



# **Infrastructure Investments in the Great Eurasia: Opportunities for Italy**

XI EURASIAN FORUM IN VERONA

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# Agenda

**1** Infrastructure ranking of EAEU's countries and inward FDIs

**2** The Italian infrastructure sector in the world

**3** Appendix: Italian trade with the Eurasian countries

# Eurasia: infrastructures needed to enhance growth

- **Logistic Index:** Kazakhstan ranked 77<sup>th</sup>, Russia 99<sup>th</sup>, other Eurasian and Central Asian countries rank beyond 100<sup>th</sup> place, in lower positions than major Asian Emerging Economies, such as China (27<sup>th</sup>).

## World Bank's Logistic Performance Index

MIn Euro	LPI Index	Rank
Armenia	2.21	141
Azerbaijan	NA	NA
Belarus	2.40	120
China	3.66	27
Georgia	2.35	130
Kazakhstan	2.75	77
Kyrgyzstan	2.16	146
Russia	2.57	99
Tajikistan	2.06	153
Turkmenistan	2.21	140
Uzbekistan	2.40	118

The LPI Index assesses the world ranking of 160 countries in terms of logistic structure performance dedicated to trade.

Source: World Bank

- EAEU countries show deep **needs of infrastructures to support trade and FDIs**, link local industries to global chains and in this way **enhance growth** (the long-run GDP growth potential for Russia is currently estimated at 1.5%-2%).
- **Financing infrastructure upgrade presents significant challenges.**

# Infrastructure investments expected to grow due to the BRI and the prospects of a Great Eurasian Partnership

■ Important infrastructure investments are in the pipeline in Europe and Asia due to:

- the EAEU Integrating Projects led by Russia and **the Belt and Road Initiative** led by China;
- the increasing cooperation between the EAEU and China as signaled by the **Economic and Trade Agreement between EAEU and China** (Astana, May 2018). The Agreement is part of a broader project involving the creation of a Eurasian trade block referred to as the **“Great Eurasian Partnership”** between the members of EAEU, the ASEAN and the Shanghai Cooperation Organization (SCO).



Source: MERICS

# Global and Italian FDIs in the EAEU

- **Global inward FDI stock** in the EAEU was **623.7 Bn USD** in 2017, **2.0%** of world share, **below the share of EAEU's World GDP** (3.8%). Russia (446.6 Bn USD) and Kazakhstan (147.1 Bn USD) are the main recipients in the area.
- **Italian FDIs** stock in the EAEU amounted to c. 13.3 Bn Euro in 2017 (11.5 Bn Euro only in Russia). The Italian contribution is underestimated as it does not include FDIs through foreign branches of Italian enterprises.
- There are about **850 Italian firms** in the EAEU, working in the energy, agri-food, fashion, transport equipment and TLC sectors. 740 are in Russia and 87 in Kazakhstan.

Italian FDI Flows and Stock

Mln Euro	2013	2014	2015	2016	2017	2017 (Stock)
Belarus	110	228	692	-208	n.a.	1023*
Kazakhstan	-24	77	267	51	-30	796
Armenia	-77	20	38	-44	n.a.	47*
Kyrgyzstan	0.2	-0.1	-0.2	-0.1	n.a.	0.3*
Russia	-409	998	894	2499	647	11460
<b>EAEU</b>	<b>-400</b>	<b>1323</b>	<b>1891</b>	<b>2298</b>	<b>617</b>	<b>13326</b>

