipment and components have a good reputation and innovative products are always of interest.

Aerospace

The Italian aerospace sector is developing rapidly and benefits from world class performing companies that are dedicated to aerospace training and international research. This makes the sector an attractive investment opportunity for British hi-tech companies.

Information and communication technology (ICT)

Italy's 58 million consumers are highly sophisticated and receptive to innovative technologies which help make Italy one of the best pilot markets worldwide for developing and launching ICT products and services. IT and digitalisation are well underway in the public and private sectors and have in particular spread to the health service, the civil service, the mass media and education. The ICT sector offers British investors excellent opportunities, especially within machinery, automotive, aerospace, medical equipment and design.

Chemicals

With Europe accounting for over a quarter of global chemicals production, Italy is its third largest chemical producer and a major player on the international market. Exports play a key role in the Italian chemicals sector, with a higher proportion of export oriented companies than any other industry. The sector embodies the dynamic side of Italian industry, with SMEs as the vanguard, spending well above average amounts on R&D and training and employing one of the country's most qualified workforces. Foreign multinationals have 35% of the market share, which indicates a sector full of investment opportunities.

Tourism

Due to Italy's artistic, historic and cultural heritage, combined with its internationally acclaimed high quality wine, food and natural environment, its tourism sector offers enormous potential for growth and exceptional investment opportunities. Specifically, the sector creates an ever increasing demand for investments aimed at improving the quality of the services on offer, accommodation and infrastructure, particularly with regard to transport and facilities, i.e. restaurants, shops and leisure facilities.

BUSINESS CULTURE

Business hours

Business hours are from 8.00 or 9.00 to 18.00 or 19.00 with lunch breaks (siesta) usually taken between 12.00 and 14.00. Banks are open from 8.00 to 14.00 Monday to Friday. Most shops are open Monday to Saturday from 10.00 to 20.00 or 21.00 and are usually closed on Sundays.

National holidays

(Dates given are for 2007)

- New Year's Day (1 January)
- Epiphany (6 January)
- Easter (8 April)
- Easter Monday (9 April)
- Liberation Day (25 April)
- Labour Day (1 May)
- Festival of the Tricolor (12 May)
- Feast of St John the Baptist (24 June)
- Assumption Day (15 August)
- All Saints Day (1 November)
- National Unity Day (4 November)
- Feast of the Immaculate Conception (8 December)
- Christmas Day (25 December)
- St Stephen's Day (26 December)

Dress

Men and women are expected to dress conservatively in the business community. Men should wear suit and tie and women wear a dress or suit.

Business etiquette

Personal contact is an essential part of conducting business in Italy and regular visits to partners are advisable. It is important to show serious interest in the business negotiations as Italians do not like to waste their time or money. Italians are usually very open towards foreign companies and investment but can be tough negotiators, especially within the areas of price, delivery and credit. Italian

companies usually expect to conduct business in Italian, especially in the south, however, English has become more customary due to internationalisation.

SETTING UP A BUSINESS IN ITALY

Foreign companies looking to invest in Italy have the same rights and opportunities as Italian companies. Following a thorough reform of Italian business law in early 2003, the legal framework for companies can now be considered one of the most modern and dynamic in Europe. Changes to the structure of commercial companies, i.e. joint stock company and limited liability company, simplify and speed up the procedures for establishing a business in Italy. Some of these changes include new financial instruments for companies to create special categories of shares and rules providing greater flexibility and choice in relation to corporate governance and corporate responsibility for groups as they clarify issues such as liability, transparency and publicity. Foreign companies intending to establish a representative office must comply with certain formalities at local company registries, which are part of the local chambers of commerce.

Portal of the Italian Chambers of Commerce

Contains links to all local chambers of commerce in Italy.

Website: www.chamberofcommerce.it

Invest in Italy

Invest in Italy is the Italian investment promotion agency created by the National Agency for Enterprise and Inward Investment Development and ICE, i.e. the Italian Trade Commission.

Invest in Italy offers support to enterprises in all phases of investment and business development, from choosing the location to setting up a project, from helping with public administration to providing incentives and after care services.

Invest in Italy - Trade Promotion Section of the Italian Embassy, 14 Waterloo Place, London SW1Y 4AR

Tel: 020 7389 0300. Fax: 020 7389 0301. Email: londra@londra.ice.it

Website: www.investinitaly.com

FURTHER SOURCES OF INFORMATION / USEFUL ADDRESSES

Enterprise Europe Network London at London Chamber of Commerce and Industry

33 Queen Street, London, EC4R 1AP

T: +44 (0)20 74891992. F:+44 (0)20 72031812 E: europa@londonchamber.co.uk

The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses.

W: www.een-london.co.uk

London Chamber of Commerce and Industry

33 Queen Street, London EC4R 1AP

Tel: 020 7248 4444. Fax: 020 7489 0391. Email: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and Enterprise Europe Network can provide information or advice on many topics relating to international trade and overseas markets, including Italy. London Chamber of Commerce is a membership organisation but non-members can utilise certain services on a charged basis.

Website: www.londonchamber.co.uk

UK Trade and Investment

London International Trade Team, New City Court, 20 St. Thomas Street, London, SE1 9RS

Tel: 020 7234 3000. Fax: 020 7234 3001. Email: nicole.andrew@fco.gov.uk

UK Trade and Investment is the British government body responsible for helping UK companies secure overseas sales and investments. Their website has pages for each country in the world, including Italy.

Website: www.uktradeinvest.gov.uk

British Embassy

Via XX Settembre 80, 00187 Rome, Italy
Commercial Section: Tel: 0039 06 4220 2362. Fax: 0039 06 4220 2363.
Email: romecommeng@fco.gov.uk
Website: www.britain.it

British Chamber of Commerce in Italy

Via Dante 12, Milan, Italy
Tel: 0039 02 8777 98. Email: bcci@britchamitaly.com
Website: www.britchamitaly.it/

Italian Embassy

14 Three Kings Yard, London W1K 4EH
Tel: 020 7312 2200. Email: ambasciata.londra@esteri.it
Website: www.amblondra.esteri.it

Italian Chamber of Commerce in London

1 Princes Street, London W1B 2AY
Tel: 020 7495 8191. Fax: 020 7495 8194. Email: info@italchamind.org.uk
Website: www.italchaminf.org.uk

Italian Institute for Foreign Trade

(Italtrade), 14 Waterloo Place, London SW1 Y4AR
Tel: 020 7389 0300. Fax: 020 7389 0301. Email: londra@londra.ice.it
Website: www.italtrade.com



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