

A network diagram consisting of several colored nodes (green, red, blue, yellow) connected by black lines, positioned in the top right corner of the slide. The nodes are arranged in a roughly triangular pattern, with the green node at the top left, the red node at the top right, and the blue node at the bottom center. A yellow node is partially visible on the far right edge.

Italy and Germany at the crossroads between manufacturing decline or the relaunch of industrial competitiveness in EU

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Germany's economic downturn? Most recent data show small differences across key EU countries

Quarterly GDP in volume: 2022-2024 (% change over the previous quarter)

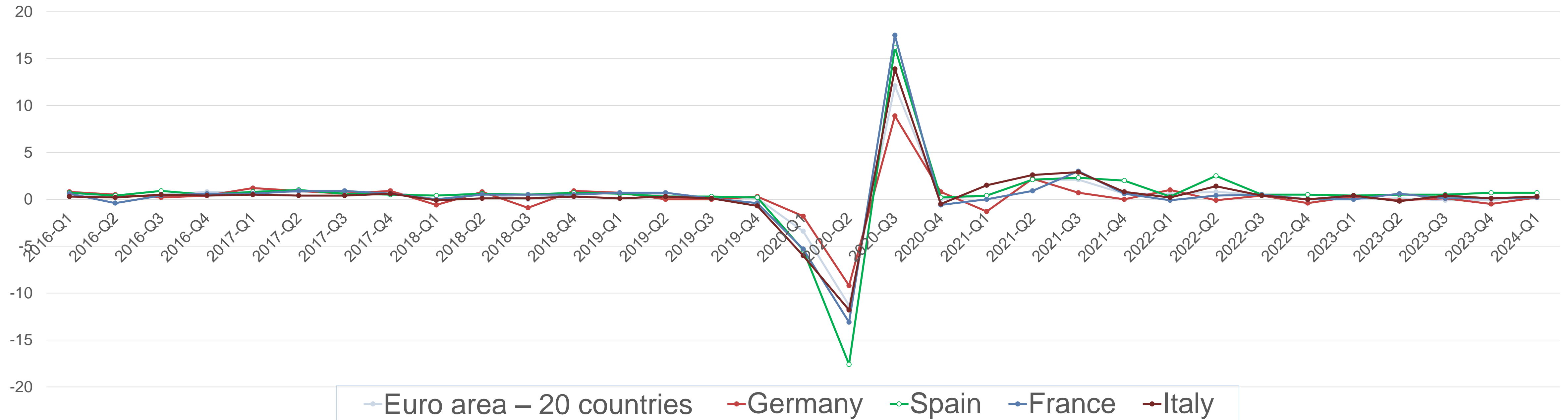
	2022-Q1	2022-Q2	2022-Q3	2022-Q4	2023-Q1	2023-Q2	2023-Q3	2023-Q4	2024-Q1
European Union - 27 countries	0,7	0,7	0,4	-0,1	0,1	0,1	0	0	0,3
Euro area – 20 countries	0,6	0,8	0,5	0	0	0,1	-0,1	-0,1	0,3
Germany	1	-0,1	0,4	-0,4	0,3	-0,1	0,1	-0,5	0,2
Italy	0,2	1,4	0,4	0	0,4	-0,2	0,4	0,1	0,3
France	-0,1	0,4	0,5	0	0	0,6	0,1	0,1	0,2
Spain	0,3	2,5	0,5	0,5	0,4	0,5	0,5	0,7	0,7

Source: Eurostat

- The magnitude of the business cycle crisis is clearly overestimated. **In the first quarter of 2024, there are already widespread signs of GDP recovery in the EU area, including Germany.**
- The slowdown is due to **exogenous and contingent factors**: the increase in energy prices, **the weakness of some of the main breakthrough markets (China and the USA)** that penalize an export-led economy such as Germany's, the weakness of domestic demand due to the loss of purchasing power of wages.