Note: (\*) Referred to 2016

Source: Ministry of Italian Economic Development

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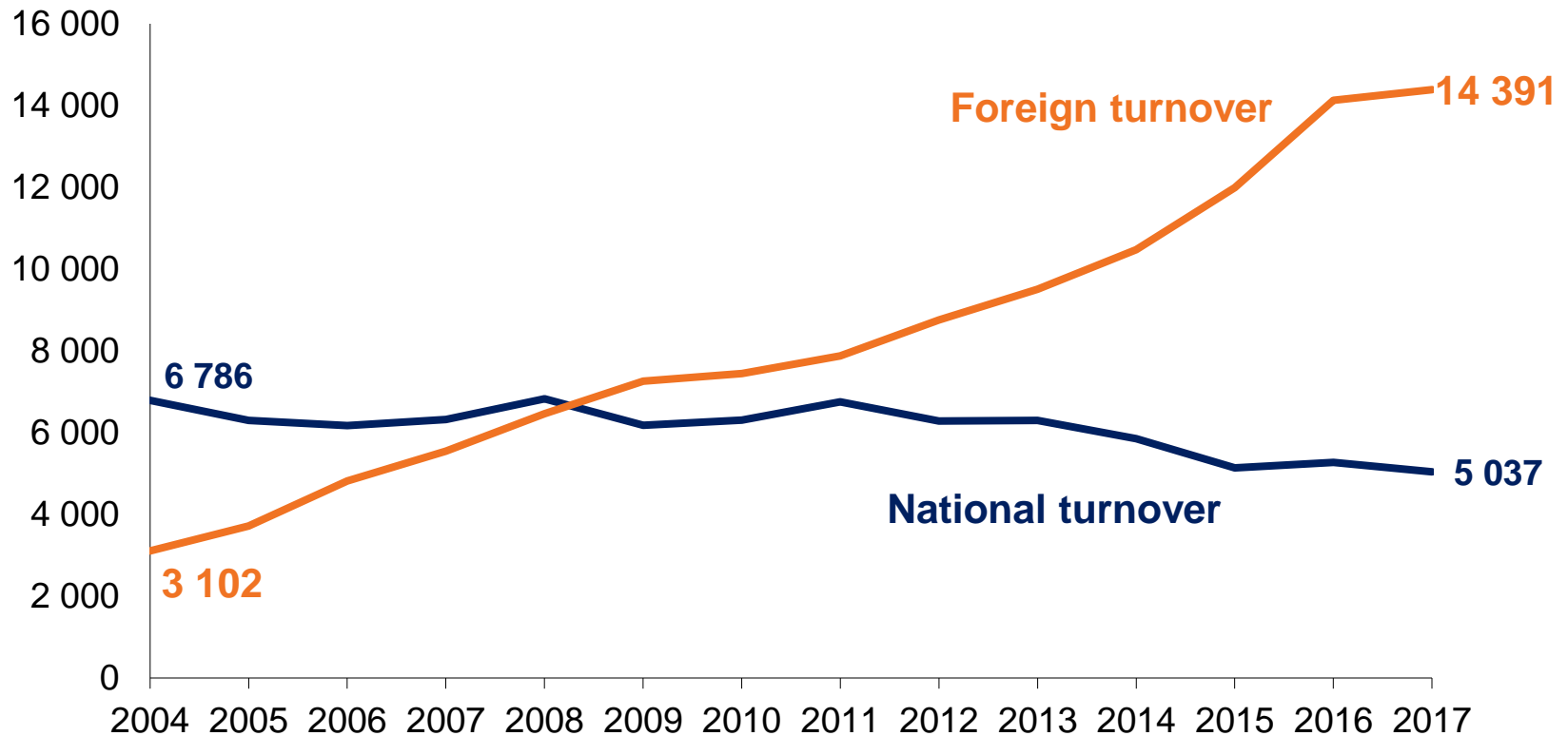
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# Increasing presence of Italian construction firms on international markets...

National and foreign turnover of Italian construction firms  
(millions of euro)

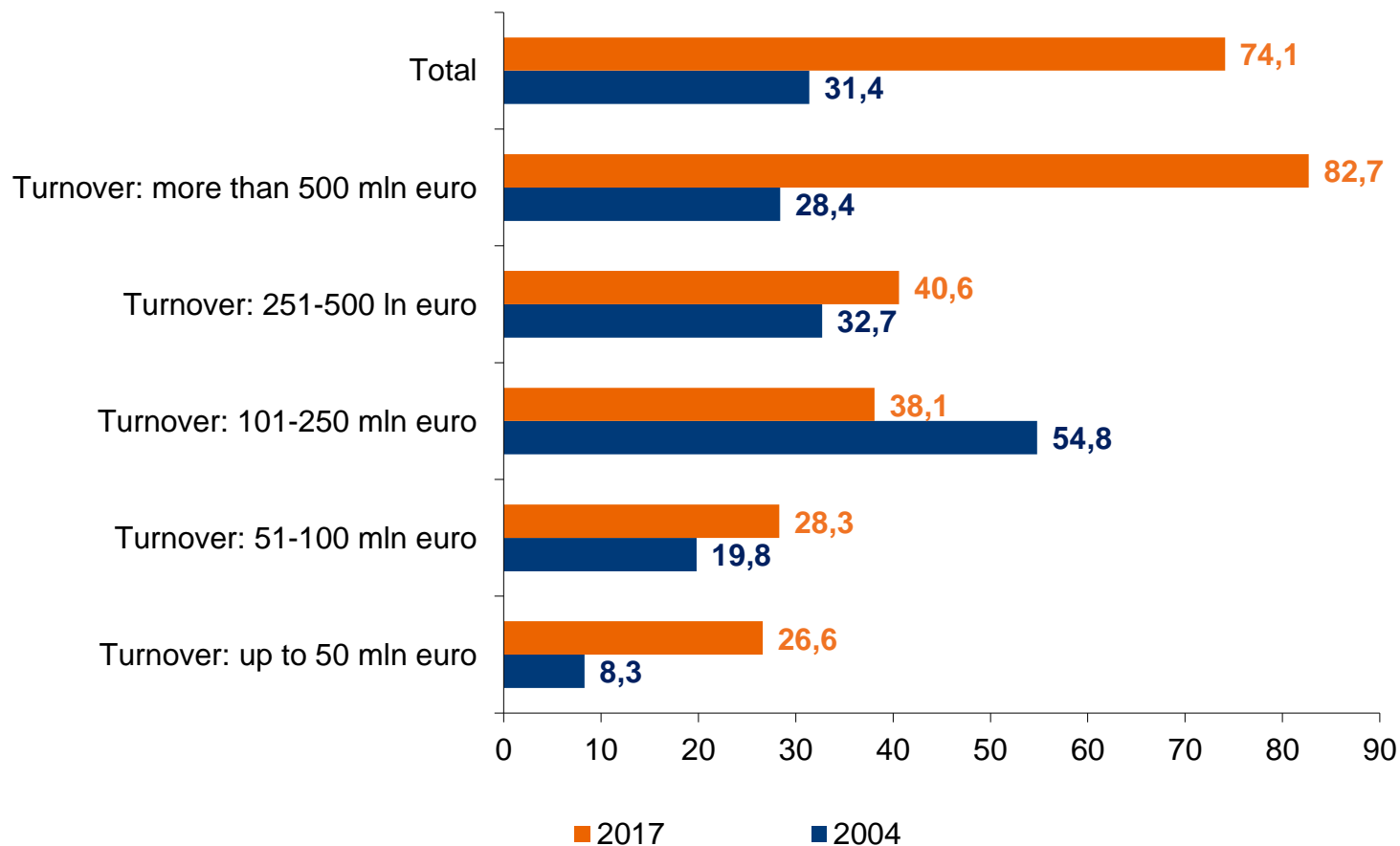


Note: ANCE survey on a sample of 46 firms operating on world markets and representing almost all the international activities of Italian Construction Industry.

