

Trade and FDI

Gulf Countries (GCC)¹

A difficult 2020 for exchanges, especially in the first part of the year, but recovering in recent months. Trade with China is growing at the expense of mature economies. In 2020 Italy increased transactions thanks to purchases of gold from the Emirates.

- IMF data for **2020 show a 17.5% yoy drop in GCC trade to USD 964Bn**. As for the rest of the world, the quarter most penalized by the effects of the pandemic was the second, which saw a decline of about 35% yoy in the value of trade expressed in the US currency. In the second half of the year, with the global economic recovery, the resumption of domestic demand and the rise in oil prices, the trend decline in trade decreased (-4.0% yoy in December).
- **The value of trade** expressed in dollars, according to ITC Comtrade data, was equal to USD 1,286Bn in 2019 compared to 1,573Bn in 2014 and 1,030Bn in 2016. In 2019 exports amounted to USD 761Bn (-8.2% yoy) and imports to 525.2Bn (+2.9% yoy).
- **The main import market is the Asian one** with a share of 52% in 2019 (China and India have the same percentage as the entire European continent, equal to 24%), while exports transit by 45% to areas which do not show their final destination. The Asian continent follows in importance for exports with 43%.
- **China supplied 34% of the total machinery imported from GCC countries in 2019**; this percentage has increased over the years (it was 22% in 2014 and about 9% in 2001), to the detriment of US, British, German, Italian, Japanese and Korean supplies. Although it is difficult to compare over the years the data of the classification and final distribution of exports, exports of minerals and energy products to China are growing strongly: the share rose from less than 2% in 2001 to 10.6% in 2019.
- **Italian trade with Gulf countries** reached its peak in 2012 with EUR 22.9Bn, and then touched a minimum in **2019 with EUR 17.4Bn**. The net balance is historically positive for Italy and reached EUR 4.7Bn in 2019 (max EUR 8.0Bn in 2015).
- **In 2020 Italian trade with Gulf countries rose by 7.8% yoy, thanks to the increase in purchases of gold from the Emirates**, which significantly boosted imports (+37.8% yoy), in particular from the second half of the year. Analyzing the trend in the four quarters, there was a strong contraction in trade in the 2nd quarter of the year (-22.6% yoy), but this decline was offset in the third and fourth quarter (respectively +29.5% yoy and +24.5% yoy) thanks to an increase in imports (+84.0% yoy and +81.3% yoy in the last two quarters of 2020).
- **Italian imports** are mainly made up of minerals and metals, while the most important items of **exports** are both mechanical and electrical machinery, jewelry and furniture items and products of the "Fashion" sector.
- **In 2019 inward FDI flows to Gulf countries amounted to USD 498Bn** (USD 419Bn in 2014), while **outward FDI stock** was equal to USD 387Bn. **Italian investments in these countries amounted to EUR 20.7Bn in 2019**, with around 400 businesses for a total turnover of EUR 8.1Bn.
- Based on data from the Italian Ministry of Foreign Affairs and International Cooperation, investment opportunities exist in the sectors of food, rubber and plastic items, machinery for the oil and mining industry, IT, metallurgy and its products, clothing, oil refining, infrastructures and construction. Commercial opportunities are highlighted for "luxury" Made in Italy products, together with the machinery sector – although the latter is affected by Asian competition – in information technology, technologies for water desalination and wastewater treatment, waste recycling, infrastructures and construction.

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¹ The Gulf Countries (GCC) considered in this report are: Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, United Arab Emirates.

The trade of the Gulf countries with the rest of the world

The trade value of the Gulf countries in 2020 (based on data available from the IMF, Direction of Trade) was heavily affected on the export side by the contraction in international oil demand (-9.48% yoy, from 99.98 mb/d in 2019 to 90.51 mb/d) and the significant reduction in the average annual price of oil (-32.5% yoy for Brent). Overall, the trade of GCC countries in 2020 fell by 17.5% yoy, penalized above all by exports (-24% yoy), while imports fell by 9% yoy.

