

The economic crisis and manufacturing prospects in Italy



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4 April 2014 - Maserati, 100th anniversary

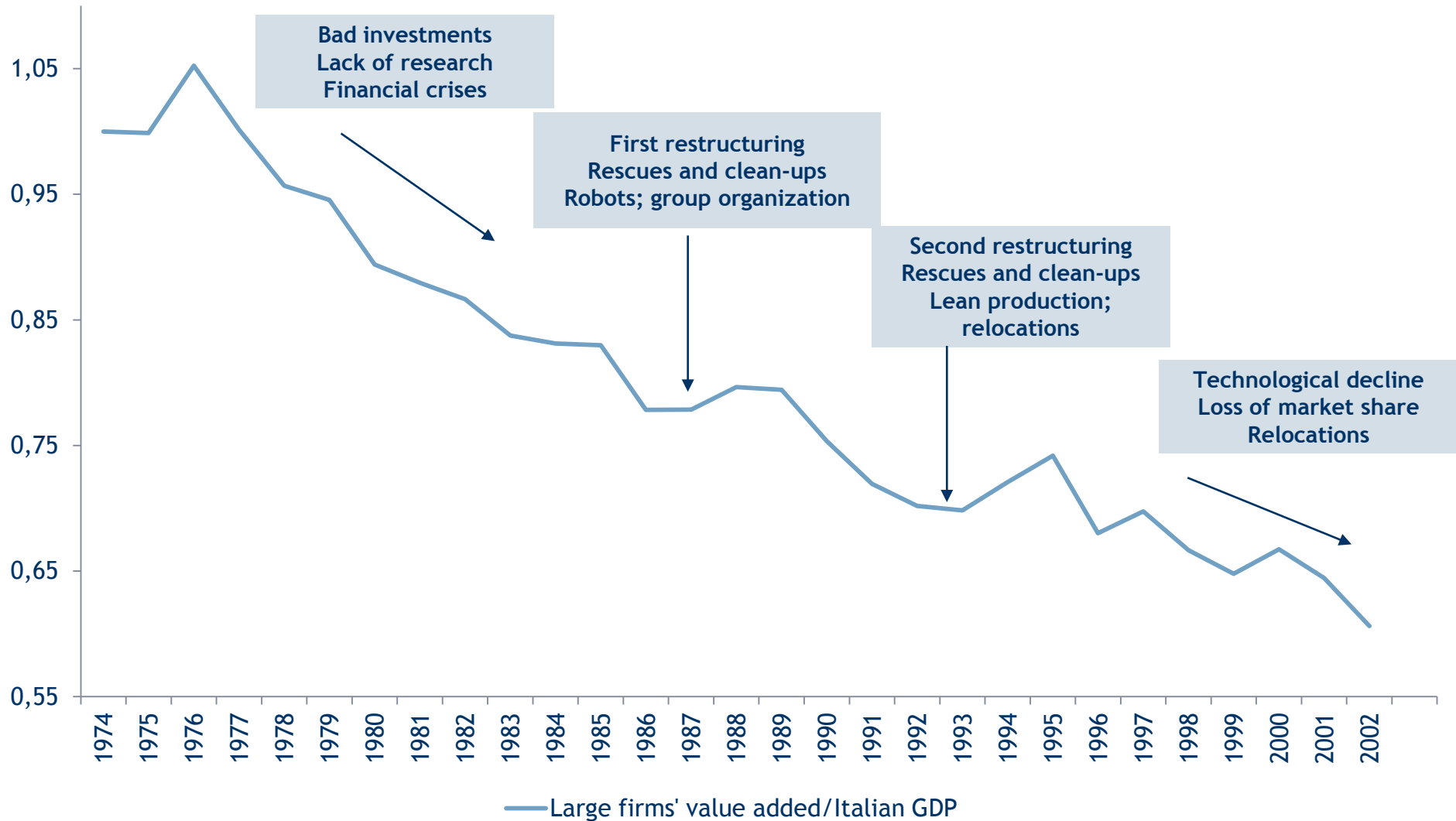
Where have we come from? Decline and transformation



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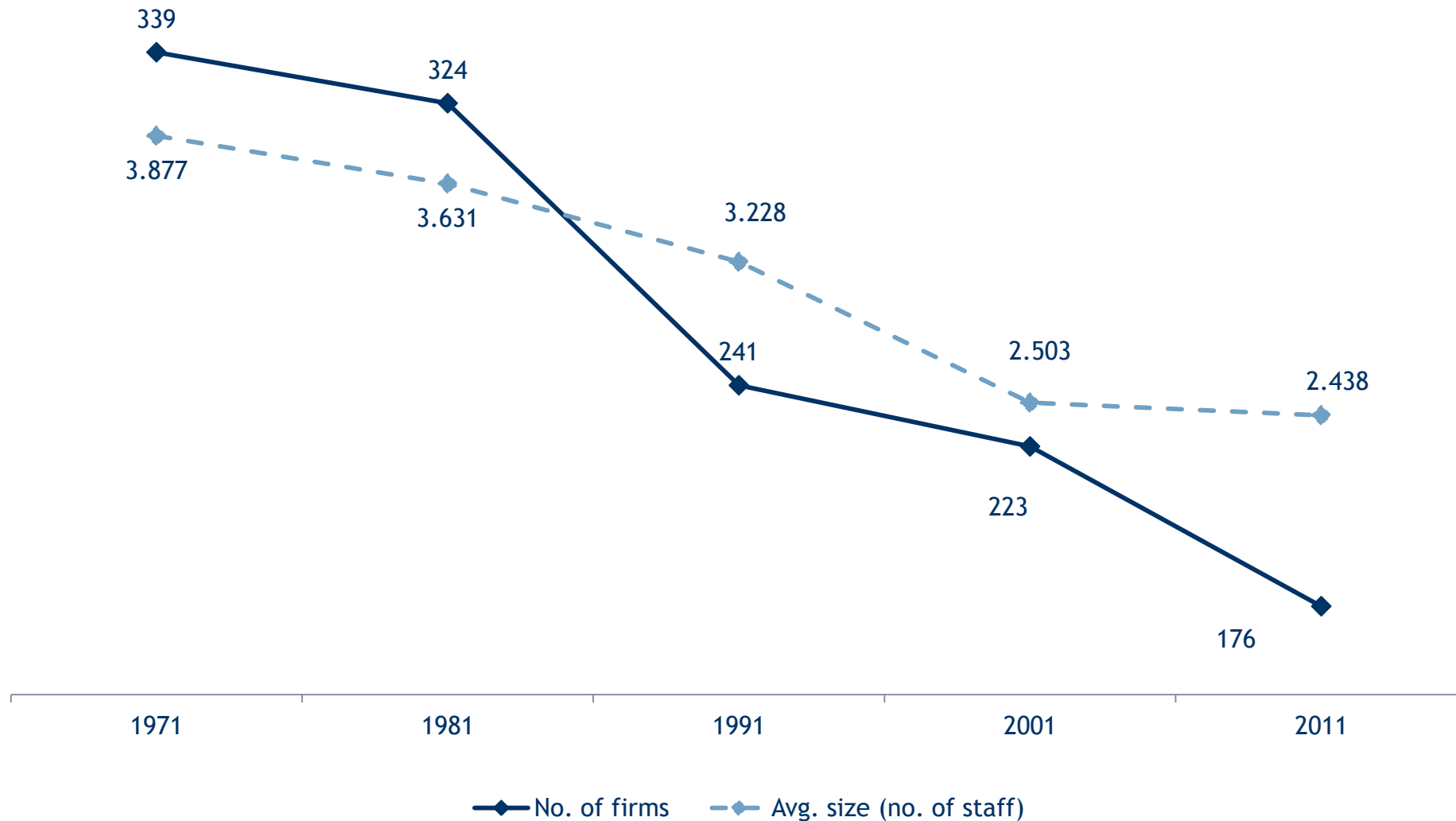
Crises and decline in Italian large enterprise

