

Source: Atradius

Industry performance

Changes since January 2021 · Sources: Atradius, Oxford Economics

Agriculture



Up from Poor to Fair

In H1 of 2020 the sector was impacted by the consequences of the lockdown (e.g. transport and supply chain issues, as well as lack of foreign seasonal workers). Last year agriculture additionally suffered from adverse weather conditions in summer and a decrease in prices for agricultural products. After a 4.3% contraction in 2020, agriculture value added is forecast to grow by about 1% in 2021, and by about 3% in 2022.

Automotive/Transport



Up from Bleak to Poor

Automotive value added is forecast to increase by 24% this year, after decreasing 20% in 2020 and 9% in 2019. However, despite the strong rebound, the credit risk situation of many businesses remains strained, as the 2020 downturn has led to severe liquidity issues and cash shortfalls. Suppliers face the challenge of increased investment to cope with the shift away from combustion engines towards e-mobility. The sector performance outlook has been upgraded by one notch, but remains "Poor" for the time being.

The 2021 outlook for the transport sector is still subdued, with a forecast 1% value added increase, after an 11% contraction in 2020. A comprehensive rebound is expected in 2022 at the earliest (forecast up 13%).

Chemicals/Pharmaceuticals



Up from Poor to Fair

In 2020, many chemical businesses suffered from deteriorated demand from key buyer sectors like automotive, and value added contracted 7.5%. However, production rebounded in Q4 of 2020, and, despite a pullback in Q1, it is forecast to increase 9.5% in 2021. Compared to other sectors, the number of non-payment cases remains low. Pharmaceutical businesses benefit from rising health expenses. The sector performance outlook has been upgraded by one notch to "Fair."

Construction/ Construction Materials



Up from Bleak to Poor

Construction output is set to increase by about 6% in 2021 and 5% in 2022, after a 7.2% contraction in 2020. With better growth prospects this year, the sector performance outlook has been upgraded by one notch, but due to some major weaknesses it remains "Poor" for the time being. Issues like fierce competition, uncertainty about the future spending capacity of public bodies (due to weak public finances) and their persistently bad payment behaviour remain. There have been high numbers of business failures over the past couple of years, including the failure of several larger players.

Consumer Durables



Up from Bleak to Poor

Last year private consumption of non-food consumer goods decreased due to the coronavirus impact, with many businesses temporarily closed as a result of the lockdowns. Retail value added contracted by 11.5%, and the financial strength of many businesses deteriorated.

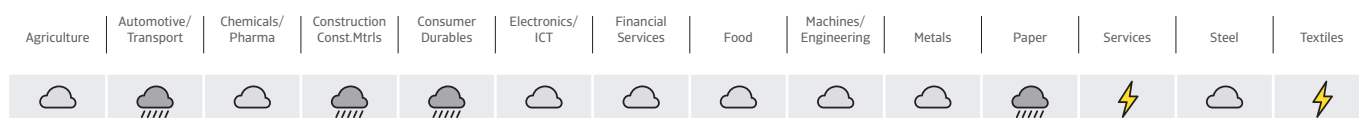
While sales started to rebound in Q3 of 2020, the situation remained shaky in early 2021, due to renewed lockdown measures and the second wave of the pandemic. This year the rebound of private consumption will remain modest at about 4% (down 11% in 2020), due to reduced household incomes and rising unemployment. Business insolvencies could start to increase in H2 of 2021, subject to the expiry of fiscal measures intended to support households and businesses.

Electronics/ICT



Up from Poor to Fair

In H1 of 2020, sales deteriorated due to the closure of businesses as a result of the first lockdown. Meanwhile, certain segments have benefited from increasing digitalisation due to the sharp expansion of remote working and e-learning. ICT value added is forecast to increase by about 2.5% in 2021, and by more than 4% in 2022.



