



ITALIAN TRADE AGENCY

PARTNER  
FOR ITALIAN FIRMS  
IN THE WORLD

**Webinar “Re-start your  
business in China”**

**SACE meets SUMEC ITC**

16 June 2020 at 11.00am

**Gianpaolo Bruno**  
**Director Beijing Office**  
**Coordinator of ITA Offices in China and Mongolia**

# Italy's support to international business activities



Ministero degli Affari Esteri  
e della Cooperazione Internazionale



Ministero dello Sviluppo Economico



MINISTERO DELL'AMBIENTE  
E DELLA TUTELA DEL TERRITORIO E DEL MARE



MINISTERO DELLE POLITICHE  
AGRICOLE ALIMENTARI  
E FORESTALI



Ministero  
dell'Economia  
e delle Finanze



sace simest  
gruppo cdp

ITA  
ITALIAN TRADE AGENCY

- ❑ FINANCIAL SUPPORT FOR EXPORTS AND INVESTMENT
- ❑ EXPORT CREDIT INSURANCE AND FOREIGN DIRECT INVESTMENT GUARANTEES
- ❑ PROFESSIONAL AND MARKETING SERVICES



REGIONS

# Trade Promotion Organizations (TPOs)

- TPOs – Trade Promotion Organizations or Trade Support Organizations – are instruments of foreign economic policy created by most countries active in international trade

They support international business activity of national companies through services:

- Business intelligence
- Training
- Assistance and Consultancy Services
- Promotional activities







Promotes, facilitates and develops economic and commercial relations between Italy and other countries

Supports the internationalization process of Italian firms, particularly small and medium size companies (SMEs), along with their aggregations/clusters, promoting their stable presence on foreign markets

Provides information, assistance & consultancy services

Promotes cooperation in manufacturing, agri-business, distribution services

Organizes training programs for young professionals, entrepreneurs and foreign officials

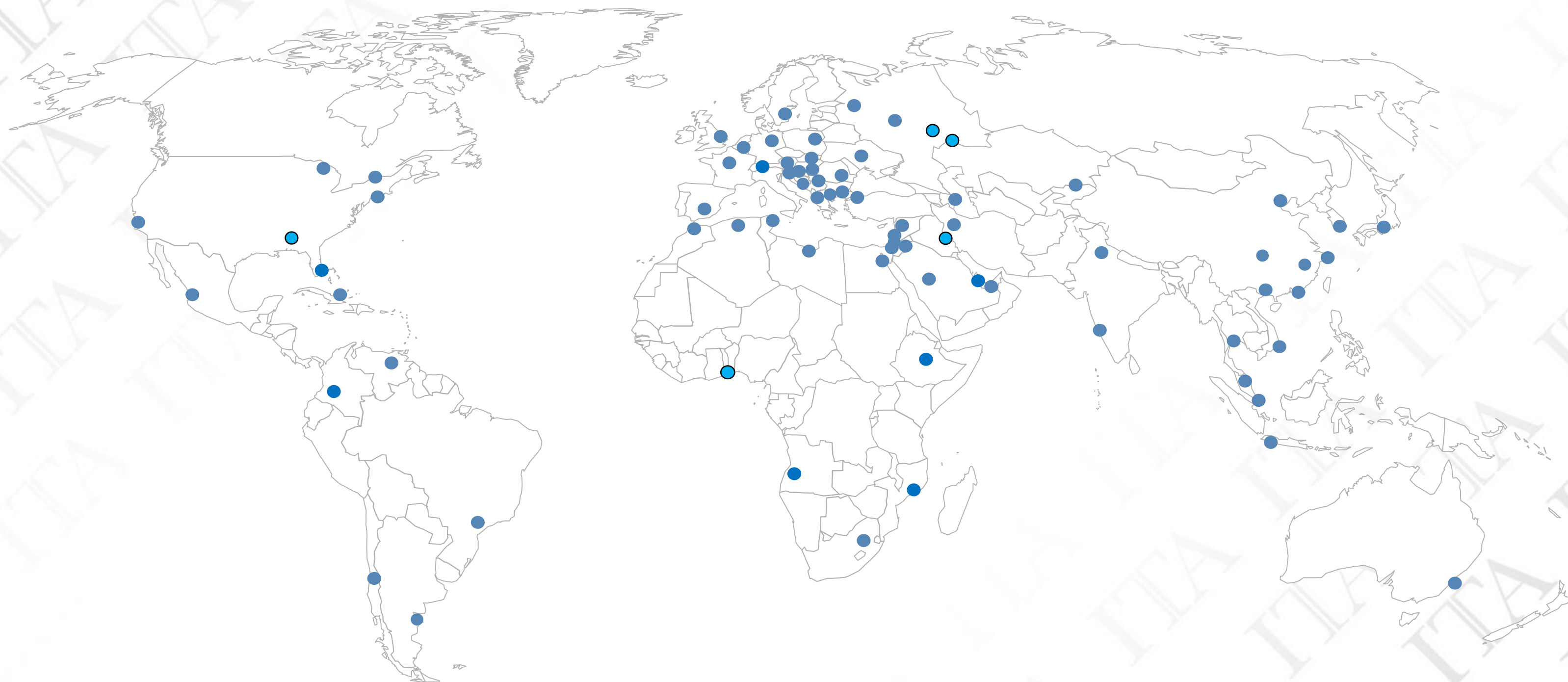
Promotes inward and outward FDIs

Supports the internationalization of innovative start-ups

# OUR SERVICES



# Our presence







# INFORMATION AND BUSINESS INTELLIGENCE

General information services (“first orientation”)

