

BRIEF

Italian exports in the new international geoeconomic context



Key Messages

This document was coordinated by Andrea Montanino and Simona Camerano and prepared by: Simone Passeri, Massimo Rodà, Livio Romano, Sofia Torreggiani. The data refer to the information available as of 8 May 2026. The opinions expressed and conclusions are solely attributable to the authors and do not bind CDP in any way.

- **The current international economic environment** is marked by the progressive **erosion** of the global integration model that took shape from the 1990s onwards, with a **weakening of the multilateral system** and shared rules in favour of **unilateral initiatives and agreements among a smaller number of partners**.
- This has not undermined the intensity of global trade, which has in fact continued to expand moderately, but it has altered its geography and nature, with **geopolitical distance becoming a key determinant in shaping goods and capital flows**.
- In this context, Europe is responding with a **selective industrial policy**, ushering in a new phase inspired by the principles of strategic autonomy and economic security, as demonstrated by **initiatives** such as the **Industrial Accelerator Act** and the **European Defence Industrial Programme**.
- In addition, the EU is pursuing a **trade diversification strategy** through the signing of the **Mercosur agreement** and the conclusion of free trade negotiations with **India and Australia**, aimed at **strengthening ties** with geopolitically non-hostile **Global South** economies and with **like-minded middle powers**.
- In **Italy**, merchandise exports reached **EUR 643 billion** in 2025, up 3.3% in value and 0.7% in volume, confirming a strong **capacity to adapt to the new environment**.
- This resilience reflects the **ability of certain products and geographies to offset the weakness of others**, supported by an Italian export base that is highly **diversified** both by product category and destination market, as well as by a **competitive strategy based on quality differentiation from competitors** in global niche markets.
- In this challenging scenario, **several risks continue to weigh on Italian exports: US tariffs, production costs, Chinese competition and the crisis in the Persian Gulf** are factors that may compress margins and undermine firms' growth capacity.
- As part of the competitive repositioning of its merchandise exports, within the European internal market **Italy** can **seize the opportunities** arising from **recent EU policy initiatives**, while outside the EU it can leverage new free trade agreements to capture **growth in high-potential markets**.
- A further boost could come from a stronger **internationalisation of domestically produced services**, which still lag behind European peers. This is particularly the case for **technical and engineering services**, which can also act as a driver of merchandise exports.

THE FOUR PRIORITIES IDENTIFIED BY THE 2025–2027 STRATEGIC PLAN



COMPETITIVENESS



COHESION



SECURITY

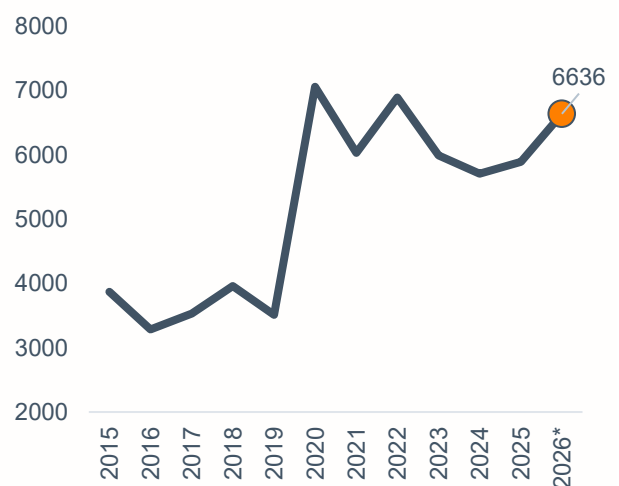


JUST TRANSITION

1. The change of paradigm in the global economy

- ▶ The international economic environment is evolving towards a **progressive redefinition** of the **global integration model** that took shape from the 1990s onwards.
- ▶ The **multilateral institutional framework** that underpinned the expansionary phase of globalisation, based on a shared acceptance among states of the rules governing international competition, is being **eroded in favour of unilateral initiatives** and **negotiated arrangements among a limited number of international partners**. Strategic considerations of a geopolitical nature accompany, and at times override, purely economic considerations.
- ▶ Developments **over the past decade** - from China's strategy of productive and technological self-sufficiency (*Made in China 2025*) to the trade wars initiated by the United States, from the consequences of the Covid-19 pandemic to the armed conflicts in Ukraine and the Middle East - form part of an **escalating sequence of tensions among states that is reshaping economic and diplomatic relations**, with repercussions for the resilience of trade routes and greater volatility in commodity prices, which feeds through into production costs and inflation expectations.
- ▶ Despite the deterioration in the international environment, **global trade has so far remained resilient**: between 2015 and 2025, exports of goods and commodities as a share of world GDP stayed broadly stable at around 22%, while the share of services exports increased by more than one percentage point, reaching 8%.
- ▶ However, behind the stability of aggregate trade volumes, a **geographical reorientation of trade flows and cross-border investment** is underway, increasingly driven by the need to ensure **security of supply and the reliability and resilience of partner countries**.
- ▶ Since 2017 **geopolitical distance** among countries has become a **significant variable** in determining the direction of goods and capital flows, especially in transactions involving technology-intensive value chains that are strategic for economic and military security¹. This is particularly evident in the **weakening of bilateral relationships** between the United States and China, as well as between the European Union and Russia².
- ▶ The use of **national policy instruments that distort international trade** -including tariffs,

Chart 1 – National trade-distorting policies worldwide



*Annualised first-quarter figure
CDP elaborations on World Trade Alert data.

