



Italian Economic Outlook and the SEZs as investment opportunity

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SRM Profile

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- We are an Economic Research Center belonging to Intesa Sanpaolo Banking Group
- We are based in Naples and our studies have a special focus on:
 - Italian Regional Economy, especially Southern Italian economy and the Mediterranean region
 - Maritime Economy, ports and logistic sectors
 - Energy and infrastructure
- In 2016 we launched the proposal to establish **SEZs** in **Southern Italian ports** with a strong documentation on the impact that Free Zones have already had in some countries.
- In 2017 the Italian Government adopted a specific national Law (in accordance with the EU) to establish SEZs...





Why entering in the Mediterranean Area means investing in a strategic geo-economic location?



Southern Italian Economy: not only tourism but also a **structured industry** in key sectors



Italian ports are evolving and gaining **competitiveness**: towards a **new model of port**



Italian Special Economic Zones: a new opportunity for **investment**



Why is a **partnership** with China **strategic**?



How **Intesa Sanpaolo Bank** is supporting the **attractiveness of SEZs** to investors

Why investing in Italian Special Economic Zones means investing in a strategic geo-economic location?

Because a new centrality of the Med is emerging thanks to three key factors:



The New Suez Canal:

reduction in transit times, no limits in ship size, logistic facilities



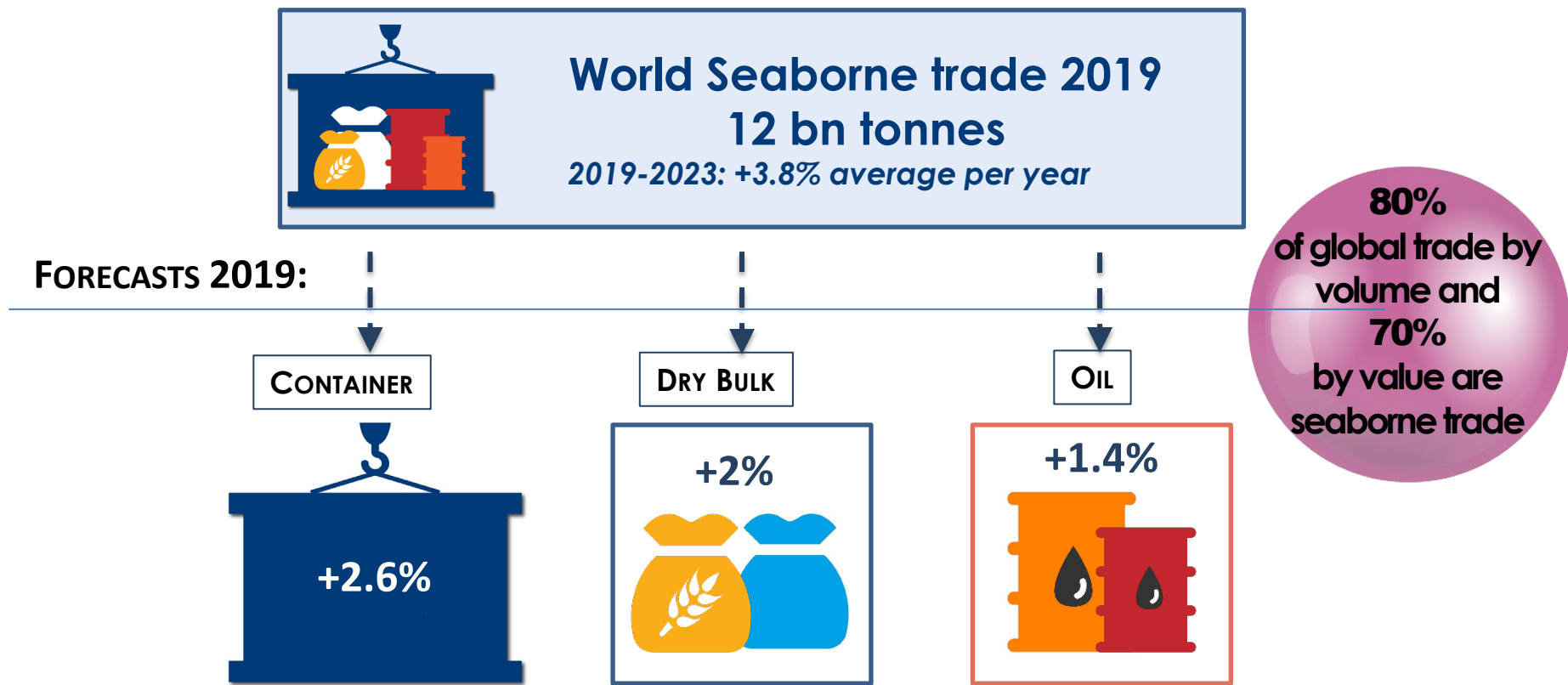
The new centrality of the Mediterranean:

Thanks to the growing role of China and the Belt and Road Initiative



The evolution in the shipping industry: growing ship size and mergers between carriers determine economies of scale and the need for routes with many stops where to load and download