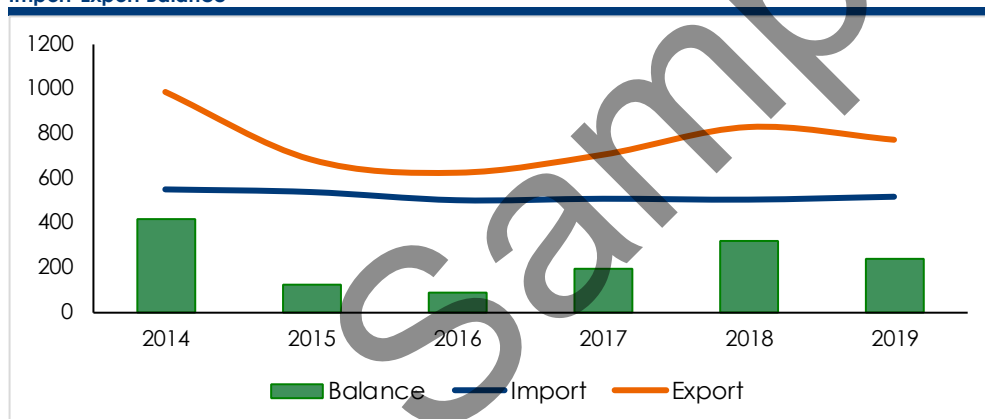
Import - Export 2020 (USD Bn)

	Jan-Dec 2019	1Q2020	2Q2020	3Q2020	4Q2020	Dec-20	Jan-Dec 2020
Import	519.7	122.7	99.9	112.8	137.8	52.1	473.2
Export	648.1	141.2	91.9	123.5	133.9	46.0	490.5
Balance	128.4	18.5	-8.0	10.6	-3.9	-6.1	17.3
Trade	1167.9	263.9	191.9	236.3	271.6	98.1	963.7
Chg. % yoy imp.	8.4	-4.1	-22.9	-13.7	4.8	15.1	-9.0
Chg. % yoy exp.	-7.9	-12.4	-44.4	-23.3	-16.7	-19.3	-24.3
Chg. % yoy trade	-1.3	-8.7	-34.9	-19.0	-7.0	-4.0	-17.5

Source: FMI, Direction of Trade

In a five-year comparison, the trade of the Gulf countries (ITC Comtrade data), after a trend decline in the period 2014-2016 by 34.5% (from USD 1,573Bn to 1,030Bn), recovered in 2017-2018 up to USD 1.339Bn, then settling in 2019 at USD 1.286Bn. In 2019², imports amounted to USD 525Bn and grew by nearly 3% over the previous year, while exports fell by about 8% yoy to USD 761Bn, driven by the weak price of Brent, whose average annual price had fallen by more than 10% yoy.

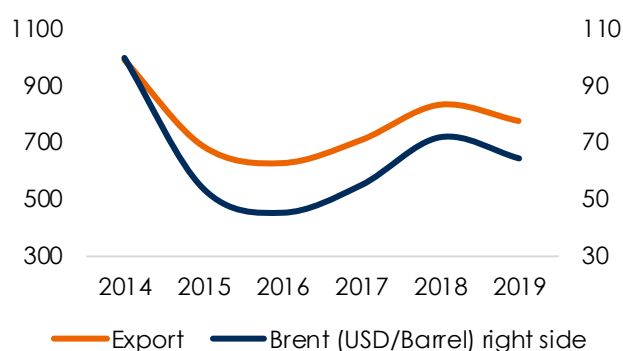
Import-Export Balance



Source: ITC Comtrade

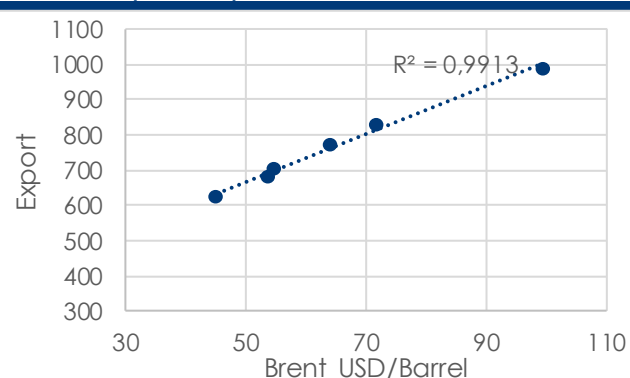
² 2019 Oman mirror data.