¹ Recent IMF analyses also show that the resilience of global trade has been supported precisely by the strong expansion of exports related to advanced technologies, against much more modest growth in other sectors. This has particularly benefited Asian economies, which are the main exporters of semiconductors and components used in AI investments and other digital technologies. See: IMF, *World Economic Outlook*, April 2026.

² See, among others: Bosone C. et al. (2024), *How geopolitics is changing trade*, ECB Economic Bulletin, Issue 2/2024; Allen K. (2025), *How is Geopolitical Fragmentation Reshaping U.S. Foreign Direct Investment?*, FEDS Notes No. 1413; Airaudo F. et al. (2025), *Understanding Trade Fragmentation*, FEDS Notes, 12 December.

export restrictions, controls on critical technologies and subsidies - has almost **doubled since 2019**, becoming a **structural and pervasive feature of the new international system**, both in advanced economies and in emerging and developing countries, marking a shift towards a more strategic and less neutral use of economic interdependencies (Chart 1).

- ▶ States are therefore increasingly willing to bear **short-term costs**, in terms of forgoing the benefits of international integration based on the logic of comparative advantages across economic systems, in order to **regain a degree**

of strategic autonomy and reduce future exposure to shocks of a geoeconomic nature.

- ▶ In this evolving environment, it remains difficult to identify the **boundaries of geopolitical rivalries**, as well as to anticipate the configuration of the new global value chains.
- ▶ Uncertainty surrounding the **future relationship between the West and China and Russia** is compounded by questions over the **international posture of the United States** vis-à-vis the rest of the world, as well as by the degree of alignment of interests and the balance of power within the **bloc of emerging economies** (the BRICS+ bloc³), which is far from homogeneous.

2. The European framework: industrial policy and economic security

- ▶ In response to the new international environment, Europe is promoting a **coordinated approach among Member States** to strengthen its capacity to manage and prevent strategic risks and vulnerabilities.
- ▶ In particular, the EU has **reoriented its industrial policy paradigm**, moving from a predominantly horizontal approach focused on market regulation, competition policy and support for scientific research to a **proactive and selective strategy** aimed at strengthening the competitiveness, resilience and sustainability of the European production system through the identification of key sectors and technologies.
- ▶ **Strategic autonomy** and **economic security** have emerged as the **core guiding principles** of the new phase of European industrial policy: the former defines the objective of **strengthening the Union's technological and industrial sovereignty**, while at the same time **preserving openness** and **cooperation**

with reliable partners; the latter directs public action towards **reducing vulnerabilities along supply chains** arising from excessive trade dependence on one or a limited number of geopolitically non-aligned partners.

- ▶ The **Industrial Accelerator Act (IAA)** is the latest example of the new European industrial policy. The Commission proposal, tabled last March, aims to strengthen Europe's manufacturing capacity in sectors that are strategic for decarbonisation and competitiveness, in line with the Draghi Agenda: **electric vehicles, technologies for the electrification of energy consumption⁴** and **energy-intensive industries** (steel, aluminium and cement).
- ▶ More specifically, **the IAA operates through European domestic demand**, with the aim of steering a share of procurement by public administrations (or private purchases incentivised with public funds) towards products made in the EU or, at a minimum, in countries

³ Intergovernmental organisation comprising Brazil, Russia, India, China and South Africa and, from 2024, Saudi Arabia, Egypt, the UAE, Ethiopia, Indonesia and Iran.

⁴ Photovoltaic panels, batteries, heat pumps, electrolysers, wind turbines and nuclear technologies.

