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# REPORT ON THE COMPETITIVENESS OF PRODUCTIVE SECTORS

Executive Summary

2026 EDITION



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## EXECUTIVE SUMMARY<sup>1</sup>

The fourteenth edition of the Report on the Competitiveness of Productive Sectors aims to analyse the positioning of the Italian economy and its sectors within the current international context, characterised by new tariff policies imposed by the U.S. administration, with a scope and intensity comparable only to the measures adopted in the 1930s.

Furthermore, this is just one of the external shocks that have increasingly affected the Italian production system in recent years, including the pandemic, the Russian-Ukrainian war, and the energy crisis. Additionally, in recent weeks, the new conflict in the Middle East has been causing further tensions in raw materials markets, with the consequences for global growth and trade still to be assessed.

As in previous editions, the topics discussed in the Report are analysed at three levels: macroeconomic (Chapter 1), sectoral (Chapter 2), and microeconomic (Chapter 3), to reflect the heterogeneity of the effects on the production system as a whole and on its different segments.

**Chapter 1** (*Italy's Foreign Trade in the Age of Tariffs*) explores the evolution of Italy's foreign trade flows in 2025, compared with those of the main European countries, with a special focus on the geographical and product aspects of trade with EU and extra-EU markets. It then provides initial evidence on the impact of the new U.S. tariffs, estimating their effects on the dynamics of Italian exports of goods in 2025 and assessing the potential increase in Italy's import exposure to China.

**Chapter 2** (*Performance of Sectors in Foreign Markets*) explores how the evolution of foreign trade at the national level, in response to the introduction of tariffs, has produced heterogeneous sectoral effects. It begins by examining short-term developments in the Italian industrial and services sectors in 2025, highlighting the climate of uncertainty that has shaped business strategies and companies' responses to U.S. tariffs. Then, the foreign trade of Italian manufacturing sectors is examined, with a particular focus on bilateral trade flows with the United States and China. Finally, the Chapter assesses the importance of the U.S. market for Italian productive sectors, considering both its direct component (sector-level trade relations with the U.S.) and its indirect component (the activation of other industrial and service sectors through national production chains).

**Chapter 3** (*Structure and Behaviour of Firms in International Markets: The Impact of Tariffs and Dependence on Imports of Strategic Products*) finally examines the previously analysed elements from a firm-level perspective, highlighting the actors in the production system most affected by the events that shaped international trade in 2025. After recalling the structural features of internationally active firms, the central role of Italian and foreign-controlled multinational companies in shaping Italy's trade flows is emphasised. Subsequently, the Chapter estimates the impact of the new U.S. tariffs on export dynamics across the various business segments considered in the analysis. Lastly, in light of recent geopolitical turbulence, a picture of the strategic vulnerability of Italian imports is assembled by first identifying a series of strategically relevant products imported by firms.

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<sup>1</sup> This Report is based on information available as of 5 March 2026, and was edited by Stefano Costa and Claudio Vicarelli.

Forecasts for Italy at the start of 2025 indicated a positive but modest GDP trajectory, held back by Germany's weakness, a slowdown in global trade, and sluggish domestic demand. In this context, international trade tensions emerged, influenced by the redesign of U.S. tariff policy, which created considerable uncertainty throughout the year and raised concerns about a decline in foreign demand, leading to further downward adjustments to growth forecasts. In the second half of 2025, the trade agreement signed in July between the EU and the United States established the framework for bilateral relations. However, by the end of the year, numerous elements of mistrust persisted regarding companies' assessments of the business cycle's development, the start of new investments, and access to credit, all amid widespread difficulties in planning the future of their activities.

Overall, Italy's economic growth demonstrated resilience in 2025. Specifically, after a very modest GDP performance in the first half of the year, encouraging signs of recovery in the second half resulted in stagnation in industry turnover (0.0 per cent; -0.1 per cent in manufacturing) and moderate growth in services (+1.7 per cent). For most sectors that experienced declines in turnover, the downturn was mainly due to weakness in foreign demand.

On such bases, this Report examines two effects of the tariffs that raised the most concern: a potential negative impact on Italian exports and a possible increase in the penetration of Chinese goods, which could crowd out domestic production.

Regarding the first point, the imposition of additional tariffs appears to have had limited effects so far. According to an ad hoc study conducted by Istat in January 2026 as part of the Survey on Confidence in the Manufacturing Sector, most firms exporting to the United States reported no significant changes in the quantities or prices of goods sold. Furthermore, business strategies in foreign markets have largely remained unchanged, although a quarter of firms are exploring new destination markets, mainly in Europe. Finally, only one in twenty firms intends to establish new plants in the United States.

U.S. tariff restrictions appear to have had a smaller-than-expected impact on export performance. In 2025, trade dynamics remained positive (+3.3 per cent for exports and +3.1 per cent for imports), with significant growth in trade with the United States (+7.2 per cent for exports and +35.9 per cent for imports). This performance is particularly notable given the contractions recorded in the same market by France, Germany, and Spain.

The positive trend in foreign sales of manufacturing products (+3.2 per cent), which account for 80.0 per cent of total goods exports, is concentrated in a few sectors: Pharmaceuticals, Other transport equipment, and Basic metals experienced very strong growth in 2025, ranging from 16.5 to 28.5 per cent. At the same time, imports of goods (+6.0 per cent) were driven by significant increases in purchases of Machinery and Equipment and, most notably, Pharmaceutical products (+35.5 per cent).