Let's start with the global maritime trade scenario ⁵

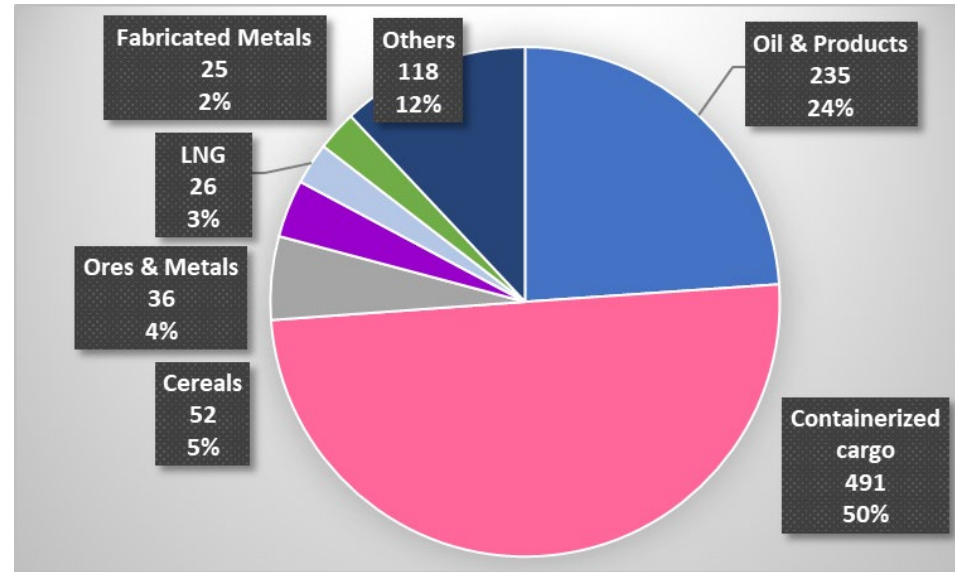


Big Infrastructure: The “New Suez Canal” is setting new records

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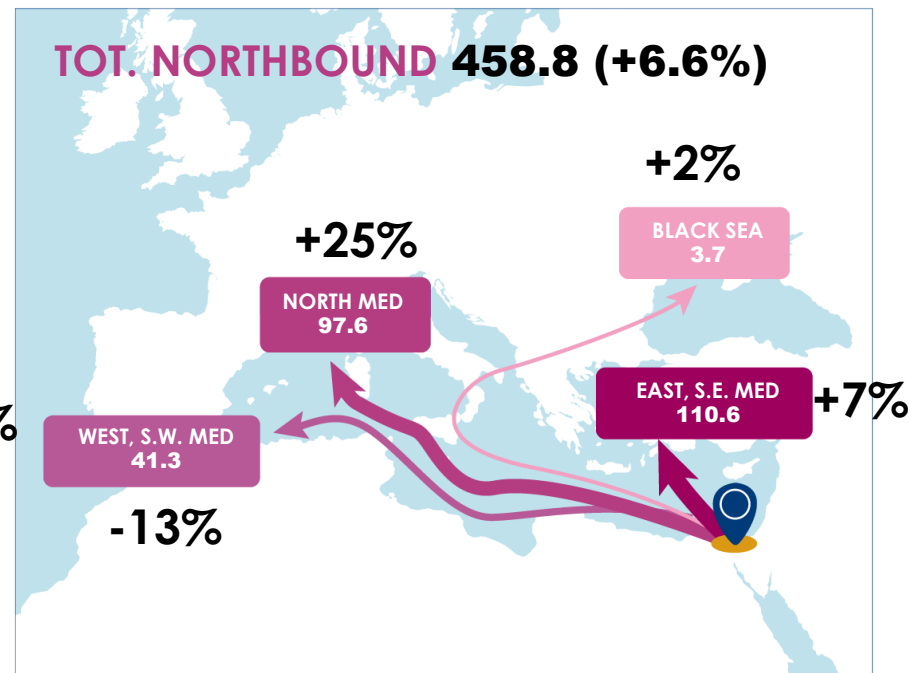
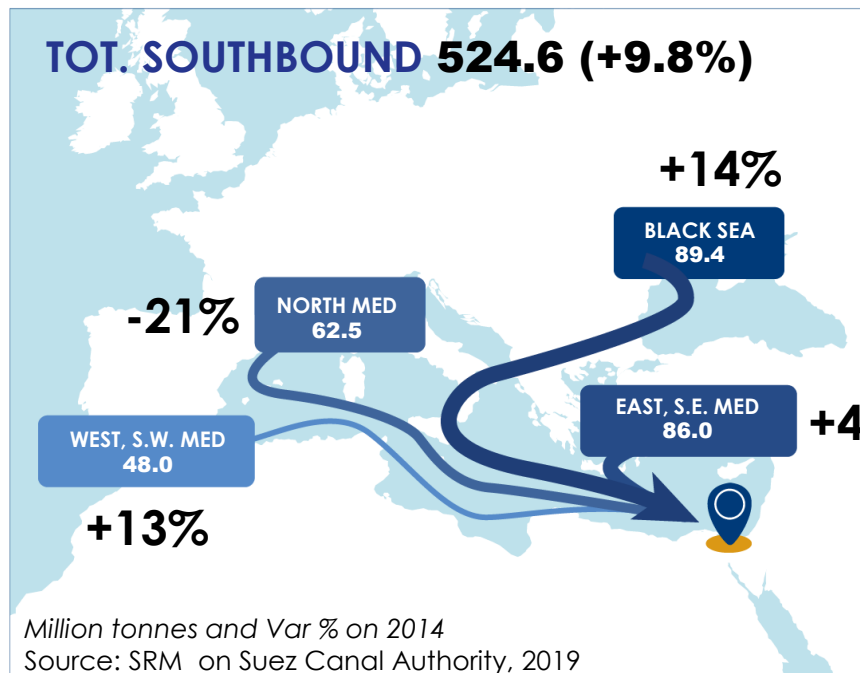
- Transit goods through the Suez Canal account for **8-10% global seaborne trade**.
- **2018 is the year of records.** For the first time in its history the threshold of **18 thousand ships has been exceeded (+3.6%)**. They transported over **983 million tons of cargo**.
- **Containerized cargo amounted to 491 million tons equal to 50% of the total.** Oil & Products follow with 24%.
- **In the first 9 months of 2019, 13,854 ships passed through** the Suez Canal marking an increase of **+3%** over the same period last year. They transported **766.4 million tons of goods (+5.5%)**.