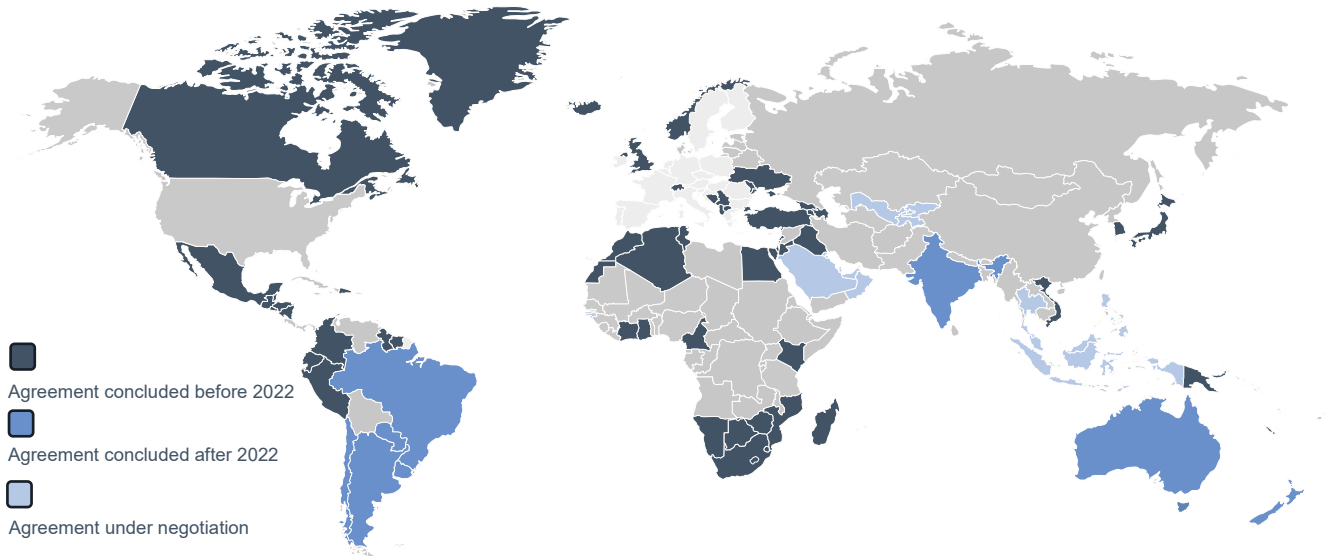
with which the Union has free trade agreements in force.

- ▶ The use of **“Buy European” clauses** to stimulate continental production is not confined to sectors that are strategic for decarbonisation.
- ▶ Last January, the **Critical Medicines Act** was adopted with the aim of strengthening the competitiveness of the **pharmaceutical value chain** and reducing shortages in the supply of critical medicines. It introduces public procurement award criteria that go beyond the lowest-price principle, favouring production and sourcing within the EU⁵.
- ▶ In the defence domain, the **European Defence Industrial Programme**, launched last December with a financial envelope of EUR 1.5 billion through 2027, aims to strengthen Europe’s manufacturing capacity in security-critical areas by imposing stringent maximum limits in public tenders on recourse to extra-EU supplies⁶. At the same time, it seeks to foster

the integration of industrial capabilities across Member States by promoting joint procurement on the demand side and **European Defence Projects of Common Interest (EDPCI)** on the supply side.

- ▶ In parallel, the **EU is implementing a trade diversification strategy**, as part of a de-risking strategy, through **bilateral free trade agreements** designed to secure **access to new markets, security of supply**, and the diffusion of environmental and social clauses as well as European legal safeguards, with a view to reducing vulnerabilities along global supply chains and ensuring a level playing field for firms across the continent.
- ▶ More specifically, a **geographical reorientation of Europe’s economic relations** can be observed towards large emerging economies in the **Global South** that are not geopolitically hostile, as well as towards **like-minded middle powers**⁷.

Figure 1 – EU free trade agreements with the rest of the world



Source: CDP elaborations based on information from the European Commission.

⁵ The proposal — with final approval expected during 2026 — provides, in specific cases and where justified by a vulnerability assessment, that contracting authorities apply procurement requirements favouring suppliers that produce a significant share of critical medicines within the EU. Source: COM/2025/102 final.

⁶ The regulation includes a clause under which components originating in countries outside the European Economic Area — and outside Ukraine under the Ukraine Support Instrument — must not exceed 35% of the total cost of the components of the final product. In addition, no intermediate goods may be procured from third countries deemed

to be acting against the security and defence interests of the EU or its Member States. Source: Regulation (EU) 2025/2643 establishing the European Defence Industry Programme (“EDIP Regulation”).

⁷ In the language of the European institutions, “like-minded partners” refers to countries that share common interests and core values with the EU — such as democracy, the rule of law and respect for human rights — and that are highly integrated with it economically, politically and institutionally.