Index of Large firms' value added related to Italian GDP index (based on Mediobanca and Istat data at current prices)



Dualism reversed: fewer and fewer large companies

Istat – manufacturing industry census: firms with 1,000 and more staff



Manufacturing industry in Italy: the four capitalisms

Our history



1

The first large firms (late 1800s)

2

State capitalism (1933)

3

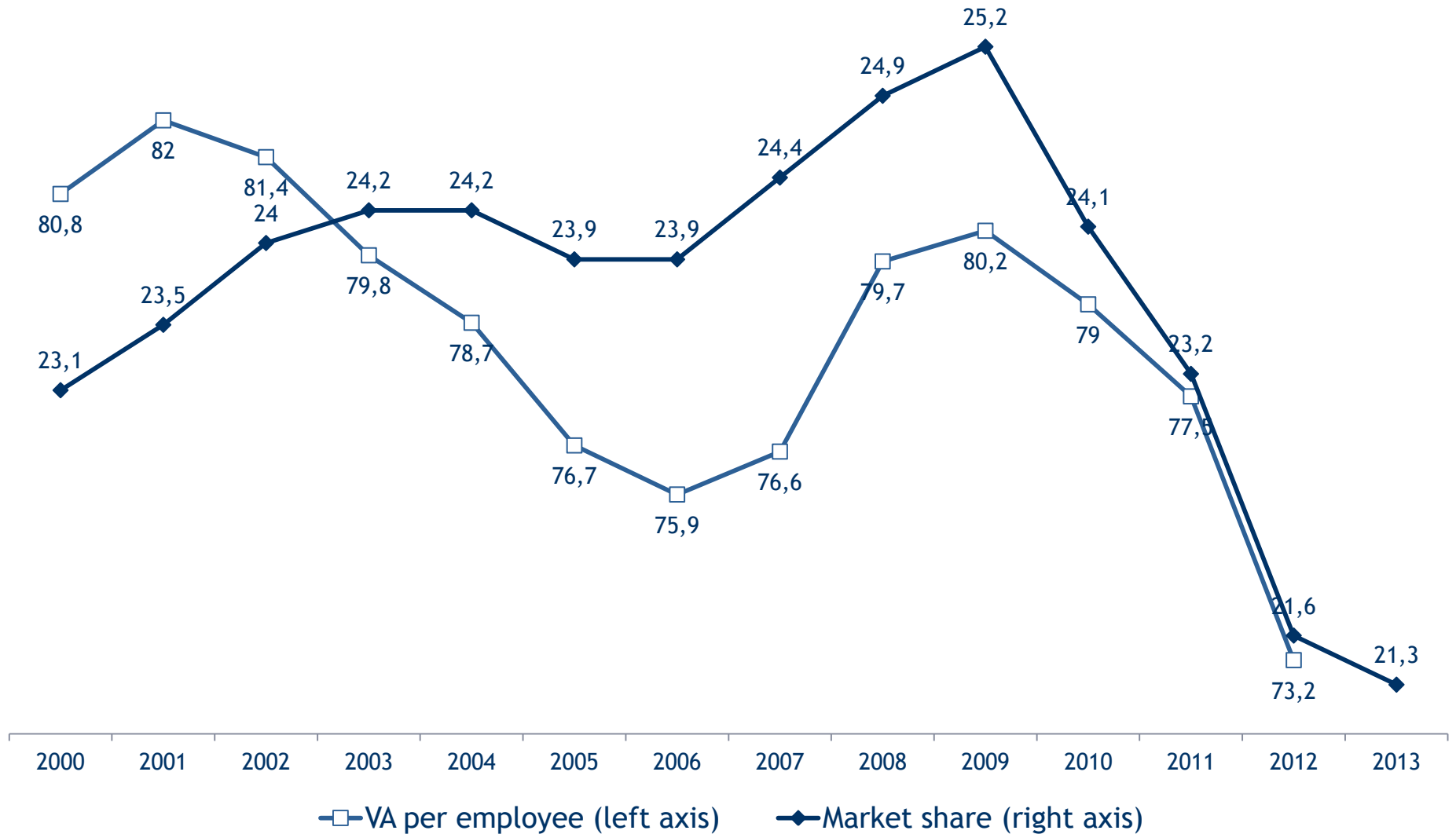
Industrial districts (1960-70)

4

MSEs and others (1990s)