News from the World

Information on Foreign Markets

Trade opportunities

Large Projects Preview

International financial opportunities

International tenders

Product fact-sheets

Statistical data

Market/sector publications

Foreign businesses profiles

Customs, Fiscal, Legal, Currency information





# ASSISTANCE

Market Access Support

Customised Market Research

Selection of foreign clients and partners

Research for investors

Research for local professionals

Direct mailing

On-line showcase

Organization of business-to-business (B2B) meetings

Confidential information on foreign companies



# CONSULTANCY SERVICES

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Investment advice

FDI attraction

Support with international tenders

Draft contracts

Assistance for disputes resolution

Commercial negotiation counselling

Development of distribution channels

Participation in EU programs and international organizations' projects





# PROMOTIONAL ACTIVITIES

Trade Fairs and Exhibitions

Conferences and Technology Symposia

Outgoing Missions

Incoming Missions for buyers and foreign journalists

Press Conferences and Company Presentations

Food-Wine tasting

Seminars for media and opinion leaders

Fashion Shows

Innovative start up companies





# TRAINING

Training for young professionals:  
Masters and specialized training  
courses for postgraduate students

Training for companies: Courses  
addressed to executives from SMEs,  
e-learning

International training: Courses and  
Seminars for managers and foreign  
entrepreneurs





**THANK YOU!**



ITALIAN TRADE AGENCY



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# Covid-19 has brought about drastic containment measures...

## GOVERNMENT CONTROL MEASURES AT A GLOBAL LEVEL



### Borders' closures

**Blockade of people and goods at customs for controls**



### Public blockade

**Interruption of public transport and block of circulation of people and goods**



### Break of production

**Interruption of productive activities along the value chain**



### Offices closure

**Interruption of back-office activities**

## MAIN EFFECTS ON COMPANIES

- **Increase in delivery times** for cross-border shipments
- Slight **price increase** on logistic costs
- **Unavailability of technicians** and/or **spare parts**

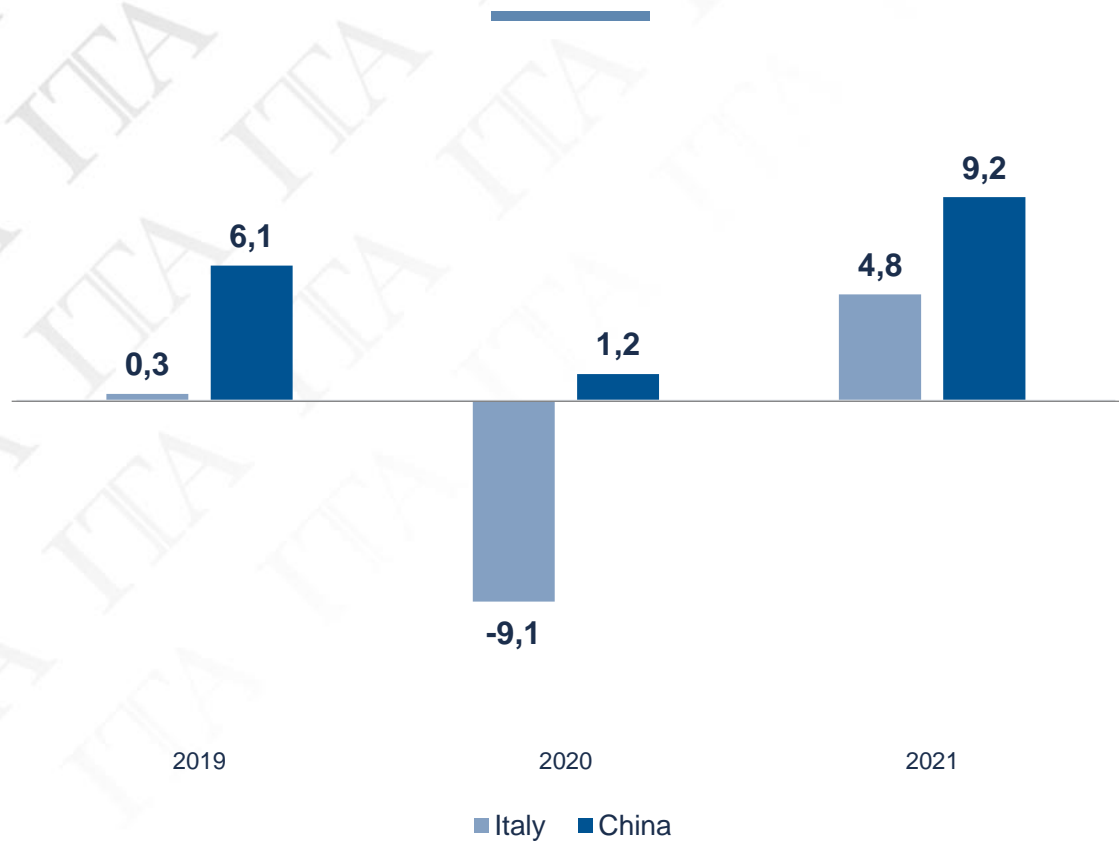
- **Absence of key employees** (illness, family care)
- **Cut-off of supplies**
- **Significant shift in demand** across time and products/sectors