- ▶ The **free trade agreements with Mercosur⁸ and India** provide for a broad and gradual reduction in tariffs, thereby offering access to two of the world's largest and most dynamic emerging markets and **creating opportunities for European exports in high value-added sectors such as machinery, automotive, chemicals and pharmaceuticals**. In addition, privileged relations with Brazil and Argentina could facilitate **access to critical raw materials**, including aluminium, graphite and lithium.
- ▶ Under the recent **EU–Australia agreement**, by contrast, 97.6% of European exports will benefit from duty-free treatment from the date of entry into force, while the remainder will be liberalised within five years. The agreement also includes a **chapter dedicated to security and military cooperation⁹** as well as one on energy and natural resources that will, here too, facilitate access to critical raw materials (including rare earths).
- ▶ Regional free trade agreements with the countries of **ASEAN** and the **Persian Gulf (GCC)** are currently under negotiation.
- ▶ Taken together, **these initiatives are intended to create growth opportunities for European producers, both within the internal market - supported by origin requirements - and in extra-EU markets**, thanks to the privileged access to new markets secured by free trade agreements (Figure 1).

3. Features and trends of Italian exports in the new environment

- ▶ In 2025, **despite the tightening of the international trade environment** and the rise in **uncertainty** linked to US protectionism, exports reached **EUR 643 billion**, up **3.3%** in value and **0.7%** in volume compared with 2024¹⁰.
- ▶ This performance, **stronger than that of the main European economies** (+2.0% France, +0.9% Germany, -0.4% Spain¹¹), contributed to a **trade surplus of EUR 50.7 billion**, rising to **EUR 97.7 billion** net of the energy deficit.
- ▶ The resilience of Italian exports reflects the ability of some sectors and markets to offset weakness in others. The main contributors to growth in 2025 were **pharmaceuticals, transport equipment (excluding motor vehicles), metals** and **agri-food**, while other key segments of Italian manufacturing - notably **fashion, basic chemicals** and **automotive** - showed clear signs of **weakness**.
- ▶ From a geographical perspective, exports to the **European internal market** (accounting for 51.8% of Italian exports) **grew by 4.2% in value**, outpacing extra-EU markets (+2.4%, Chart 2). **Geographical proximity, regulatory integration** and the **stability of industrial ties** continue to provide a key anchor for Italian exporting firms.
- ▶ At the same time, **significant gains** were also recorded in **extra-EU markets**, especially in **Asia and the Middle East**. **China was the main exception**, with Italian exports declining for the second consecutive year, reflecting both weak demand and **domestic policies aimed at curbing imports**.
- ▶ **The United States deserves separate consideration**. In 2025, Italian exports to the **US rose by 7.2% in value, despite the new tariffs**. Growth was driven by the strong performance of **pharmaceuticals, shipbuilding** and **aerospace**, also reflecting a

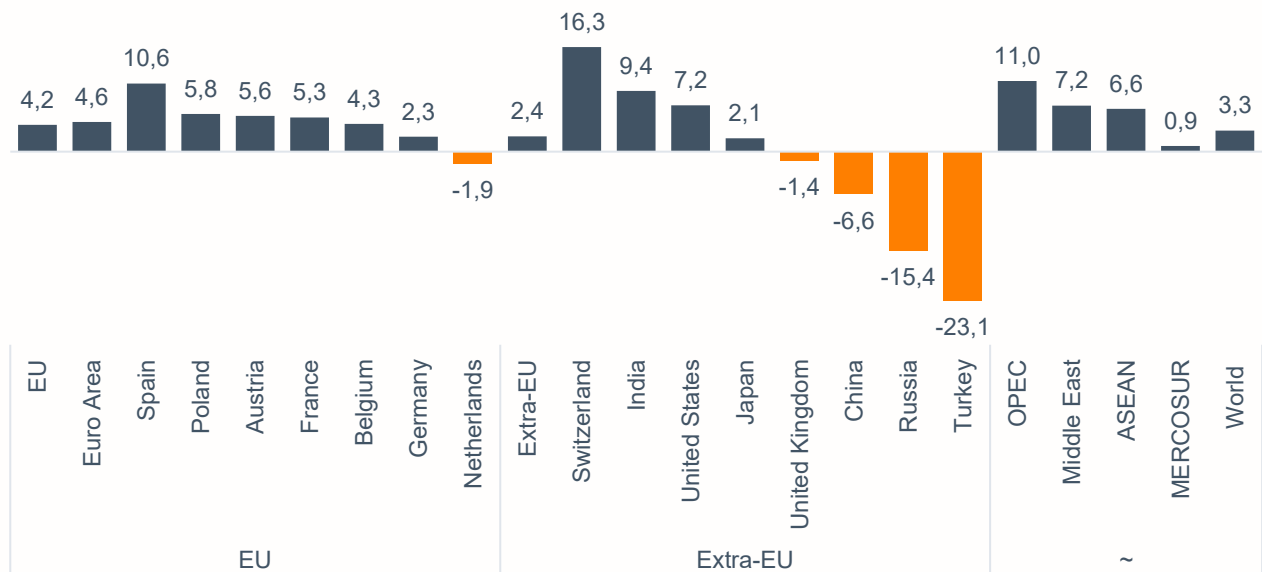
⁸ Argentina, Brazil, Paraguay and Uruguay.