After the Euro: Italy vs European competitors; market shares/productivity

Relative indicators calculated based on Eurostat data as % of sum of European competitors (France, Germany, UK and Spain)



The new factor: “fourth” capitalism



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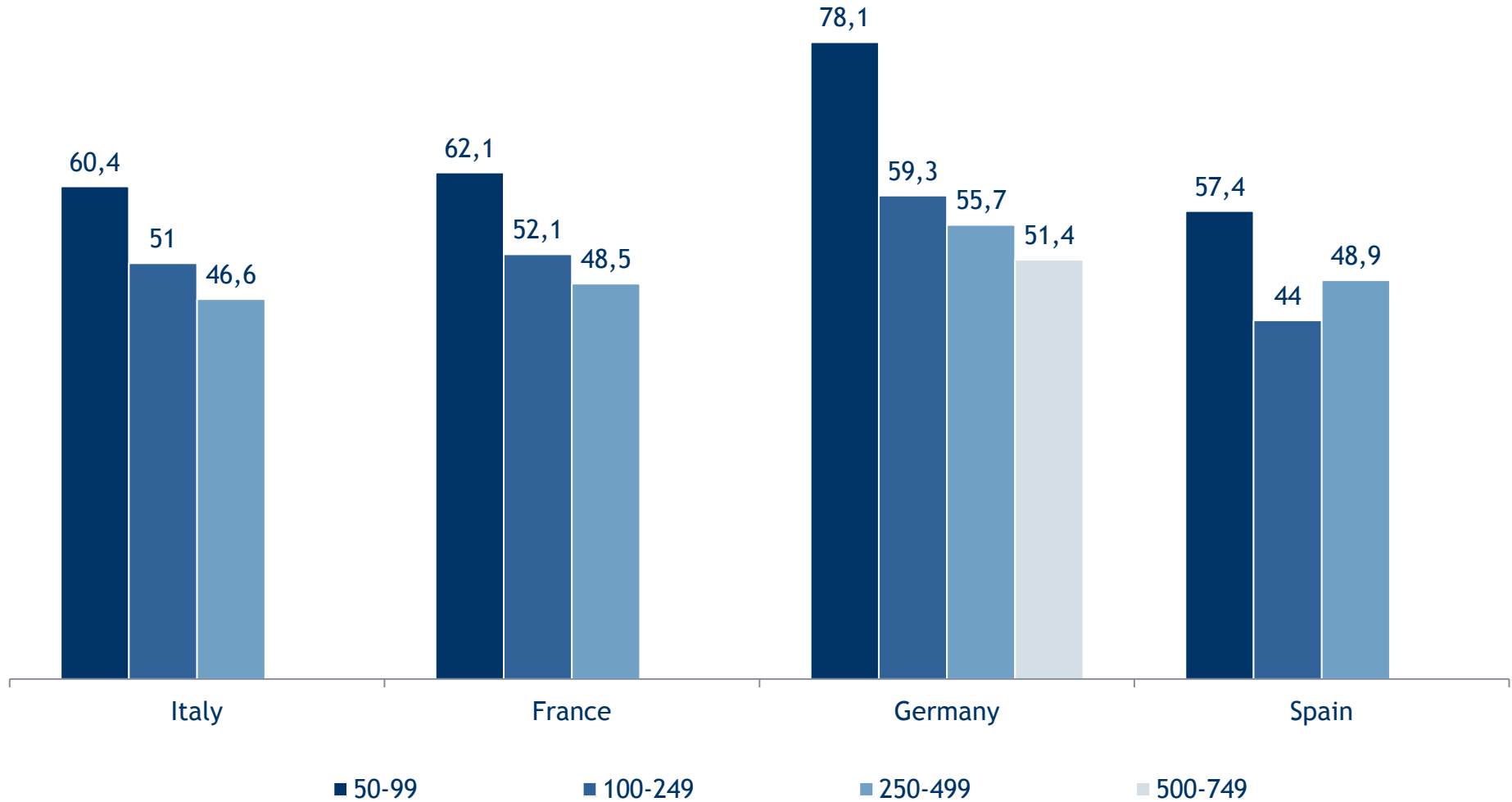
European MSEs: productivity and competitiveness – Italy versus the rest

Figures compiled on the basis of Confindustria, R&S and Unioncamere data from 2009 financial statements

Figures in €'000 per employee	Italy	France	Germany	Spain
Value added	51.0	52.1	56.1	47.9
<i>Italy = 100</i>	<i>100.0</i>	<i>102.2</i>	<i>110.0</i>	<i>93.9</i>
Cost of labour	39.6	43.6	46.7	36.8
<i>Italy = 100</i>	<i>100.0</i>	<i>110.1</i>	<i>117.9</i>	<i>92.9</i>
EBIT	11.4	8.5	9.4	11.1
<i>Italy = 100</i>	<i>100.0</i>	<i>74.6</i>	<i>82.5</i>	<i>97.4</i>