Germany's economic downturn? The overall trend is of "0. %" growth

Quarterly GDP in volume by main EU country: 2016-2024



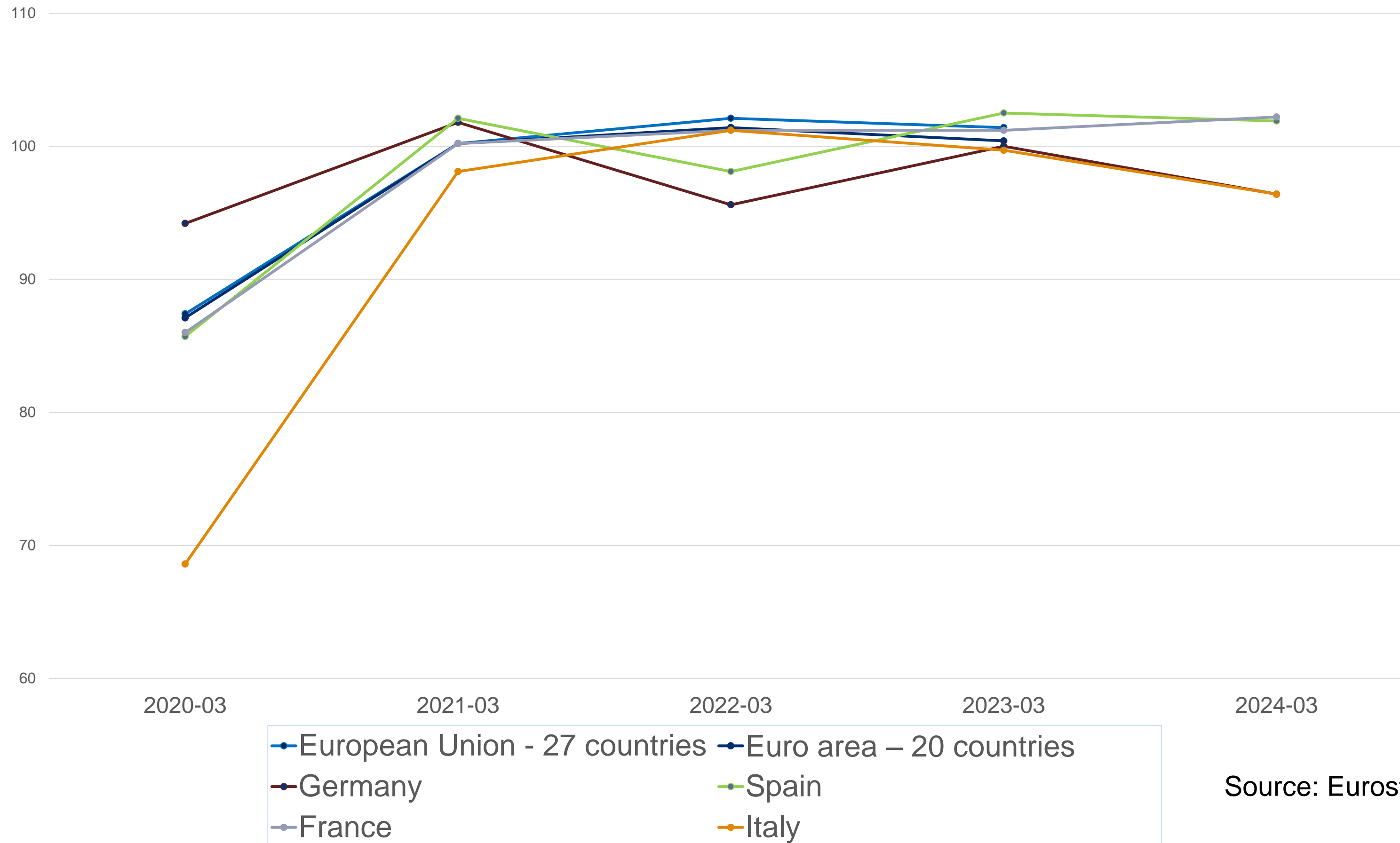
Source: Eurostat

EU countries have experienced similar macro-trends in terms of growth over the last few years.

Rather than a “German case”, the data show a common situation of stagnation in EU.

Industrial production in volume slowly declines in Italy and Germany

Production in industry by main EU country: 2020-2024



Production in industry (Eurostat) - 2021=100

	2020-Q3	2021-Q3	2022-Q3	2023-Q3	2024-Q3
EU	87,4	100,2	102,1	101,4	NA
Euro Area	87,1	100,2	101,4	100,4	NA
Germany	94,2	101,8	95,6	100	96,4
Italy	68,6	98,1	101,2	99,7	96,4
France	86	100,2	101,2	101,2	102,2
Spain	85,7	102,1	98,1	102,5	101,9

On the contrary, **industrial production has increased in monetary value**, as a result of both inflation and quality upgrading. Therefore, the decline in industrial production is less evident when measured in monetary values compared to volumes

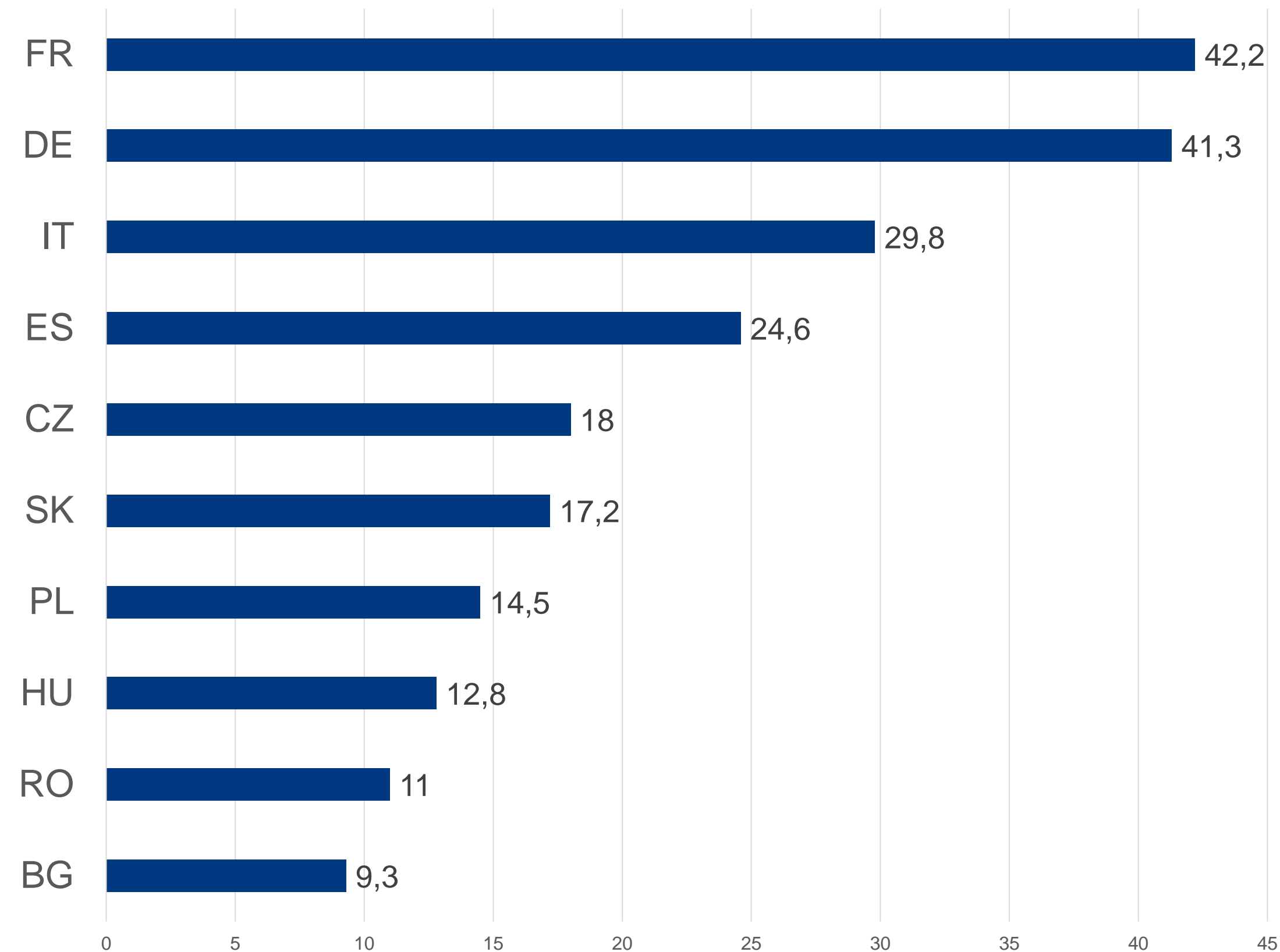
At the **industry level there are some national industries with negative trends**. It is clear that **both Germany and Italy are going through a phase of complex industrial transformation**