Source: ANCE – Survey 2018

## ... with an increasing weight of foreign turnover

Weight of foreign turnover for Italian construction firms by firm size  
(as a % of total turnover)



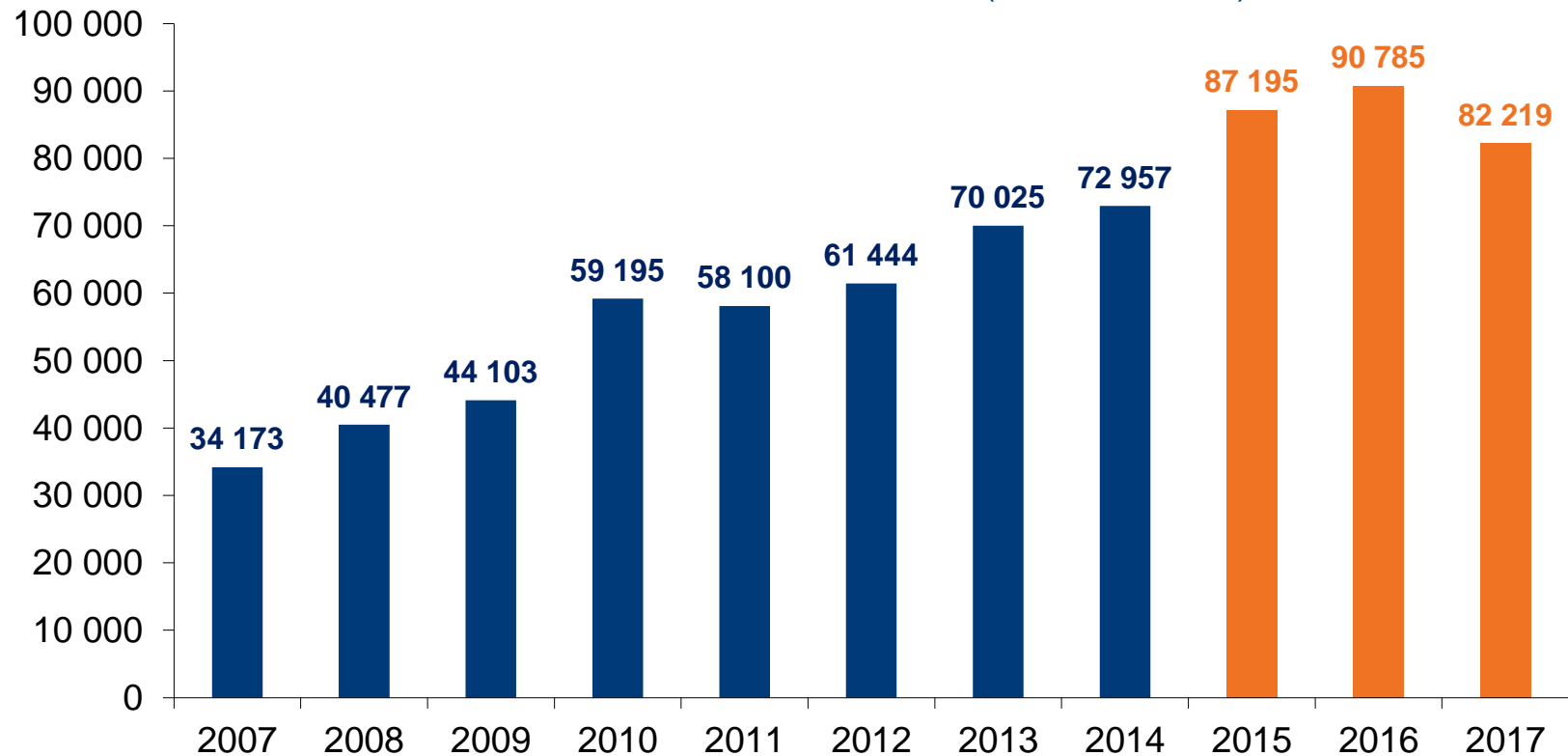
Source: ANCE – Survey 2018



# The total contract value of international construction sites reached a new record in 2015-2017 ...

The fall in 2017 is due to the end of some important orders.