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Financial Services



Up from Poor to Fair

Many banks continue to suffer from high operating costs and low profitability, while non-performing loans increased due to the sharp recession seen in 2020. Additionally, Italian banks hold a relatively high share government debt. However, the resilience of the Italian banking sector is sustained by sufficient capitalisation in general, and the fact that the ECB continues to play an important role in adding liquidity to the banking system. After a 3.3% contraction in 2020, financial services value added is expected to increase 1.5% in 2021.

Food



Up from Poor to Fair

Due to renewed lockdown measures as of November 2020, a large number of businesses continued to suffer in Q1 of 2021 from the new closure of several distribution channels, the most drastic one being restaurants, bars and other places food is consumed outside the home. However, the easing of lockdown measures since Q2 of 2021 is supporting sector growth, forecast to increase by more than 3% this year.

Machines/Engineering



Up from Poor to Fair

This export-oriented industry was among the better-performing Italian sectors in the years before the pandemic. After a 16% contraction in 2020, mechanical engineering output is expected to rebound 11% in 2021, benefitting from demand from key buyer sectors like automotive, and from investments projects enabled by the EU recovery fund. Therefore, sector performance outlook has been upgraded by one notch to "Fair."

Metals



Up from Bleak to Fair

Metals value added is forecast to increase 17% in 2021, after a 13% slump in 2020. After increasing payment delays last year, the payment situation has improved since Q4 of 2020. The metal industry records higher orders and sales this year, as demand from key buyer industries (automotive, construction and machines/engineering) is rebounding. Metals producers currently benefit from higher sales prices due to increasing demand and shortages of metals supply. Due to the ongoing recovery, the performance outlook of the metals sector has been updated by two notches, from "Bleak" to "Fair."

Paper



Up from Bleak to Poor

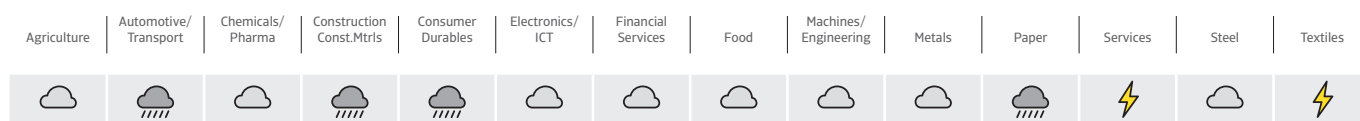
Paper producers and printing have been impacted by supply chain disruption in H1 of 2020 and by the ongoing digitalization, leading to less demand. Paper value added is estimated to have shrunk by 6.3% in 2020, with just a 0.5% increase forecast in 2021. However, the packaging segment is forecast to increase 13% this year, after a decrease by the same number last year.

Services



Remains Bleak

Due to the comprehensive lockdown measures and the ongoing pandemic, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. After an 8% contraction in 2020, service output is expected to rebound by only 3.5% this year. Service sector's activity is expected to reach pre-crisis levels only by late 2022. As restrictions are eased, the severely hit accommodation and catering subsector will rebound 21% in 2021, after suffering a 37% contraction last year. The credit risk of businesses in the restaurant, hotel and personal care segments remains high.



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Steel



Up from Bleak to Fair

Steel value added is forecast to increase 16% in 2021 after a 13.7% slump in 2020. After increasing payment delays last year, the payment situation has improved since Q4 of 2020. Steel producers and traders record higher orders and sales this year, as demand from key buyer industries (automotive, construction and machines/engineering) is rebounding. Steel producers currently benefit from higher sales prices due to increasing demand and shortages of steel supply. Due to the ongoing recovery, the performance outlook of the steel sector has been updated by two notches, from "Bleak" to "Fair."

Textiles



Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Furthermore, they have been additionally affected by deteriorating sales domestically and internationally. After shrinking 7% in 2019, textiles value added contracted 21% in 2020. Payment delays and insolvencies have sharply increased, and the outlook remains bleak, with only a 6% value added rebound forecast this year.