Source: Eurostat

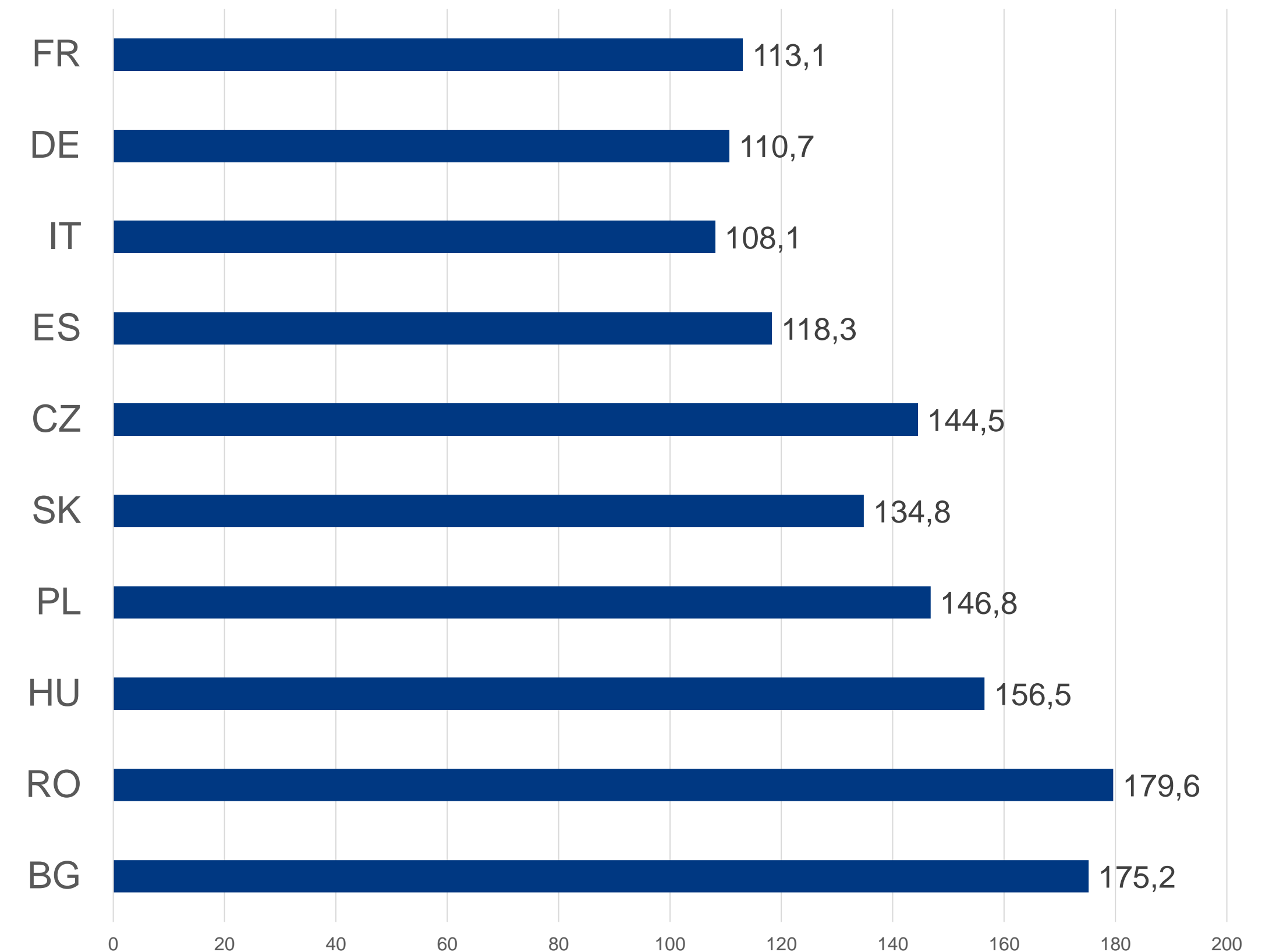
Peripheral EU countries are still competitive in terms of labour costs, but their unit labour costs are still high

The drivers of competitiveness: Labour cost and productivity

Average annual wages for selected EU countries: 2023



Labour cost corrected for productivity for selected EU Countries , 2015 = 100: 2023



Position of key countries in the ranking of EU manufacturing and business services industries

	1th	2nd	3rd	4th	5th
Germany	52	9	1		
France	6	28	16	6	
Italy	3	17	22	10	8
Spain		2	14	22	8
Netherlands		1	3	10	17
Poland		3	1	4	12

Considering a total of 61 business industries, with positions measured by the contribution of country to the total value added of EU industries (data 2022):

- **Germany is first in as many as 52 business industries**, second in 9 industries
- Italy is first in 3 business industries, second in as many as 17
- France is first in 6 industries, second in 28

“Size matters” but also industrial diversification and complexity is important for competitiveness

Source: Eurostat

Position of countries in the ranking of EU manufacturing industries: 2022

INDUSTRIES	Germany	1° country other than Germany	2° Country	3° Country
Manufacture of basic metals	1		Italy	Austria
Manufacture of basic pharmaceutical products and pharmaceutical preparations	1		Belgium	France
Manufacture of beverages	1		France	Spain
Manufacture of chemicals and chemical products	1		France	Italy
Manufacture of coke and refined petroleum products	1		Poland	Belgium
Manufacture of computer, electronic and optical products	1		France	Italy
Manufacture of electrical equipment	1		Italy	France
Manufacture of fabricated metal products, except machinery and equipment	1		Italy	France
Manufacture of food products	1		France	Italy
Manufacture of furniture	1		Italy	Poland
Manufacture of machinery and equipment n.e.c.	1		Italy	France
Manufacture of motor vehicles, trailers and semi-trailers	1		France	Spain
Manufacture of other non-metallic mineral products	1		Italy	France
Manufacture of paper and paper products	1		Italy	France
Manufacture of rubber and plastic products	1		Italy	France
Manufacture of tobacco products	1		Poland	Italy
Manufacture of wood and of products of wood and cork	1		Italy	France
Other manufacturing	1		France	Italy
Printing and reproduction of recorded media	1		Italy	France
Remediation activities and other waste management services	1		Italy	France
Repair and installation of machinery and equipment	1		France	Italy
Food and beverage service activities	2	France		Italy
Manufacture of other transport equipment	2	France		Italy
Manufacture of textiles	2	Italy		France
Manufacture of wearing apparel	2	Italy		France
Repair of computers and personal and household goods	2	France		
Manufacture of leather and related products	3	Italy	Spain	