Export trend – Brent price trend (right side)



Source: Export ITC Comtrade; Brent Bloomberg

Correlation Export Brent price



Source: Export ITC Comtrade; Brent Bloomberg

Import/Export (USD Bn)

	2014	2015	2016	2017	2018	2019*
Import	578.2	566.9	469.3	507.8	510.6	525.2
Export	994.5	692.7	560.7	701.5	828.5	760.8
Trade	1572.7	1259.6	1030.0	1209.3	1339.1	1286.0
Balance	416.3	125.8	91.5	193.7	317.9	235.5
Chg. % yoy imp.	1.9	-2.0	-17.2	8.2	0.6	2.9
Chg. % yoy exp.	-7.3	-30.3	-19.1	25.1	18.1	-8.2
Chg. % yoy trade	-4.1	-19.9	-18.2	17.4	10.7	-4.0
Imp./World	3.1	3.4	2.9	2.9	2.6	2.8
Exp./World	5.3	4.2	3.5	4.0	4.3	4.1
Trade World	4.2	3.8	3.2	3.4	3.4	3.4
Brent	99.4	53.6	45.1	54.8	71.6	64.2
Chg. % yoy Brent	-8.6	-46.1	-15.8	21.4	30.7	-10.4

Note: (*) 2019 Oman mirror data. Source: ITC Comtrade – Brent Bloomberg

Import breakdown by sector (%)

	2014	2019
Rubber and plastic	2.6	3.0
Wood, paper and printing	1.4	1.6
Machinery	20.0	25.7
Electrical machinery	7.7	11.7
Mechanical machinery	10.4	11.5
Optical, photo, medical machinery	1.4	1.9
Miscellaneous goods	19.4	6.8
Metals	8.0	7.2
Transport equipment	13.1	12.3
Vehicles	10.3	8.8
Minerals	4.0	6.5
Mineral fuels	2.8	5.4
Ores, slag, ash, earths and stone	1.2	1.1
Furniture	1.3	1.3
Stones, glass and ceramics	11.1	13.6
Agricultural products, food and tobacco	9.4	10.0
Chemical products	6.1	7.6
Textiles, clothing, footwear and leather	3.6	4.4
Total	100.0	100.0

Note: 2019 Oman mirror data. Source: ITC Comtrade

Export breakdown by sector (%)

	2014	2019
Rubber and plastic	3.1	4.1
Wood, paper and printing	0.3	0.4
Machinery	2.4	7.4
Electrical machinery	1.0	4.2
Mechanical machinery	1.3	2.7
Optical, photo, medical machinery	0.1	0.3
Miscellaneous goods	14.1	32.9
Metals	2.5	4.0
Transport equipment	2.5	2.5
Vehicles	1.9	1.9
Minerals	65.6	33.6
Mineral fuels	65.3	32.9
Ores, slag, ash, earths and stone	0.3	0.7
Furniture	0.1	0.2
Stones, glass and ceramics	4.1	6.9
Agricultural products, food and tobacco	1.3	2.5
Chemical products	3.4	4.7
Textiles, clothing, footwear and leather	0.5	0.9
Total	100.0	100.0

Note: 2019 Oman mirror data. Saudi Arabia put the export of mineral fuels in miscellaneous goods. Source: ITC Comtrade

Import breakdown by geographical area (%)