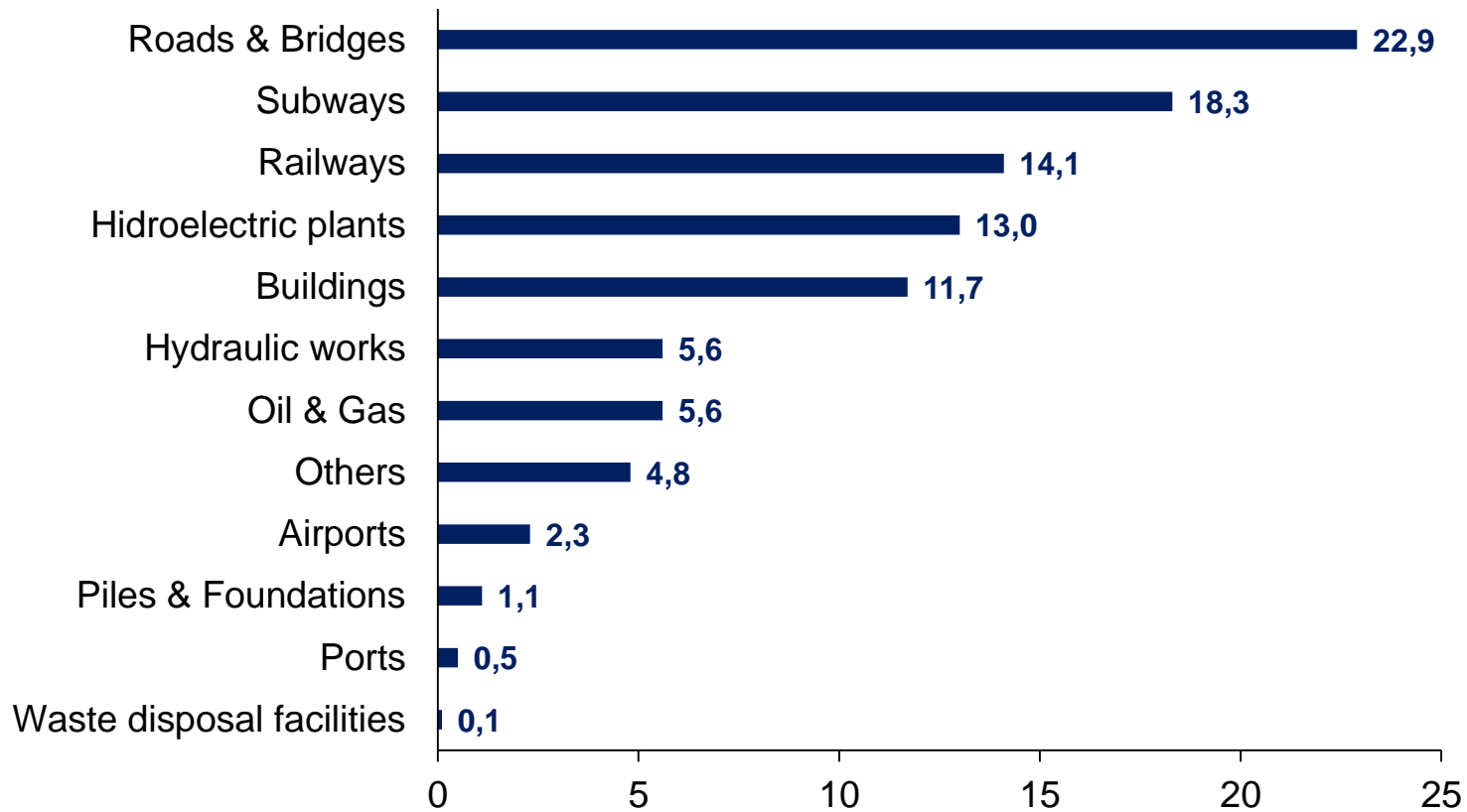
**Total contract value of international construction sites  
for Italian contractors in the world (millions of euro)**



Source: ANCE – Survey 2018

## ...and regards a complex mix of infrastructures (roads, subways, railways) ...

Italian construction sites in the world:  
amount of total ongoing contracts by sector, 2017 (as a % of total)