- Germany is first, for example, in chemical and pharmaceutical products, electronical and electric equipment, as well as machinery.
- Italy is first in textiles and leather products, second in a variety of key industries including basic metals, metal products, machinery and plastic.
- **Competition or complementarity in production?**

Complementarity: Germany is more productive in larger companies, Italy in medium size ones

Labour productivity by company business size: 2020

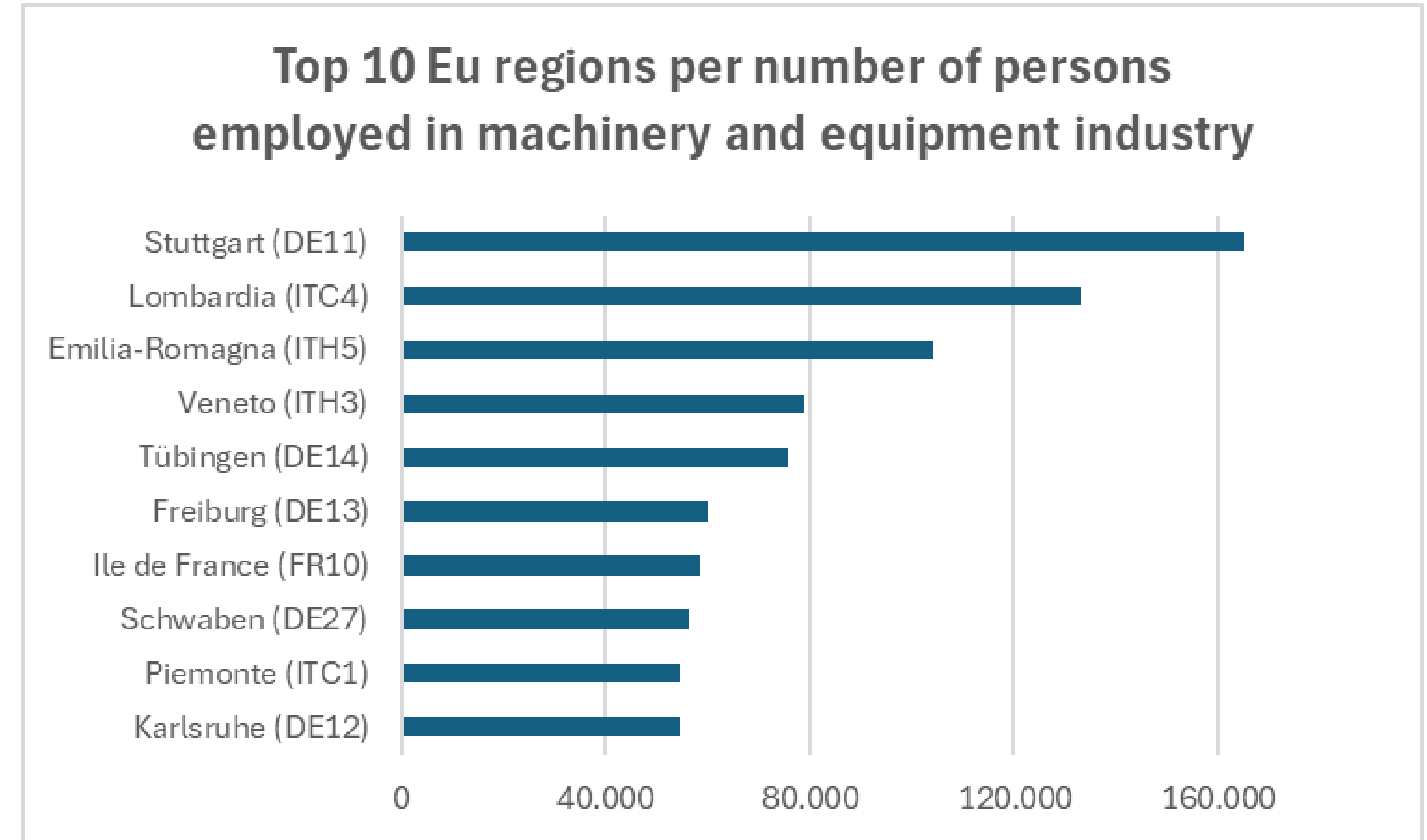
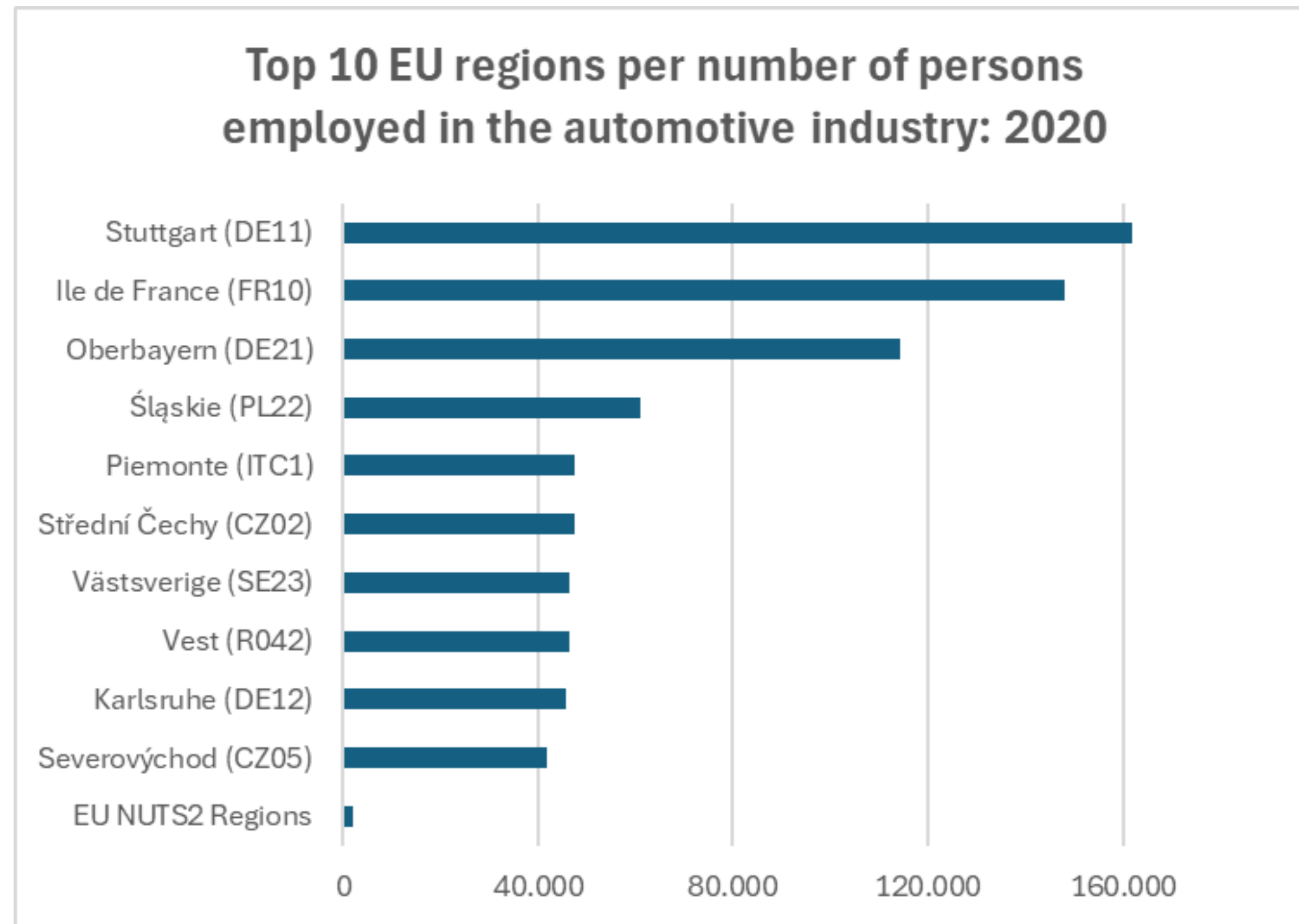
Labour productivity in manufacturing by business size classes: 2020 (Gross value added per person employed, in thousand euro)