Traffic by cargo type (million tons) in 2018



Source: SRM on Suez Canal Authority, 2019

New Suez Canal and the MED ports (2018 on 2014)

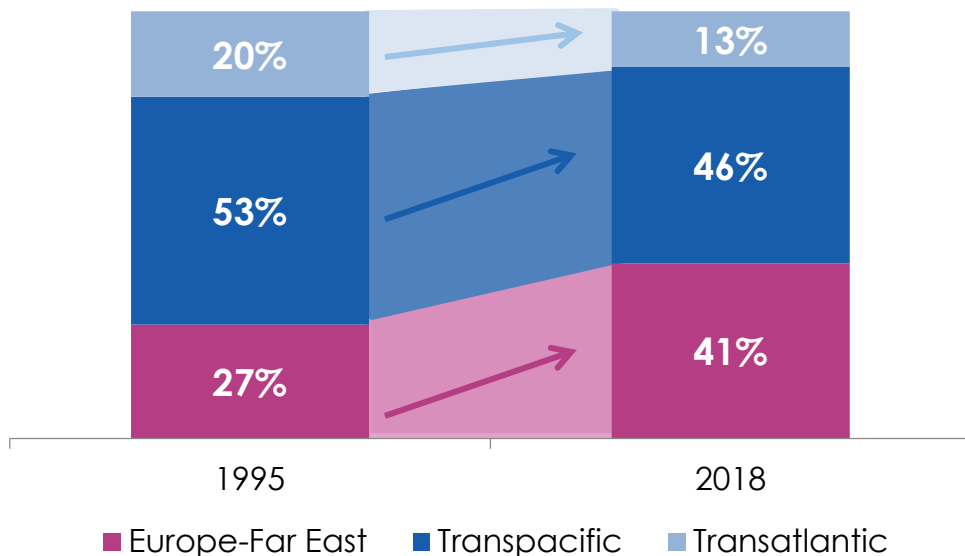


■ In both directions, **the Med ports** represent **55%** of the total.

New Centrality of the Mediterranean:

The growth of shares on the Europe-Far East Route

Estimated containerized cargo flows on major East-West container trade routes, 1995–2018 (% TEU)



- In 2018, the **Europe-Far East** and the **Transpacific** were by far the two biggest trade routes, accounting to 25 and 28 mln TEUs of traffic respectively.
- **Europe-Far East:** from **27% in 1995** to **41% in 2018**.
- As a result of this growth, **the Mediterranean recovers its centrality**

Entering the Mediterranean means to meet European, North Africa and the Middle East markets with an option to reach the East Coast of the US

EU's GDP

€ 15,566 bn

MENA's GDP

€ 3,591 bn

TOTAL

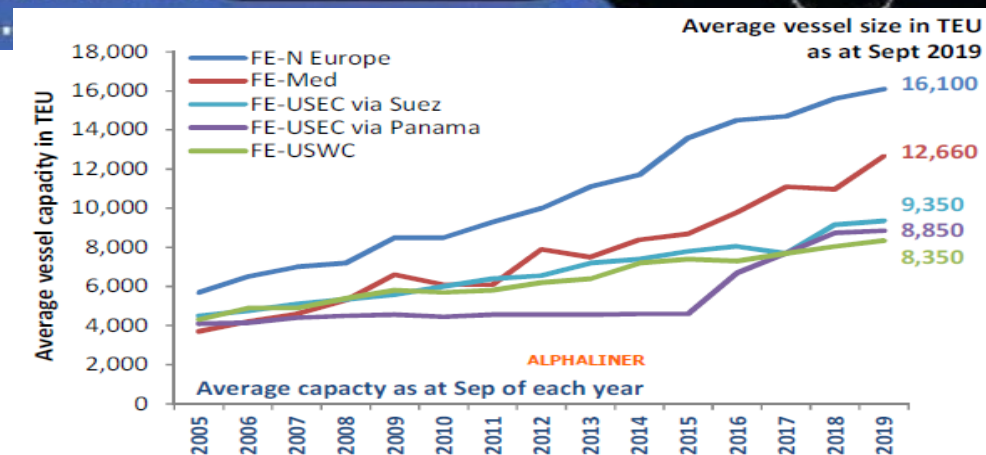
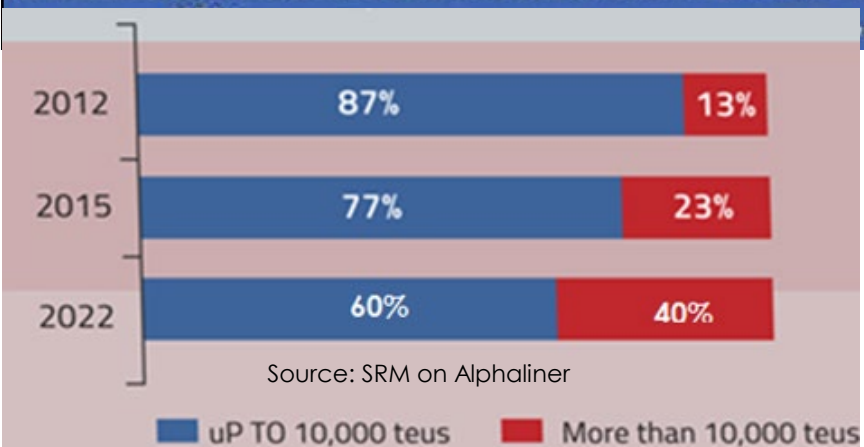
€ 19,157 bn



Source: SRM

Ship Sizes are growing

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Let's sum-up the most important data on the shipping sector in the Mediterranean

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27%
WORLD'S
CONTAINER
LINER
SERVICES