- Increase of **raw materials' stock**
- **Reduction of downstream demand**
- **Cut-off of supplies**
- **Risks of insolvencies**
- Efforts to ensure **quality protocols at restart** (own and suppliers')

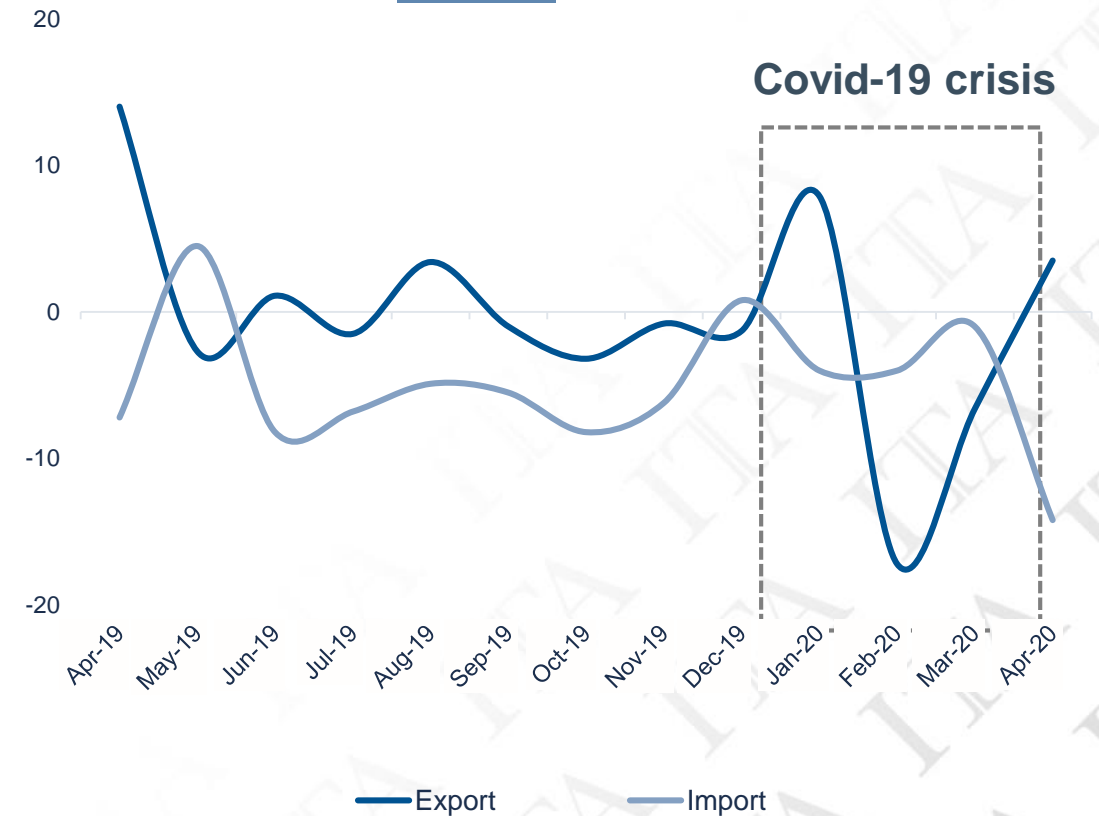
- **Interruption of back-office activity**
- **Missing transport documents**
- **Organizational and administrative delays**
- **Delays in operations support** (i.e maintenance)

## ...with significant macro impact








**Real GDP growth (% y/y)**



**China export and import rate of growth (% y/y)**



# Many key export sectors have had negative impacts...

	Borders' closures	Public blockade	Break of production	Offices' closures	Main impacts	
 <b>Mechanical Machinery, Equipment and Apparatus</b>	●	●	●	●	<ul style="list-style-type: none"> <li>9 out of 10 companies forced to shut down</li> <li>Estimated turnover losses of about EUR 4 bill and at least 36.000 jobs</li> </ul>	<ul style="list-style-type: none"> <li>Besides break of production, there is a loss of clients (mainly foreign)</li> </ul>
 <b>Pharmaceutical products</b>	●	●	●	●	<ul style="list-style-type: none"> <li>No blocks in activities in production and distribution</li> </ul>	<ul style="list-style-type: none"> <li>Logistics and distribution remained active to avoid slowdown or obstacles to essential public services</li> </ul>
 <b>Motor Vehicles</b>	●	●	●	●	<ul style="list-style-type: none"> <li>Likely postponement of planned investment on electric vehicles</li> <li>At a global level, collapse of production of light vehicles (about 11 mln units)</li> </ul>	<ul style="list-style-type: none"> <li>Recovery of domestic market will stimulate sales' recovery and allow value chain to restart production</li> </ul>
 <b>Furniture</b>	●	●	●	●	<ul style="list-style-type: none"> <li>Negative effects on international demand due to cancellation of major events such as Salone del Mobile</li> </ul>	<ul style="list-style-type: none"> <li>Lockdown and break of production have had negative feedbacks also on domestic demand</li> </ul>
 <b>Precision and Control, Optical and Medical/Surgery Equipment</b>	●	●	●	●	<ul style="list-style-type: none"> <li>No stop of activity</li> <li>Introduction of restrictive measures to trade for necessary products to cope with the emergency:</li> </ul>	<ul style="list-style-type: none"> <li>export bans and Governments authorizations to sell certain categories of products</li> </ul>
 <b>Electric Machinery, Equipment and Materials</b>	●	●	●	●	<ul style="list-style-type: none"> <li>66% of firms: severe or major damage</li> <li>73% of companies: on social safety nets</li> <li>On March 2020 on average 22,4% decrease of total turnover</li> </ul>	<ul style="list-style-type: none"> <li>On March 2020, Electrotechnical and Electronic industry recorded a 34,4% negative change of industrial activity levels compared to previous year</li> </ul>
 <b>Leather Goods</b>	●	●	●	●	<ul style="list-style-type: none"> <li>Losses of 1,8% estimated in February</li> </ul>	