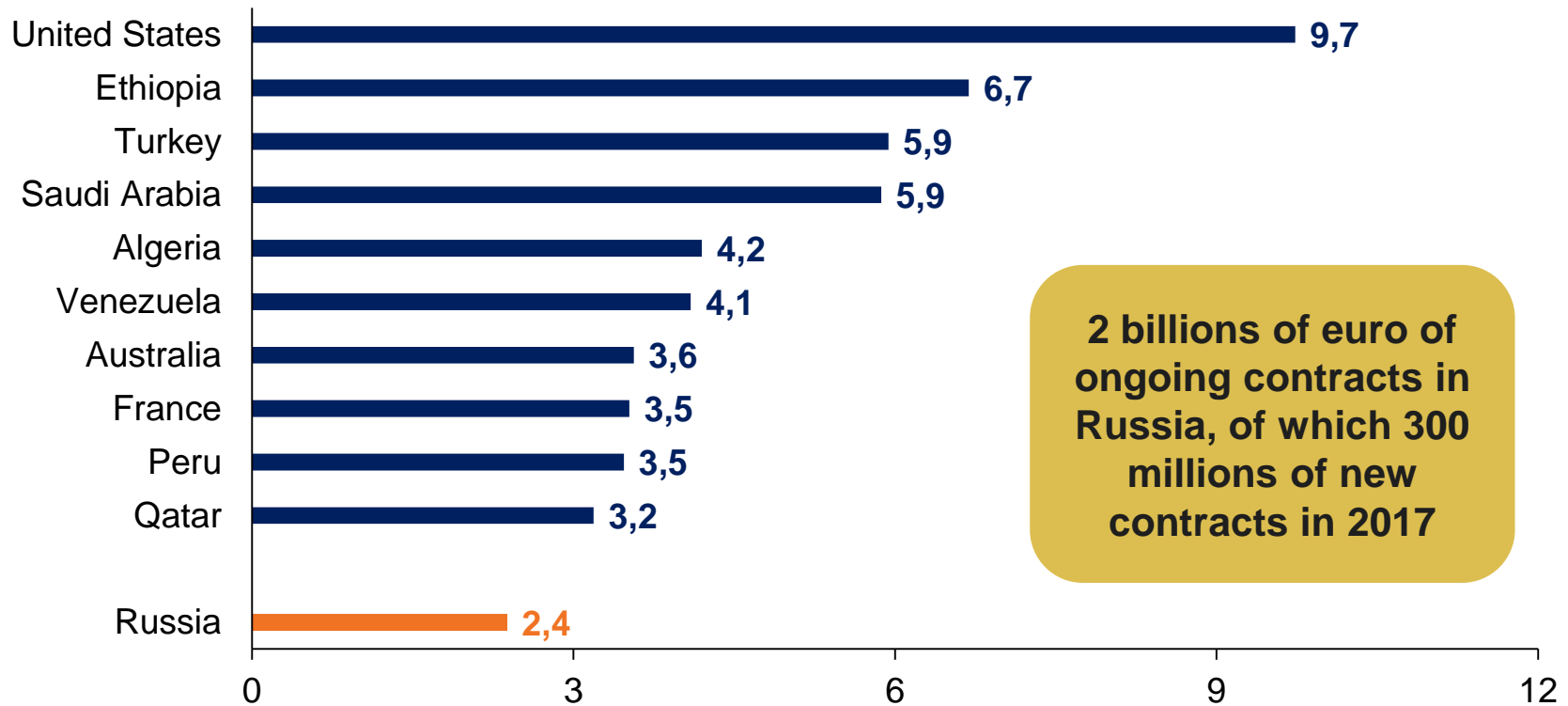


Source: ANCE – Survey 2018

## ... all over the world

The Italian construction firms operate in 92 countries, in the 5 continents with 811 construction sites.

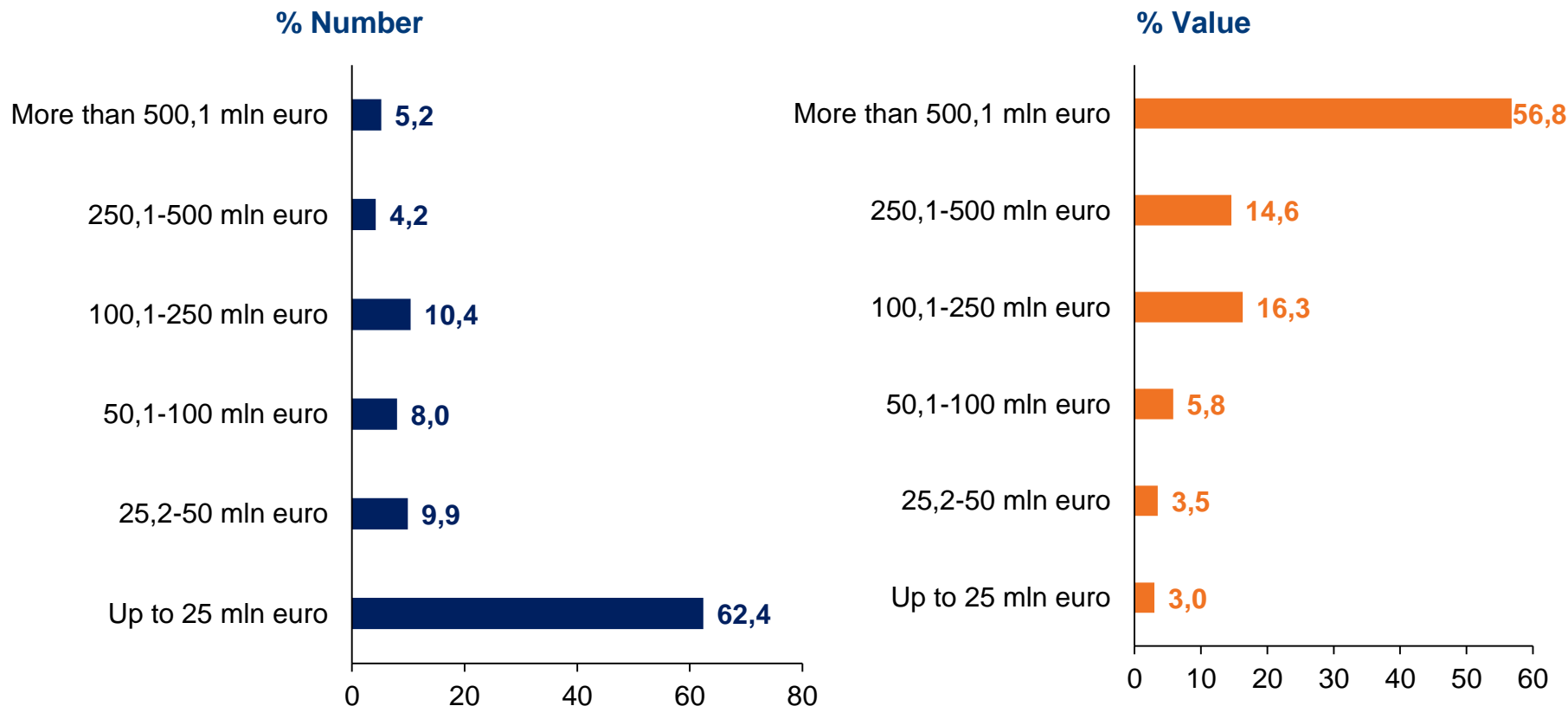
**Italian construction sites in the world: primary markets  
for Italian Contractors, 2017 (as a % of total ongoing contracts)**