19 PORTS
THROUGHPUT
>1 MLN TEUs

+514%
GROWTH OF
CONTAINER
TRAFFIC SINCE
1995

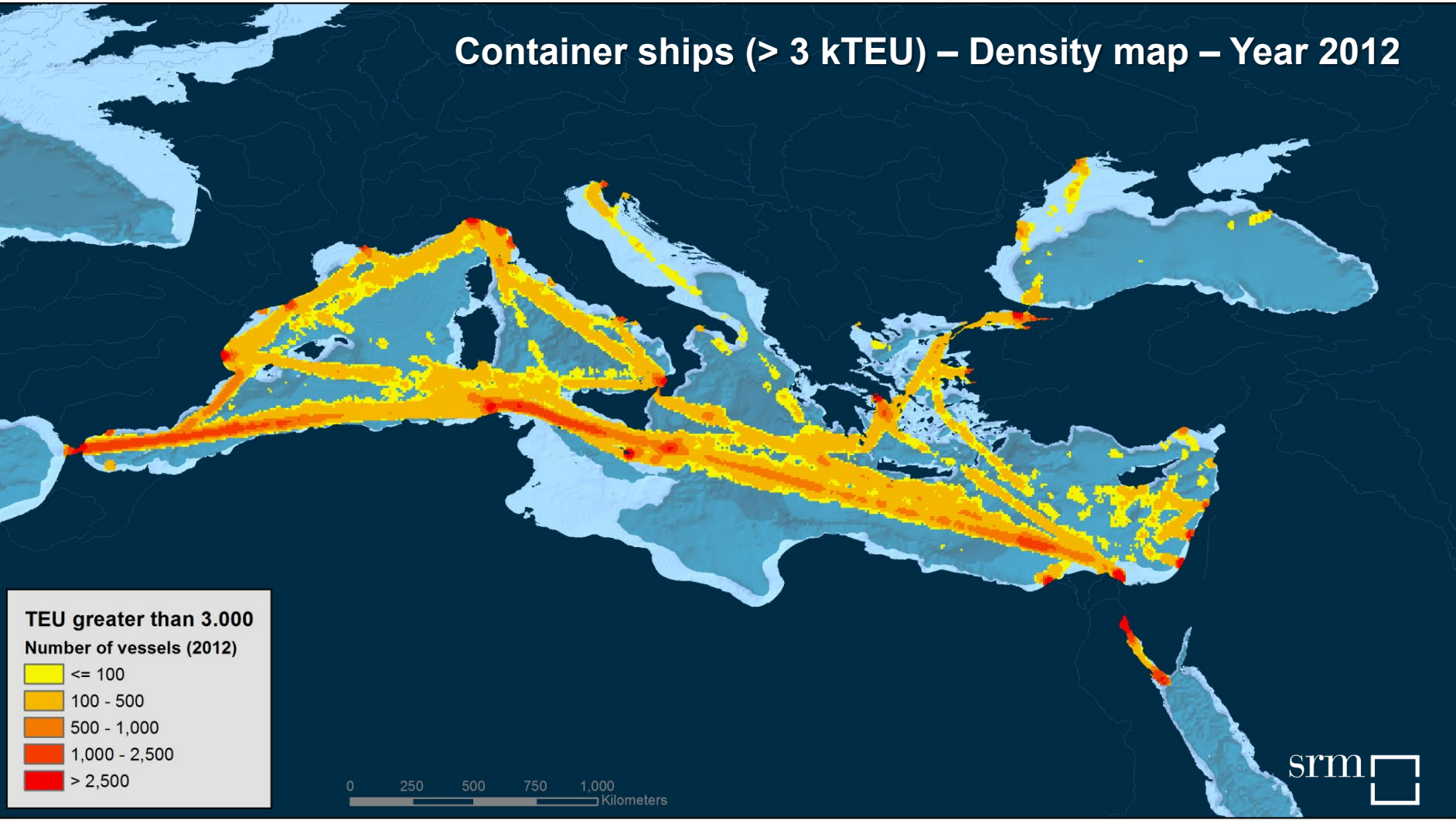
83%
SHARE OF
SEABORNE TRADE
BETWEEN ITALY
AND THE MED