⁹ This chapter of the agreement will allow Australia to participate in the European rearmament programme SAFE.

¹⁰ ISTAT, *Foreign Trade and Import Prices*, December 2025. Unless otherwise stated, the data in this paragraph are drawn from this source.

¹¹ CDP elaborations on Eurostat data (Database: *International trade, by reporting country, total product*).

Chart 2 – Italian exports by destination market (% change in value, 2025 vs 2024)



Source: CDP elaborations on ISTAT data.

possible inventory front-loading effect by US purchasers.

- ▶ There were, however, product categories that recorded significant declines in **exports to the United States**. For some of these, Italy was able to offset, in whole or in part, weaker US demand by **redirecting exports** to other markets, primarily the **European internal market**, but also, more selectively, to **Japan**, **Mercosur**, the **Middle East** and **ASEAN**. This

applies in particular to **precision mechanics**, **industrial machinery** and **specialty chemicals** (Table 1).

- ▶ For **other products** - including **land transport equipment**, **beverages**, **steel** and **basic chemicals** - the marked decline in Italian exports was not limited to the US market, pointing instead to **broader international competitiveness challenges**.

Table 1 – Main sectors with a negative contribution to Italian exports to the United States in 2025 and alternative destination markets (2025 vs 2024 change, EUR million; 2-digit product categories, CN8 classification)

	USA	WORLD	EU	Japan	Middle East	MERCOSUR	ASEAN	United Kingdom	Turkey	China
Cars, tractors, motorcycles and their parts and accessories	-1,040	-2,065	256	210	-213	17	-45	-317	-303	-154
Mineral fuels, oils and distillation products; bituminous substances; mineral waxes	-493	-1,729	-295	0	-107	-72	117	-192	26	-16
Optical and cinematographic instruments; measuring, control or precision instruments; medical-surgical instruments	-298	448	277	1	84	2	194	61	27	28
Beverages, spirits and vinegar	-224	-320	30	-7	1	5	0	-82	3	0
Nuclear reactors, boilers, machinery, mechanical appliances and their parts	-215	597	876	130	455	121	-274	131	-255	-491
Miscellaneous chemical industry products	-160	-77	165	-14	-16	4	3	26	-11	-73
Cast iron, iron and steel	-151	-903	-223	-1	-8	-11	-8	-41	-114	-5
Arms, ammunition and their parts and accessories	-88	72	205	-15	-119	1	63	39	-14	2

Source: CDP elaborations on ISTAT data.

► Overall, the **strong aggregate performance of Italian exports** in a context marked by protectionism and geopolitical tensions can be traced back to a set of **structural strengths**:

1. a **high degree of geographical diversification**. Among the major European economies, **Italy** ranks **first** in the share of **exporting firms** (1 in 5) that serve **10 or more markets**¹², thereby reducing exposure to shocks affecting individual economies and increasing the scope for **strategic reallocation**;
2. broad **product diversification**. Italy exports more than **4,400 products**¹³, and its export diversification index by type of goods is the highest among the G20 economies¹⁴ and among the highest worldwide. This is confirmed by the fact that the **top 1,000 exporters** account for **55% of total exports**, compared with 76% in Germany and 90% in France¹⁵;
3. a strong **positioning in global niche**

markets, where competitive advantage depends less on scale economies and where Italy can leverage **solid manufacturing capabilities, high-quality subcontracting networks**, an **established commercial presence in foreign markets**, and the **ability to provide customised services complementary to exported goods** (for example in machinery, capital goods and intermediate supplies).

- The competitiveness of the Italian system therefore does not depend on a limited number of operators concentrated in a narrow set of markets and products, but rather on a **broad and dynamic network of firms** forming well-integrated and **highly specialised production ecosystems**.
- Alongside a solid, albeit numerically limited, core of multinational companies, there is also a wide base of exporting SMEs, whose share is **significantly higher than in the main European peer economies**¹⁶.

4. Emerging risks for Italian exports

- The competitive resilience demonstrated so far by Italian exports should not, however, lead to an underestimation of the risk factors that are already constraining their expansion.
- **The first risk factor** is linked to the evolution of **US protectionism**, the second-largest destination market for Italian exports after Germany. At the end of 2024, the average US tariff on imports from the EU stood at around 1.5%; today the rate is roughly 10–15%, with higher duties in some specific sectors, including automotive. According to the latest statements, the sector could be subject to tariffs of up to

25%.

- US protectionism not only affects trade flows directly, but also generates **uncertainty** and **alters inventory management**, prompting firms to revise their commercial and location strategies and accumulate liquidity for precautionary purposes.
- Moreover, given the systemic role of the US in the global economy, the **unpredictability of US trade policy generates instability in international demand**, making production and investment planning more complex.