European MSEs: productivity – dwarves versus giants

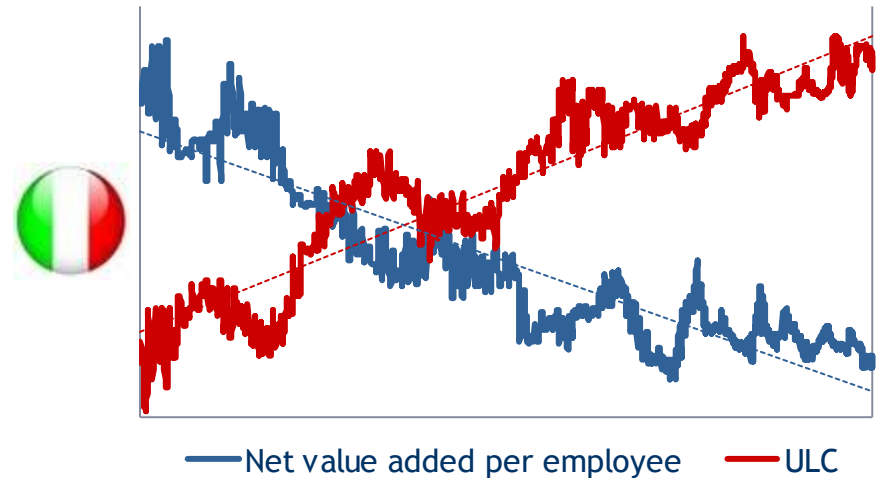
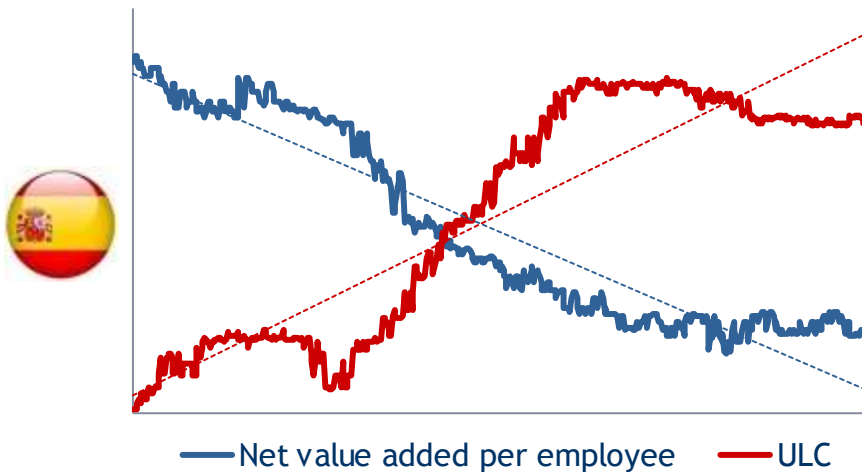
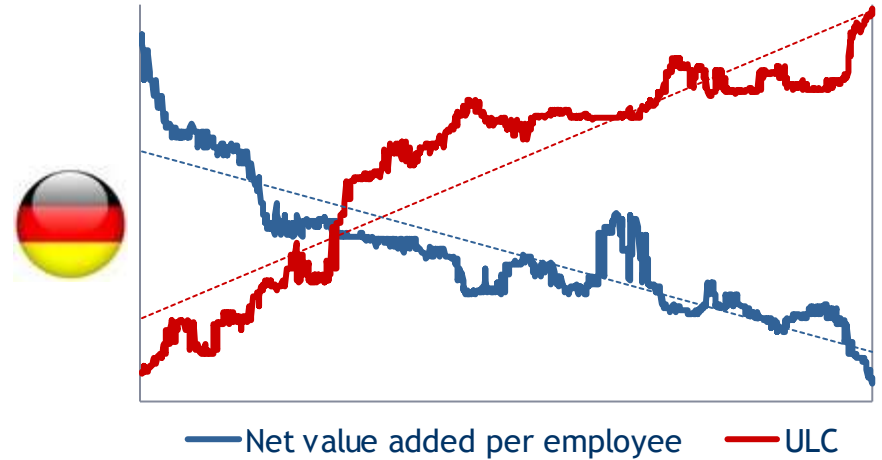
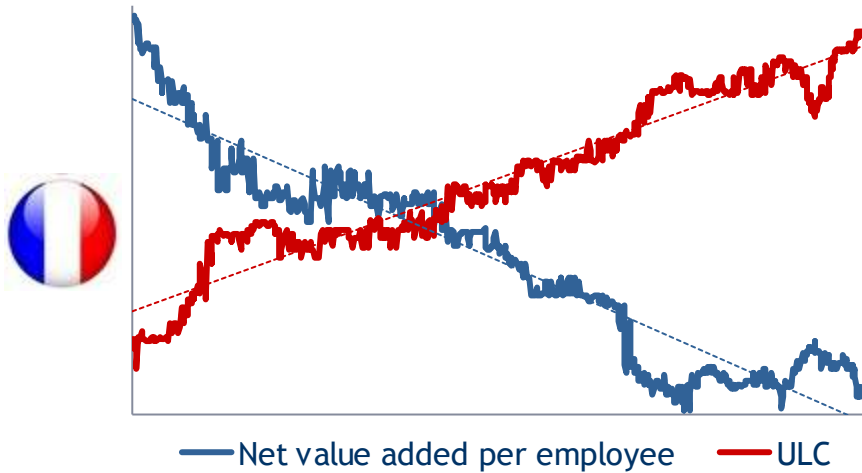
Net value added per employee in €'000 by staff category – source: Confindustria-R&S-Unioncamere survey, 2013



2009 data

MSEs: size, productivity and unit cost of labour

Increasing size from left to right (headcount); median values based on rolling sets of 200 observations