Source: ANCE – Survey 2018

# A high weight for contract with a value greater than 500 million euros

Italian construction sites in the world: number and value of ongoing contracts by amount classes, 2017 (as a % of total ongoing contracts)



Source: ANCE – Survey 2018

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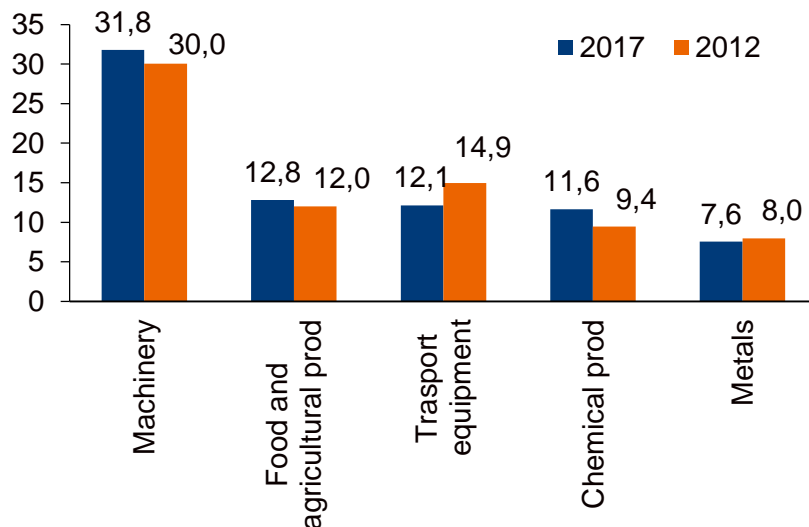
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# EAEU Int'l trade: importing investment & consumer goods and exporting oil & gas

- The EAEU's **trade** (2.1% of world share; of which 79% Russia, 10.5% Kazakhstan) reached \$ 741 Bn (+25% yoy) in 2017.

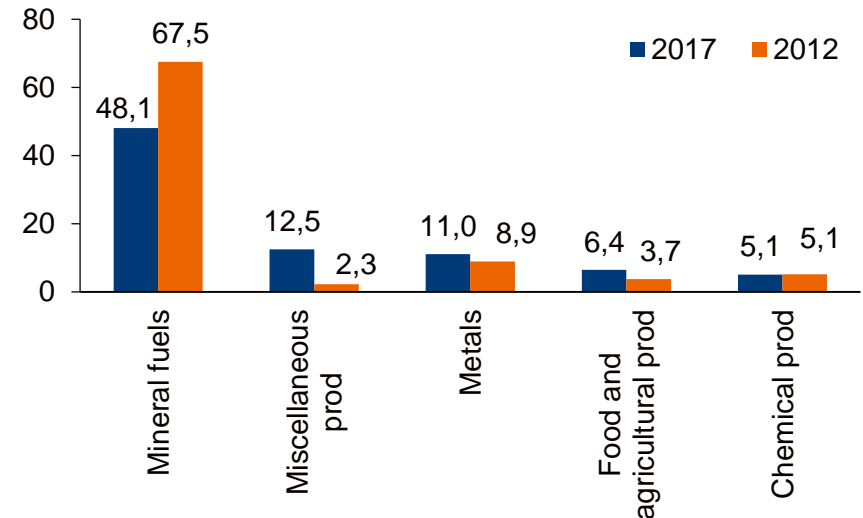
**Exports** (\$ 441 Bn): mainly minerals and metals (59%, including refined oil products). **Imports** (\$ 300 Bn): mainly machinery and transport equip. (44%), agri-food (13%), chemical products (12%), metals (8%) and textile (6%).

**Import (% on total)**



Source: Comtrade

**Export (% on total)**



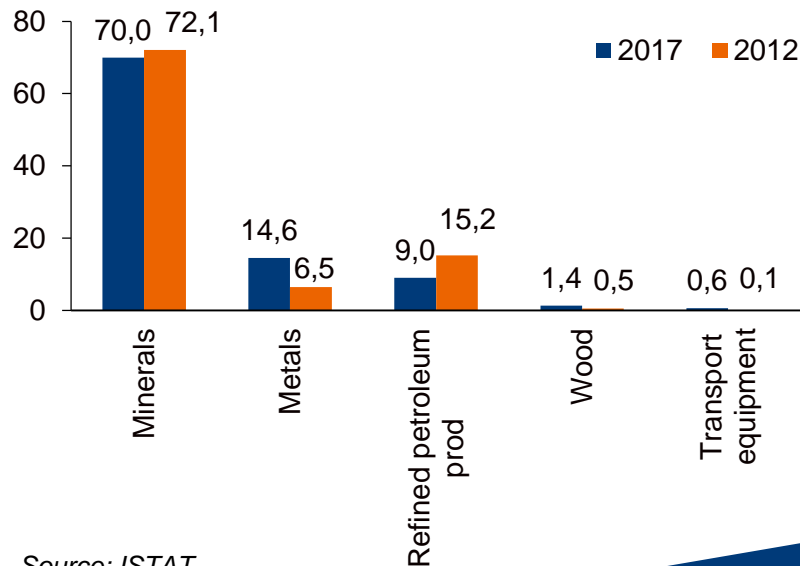
Source: Comtrade

- The composition of imports and exports is complementary to that of EU (and Italy) and of China (both energy importing and investment and consumer goods exporting). EU (and Italy) and China are competitors with respect to the EAEU and to Russia (at present, seen to turn «eastwards»).

