

CH.2 - TOOLS FOR A SUSTAINABLE DEVELOPMENT MODEL: ECONOMIC ACTIVITIES AND EMPLOYMENT FROM ECONOMIC SITUATION TO TRENDS

Analysis of the characteristics and economic aspects of the economic components is an important tool for achieving a balance between economic prosperity and social welfare. The number of companies active in Veneto in 2018 is slightly lower than in the previous year (-0.3%); the balance of the regional production system has seen many service sectors grow while the main and more traditional production sectors have contracted slightly. The road to a sustainable future is one of innovative production, and the propensity for innovation can only converge with investment in Research and Development (R&D). In Veneto, total expenditure on R&D by the institutional sectors is close to €2 billion and its share of regional GDP is 0.3%. The number of innovative start-ups is also on the rise; at the end of 2018 there were about 860, one for every 3.2 new joint stock companies in the region. Large-scale retailers in Veneto are expanding, increasing sales volumes, just as e-commerce continues its upward trend; in the meantime, the decline in traditional shops is intensifying. There is also a decrease in agricultural enterprises (-0.7%), including the agri-food sector (-0.2%) and those employed in agriculture (-6.7%), although the total value of gross agricultural production in Veneto, at €6.4 billion, is up from the previous year.

Despite the slowdown in world trade, Veneto exports reach record levels. In 2018, Veneto's exports reach €63.3 billion and record a growth rate (+2.8% on an annual basis) almost in line with the national average. The high propensity to export, which accounts for 38.1% of regional wealth, makes Veneto one of the Italian regions most open to international markets.

In the ten years since the beginning of the crisis, the labour market has been completely transformed. The economic situation in Veneto is recovering. Employment in recent years has increased, so much so that in 2018 it recorded a rate of 66.6%, even higher than that of 2008. However, this growth concerns only subordinate employees (as opposed to management, for example), and is mostly found among temporary workers.

Le componenti economiche del sistema Veneto



Ensuring the prosperity of the region means laying the foundations for the creation of a new circular economic model that ensures the full development of human potential and a more efficient and responsible use of resources. It is therefore necessary to identify a path of development that minimizes negative impacts on the environment, that encourages the closure of the material cycles of production and consumption and, more generally, promotes the rationalisation of the use of resources and the enhancement of human capital.

The Economic Performance of Italian and Veneto Companies

The growth in the number of active companies in the year just ended is particularly concentrated in

Within the manufacturing industry, the sectors most in difficulty in 2018 are the wood and furniture-making industry (-3% compared to 2017), the chemical, rubber and plastic industry (-2%), the fashion sector (-1.8%) and mechanics (-1.7%). The metallurgy and food industries ended the year with values close to

Bankruptcies: the decline continues at a marked pace

The strong momentum from the tertiary sector continues

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those of the previous year (respectively -0.1% and -0.2%), while the jewellery, sports goods and medical equipment industry, which includes the production of eyewear, is the only manufacturing sector that grew in the year just ended (+1.1%).

The slow but constant restructuring of the legal forms of enterprise continues: sole proprietorships, which, although decreasing by 1.3% per year, still exceed 56% of total Veneto companies, make way for joint stock companies, which in the last year grew by 3.9%, reaching 22.1% of the total companies. Partnerships are also in decline (-2%). The number of joint stock companies grows in all sectors, reaching the highest values in manufacturing

and business services, where it exceeds 38%, and in real estate, where it accounts for more than 47% of total businesses.

Verona is the only province in the Veneto region that recorded a positive trend in the last 12 months (+0.1%). The other most significant provinces in terms of market share end the year largely in line with the regional trend: Padua (-0.3%), Treviso (-0.2%), Vicenza (-0.3%), Venice (-0.4%). Rovigo and Belluno record slightly negative business trends.

