Italy

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues, as well as lack of foreign seasonal workers). Agriculture value added is forecast to shrink by more than 6% in 2020.

Automotive/Transport

Remains Bleak

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has a led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment to cope with the shift away from combustion engines towards e-mobility. Automotive value added is expected to contract by 36% in 2020 after shrinking 8.7% in 2019. Transport value added is forecast to decrease 11% in 2020. Payment delays and insolvencies are expected to sharply increase in the coming months.

Chemicals/Pharmaceuticals

Remains Poor

Many chemical businesses are suffering from deteriorated demand from key buyer sectors like automotive. Chemicals value added is forecast to contract by more than 7% in 2020, while for pharmaceuticals, a 4.5% contraction is expected.

Construction/ Construction Materials

Remains Bleak

Over the past couple of years, the industry has been negatively impacted by the subdued performance of the Italian economy. Construction has suffered from low demand, fierce competition, uncertainty about the future spending capacity of public bodies and their persistent bad payment behaviour. There has been high gearing coupled with tight lending conditions and elevated insolvency levels, including the failure of several larger players in 2019. The massive economic contraction in Italy due to the coronavirus pandemic will additionally hit the industry, with value added expected to contract 12.5% in 2020.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed during the lockdown. Deteriorated consumer sentiment and sharply rising unemployment could hamper a rebound in the short-term. The financial strength of many businesses has seriously deteriorated. Retail value added is expected to decrease by 9% in 2020, with the domestic appliances segment forecast to decline by 22%.

Over the past couple of months there has been some rebound due to the end of the lockdown period, and the expected sharp increase in insolvencies has not materialised. However, it cannot be excluded that business failures will start to rise towards the end of the year.

Electronics/ICT

Remains Poor

Sales have deteriorated due to the closure of businesses related to the lockdown. Deteriorated consumer sentiment and sharply rising unemployment could hamper a strong rebound in the short-term. ICT value added is expected to decrease by almost 3% in 2020. That said, certain segments have benefited from increasing digitalisation. Spending from businesses and employees on digital goods and services has increased due to the expansion of remote working.

Financial Services

Remains Poor

The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike, leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract 5% in 2020.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Poor
A large number of businesses has suffered from the temporary closure of several distribution channels, the most drastic one being the outside home consumption (restaurants and bars). This and the negative impact on the catering distribution channel has impacted the whole food industry, which already operated on thin margins before the pandemic. The rebound in the hotels, restaurants and catering segment is expected to remain subdued in H2 of 2020, and food value added is forecast to contract 2% this year. The number of payment delays has started to increase, and could rise further after the end of the summer season.

Machines/Engineering

Remains Poor
This export-oriented industry was among the better performing Italian sectors over the past couple of years. However, the business outlook has deteriorated as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has deteriorated, and supply chain disruptions had a negative impact in H1 of 2020. Engineering value added is expected to contract by 23.5% in 2020.

Metals

Remains Bleak
Metal producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. Metals value added is expected to contract by 21% in 2020. The financial strength of businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase in the coming months.

Paper

Remains Bleak
Paper producers and printing have been impacted by supply chain disruption due to lockdown measures and the ongoing digitalization, leading to less demand. Paper value added is expected to shrink by 12% in 2020. The printing and publishing segment is forecast to shrink by more than 10%. Payment delays and insolvencies are expected to increase in the coming months.

Services

Remains Bleak
Due to the comprehensive lockdown measures in face of the coronavirus outbreak and the ongoing pandemic, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Services value added is expected to contract by more than 5% in 2020 (hotels and catering down 14%). So far, the increase in payment delays has been moderate. However, after the end of the holiday season, additional liquidity distress could emerge for many businesses. This would lead to a substantial increase in payment delays and insolvencies in Q4 of 2020.

Steel

Remains Bleak
Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and high iron ore prices. After a 3% contraction in 2019, value added is expected to shrink again, by 20%. The financial strength of businesses has seriously deteriorated, and payment delays and insolvencies are expected to increase in the coming months.

Textiles

Remains Bleak
Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally affected by deteriorating sales domestically and internationally. After shrinking 7% in 2019, textile value added is expected to contract again in 2020, by 20%. Payment delays and insolvencies are expected to sharply increase in the coming months.