20%
GLOBAL
SHIPPING
TRAFFIC

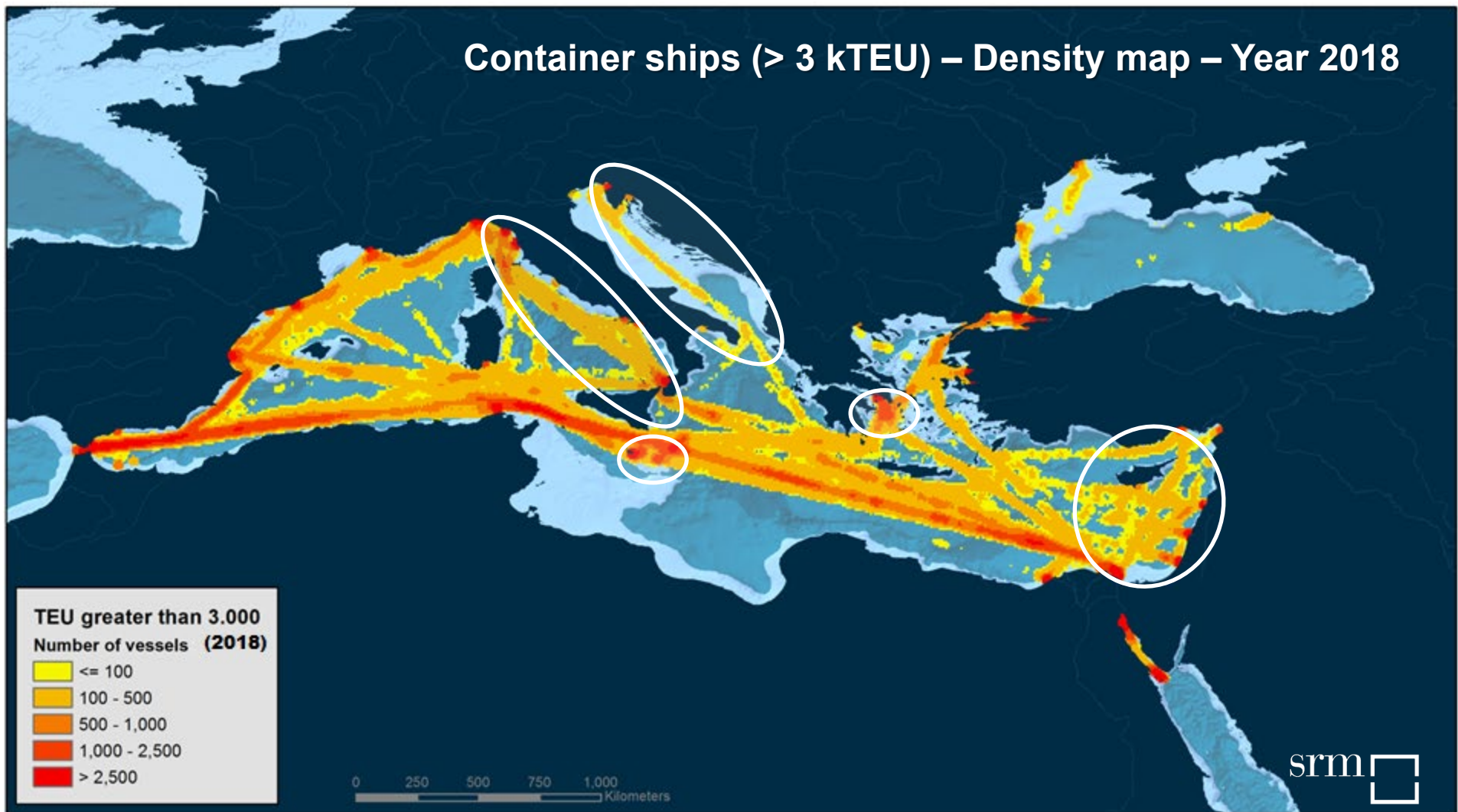
**983 mln
tonnes**
SUEZ CARGO
TRAFFIC

**614 mln
tonnes**
SHORT SEA
SHIPPING

Container ships (> 3 kTEU) – Density map – Year 2012



Container ships (> 3 kTEU) – Density map – Year 2018



Italy: a pivotal country in the middle of the Mediterranean 14

Italy as a logistic and energetic bridge between Europe, the Mediterranean and Asia



14 Port Network Authorities, 2 port Authorities and at least 5 strategic ports



Strategic gas pipelines from North Africa and Asia



Trade leader with Med and the BRI



Italy is one of the biggest economies in Europe

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Italy ranked...

- **3rd** for **GDP (€1.7 trillion)** in the EU*
- **2nd** for **manufacturing value added** in the EU (V.A. over €260 bn)
- **4th** for total **export** (over €460 bn) with almost €100 bn surplus in the manufacturing trade balance (2nd EU Country after Germany)
- **1st** in the EU for **certified quality products** (863 out of 3356 in the EU = 26%)

The value of the sea for the industry...

- In **Italy**, almost **40% of total trade** is **seaborne**, equal to €254 bn. This percentage reaches **65% in Southern Italy**.

* EU Monetary Union

The Italian Ports are evolving: the New Law

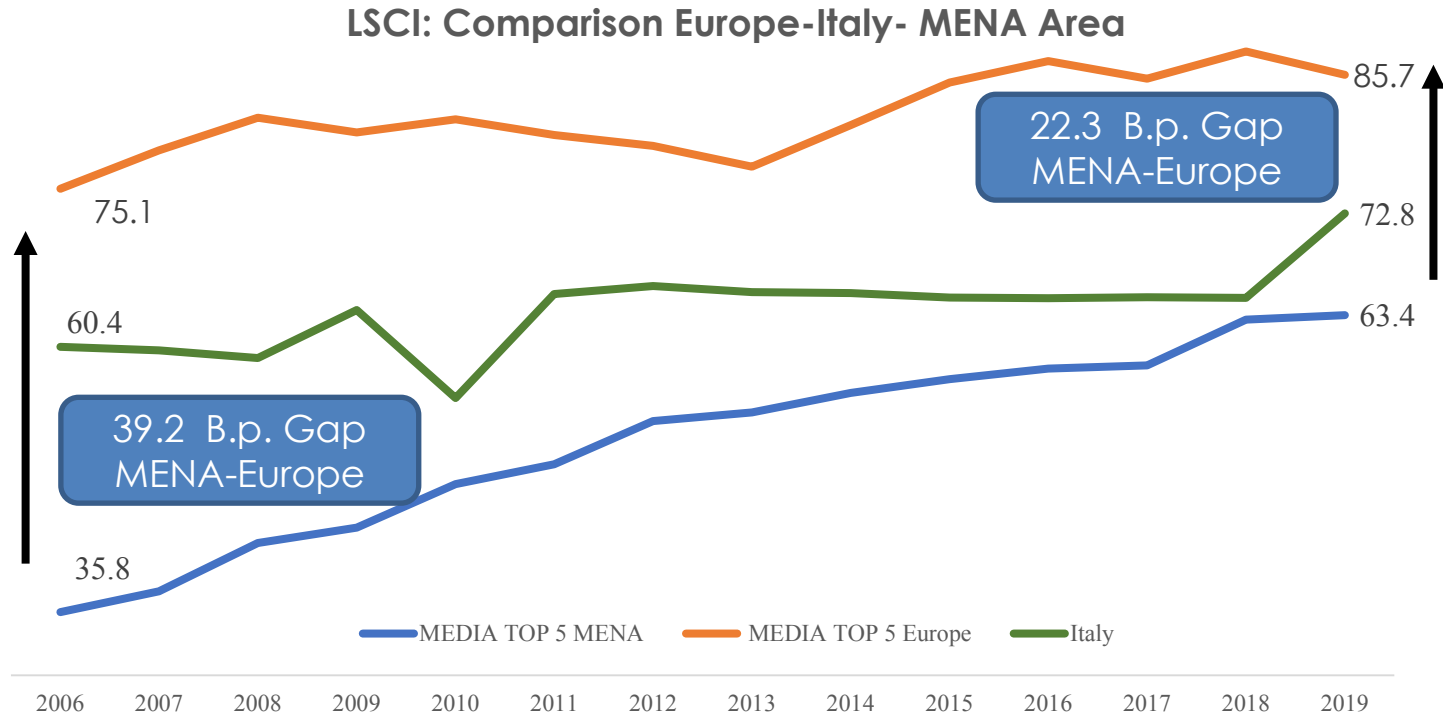
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- **Reorganization** of the ports into strategic decision centers, from 24 Port Authorities to **14 Port Network Authorities and 2 Port Authorities**.
- **A new Governance** considerably slimmed down, compared to the past with a key role of light Management Committee.
- **Simplification** - ongoing process in order to have two “**single windows**”:
 - For **Customs & Controls** under the coordination of the National Custom Agency;
 - To **coordinate all administrative and authorization** duties;
- **Central coordination** under Ministry of Infrastructure and Transport (MIT).