Covid-19 Impact



Marginal



Moderate

















High



# ...also due to the decrease of Chinese demand

## Covid-19 impact on China's imports

China's imports from the rest of the world (2019, USD bn)			Jan-Mar 2020 (y/y)	CAGR 2020 estimate	CAGR 2021 estimate	Impact
	Electrical machinery, equipment and materials	346	8,4%	-17,5%	25,3%	
	Mechanical machinery, equipment and apparatus	115	-3,7%	-4,5%	-7,6%	
	Precision and Control, Optical and Medical/Surgery Equipment	50	-5,6%	-17,5%	26,3%	
	Motor Vehicles	41	-6,2%	-54,1%	91,0%	
	Pharmaceutical products	23	14,1%	4,6%	4,0%	
	leather Goods	10	-20,0%	-3,2%	-0,2%	
	Furniture	4	-18,1%	2,7%	6,2%	

Covid-19 impact



Marginal



Moderate



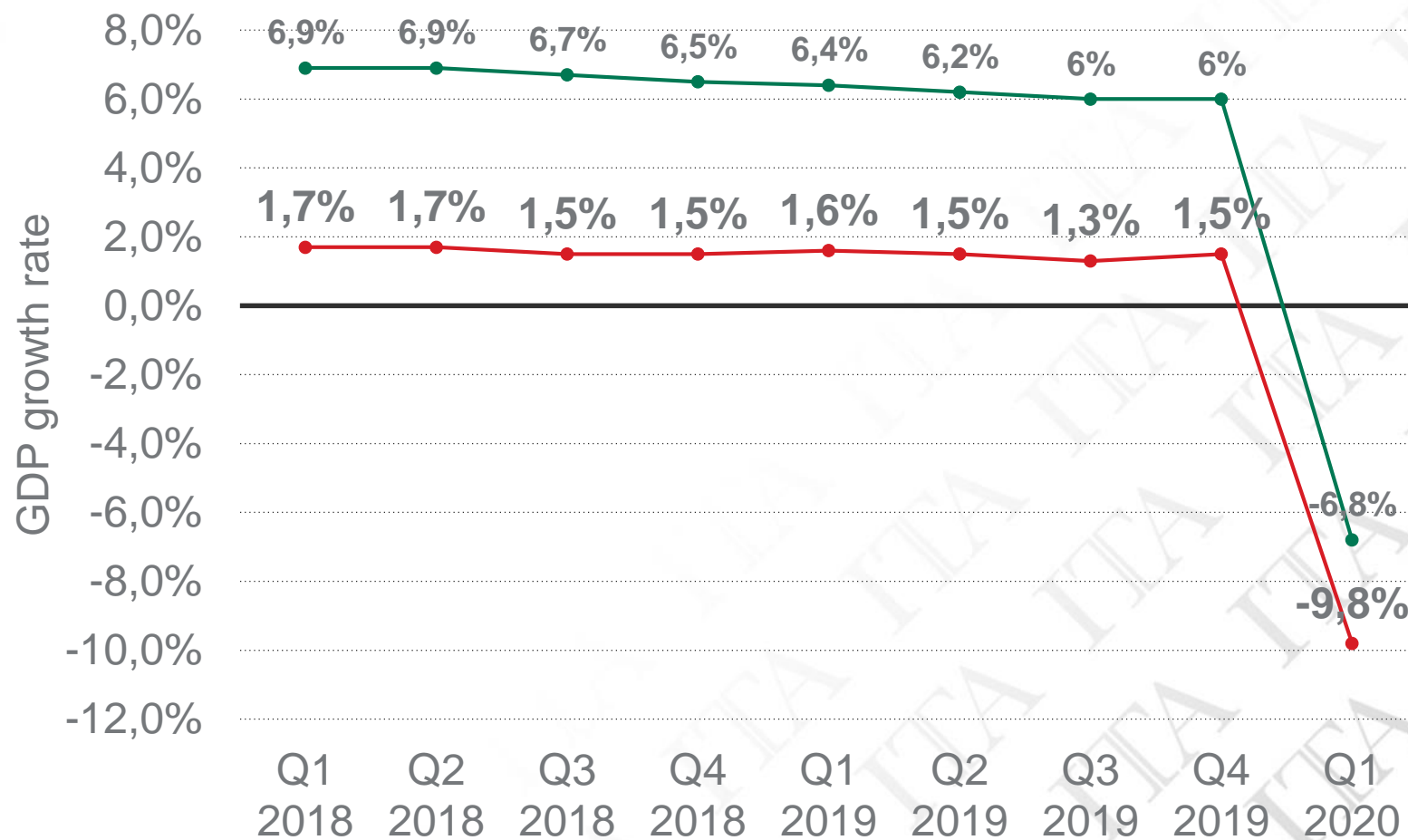
High



## QUARTERLY GROSS DOMESTIC PRODUCT (GDP) GROWTH RATE IN CHINA FROM 1ST QUARTER 2018 TO 1ST QUARTER 2020

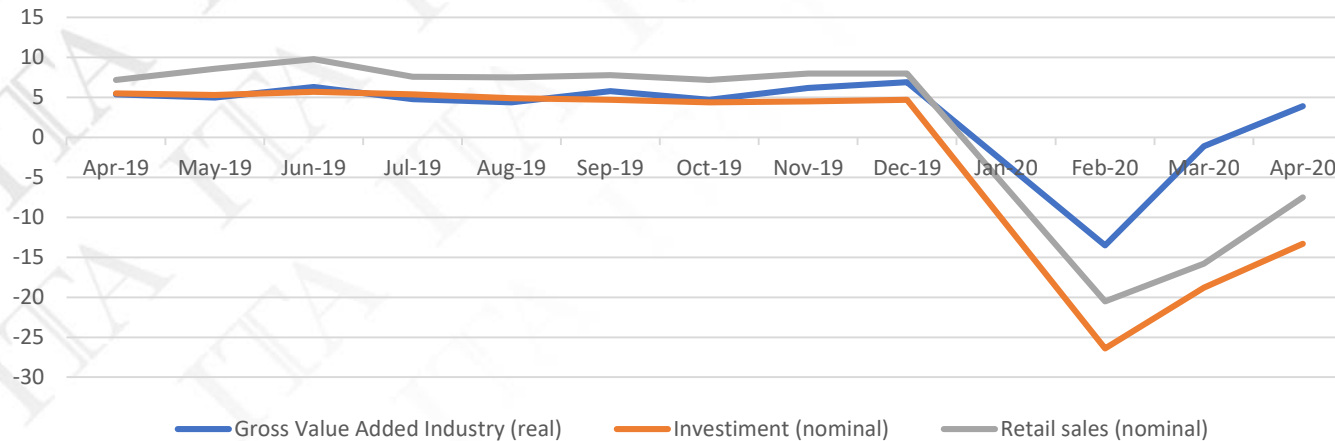
QUARTERLY GROSS DOMESTIC PRODUCT (GDP) GROWTH RATE IN CHINA Q1 2018-Q1 2020

- Compared to the same quarter of the previous year
- Compared to the previous quarter (seasonally adjusted)



# China's economy has restarted: we need to seize its opportunities

## Key cyclical indicators of recovery after Covid-19 in China (% y/y) and their impact on consumption sectors



Chinese economic recovery started in March and continued in April, after experiencing a sharp contraction in February.

The industrial value added is increasing compared to last year almost reaching pre-crisis levels. Retail sales and investments are recovering, also driven by more resilient sectors (top winners), even with lower rates of growth compared to December 2019.

The recent People National Congress, while not setting – for the first time – a precise growth target, has stated that Chinese economy will be resilient in the long run, mainly focusing on domestic demand. Italian companies' investment choices should duly take into account these views.