	Total	0-9	10-19	20-49	50-249	>= 250
European Union - 27 countries	64	27	38,4	44,5	54,2	84,5
Germany	77,4	37,6	43	52,3	60	93,3
Italy	60	27,2	43,1	55,1	72,5	85
France	70,9	37,8	46,7	54,8	62,5	82,9
Spain	55,9	27,2	37,5	45,1	58,4	75,5

Source: Eurostat

- **Complementarity is also clear in company business size:** German big companies and Italian SMEs are frontrunners in manufacturing and are greatly interconnected in the GVC.
- Complementarity in productivity in an asset for Italian-German integration and competitiveness.

The location and geographical agglomeration of EU industries

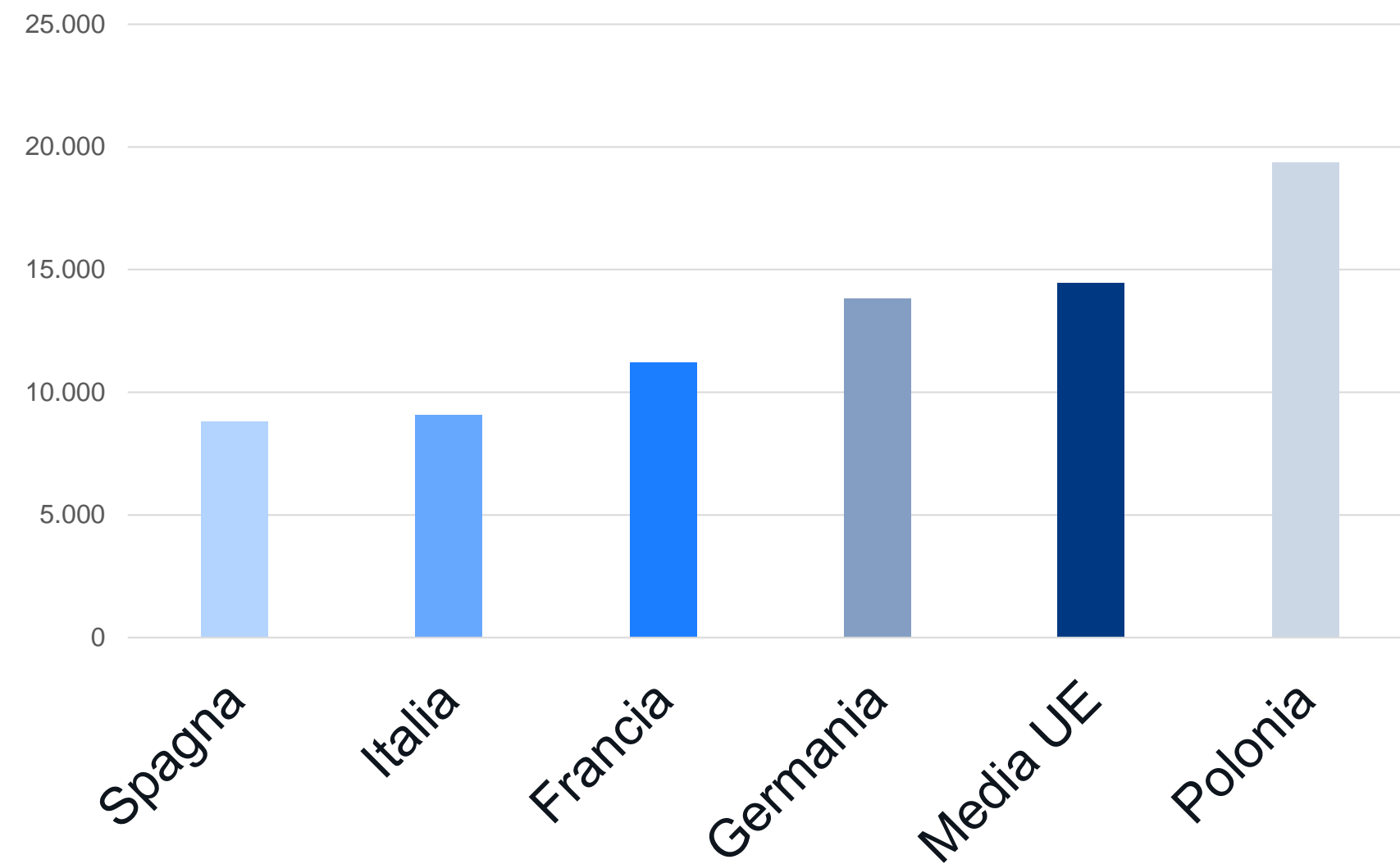


- EU industries exhibit quite different patterns of location and geographic concentration while national borders are of limited importance in shaping the location of EU industries. The automotive industry is located across many countries: Germany, Poland, France, Italy, Czech Republic, Romania and Sweden. In contrast, the machinery and equipment industry is concentrated in Italy and Germany and highly agglomerated across Italian and German borders.