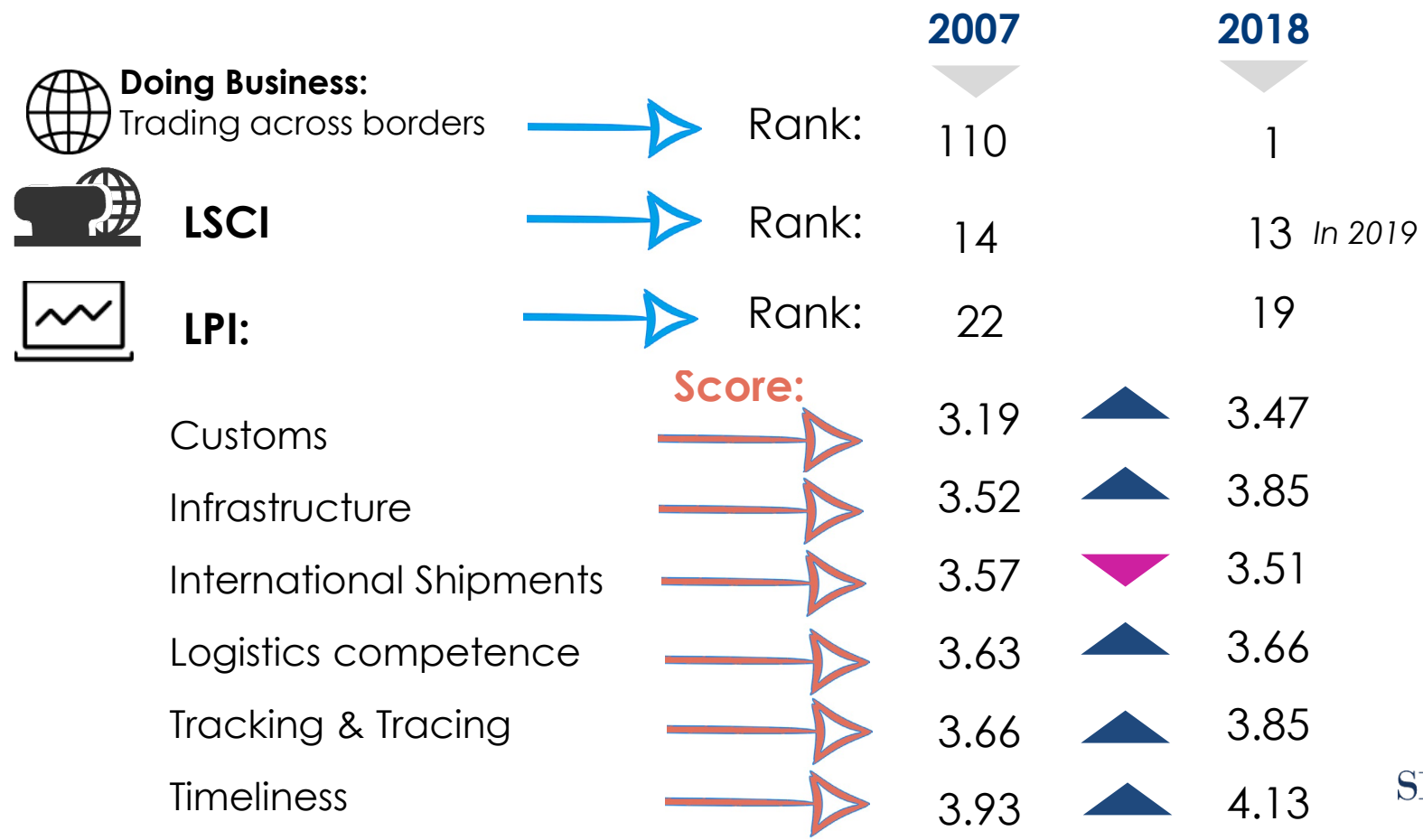


Mediterranean ports are increasing their competitiveness 17

- The gap between the Mediterranean and European ports has greatly reduced between 2006 and 2019.
- Even the gap with Italy is shrinking.