	2014	2019
Europe	23.4	24.0
Of which UE	18.5	19.4
Germany (6°)	5.1	4.3
Italy (9°)	2.6	2.8
Russia (25°)	0.8	0.9
Asia	40.4	52.0
Of which China Taipei and India	15.2	23.8
China (1°)	9.7	15.7
India (3°)	4.8	7.5
Americas	11.5	13.4
Of which USA and Canada	9.1	10.1
USA (2°)	8.5	9.2
Latam	2.2	2.7
Brazil (16°)	1.3	1.4
Africa	4.3	6.7
Of which Sub Sahara	2.8	4.4
North Africa	0.9	1.6
Others	20.5	3.9
Total	100.0	100.0

Note: 2019 Oman mirror data. Source: ITC Comtrade

Export breakdown by geographical area (%)

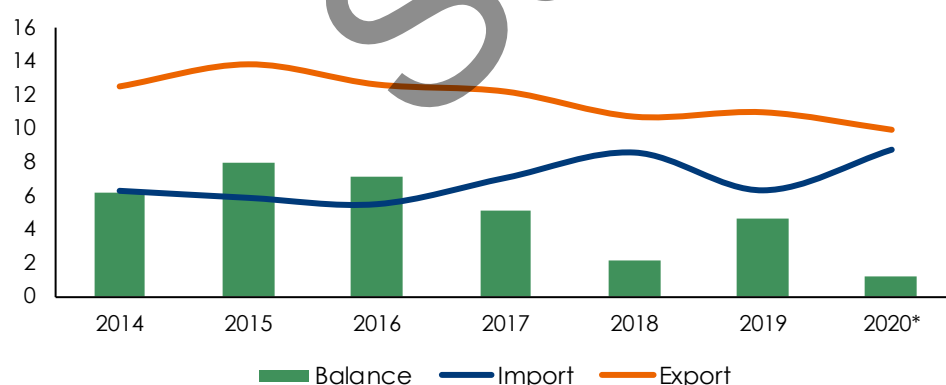
	2014	2019
Europe	4.4	6.7
Of which UE	3.0	3.6
Germany (32°)	0.1	0.3
Italy (26°)	0.4	0.4
Russia (54°)	0.1	0.1
Asia	45.3	42.8
Of which China Taipei and India	6.5	11.2
China (3°)	2.3	6.4
India (4°)	3.4	4.2
Americas	5.6	1.8
Of which USA and Canada	0.6	1.4
USA (13°)	0.6	1.4
Latam	0.3	0.3
Brazil (50°)	0.1	0.2
Africa	2.9	4.0
Of which Sub Sahara	1.8	2.3
North Africa	0.9	1.4
Others	41.8	44.7
Total	100.0	100.0

Note: 2019 Oman mirror data. Source: ITC Comtrade

Italy's trade with GCC countries

Provisional figures for 2020 show an increase in imports by 37.8% yoy to EUR 8.7Bn, related to purchases of precious metals (gold) made by Italy in the Emirates since last June. Exports to GCC countries, on the other hand, contracted by 9.5% yoy to EUR 10.0Bn.

Italy's trade with the Gulf countries, based on Istat data, continued to grow until 2012, when it reached EUR 22.9Bn, but it amounted to only EUR 17.4Bn in 2019. Imports were affected by the trend in oil prices and fluctuated from EUR 2.7Bn in 2009 to EUR 10.8Bn in 2012, before falling to EUR 5.5Bn in 2016 and ending in 2019 at EUR 6.3Bn. Italian exports to Gulf countries continued to grow until 2015, when Italy exported goods for EUR 13.9Bn, and then dropped to EUR 11Bn in 2019.