Fig. 2.1.1 - % share (map colour) and annual % variation (value) of active companies by region and province of Veneto - 2018

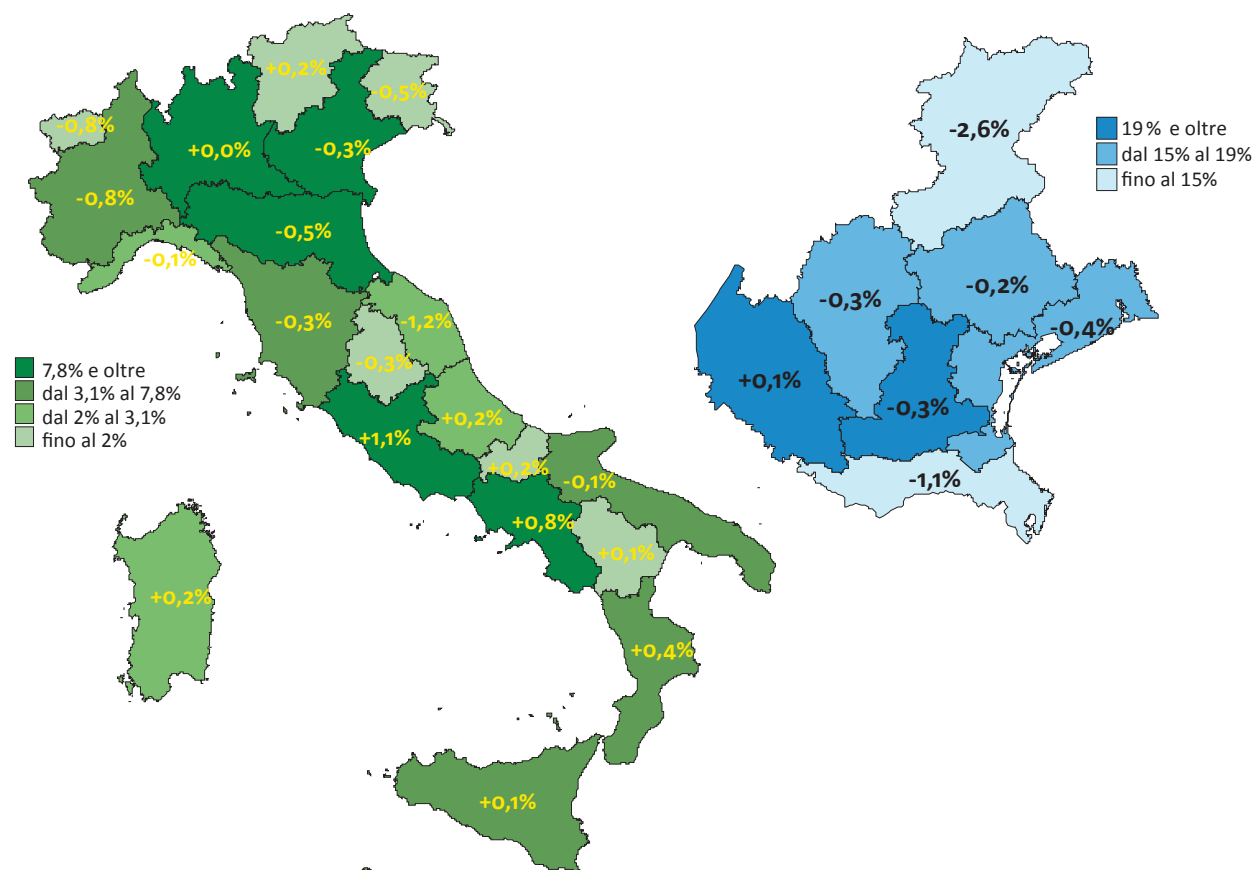
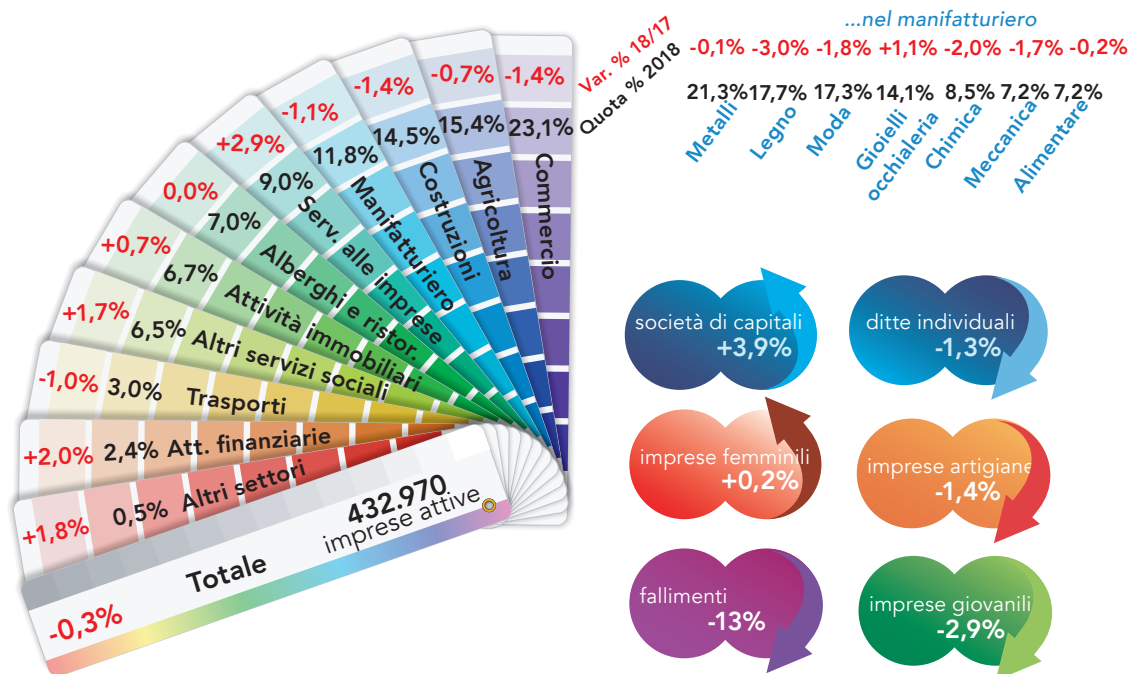