Source: compiled by R&S

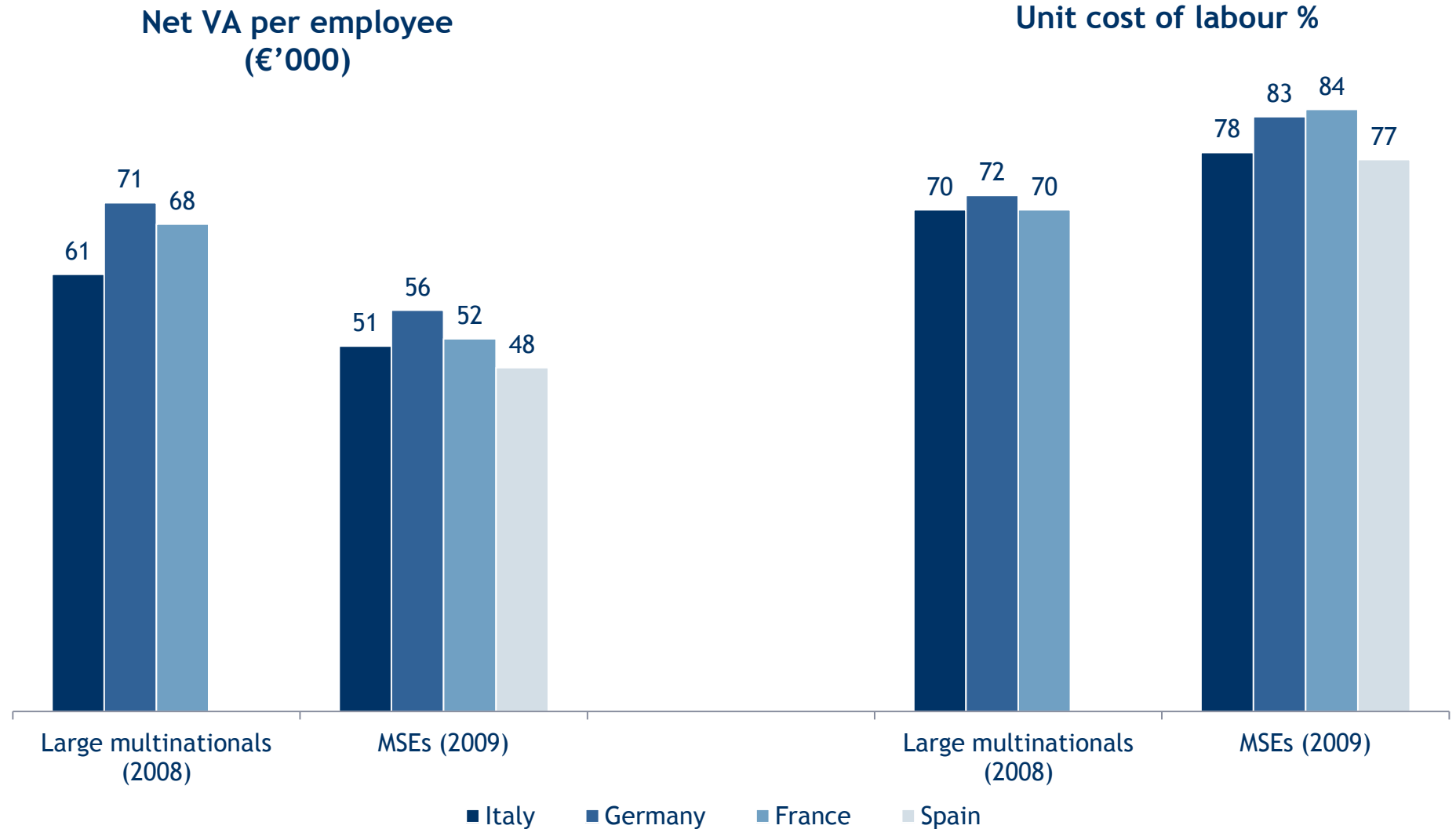
Is the fourth capitalism sufficient?



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Large multinationals and MSEs: competitiveness

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Italy vs Germany

2012 data

	Italy	Germany	Italy vs Germany
Population	59.4m	81.7m	73%
<u>Export-import balance:</u>			
districts & fourth capitalism/ <i>Mittelstand</i>	€86.2bn	€102.9bn	84%
large groups	€7.9bn	€203.5bn	4%

Who produces/destroys value: during periods of growth and crisis

Compiled based on Istat data – changes in value added based on current prices

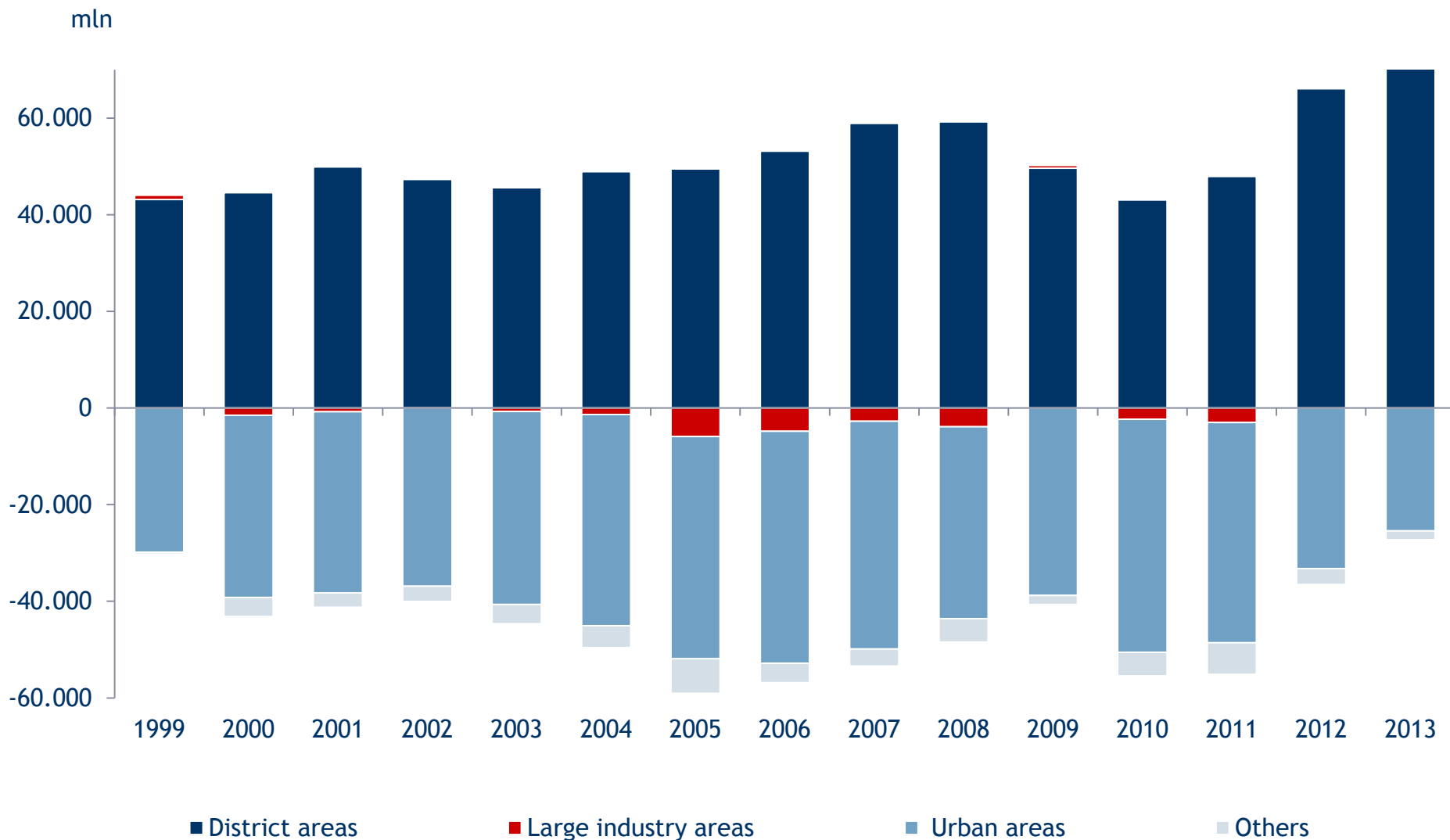
Goods produced in Italy	2000-2007		2007-2012	
	€bn	%	€bn	%
by large firms	+12.7	+16.2%	-15.1	-16.6%
by district and fourth capitalism systems	+24.4	+18.9%	-19.5	-12.7%