¹² CDP elaborations on Eurostat data (Database: *Trade by number of partner countries and NACE Rev. 2 activity*).

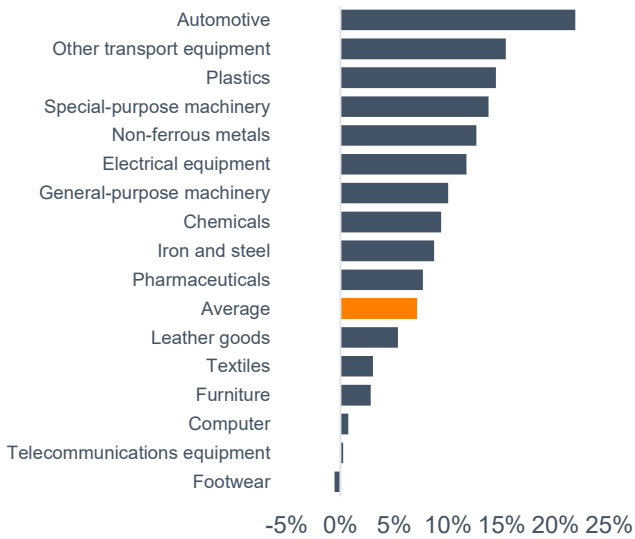
¹³ WITS – UNSD Comtrade.

¹⁴ MIMIT report, *Le nuove sfide del Made in Italy*, April 2026.

¹⁵ Confindustria report, *Manifattura in trasformazione: rimarrà ancora competitiva?*, November 2025.

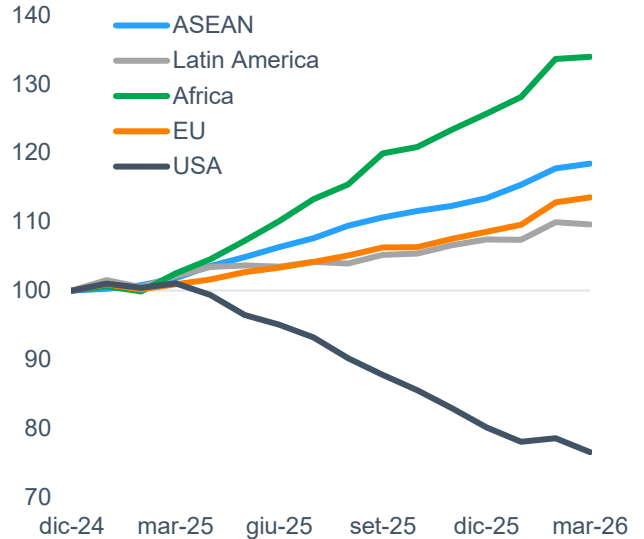
¹⁶ Ibid.

Chart 3 - Chinese exports by sector
(compound annual growth rate, 2019–2025)



Source: CDP elaborations on GACC data.

Chart 4 - Chinese exports by destination area
(12-month moving sum, 2024 = 100)



Source: CDP elaborations on GACC data.

- ▶ **The second risk concerns production costs.** The Italian production system is **highly exposed to energy price volatility**, owing to its strong dependence on imports and the role of gas in electricity generation. In 2025, **Italy** ranked as the **third country in the EU** - and the first among the large economies - in terms of the **electricity price paid by non-household users**¹⁷, with a gap of more than 30% relative to the EU average.
- ▶ Moreover, because the Italian model is built on integration within international value chains, cost competitiveness has also been penalised in recent years by **volatile freight rates** and by **less predictable delivery times** in procurement, caused by bottlenecks in global supply chains.
- ▶ **The third risk stems by competitive pressure from China**, which no longer affects only standardised or lower value-added segments, but is increasingly extending to **medium-high technology sectors** (automotive and other transport equipment, chemicals, machinery and

electrical equipment), as shown by the growth of Chinese exports worldwide in these sectors since 2019 (Chart 3).

- ▶ For **Italy**, as for Germany, the critical issue is the **growing competitive pressure of the markets** in which it operates, **amplified** over the past year by the **re-routing of Beijing’s exports** in the face of tighter restrictions in the US market.
- ▶ Recent studies show that the reallocation of Chinese goods “displaced” from the US in 2025 (estimated at USD 110–120 billion) was concentrated mainly in **emerging markets**¹⁸ - with more than half directed to **ASEAN countries** - where Chinese competition constrains the scope for a quality-based strategy, but also affected **specific European markets** such as Hungary, Poland and Germany, where the risk concerns **intermediate segments of value chain** (Chart 4).
- ▶ **The fourth risk** relates to the **conflict in the Middle East**, not only because of the region’s

¹⁷ CDP elaborations on Eurostat data (Database: *Electricity prices components for non-household consumers – annual data*).