### TOP WINNERS

Healthcare

Vitamins and food supplements

Fresh and Organic Food

Home care

Insurance



### TOP LOSERS

Tourism/Transport

Alcohol / Tobacco

Luxury/Fashion/Design

Entertainment

Automotive



# Indicators of recovery

**Manufacturing PMI (Seasonally Adjusted)**

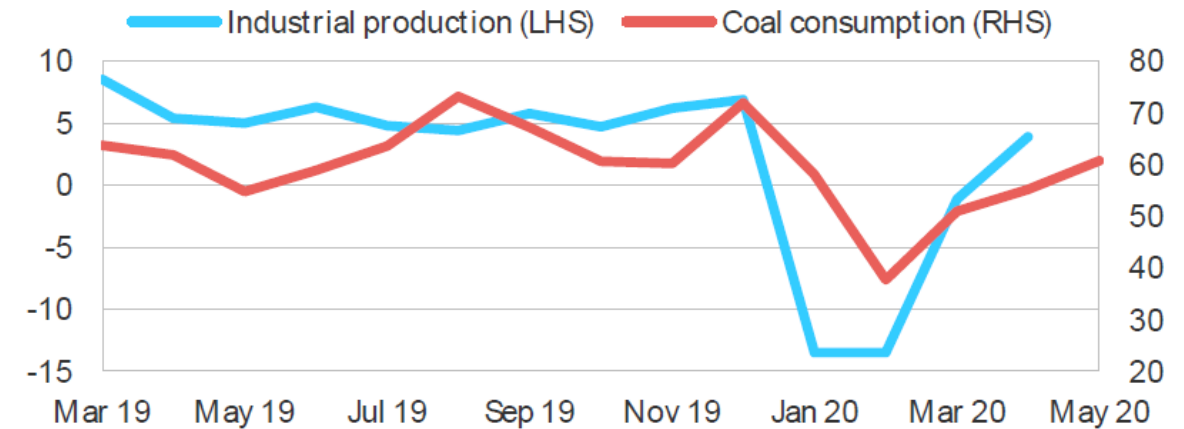
(%) 50%=no changes m/m



**Industrial Activity Indicators**

LHS: %yoy growth

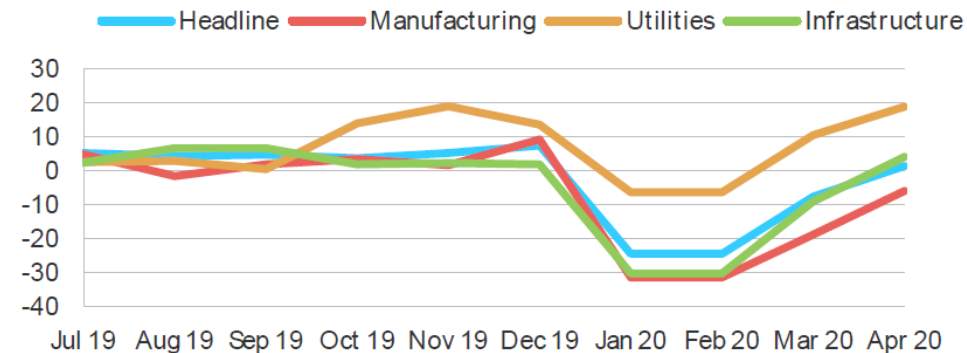
RHS: 100k tons per day, monthly avg.



Source: Fitch Ratings, CEIC, Haver

**Fixed Asset Investment**

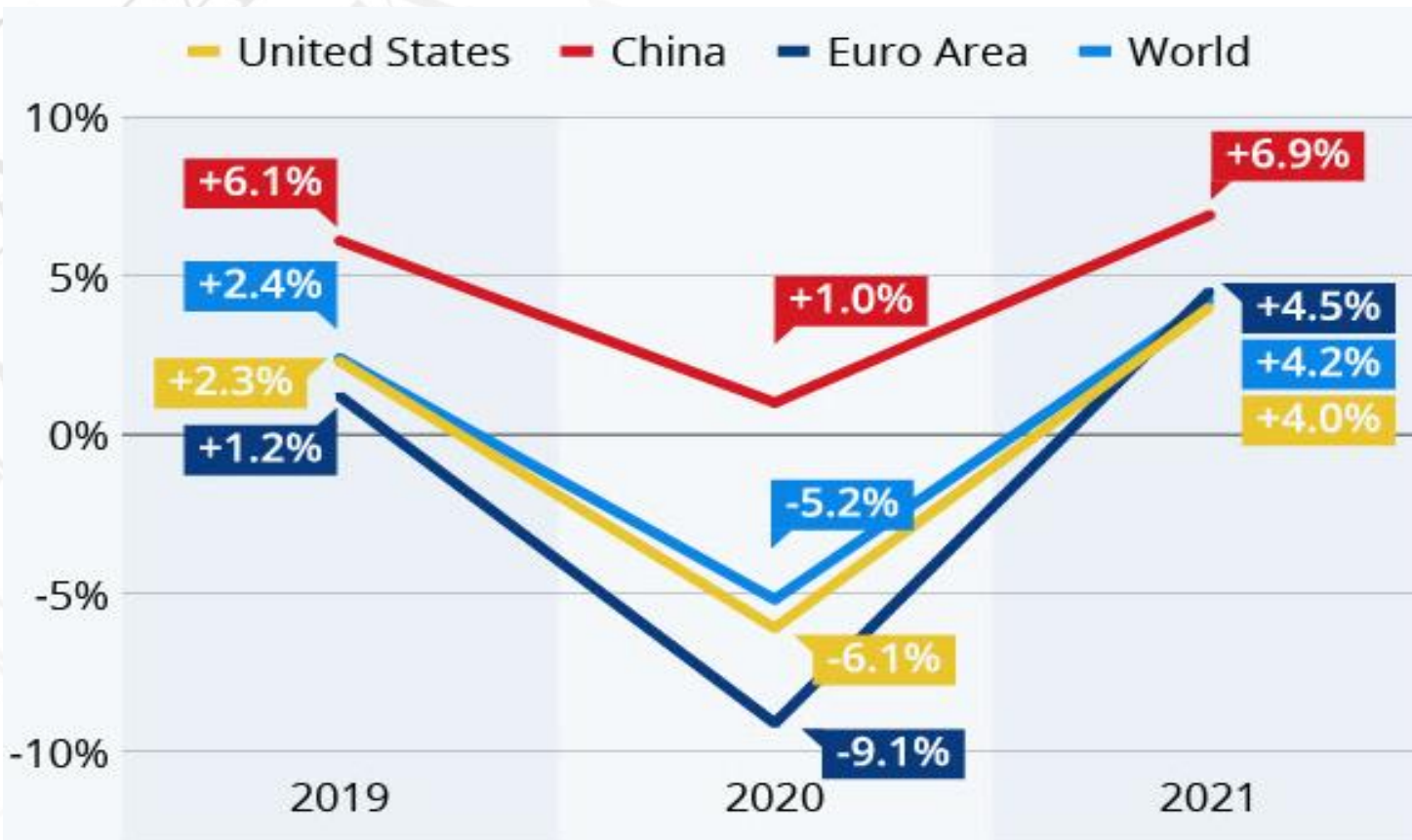
%yoy (estimated)