2012 levels vs 2000 (based on current prices):

Large firms	96.9% (88%)
Districts/fourth cap.	103.8% (93%)

Origins of Italian balance of payments

Net export and import flows in Euros from territories classified according to Becattini-Coltorti method (2004ff. – UA = To, Mi, Rm, Na)



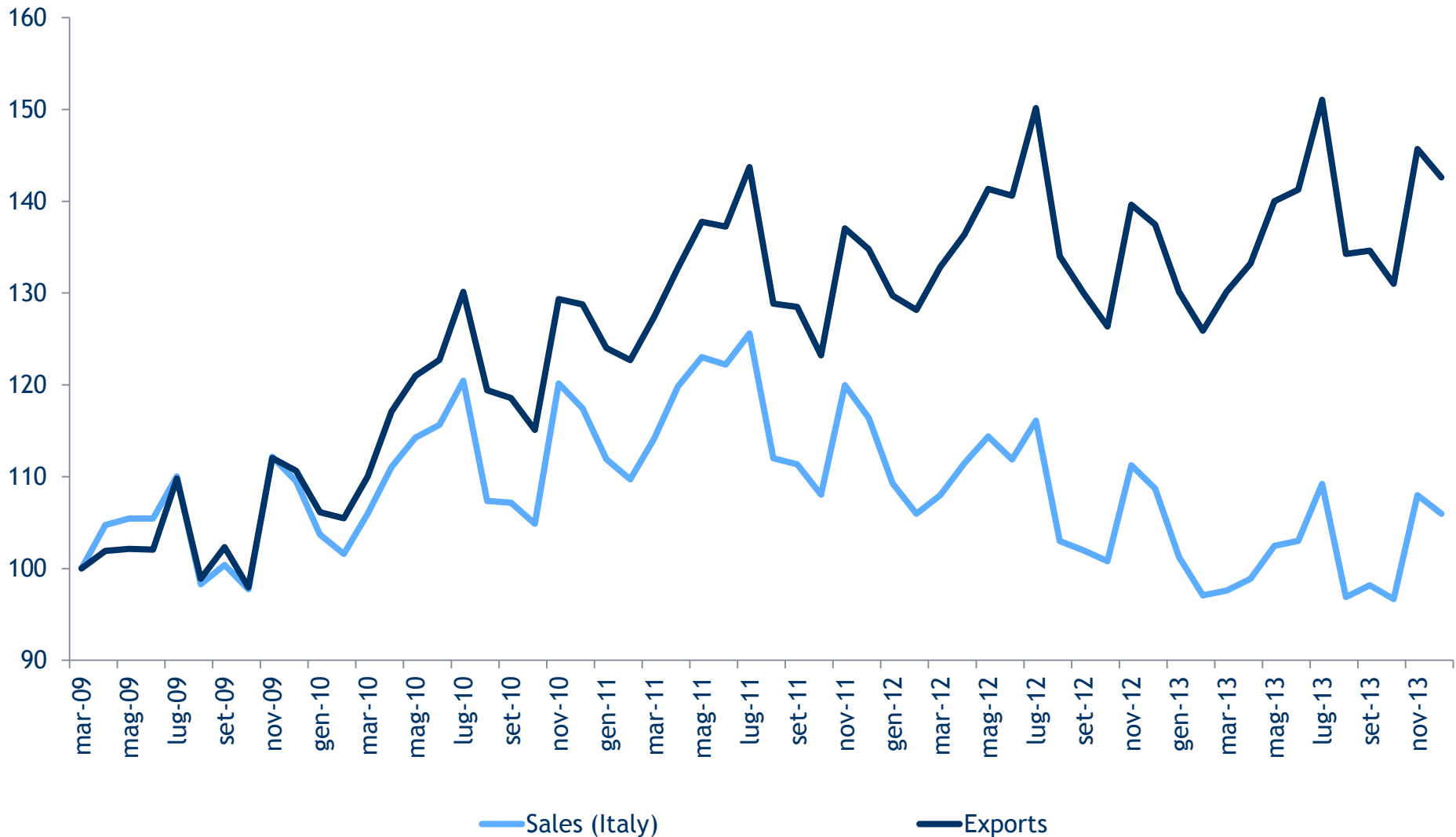
The future: what's missing, and the keys to success