# Italy and EAEU: exploiting reciprocal comparative advantages

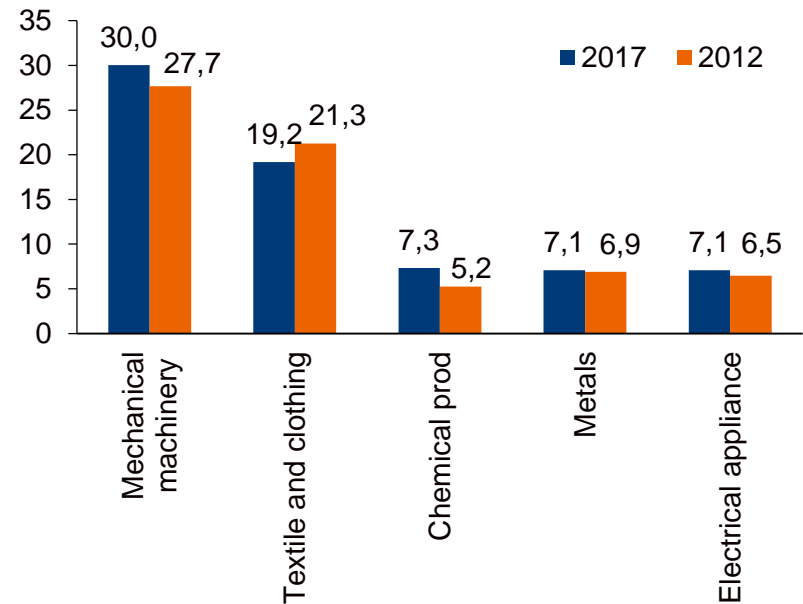
- In 2017 Italy **traded 23 Bn Euro** (+14% yoy) with EAEU (2,7% of Italian total trade, 88% with Russia and 9% with Kazakhstan). **Imports** (13.8 Bn Euro, 3.4% of total Italian): minerals and refined oil products (70%) and metals (15%). **Exports** (9.1 Bn Euro, 2% of total Italian): machinery (39%), in particular mechanical machinery (30%), textile (19%), chemicals (7%), metals (7%), miscellaneous (7%, including jewellery and furniture).

**Import (% on total)**



Source: ISTAT

**Export (% on total)**

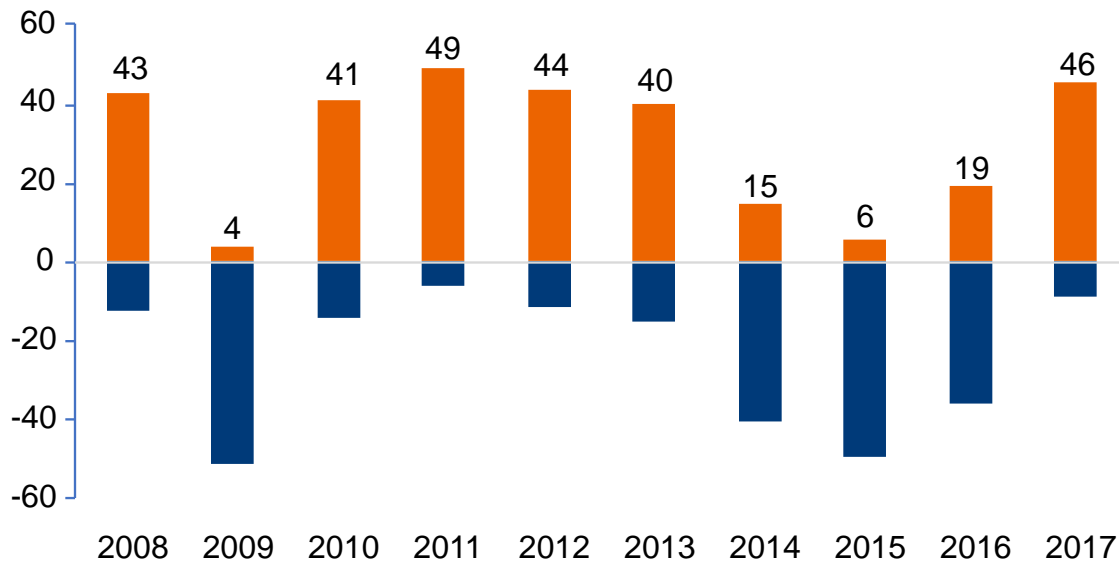


Source: ISTAT

- The structure of Italian exports and imports with the EAEU (and with Russia) reflects **reciprocal specialisation/comparative advantages**.

# In 2017 significant increase in industrial districts' export flows

Number of industrial districts\* with falling (orange) and growing (blu) exports vs. the EAEU



- The signs of recovery emerged at the national level have also been confirmed in the industrial districts which registered in 2017 +18.2% in export flows to the EAEU, amounting to EUR 396M more than in 2016.
- In 2017, the number of districts which recorded an increase in these markets rose to 46 (out of a total of 55 that in 2017).