Source: Fitch Ratings, CEIC

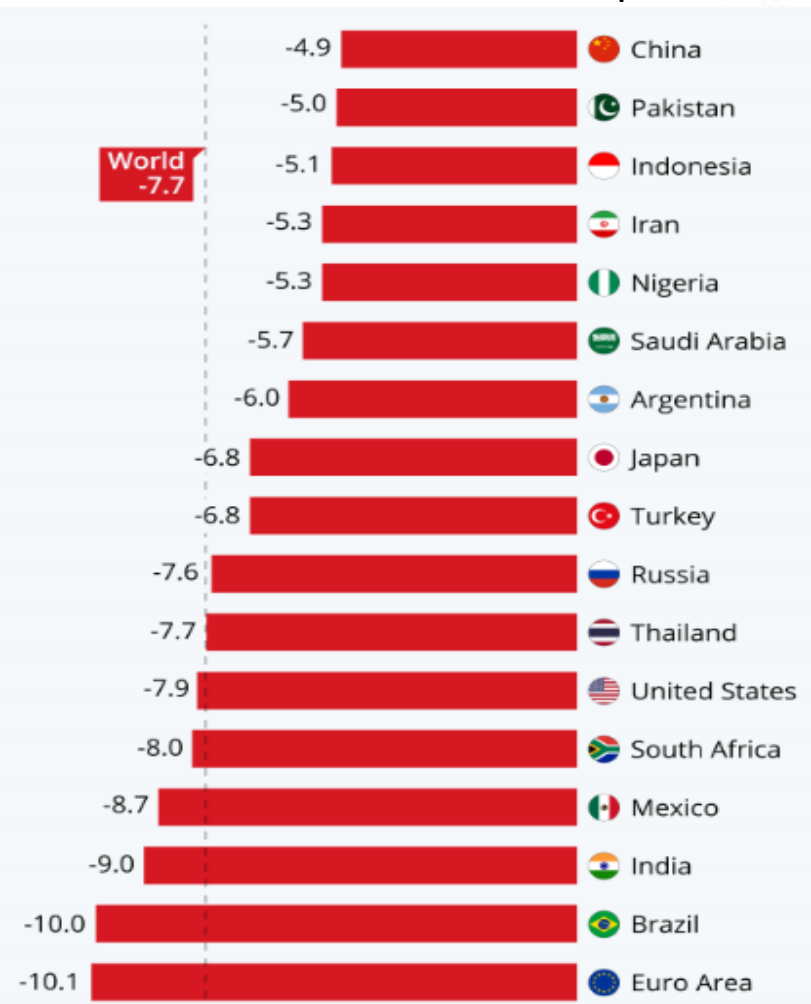
# V Shaped recovery?

Real GDP Growth (% y/y)



Source: World Bank

% Change in Real GDP Growth Projections for 2020 due to Covid-19 pandemic



## G20 GDP growth

% year-on-year

	2019	Single-hit scenario		Double-hit scenario			2019	Single-hit scenario		Double-hit scenario	
		2020	2021	2020	2021			2020	2021	2020	2021
World	2.7	-6.0	5.2	-7.6	2.8	G20	2.9	-5.7	5.5	-7.3	3.1
Australia	1.8	-5.0	4.1	-6.3	1.0	Argentina	-2.2	-8.3	4.1	-10.1	1.7
Canada	1.7	-8.0	3.9	-9.4	1.5	Brazil	1.1	-7.4	4.2	-9.1	2.4
Euro area	1.3	-9.1	6.5	-11.5	3.5	China	6.1	-2.6	6.8	-3.7	4.5
Germany	0.6	-6.6	5.8	-8.8	1.7	India <sup>1</sup>	4.2	-3.7	7.9	-7.3	8.1
France	1.5	-11.4	7.7	-14.1	5.2	Indonesia	5.0	-2.8	5.2	-3.9	2.6
Italy	0.3	-11.3	7.7	-14.0	5.3	Mexico	-0.1	-7.5	3.0	-8.6	2.0
Japan	0.7	-6.0	2.1	-7.3	-0.5	Russia	1.4	-8.0	6.0	-10.0	4.9
Korea	2.0	-1.2	3.1	-2.5	1.4	Saudi Arabia	0.4	-6.6	3.8	-8.3	1.5
United Kingdom	1.4	-11.5	9.0	-14.0	5.0	South Africa	0.2	-7.5	2.5	-8.2	0.6
United States	2.3	-7.3	4.1	-8.5	1.9	Turkey	0.9	-4.8	4.3	-8.1	2.0