Import-Export and Balance Italy/GCC (EUR Bn)

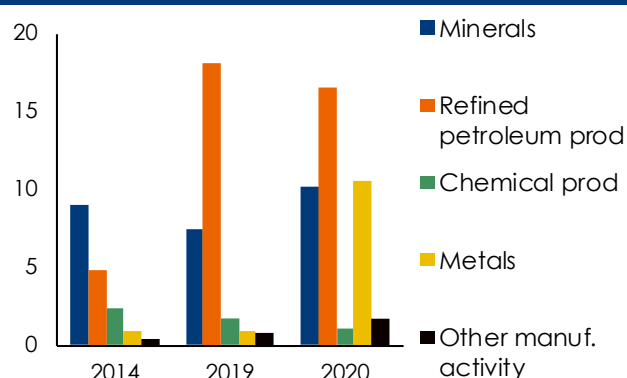
Source: Istat

Italy's trade with GCC countries (EUR Bn)

	2014	2015	2016	2017	2018	2019	2020*
Import	6.3	5.9	5.5	7.1	8.6	6.3	8.7
Export	12.6	13.9	12.7	12.3	10.8	11.0	10.0
Balance	6.3	8.0	7.2	5.2	2.2	4.7	1.2
Trade	18.9	19.8	18.2	19.3	19.3	17.4	18.7
Chg. % Import	-30.4	-6.6	-6.3	28.1	21.1	-26.0	37.8
Chg. % export	1.0	10.5	-8.7	-3.4	-12.2	2.5	-9.5
Chg. % trade	-12.2	4.8	-8.0	6.2	0.0	-10.2	7.8
% of import with Italy	1.8	1.6	1.5	1.8	2.0	1.5	2.4
% of export with Italy	3.2	3.4	3.0	2.7	2.3	2.3	2.3
% of trade with Italy	2.5	2.5	2.3	2.3	2.2	1.9	2.3

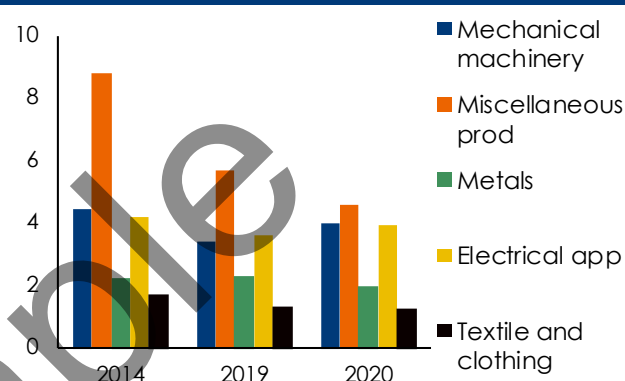
Note: (*) 2020 provisional figures. Source: Istat

Sector breakdown of Italian imports from GCC (%)



Source: Istat

Sector breakdown of Italian exports to GCC (%)



Source: Istat

Foreign Direct Investment

The stock of FDI inward in 2019 was equal to USD 497.6Bn, almost doubling the amount invested in 2009 (USD 268Bn). The country with the largest amount is Saudi Arabia with over USD 236Bn (USD 148Bn in 2009), followed by the United Arab Emirates with USD 154Bn, whose stock has tripled compared to 2009 when it was limited to only USD 55Bn.

As for the stock of FDI outward, the UAE was the most active with over USD 155Bn, up compared to USD 53.5Bn in 2009 and USD 81Bn in 2014. Another important investor is Saudi Arabia, with a stock outward of USD 123Bn in 2019 (USD 23Bn in 2009 and USD 45Bn in 2014). The FDI outward of the GCC countries amounted to USD 387Bn at the end of 2019 (USD 217Bn in 2014 and only USD 119Bn in 2009).

Stock IDE inward (USD Bn)

	2009	2014	2019
Bahrain	15.0	25.7	30.1
Kuwait	10.2	15.7	14.9
Oman	13.7	21.0	31.3
Qatar	25.9	39.6	31.1
Saudi Arabia	148.1	215.9	236.2
UAE	55.1	101.4	154.1
GCC	268.0	419.4	497.6

Source: UNCTAD

Stock IDE outward (USD Bn)

	2009	2014	2019
Bahrain	7.5	16.7	19.1
Kuwait	23.7	34.3	33.0
Oman	1.3	7.2	12.0
Qatar	10.7	33.5	44.8
Saudi Arabia	22.6	44.7	123.0
UAE	53.5	80.8	155.4
GCC	119.4	217.2	387.4