¹⁸ Global Trade Alert, *Trade Redirection of Chinese Exports During 2025: Evidence from Full-Year Data*, 18 February 2026.

energy relevance, which affects cost competitiveness, but also because:

1. it represents one of the **main diversification areas for Italian exports**: between 2019 and 2025, exports to the region grew at an average annual rate of **8.3%** (vs **+5.0%** for total exports), exceeding **EUR 28 billion in 2025**, equal to **4.4% of the total**¹⁹;
2. it affects the **maritime routes** through which Italian goods transit towards **South**

Asia, another geography in which Italian production is expanding.

- ▶ In this context, the country’s objective must be **to protect the quality-based market positioning and investment capacity of the national production system** - in other words, to preserve margins, operational continuity, and the ability to maintain a presence in the most dynamic segments while defending market shares in the most exposed markets.

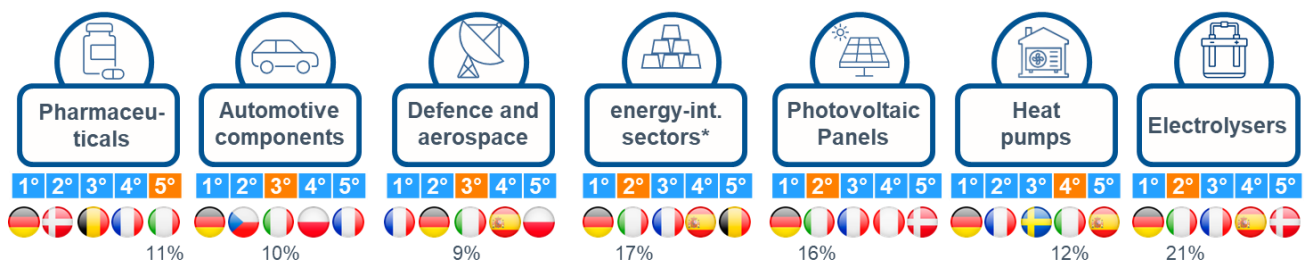
5. Development options

- ▶ Despite the risks highlighted and an increasingly unstable global environment, exports continue to represent one of the main drivers of growth for the Italian economy; it is therefore necessary to preserve and strengthen this driver through a **mix of strategies to support firms** in their competitive repositioning.
- ▶ First, Italy must **seize the opportunities offered by the most recent European policy initiatives**, which promote the strengthening and **deeper integration of EU value chains**.
- ▶ Within the internal market, the origin requirements introduced by the IAA and by

selected sector-specific regulations create **opportunities in industries where Italy has traditionally enjoyed distinctive capabilities and a strong position** within continental value chains²⁰.

- **pharmaceuticals**, with Italy ranking among the top five EU countries by production value (more than 11% of the European total) and holding a leading position in contract manufacturing;
- **automotive components**, where Italy ranks third after Germany and the Czech Republic, accounting for around 10% of EU output;

Figure 2 – Italy’s position in sectors covered by rules-of-origin requirements
(% of EU total production value)



Note: Energy-intensive industries include steel, cement and aluminium.

Source: CDP elaborations on Eurostat data.

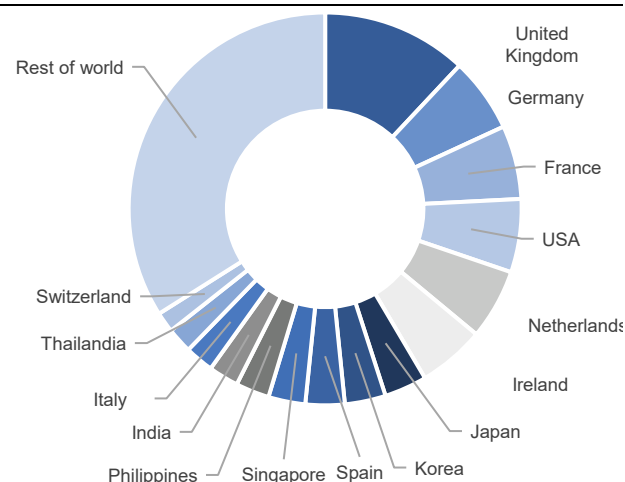
¹⁹ CDP elaborations on ISTAT data.

²⁰ Data source: Eurostat, National Accounts and Structural Business Statistics, referring to 2023.