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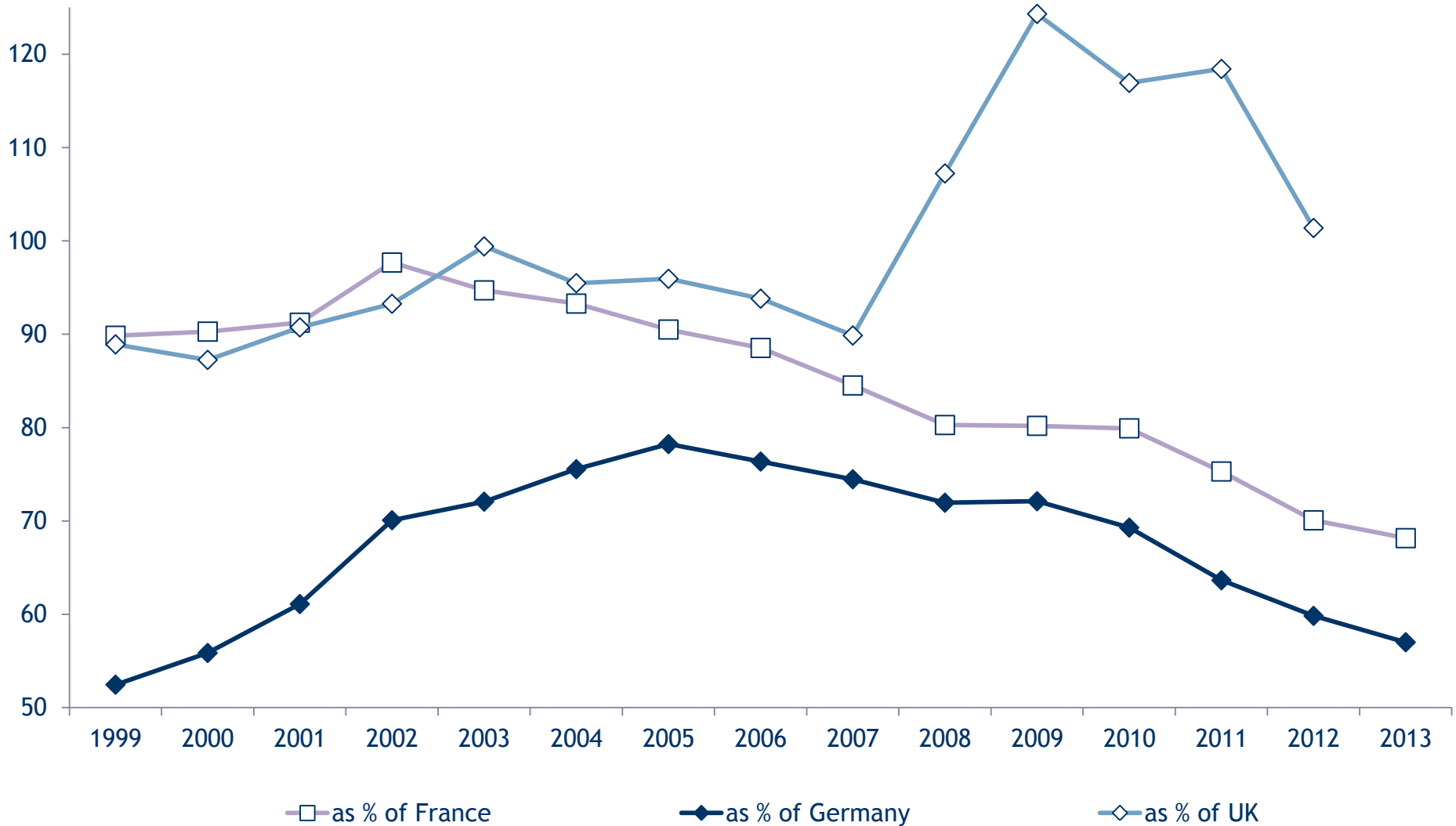
Italian manufacturing turnover: domestic demand in short supply

Quarterly moving averages based on Istat data – January 2009-December 2013



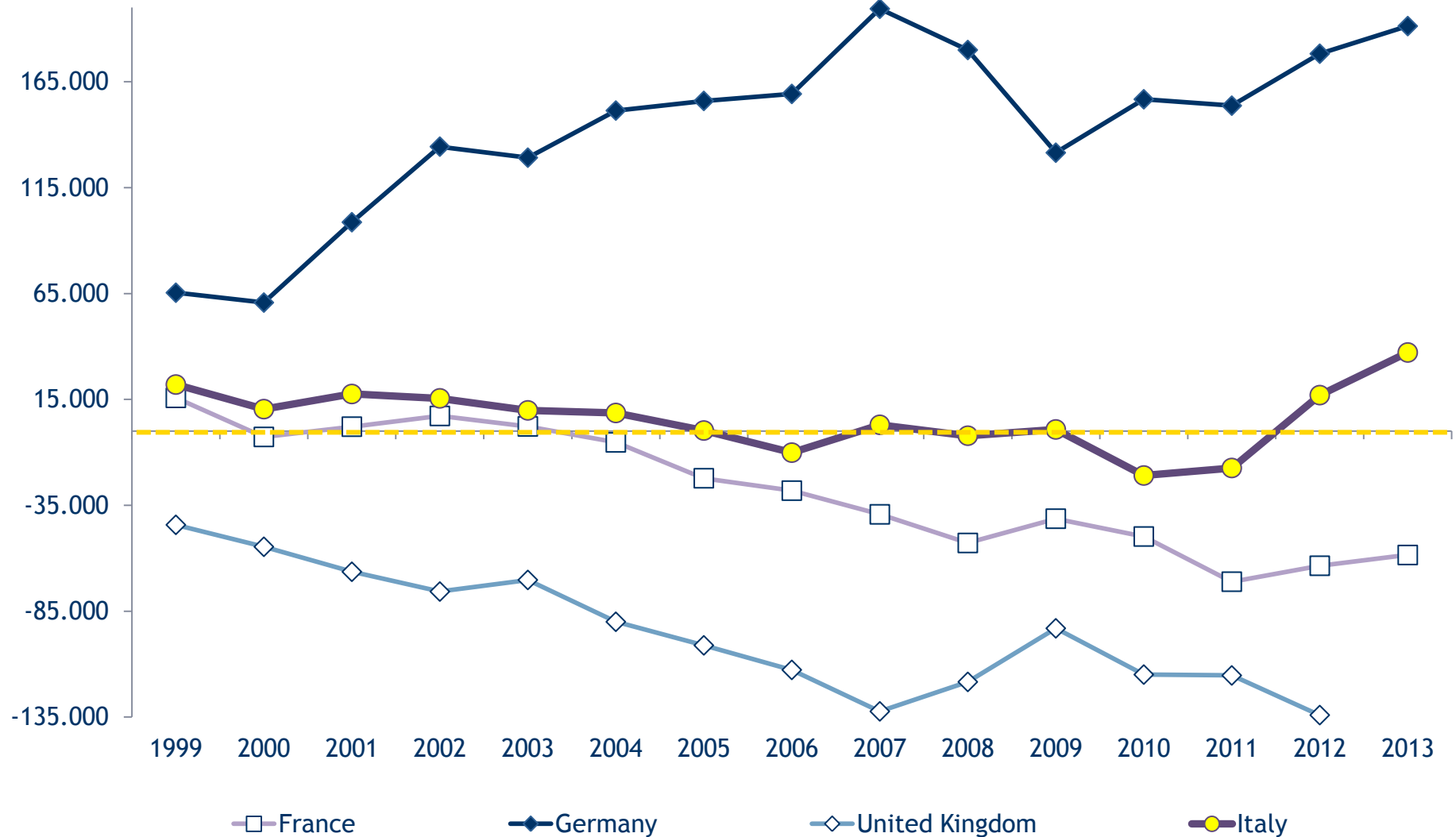
Lack of investment: Italy vs France, Germany and the U.K.