Source: UNCTAD

Stock IDE/GDP inward

	2009	2014	2019
Bahrain	65.4	77.1	77.5
Kuwait	9.7	9.7	10.4
Oman	28.4	30.7	33.7
Qatar	26.5	19.2	16.4
Saudi Arabia	34.5	28.5	30.7
UAE	21.4	25.2	37.5

Source: UNCTAD

Stock IDE/GDP outward

	2009	2014	2019
Bahrain	32.9	50.0	49.4
Kuwait	22.4	21.1	23.0
Oman	2.7	10.5	12.9
Qatar	10.9	16.2	23.6
Saudi Arabia	5.3	5.9	16.0
UAE	20.8	20.1	37.8

Source: UNCTAD

% of world inward

	2009	2014	2019
Bahrain	0.08	0.10	0.08
Kuwait	0.06	0.06	0.04
Oman	0.08	0.08	0.09
Qatar	0.15	0.15	0.09
Saudi Arabia	0.83	0.82	0.65
UAE	0.31	0.39	0.42

Source: UNCTAD

% of world outward

	2009	2014	2019
Bahrain	0.04	0.06	0.06
Kuwait	0.13	0.13	0.10
Oman	0.01	0.03	0.03
Qatar	0.06	0.13	0.13
Saudi Arabia	0.12	0.17	0.36
UAE	0.29	0.31	0.45

Source: UNCTAD

Based on Italian Ministry of Foreign Affairs' figures, at the end of 2019 there were approximately 400 Italian companies operating in the Gulf countries, both with their own branches and through shareholdings with local agents, for a total turnover of approximately EUR 8.1 Bn. These are companies operating in the sectors of energy, construction, plant engineering, mechanical engineering, food, business support services, both retail and wholesale trade, transport. The stock of Italian FDI inward in the region at the end of 2019 was around EUR 20.7Bn. The country that registered the greatest amount of Italian capital is the Emirates with over EUR 10Bn, followed by Saudi Arabia with EUR 5Bn.

Italian FDI in GCC Countries (EUR M)

	2013	2014	2015	2016	2017	2018	2019	Stock 2019
Bahrain	10	2	19	4	-3	34	53	232
Kuwait	718	334	-1489	112	727	251	165	2.508
Oman	36	159	147	265	-17	218	123	1.345
Qatar	-1,035	-927	-688	95	262	45	297	1,459
Saudi Arabia	-2,076	1,231	487	-39	-416	-354	327	5,083
UAE	1,161	1,223	404	1,477	329	858	714	10,039
GCC	-1,186	2,022	-1,120	1,914	882	1,052	1,679	20,666

Source: Ministry of Foreign Affairs and International Cooperation

Doing Business Index2020

	Doing Business 2020 *
UAE	16
Bahrain	43
Saudi Arabia	62
Oman	68
Qatar	77
Kuwait	83
<i>m.i.: Italy</i>	58

Note: (*) Ranking out of 190 countries. The lower the number, the greater the efficiency. Source: WorldBank

LPI Index 2018 (Logistics Performance Index)

	Rank	LPI	Customers and Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
UAE	11	3.96	3.63	4.02	3.85	3.92	3.96	4.38
Qatar	30	3.47	3.00	3.38	3.75	3.42	3.56	3.70
Oman	43	3.20	2.87	3.16	3.30	3.05	2.97	3.80
Saudi Arabia	55	3.01	2.66	3.11	2.99	2.86	3.17	3.30
Bahrain	59	2.93	2.67	2.72	3.02	2.86	3.01	3.29
Kuwait	63	2.86	2.73	3.02	2.63	2.80	2.66	3.37
<i>m.i.: Italy</i>	19	3.74	3.47	3.85	3.51	3.66	3.85	4.13

Note: Ranking out of 160 countries. the LPI ranges from 1 to 5. The higher the figures, the better the performance. Source: WorldBank

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