- **defence and aerospace**, with Italy ranking third among Member States, behind France (which accounts for more than half of European production) and Germany;
- **energy-intensive sectors** (steel, aluminium and cement), where Italy is the second-largest European producer with 17% of total output and holds a leading position in green steel, thanks to a domestic production structure in which 90% of output is generated through electric arc furnaces²¹.
- ▶ In technologies for the electrification of energy consumption, Italy's positioning is concentrated in selected segments: the country accounts for more than one fifth of EU production of **electrolysers**, around 12% of **heat pumps**, and more than 15% of **photovoltaic panels** - with Sicily hosting Europe's largest gigafactory for solar modules²².
- ▶ A second strategic lever lies in **geographical diversification towards high-potential extra-EU markets**. In this respect, Italian exporters can benefit both from the free trade agreements recently concluded by the EU and from the new national strategy to support internationalisation.
- ▶ In this direction, the **Action Plan for Italian Exports** identifies **emerging markets with particularly strong potential for Italian exports**, based on growth projections, risk factors and complementarity with Italy's productive specialisation: India; Mexico; Brazil; Türkiye; the Gulf countries (in particular the United Arab Emirates and Saudi Arabia); ASEAN; the Western Balkans (especially Serbia), Central Asia, and selected African countries such as South Africa and Algeria.

- ▶ More broadly, **Africa** is emerging as a **structural diversification opportunity over the medium term**, supported by the Mattei Plan, with opportunities in energy, infrastructure, agriculture and healthcare, where Italian capabilities could translate into a stable industrial presence.
- ▶ Italy must also **strengthen the international presence of domestically produced services** in order to increase their contribution to growth in foreign markets. Italian services exports remain **underdeveloped**. This **gap extends across all major service categories, including technical and engineering services**, notwithstanding Italy's well-established capabilities and internationally recognised expertise in these fields.
- ▶ The **gap** is visible not only **in relation to the main service-oriented economies**, but also **vis-à-vis manufacturing-intensive economies** such as Germany, Japan, Korea and even Spain. Global trade in this category of services exceeded **USD 860 billion** in 2024. Of this total, however, **Italy captured only just over 3%** (Chart 5).
- ▶ **Emerging Asia** is the **main driver of demand for technical and engineering services**, led by China and the ASEAN

Chart 5 – Global engineering services exports by country of origin (share of total, current USD, 2024)



²¹ Data source: Federacciai, data referring to 2024.

²² Data source: Eurostat, PRODCOM, referring to 2024.

countries, while **significant opportunities** are also emerging in **advanced economies such as the United Kingdom and Japan**. Finally, projects linked to the Mattei Plan could provide additional leverage to increase exports in this category of services across the African continent.

- ▶ In these contexts, exports of technical and engineering services can also exert a **pull effect on Italian manufacturing**, fostering the internationalisation of suppliers of capital goods, engineering systems and advanced intermediate products.

- ▶ The growth of Italian exports, both in goods and in services, must be supported by continued **investment in technological innovation**. In a context where China is advancing decisively in the production segments historically occupied by Italy, also threatening the high value-added niches in which the country has long held a position, **technological upgrading** represents a **necessary condition** for preserving **competitiveness**.

This document is distributed by Cassa Depositi e Prestiti S.p.A.

The data referred to in this document are both public and available through major data providers and the information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete, and its accuracy cannot be guaranteed in any way. All the information contained in this document may, after the date of its preparation, be subject to modification or updating by Cassa Depositi e Prestiti S.p.A., without any obligation on its part to communicate such changes or updates to those to whom this document has previously been distributed.

This publication is for information and illustration purposes only and for indicative purposes only and it does not constitute and it shall not be intended as a proposal to enter into a contract or a solicitation to buy or sell any financial instrument or consultancy service or to carry out any transaction. Neither this publication, nor any part of it, shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This publication does not constitute and shall not be intended as any future business or commercial strategy of Cassa Depositi e Prestiti S.p.A. and does not constitute an investment advice as per the Regulation UE 596/2014 on market abuse.

CDP's Sectoral Strategies and Impact Department develops – autonomously and independently from CDP's other Departments and the rest of the Group – editorial products for external dissemination aimed at ensuring that CDP and the Group play a central role in the debate on issues of strategic importance for the country system.

For this reason, the contents of this document do not engage the liability of Cassa Depositi e Prestiti S.p.A., and they solely reflect the views of the authors. Furthermore, neither Cassa Depositi e Prestiti S.p.A. nor any of its directors or employees may be held liable for any direct or indirect damage resulting from the use of the data contained in this document or from inaccuracies and/or errors included in the data themselves. In consideration of the activities that Cassa Depositi e Prestiti S.p.A. is required by law to carry out, it may grant loans to the subjects mentioned in this document, make direct or indirect investments in the economic and industrial sectors and markets referred to herein, or acquire and/or manage shareholdings in entities operating in those sectors, and may therefore have appointed, and in the future may appoint, its own employees and/or directors in the corporate bodies of those entities.

This document may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason whatsoever, without the prior express consent of Cassa Depositi e Prestiti S.p.A.