Gross fixed investments in manufacturing sector, relative values (% of Eurostat national accounting data based on current prices)



But in demand worldwide: Italy vs France, Germany and the U.K.

Export-import balances; values in €m (source : dati Eurostat national accounting data based on current prices)



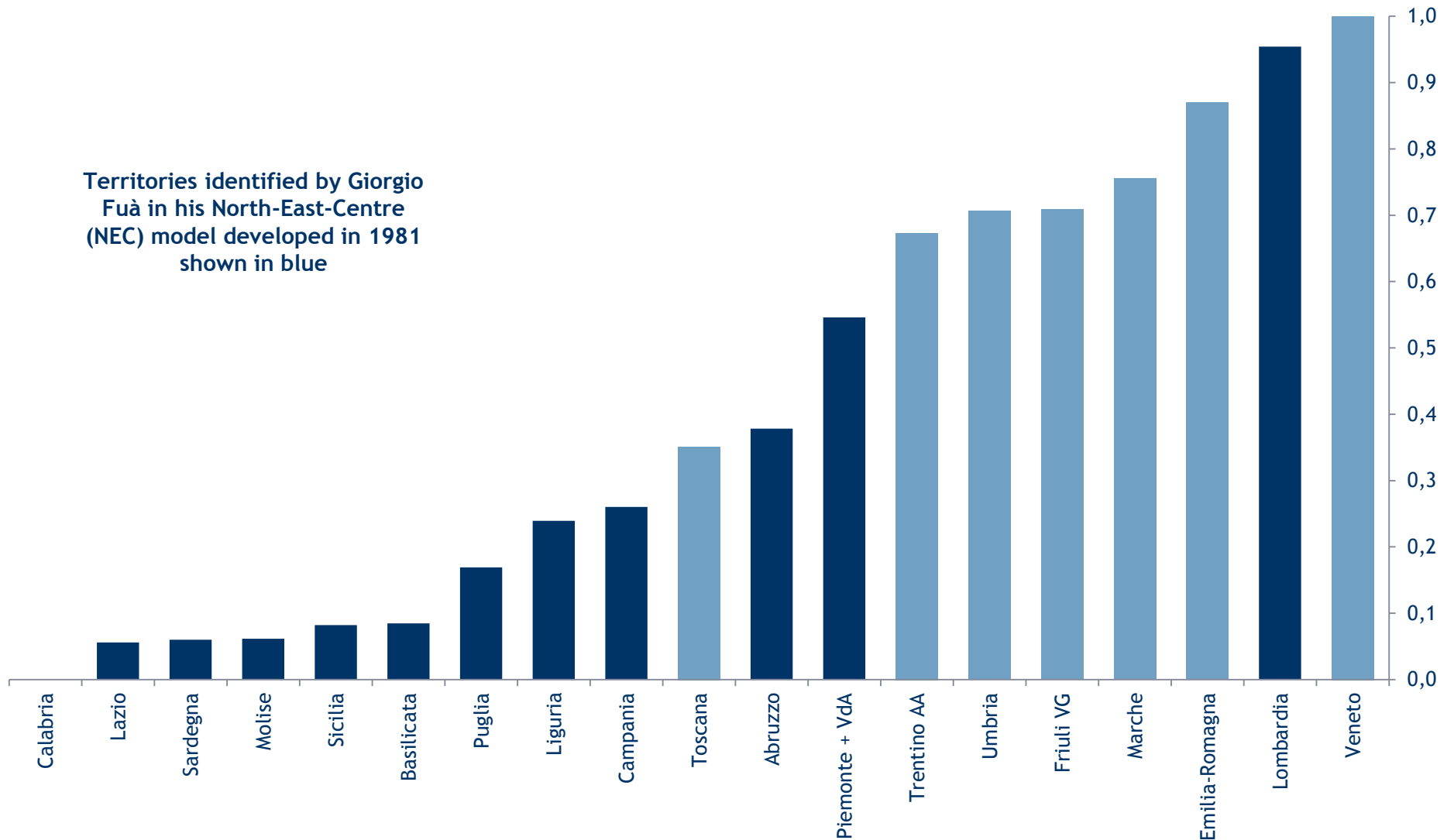
Keys to success: competitiveness based on revenues not cost

- 1) **Quality of work force** (measured by unit salary levels): companies which use staff employed on low wages tend to be less productive than those with a more expensive workforce in terms of cost of labour per unit matched with a capital stock per staff member and with high-quality production. A workforce which “merits” a €1 increase in salary levels *ceteris paribus* generates a €1.4 increase in productivity (in value terms)
- 2) **Inverse correlation between size and productivity**: production specialization and a commercial policy which is geared towards leveraging market niches on the back of capabilities and innovation tend to be successful strategies (as confirmed by the data shown in the previous slides)
- 3) **Knowledge Intensive Services (KIS)**: there is a need for firms which supply high knowledge-intensity services
- 4) **Managerial capabilities and quality of infrastructure**: the former is the product of training; the latter tends to differentiate between performances (e.g. deteriorating performances in southern Italy)

Source: econometric analysis based on MSEs' data taken from the Mediobanca-Unioncamere surveys published in the last decade (F.Coltoresi and D.Venanzi, “Produttività, competitività e territori delle medie imprese italiane”; in *I nuovi distretti industriali. Rapporto di Artimino sullo sviluppo locale 2012-2013*, ed. by M. Bellandi and A. Caloffi (Bologna: Il Mulino, forthcoming)

Mediobanca indicator of attractiveness of fourth capitalism

Normalized average of 7 indexes calculated based on MSEs' data



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