Energy productivity is an asset

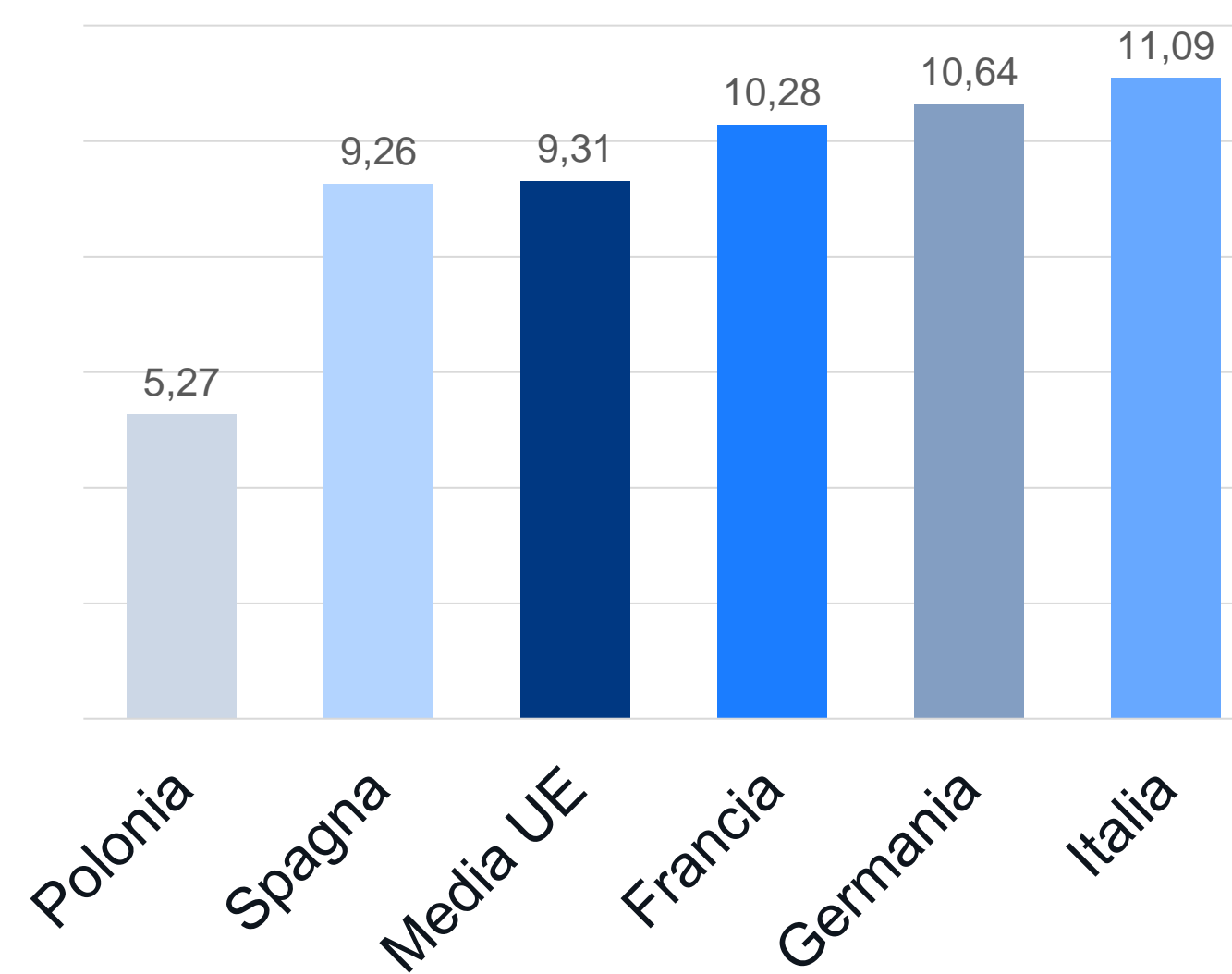
The need of more sustainable sources

Material Consumption



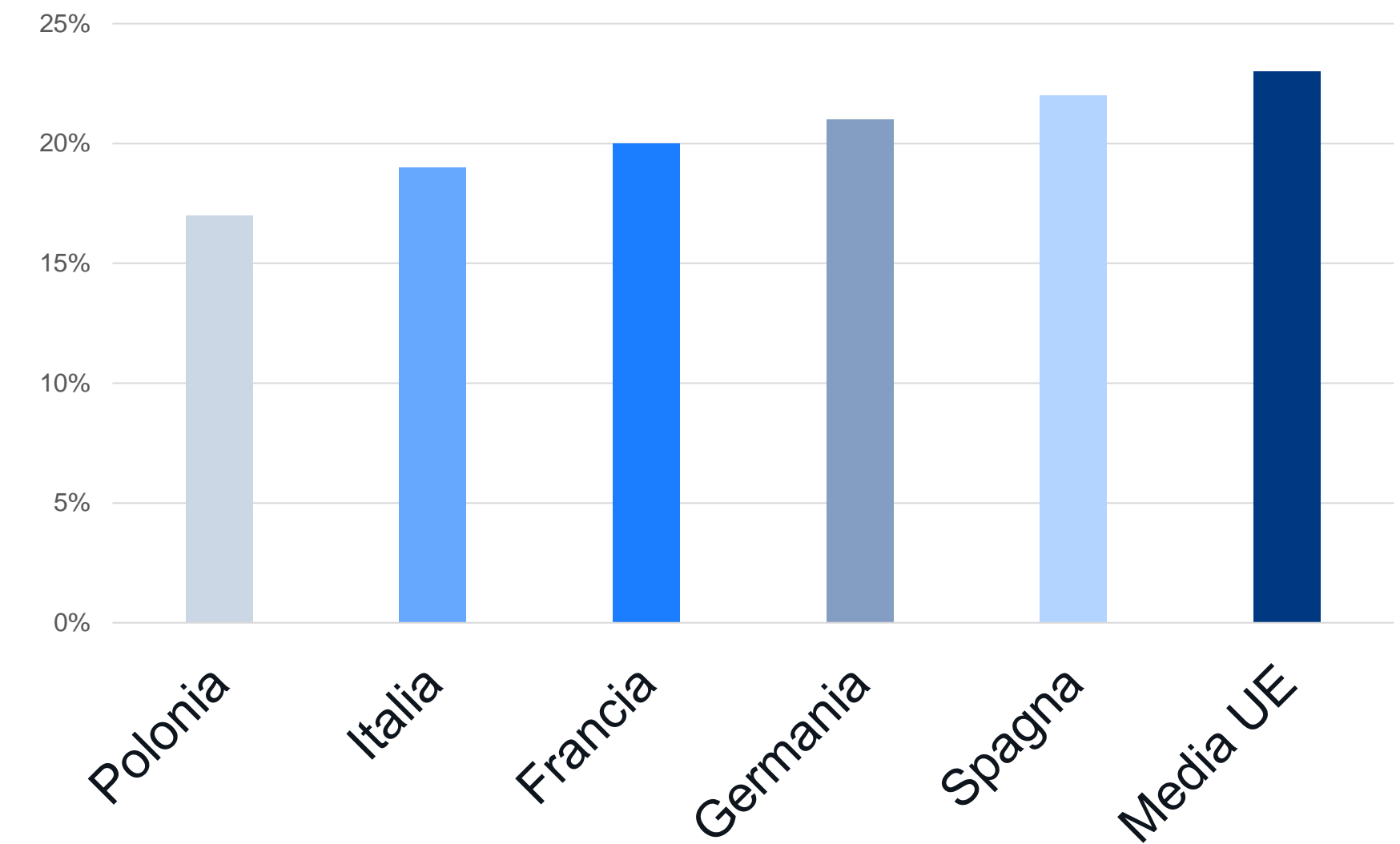
Tonnes per capita - 2022

Energy productivity



Euro per Kilogram of oil equivalent - 2022

Renewable energy

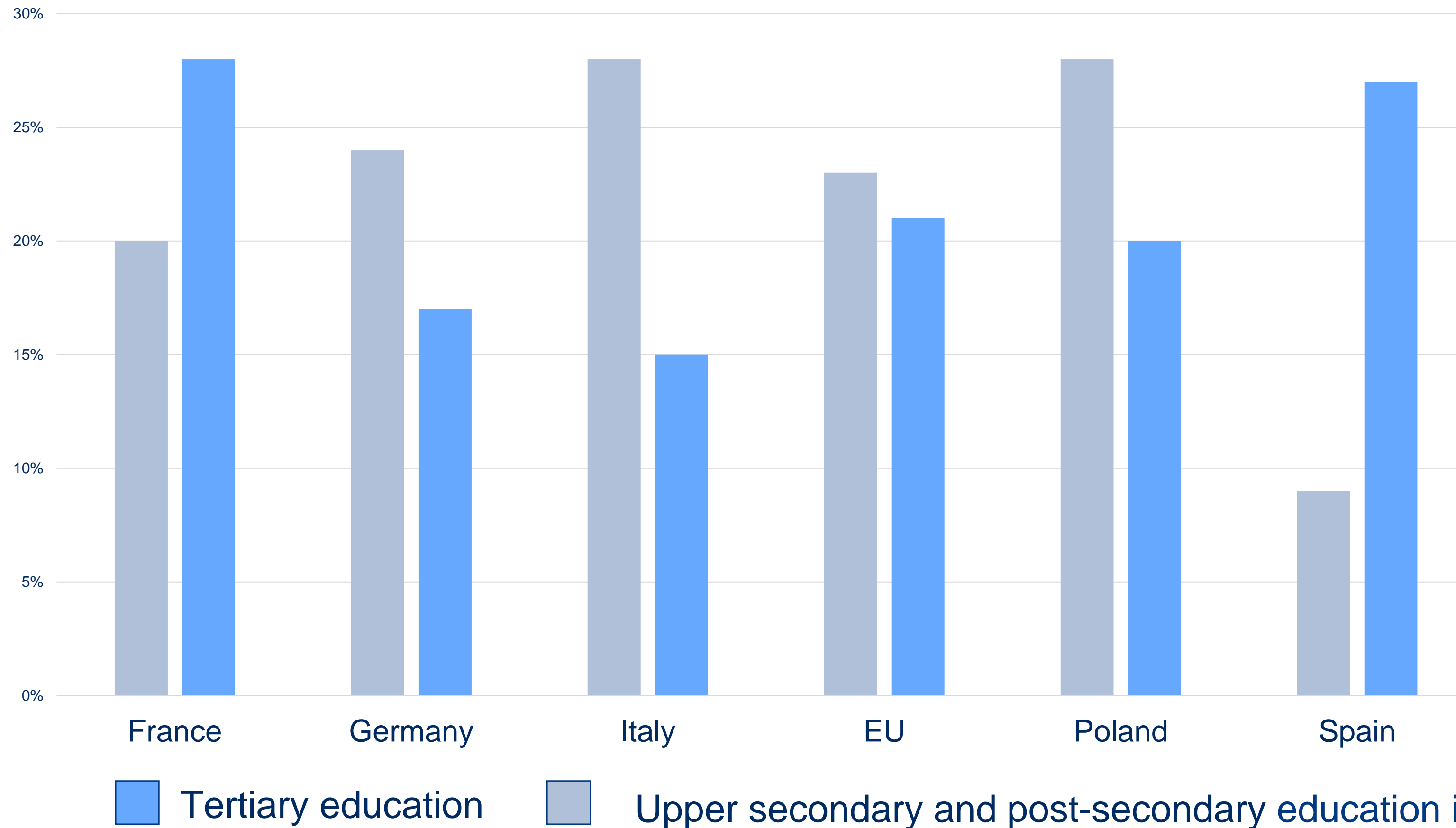


Percentage – 2022

While **Italy and Germany** have great performance when it comes to **circular economy and energy productivity**, the share of **renewable energy sources should be improved** in order to shift to a more sustainable manufacturing. Energy productivity is a competitive asset, but it needs to be upgrade in a new paradigm.

Education is the key to boost productivity of EU industries

Formal education and vocational training for young people: 2023



- Both **Italy and Germany** are laying **behind other EU countries** when it comes to tertiary education for young people ((15-29 years)
- The two countries have **good levels of upper secondary education oriented to vocational training.**
- To increase tertiary education for young people is a need in order to develop high value added jobs, helping manufacturing to stay competitive.