Source: OECD



# China medium term economic development strategy remains firmly focused...

## Made in China 2025

The 10 key sectors



New information technology



Numerical control tools



Aerospace equipment



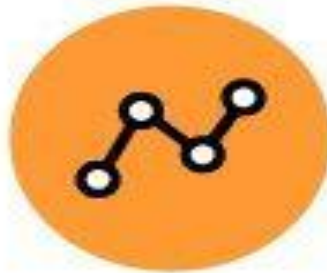
High-tech ships



Railway equipment



Energy saving



New materials



Medical devices

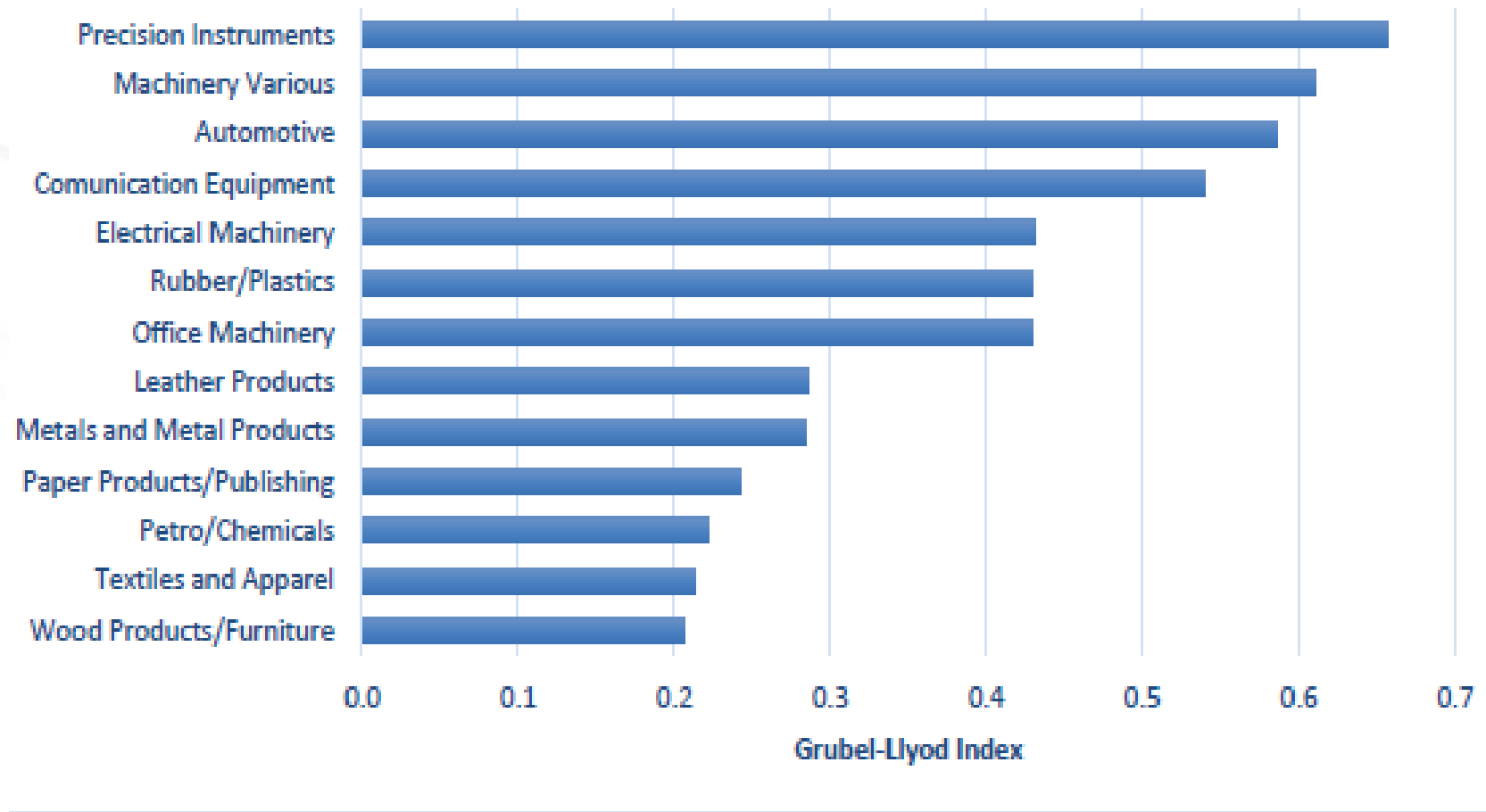


Agricultural machinery



Power equipment

...but China's strong integration in Global Value Chains is a matter of concern



# Conclusions

- Output contracted sharply in the first quarter, with private consumption and non-financial services being especially hard-hit by the pandemic and the extended period of restrictions;
- Latest activity indicators paint a picture of a partial economic recovery even though consumption trends remain anemic as a result of uncertainty;
- Need to wait and see the unfolding of economic measures put in place by the Government to cope with the slowdown of economic activity;
- Uneven recovery for the machinery sector – recession in major export markets – regionalization of supply chains;
- Reformulation of economic policy to address issues like public health, employment stabilization, poverty alleviation and quality of growth.