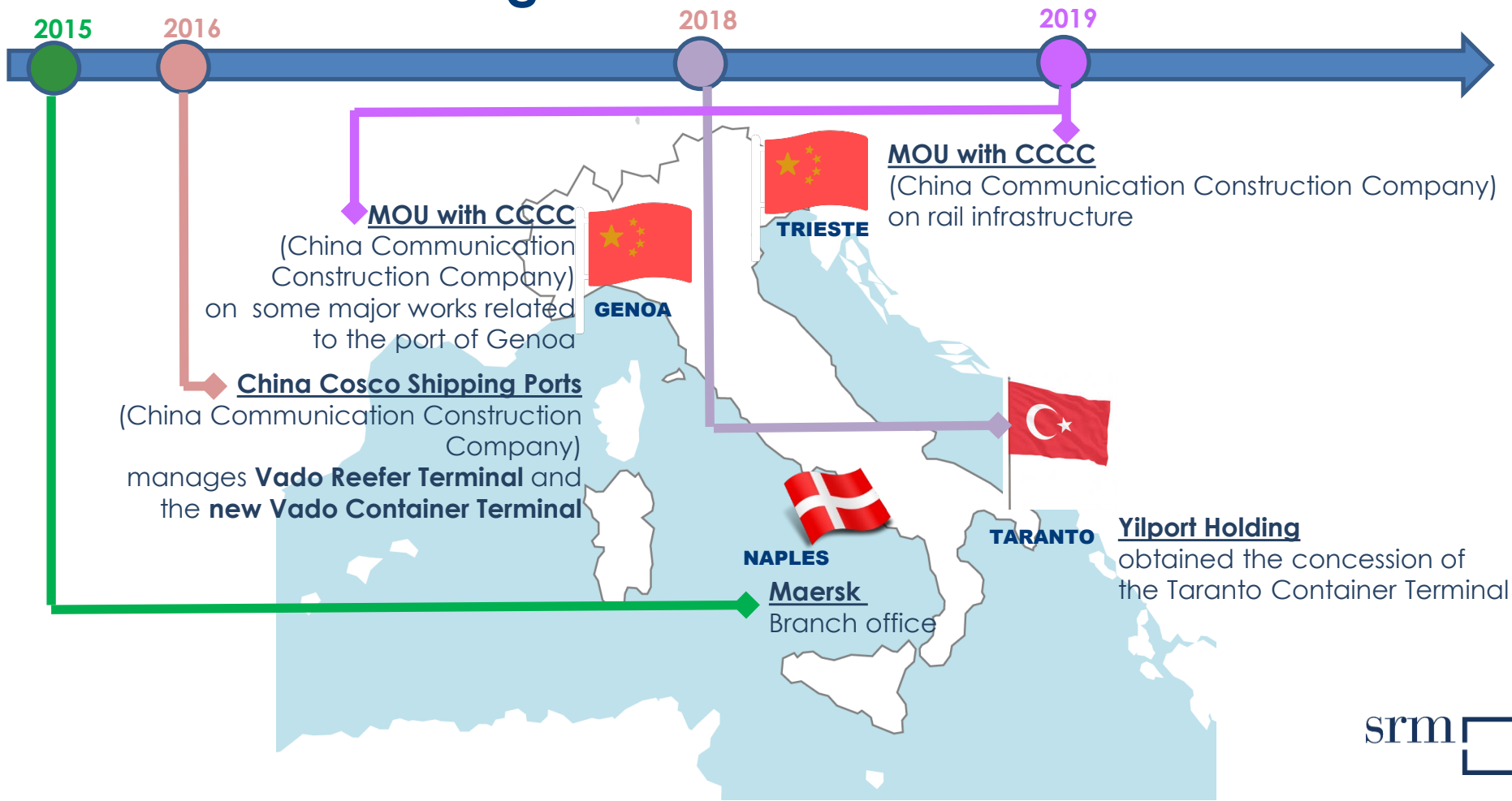


...and Italian port and logistic system improve its ranking



... with an increasing attractiveness...

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Southern Italian Economy: not only tourism but also a structured industry in key sectors 20

Main data of industry in Southern Italy



Source: SRM on ISTAT

5 Key Sectors, **Agri-Food; Fashion-Clothing; Automotive; Aerospace and Bio-Pharmaceutical (life science)** cover **45%** of the **overall industry V.A. and export** of the **Southern** Italian Regions.

Intesa Sanpaolo is the leader in **bank credit** for these sectors

Naples-Salerno SEZ Area

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GDP: almost €99 bn

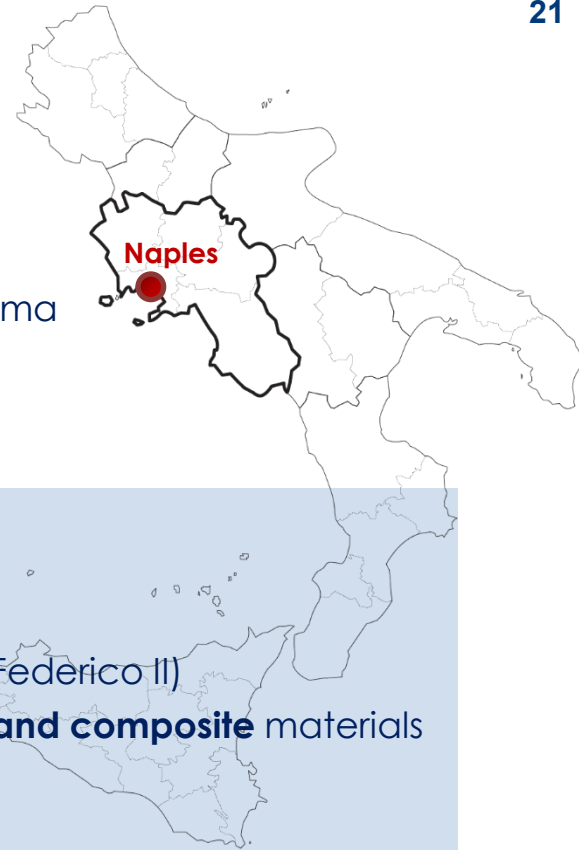
Enterprises: 488,798 units

Trade: almost €24 bn

Main sectors of export: automotive& aerospace, food & beverage, pharma

Patent applications per million inhabitants: 14.0 (Naples)

Tourism: 21.7 mln overnight stays



Recognised capabilities:

- **Apple (ICT)**
- **Technological pole** of San Giovanni a Teduccio (University of Naples Federico II)
- IMAST - Italian technological district for the engineering of **polymeric and composite** materials
- **Digital Hub 4.0**
- **CIRA Italian Aerospace Research Centre**
- **Ceinge** -advanced biotechnology applied to Human Health

Adriatic (+Molise) SEZ Area

GDP: almost €74.5 bn

Enterprises: 359,225 units

Trade: almost €17.7 bn

Main sectors of export: pharma, mechatronics, food & beverage, automotive & aerospace