Key outcomes from other studies

Istat Report on the structure and competitiveness of Italian companies and industries has already focused on the economic dependency/integration issue between Italy and Germany

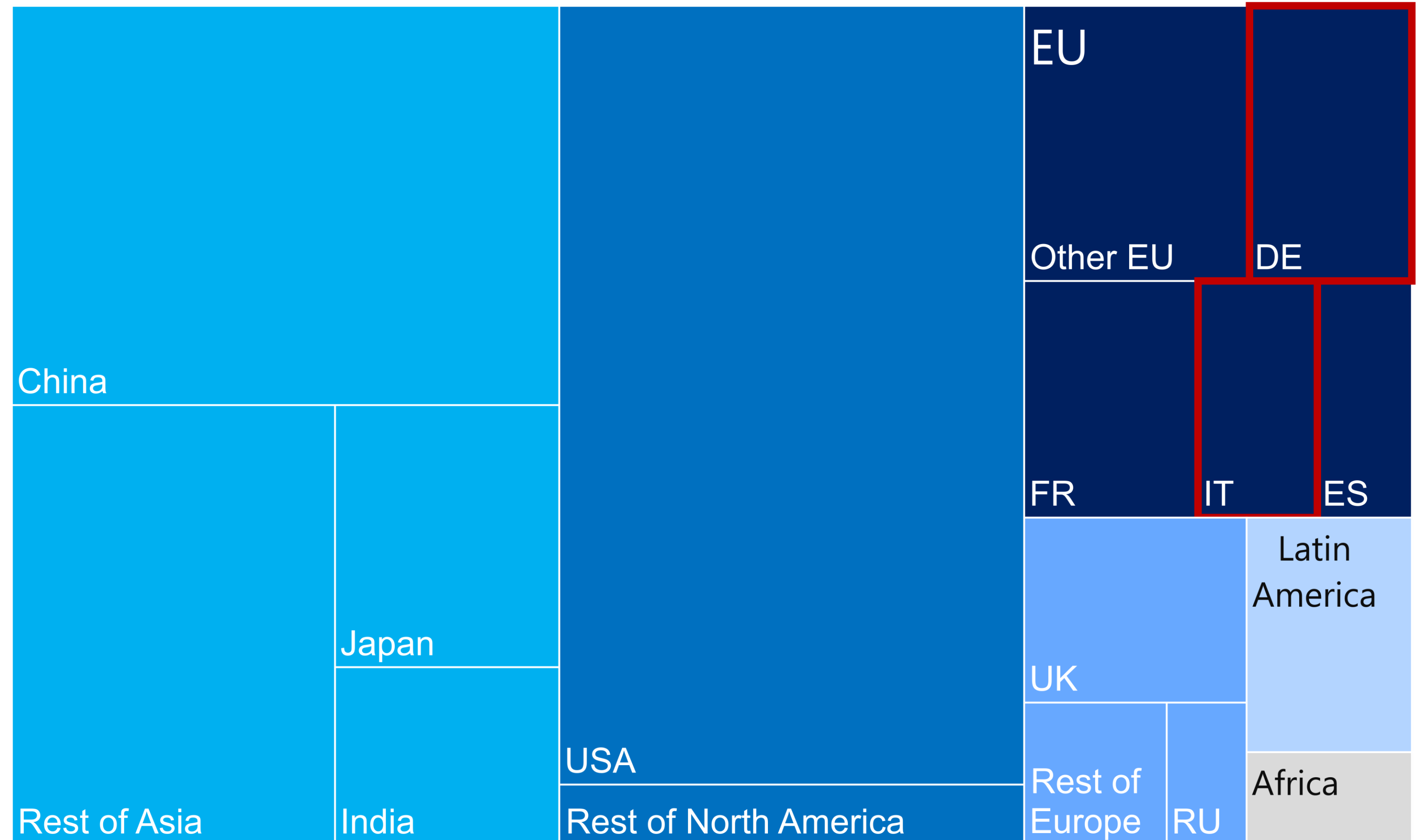
Similar analysis have been carried out by the research unit of Confindustria, focusing on business cycle data that show a reduction in the short-terms dependency between the Italian and the German economies

A previous study carried out by AHK – Intesa Sanpaolo research unit – clearly show how Italian and German GVC are deeply integrated in some key industries

Micro level evidence on Italian exporting companies based on turnover market share related to exports in Germany clearly shows that the percentage of companies depending exclusively or largely on the German market is very limited

In a world dominated by large economic blocks, the competitiveness of EU area should be upgraded and integrated

- In 2022, USA represented 30,8% of the global GDP, China 18,6%.
- In the EU context, **Italy and German are big players**, respectively representing 2,4% and 3,8% of the global GDP. **EU all together represents 16,8% of the global economic wealth.**
- A more integrated UE, could be **able to compete with USA and China.**



A strategic complementarity

The **German and Italian industrial systems can be considered complementary** in terms of:

- industrial supply chains
- firm sizes (SMEs in Italy, large firms in Germany) in the same competitive sectors
- pools of technical expertise
- export patterns (intermediate inputs from Italy, final products from Germany)

Strengthening complementarity between the two industrial systems (through common industrial policies and coordinated reshoring) can induce **more resilient and self-determined export-led growth in both economies.**

Coordinated and integrated industrial systems can play a central role regionally and globally in terms of market power and leadership in advanced technological innovations.

Towards an extended intra-European industrial platform

- Industry platforms have had great effects in innovation in hi-tech sectors since the 1990s. The predominant forms of platforms are: internal or company-specific platforms, and external or industry-wide platforms (Gaawer and Cusumano, 2014).
- **An industrial platform can be defined as a synergistic environment that different business ecosystems can join as complementary players to develop products, technologies or services that strengthen the cluster.**
- **National and Local policies can boost the development of industrial platforms** by providing target policy measures: logistic, ITC infrastructure, business services, fiscal and financial incentives, legal framework, high level education and vocational training.
- **The German-Italian case can be considered an international extension of this approach** based on national based best practices and competencies under the framework of EU framework policies and regulations.

A stronger EU through the Action Plan

- The benefits of the Italian-German Action Plan signed in 2023 go well beyond the industrial relations between the two countries, **possibly creating an EU-wide industry capable of competing on an equal footing with US and China.**
- The advantages are also at the political level: it enables a **stronger negotiating power in the EU institutions to bring joint projects and common positions forwards.**
- Moreover, it could create **an economic and industrial "vertical axis" in the EU**, from the Baltic to the Mediterranean, commercially oriented towards the Far East (south-east) and Africa (South), also allowing the liberation from Russia on energy and raw materials.
- A stronger multilevel relationship between Italy and Germany allows also **a stronger role of the two countries in the EU in fields like foreign policy** and cooperation, not to mention the creation of a **common block when it comes to structural reforms** to bring the Union forward.