In such sectoral dynamics, trade with the United States has played a key role: sales in sectors such as Other transport equipment and Pharmaceuticals grew by over 50.0 per cent within a year, driven by firms belonging to multinational groups (mainly Italian-controlled) that represent a very substantial share of trade flows to and from this market (between 80.0 and 90.0 per cent for exports and imports). The imposition of higher tariffs on a wide range of goods, however, had negative effects on overseas sales, which, without these new measures, could have grown even more. An econometric analysis shows that, in 2025, the introduction of the new tariffs still impacted the potential growth of Italian exports: doubling tariff rates (+100.0 per cent) resulted in a missed increase in national exports of 3.2 per cent.

A firm-level estimate also shows that the impact of the tariffs has been heterogeneous: it has affected only enterprises with the United States as their main destination market, not those exporting to the United States. For these latter manufacturing firms, the overall export growth rate is, on average, 1.0 percentage points lower than it would have been without tariffs, assuming all other conditions remain unchanged, resulting in a loss of 1.5 billion euros in export growth.

The negative effect is more pronounced in the Furniture sector, less so in the Clothing, Non-metallic mineral products, Food, and Fabricated metal products sectors. Conversely, positive effects are observed in export growth for Paper and especially Pharmaceuticals. In this case, exemptions for certain products exported from EU countries may have contributed, alongside the sector's realignment of trade flows following the imposition of tariffs at the start of 2025.

The prospect of geographic trade diversion among major global economies has raised concerns about increased penetration of Italian markets by Chinese imports, heightening domestic competitive pressure. In this context, early 2025 saw a notable acceleration in imports from China, coinciding with the first U.S. tariffs on Chinese goods. Over the year, the total value of Italian imports of Chinese products increased by 17.2 per cent (+20.1 per cent in manufacturing), reaching record highs. This trend has persisted over several years and extends beyond final goods purchases: the importance of Chinese intermediate inputs for Italian manufacturing has grown by approximately 60 per cent since 2017. The latest provisional data indicate these trends continue. In 2025, China accounted for the highest share of Italy's total imports among major EU economies (10.3 per cent, compared to 7.5 per cent for Germany and 6.6 per cent for France). Growth is widespread across sectors, notably in Motor vehicles (+42.1 per cent) and Other transport equipment (+41.3 per cent), along with an extraordinary rise in the pharmaceutical sector, where imports from China surged from 680 million euros to over 7.7 billion euros in one year, surpassing the value of pharmaceutical imports from the United States in 2024. It is also important to note that, in this sector, trade flows are mainly driven by multinational groups, which account for over 90.0 per cent.

Concerns about Italian export performance due to tariffs and increasing competition from Chinese imports have intensified in recent weeks, further exacerbated by worries over energy security and access to strategic resources in European countries, influenced by the new Middle East conflict. More broadly, attention is on the vulnerability of Italian imports to potential complete or partial disruptions in foreign supplies of key strategic products.

An analysis of the most relevant strategic products imported by the Italian production system shows that these goods account for about one-fifth of total imports, a figure similar to that of the other major EU economies. From 2023 to 2025, China has become the leading supplier of strategically important products to the main EU countries (9.3 per cent of the total value), especially to Italy (11.3 per cent). Compared to Germany and France, Italy is also more reliant on foreign energy goods, which are among the most vulnerable to international geopolitical instability. There are also signs of potential geographic vulnerability: around 60 per cent of Italy's strategic imports come directly from countries with "medium" or "high" political risk.

Considering the current results and the ongoing turbulence in foreign markets, it is prudent to reassess Italy's position in international trade and production relations. Among its primary European partners, Italy remains the most vulnerable to demand from outside the EU (which accounts for 48.2 per cent of its exports), especially from the U.S. market (10.8 per cent). The importance of the U.S. for Italian exports is further emphasised by the results of a simulation exercise based on the input-output tables. In a hypothetical scenario in which exports to the United States cease entirely, Italy's GDP could decrease by 1.1 per cent (around 20 billion euros).

Moreover, Italy's substantial exposure to countries outside the EU is reflected in its role as a net exporter of goods and services from these regions, with positive trade balances estimated at 68.8 billion euros for goods and 3.2 billion euros for services in 2024. Conversely, it acts as a net importer to the EU, with negative trade balances of 13.8 billion euros for goods and 8.1 billion euros for services. Concerning services, Italy maintains positive balances in both regions for low- and medium-knowledge-intensive activities, such as Travel and Business services, while experiencing negative balances in Transport services and higher-knowledge-intensive sectors, such as ICT, Other business services, and Intellectual property.

Overall, the *export-led* characteristic of the Italian economy and its strong reliance on extra-EU markets have positively influenced economic growth during the ongoing expansion of globalisation. From 2000 to 2024, the contribution of net foreign demand to Italian GDP growth remained positive but was smaller, approximately half that of Germany and Spain. However, between 2011 and 2020, the positive impact of net foreign demand on Italian GDP growth was driven mainly by modest import levels, which, in turn, were constrained by weak domestic demand.

The growing instability of extra-EU markets also prompts Italian firms to reposition themselves more competitively within the European single market and to leverage better the advantages of the internal market, including the free movement of people, services, and capital, as well as the removal of trade barriers. In this context, recent measures adopted at the EU level seem to aim to simplify business operations within the internal market and enhance the competitiveness of the European production system.

An alternative is to seek greater stability in relations with extra-EU countries by signing trade agreements in high-growth sectors. In recent years, Italy and the European Union have pursued policies of openness and strengthened ties with strategic markets. In this context, recent trade agreements signed with MERCOSUR (Southern Common Market) and India represent important steps towards diversifying Italian exports, aiming to increase the number of companies involved and strengthen Italy's market share in these countries.