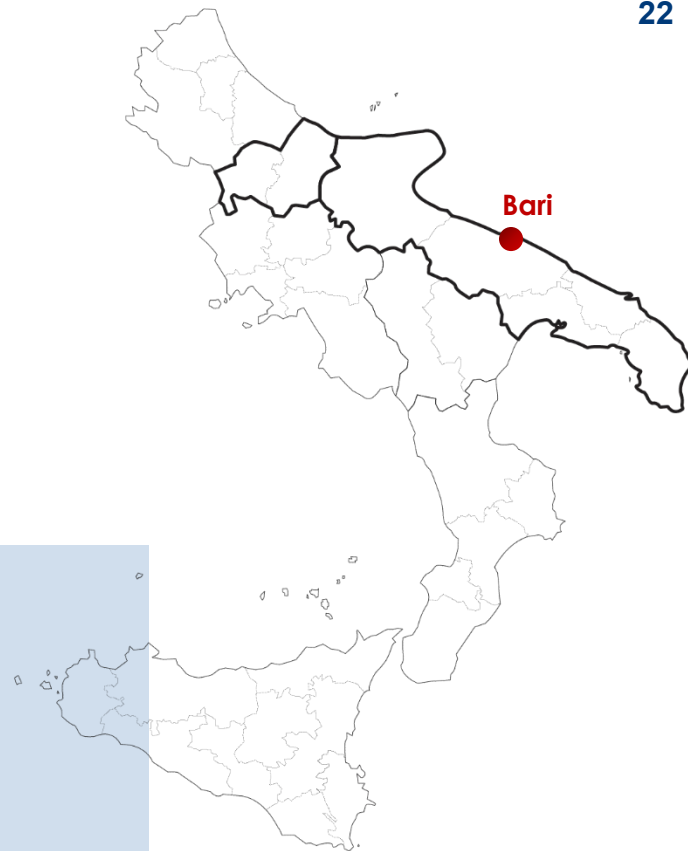
Patent applications per million inhabitants: 22.2 (Bari)

Tourism: 15.7 mln overnight stays

Recognised capabilities:

- Intesa Sanpaolo Innovation Center
- Mechatronics District
- Apulia's Aerospace Technology District

SEZ – Adriatic a strength partnership between Apulia&Molise



Ionica (+Basilicata) SEZ Area

GDP: almost €80.8 bn

Enterprises: 381,215 units

Trade: €23 bn

Main sectors of export: metal products, automotive& aerospace, electronic equipment

Tourism: 17.8 mln overnight stays

Recognised capabilities:

Here there is the Second largest European **steel plant** in Europe (acquired by Arcelor-Mittal in Nov 2018)

SEZ Ionica- a strength partnership between Taranto&Basilicata:

The region with the **highest** level of **crude oil production in Italy** (with a volume amounting to approximately **3.7 mln tonnes** in 2018).

Big players of oil sector: ENI, Total



Italian Free Zones: SEZ basic criteria for Naples, Bari & Taranto

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SEZ **only** in the Southern Italian ports (l. 123/17)



Companies: import-export oriented - by sea



Specific tax credit for the purchase of instrumental assets: **UP TO €50 M FOR EACH INVESTMENT** with potential additional regional incentives



Tax discounts and reduction of bureaucracy



Strategic sectors: Food & B., Aeronautical, Mechanical, Automotive, Fashion&Clothing, Energy, Bio-Pharma



Duration of activity in the SEZ: at least 7 years, while the lifetime of a SEZ amounts to 7 years (+7 years)



Special agreement with Intesa Sanpaolo Bank

A new online procedure for tax credit:

<https://www.agenziaentrate.gov.it/portale/web/guest/-/provvedimento-del-09-08-2019>

 **SEZ**

 **INTERREGIONAL SEZ**

**ADRIATIC
(+ MOLISE)**

**NAPLES
SALERNO**

**IONICA
(+BASILICATA)**

SEZ-Special Economic Zones
in the Mezzogiorno:
Features of current situation,
summary framework, strengths and
implementation status

The present document has been updated
with information and data available
by October 2019

*legal and economic details in
the paper delivered*

Total government allocation: €506 M

Southern Italy: expected SEZs' benefits

The GDP (almost €200 bn) of the **4 regions** as a whole is approximately equal to the GDP of a Medium size European country such as Greece or Finland



EXPORT: in the SEZs export is **40% higher** than that generated in the territory.



INVESTMENTS: Public resources have a **1:3 multiplier effect**; each euro of tax credit activates **2 Euros** of private capital.



INTERNATIONAL TRAFFIC: an analysis has **shown an average annual increase in container traffic of 8.4%** (in Italy, this traffic has shown an average annual increase of 1.1% in the last 10 years).

PORT 6.0

INTERNATIONALISATION

- ▶ Department for international development
- ▶ Monitoring of international trade

INTERMODALITY

- ▶ Department for intermodal traffic
- ▶ Local transport networks
- ▶ Monitoring of transport phenomena

TRAINING & ACADEMY

- ▶ Relations with universities and Centres of Research
- ▶ Study rooms for students
- ▶ Heritage of publications and databases



ITALIAN PORTS ARE MOVING IN THIS DIRECTION

INNOVATION & START-UP

- ▶ The Port XL model
- ▶ Specialised expertise and incentives

FREE ZONE & TERRITORIAL MARKETING

- ▶ Plan for territorial development and attraction of investments
- ▶ Financial and bureaucratic incentives

SUSTAINABILITY

- ▶ Creating economic and social value and realising sustainable growth

What is Intesa Sanpaolo Bank doing to support SEZs investment attractiveness? ²⁷

▶ **Intesa Sanpaolo** established a specific credit facility of €1.5 bn to **support** new **investments** inside the **Special Economic Zones**

▶ **Intesa Sanpaolo** opened a **Desk** devoted to **supporting companies** who want to invest in the **3 SEZs of Campania, Adriatic and Ionica**

▶ **Intesa Sanpaolo** is organising an **international ROADSHOW** for the **Southern Italian Regions SEZs ... after Dubai now we are in Beijing...**

▶ **... because Intesa Sanpaolo** is the leading Italian bank



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