■ Districts which recorded a decrease   ■ Districts which recorded an increase

(\*) The sample includes only the 55 Districts that in 2017 have exported more than 10 Mln Euros vs. the EAEU.

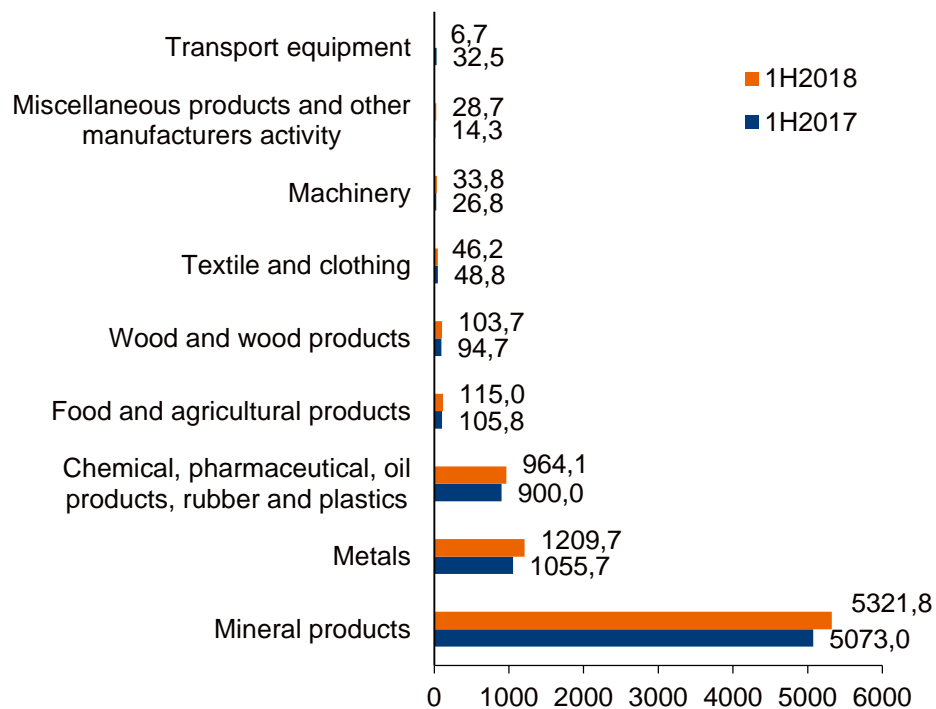
Source: Intesa Sanpaolo elaborations on ISTAT Data



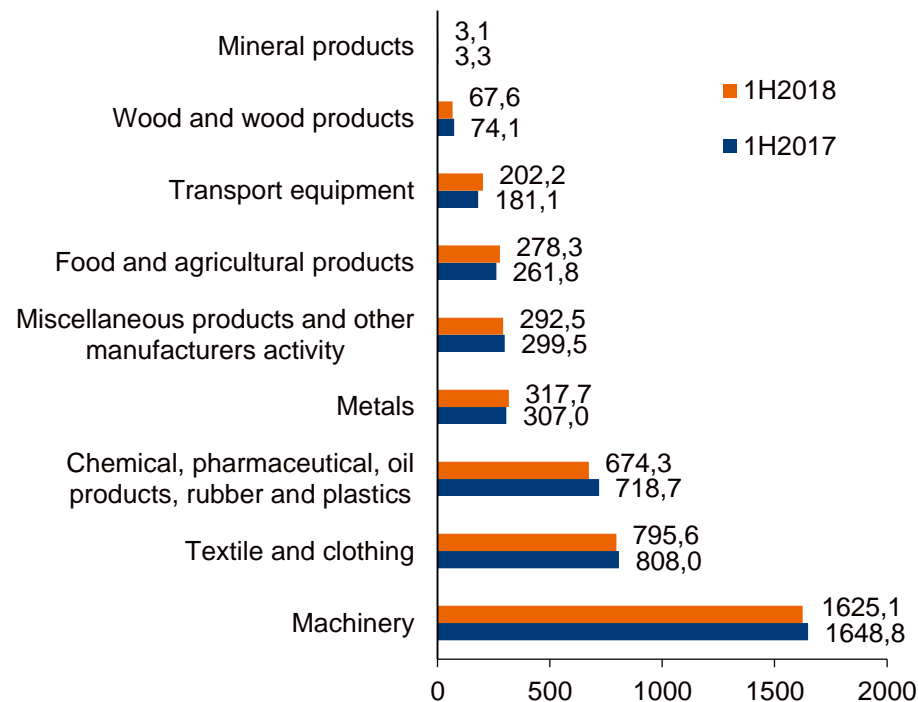
# Italian trade increasing in 1H2018, but export penalized by a fall in mechanical machinery

- During 1H2018 Italy **traded** more than 12 Bn Euro with EAEU (+3.7% yoy) (10.5 Bn. Euro with Russia). **Imports** (7.8 Bn Euro) increased by 6.5% yoy, due to the dynamic of energy prices while **exports** (4.3 Bn Euro) decreased by 1.1% overall.

## Imports (Mln Euro)



## Exports (Mln Euro)



- Exports decrease was mainly due to a fall of mechanical machinery and occurred despite the parallel increase of other main items (electrical appliance, transports, food and metals).