Fig. 2.1.2 - Veneto businesses in 2018



Source: Processing of InfoCamere and Cerved data by the Regione Veneto Statistical Office



Craft businesses struggling: it is important to seize new opportunities

The entrepreneurial craft market also continues to shrink in 2018; at the end of the year there were 126,741 craft businesses in Veneto, constituting 29.3% of total regional businesses, down by 1.4% compared to the previous year. The main two sectors for regional craft entrepreneurship, manufacturing and construction, which together account for more than 60% of business, are both in decline (-2.2% and -1.9% respectively compared to the previous year). The craft businesses in commerce (-1%), logistics (-2.5%) and hospitality and catering (-1.2%) also decreased, while the sectors with a positive trend are business services (+3.1%), ICT (+1.7%) and professional, scientific and technical services (+1.4%). The restructuring of the craft system under way, which sees sectors in difficulty making way for "new" sectors in the craft sphere, is evidence of the new opportunities that can arise from a *balance* between craftsmanship and technology. The aim is to combine craftsmanship with a managerial and marketing-oriented

culture, in an era of migration to digital technology, which will give access to high quality, custom craft products and services that, strong and appealing, can then compete with goods produced on a large scale.



Women-owned businesses close 2018 stable, youth-owned businesses struggling

Businesses run by women² end the year with a slight increase: as at 31 December 2018, there are 88,322 active businesses run by women in Veneto, up by 0.2% compared to the end of 2017. Sole proprietorships (67.6% of the total number of women's companies) remain the predominant legal form, although numbers have fallen slightly (-0.6% per year), as have partnerships (-1.8%). On the other hand, joint stock

² "Women-owned businesses" are businesses in which women hold the majority share. The degree of gender participation is determined by the legal status of the business, any share capital held by each female partner and by the proportion of women among the company directors, owners or partners. In general, businesses are considered to be women-owned if the overall female participation is more than 50%, averaging the composition of shareholdings and administrative positions held by women.

The two largest sectors of female-dominated entrepreneurship, trade and agriculture, which together account for more than 42% of business, both fell by 1.4% compared to the previous year. Some sectors with the highest rates of feminisation continue to grow these are sectors still linked to a traditionally strong female element, such as family services and other personal services (+1.1%), health and social care (+2.2%) and education (+6.6%).

Over the course of 2018, the number of young³ entrepreneurs continues to fall (-2.9%); the two leading economic sectors in terms of share, trade and construction, suffered the sharpest fall (-5.9% and -9.5% respectively per year). Manufacturing also decreased (-5%) along with three sectors with a strong presence of young entrepreneurs: hospitality and catering, financial services and personal services (-2%, -3.3% and -1.9% respectively). Also in 2018, there is a trend reversal in agricultural enterprises (+5.3% per year), thanks in part to policies that facilitate the employment of young people in agriculture.

The way to a sustainable future is through innovative and responsible production.

Istat recently presented some experimental statistics⁴ at a scientific conference on Italian businesses and sustainable development, estimating that one third of Italian manufacturing companies adopt behaviour that expresses a medium-high level of sus-

Istat's experimental data also show that, compared to units with zero sustainability, the estimated differentials of productivity are +7.9% for medium-sustainability companies and +10.2% for high-sustainability businesses.

It appears, in fact, that almost three out of four Italians are willing to pay more for the purchase of products deemed sustainable, especially if they involve food consumption⁵. Italians see the following as essential aspects of sustainable production: the effort to reduce emissions and environmental impact in general, the adoption of an ethical code of conduct, the use of research, development and innovation, care to safeguard the conditions of workers and keeping production on national soil. In this regard, we are beginning to monitor the processes of production relocation (re-shoring)⁶, a phenomenon that is also encouraged by the fact that industrial automation linked to Industry 4.0 policies could reverse the situation and encourage the return of production to the parent company.

It is estimated that, in the period 2014-2016, 52.5% of Veneto industry and service enterprises with at least 10 employees introduced innovations, display-



Growth in expenditure for innovation and research and development

age (48.7%). Among these, the businesses that have introduced product or process innovations have invested a total of €3.4 billion in innovation. The average expenditure per employee in Veneto, €7,400, has risen sharply compared to 2014.

In the most competitive production environments, the propensity to innovate inevitably converges with the tendency to invest in R&D; research and devel-

⁴ Riccardini F., De Santis S., Di Paulo G., Spinelli V. Tersigni, S., Presentation of the Results of Research and Some Experimental Indicators, Rome, 23 October 2018.

⁶ European Reshoring Monitor, Eurofound.



Growth in expenditure for innovation and research and development

opment is, in fact, the largest item of investment for innovation in Italy.⁷

Private sector research and development expenditure in Veneto totalled approximately €1.4 billion in 2016 and accounted for more than two thirds of total regional expenditure; business investment grew by more than twenty percentage points compared to the previous year. Compared to 2015, public spending has also increased, thanks to the contribution of universities.

In 2016, total R&D expenditure in Veneto by all institutional sectors was close to €2 billion, or 8.6%

of national expenditure. The percentage impact of R&D expenditure on the regional gross domestic product is 1.3%, up on the previous year.

The number of innovative Italian start-ups continues to grow: at the end of 2018 there were 9,758 innovative start-ups registered in the special section of the Companies' Register⁸, over 1,300 more companies than at the end of 2017.

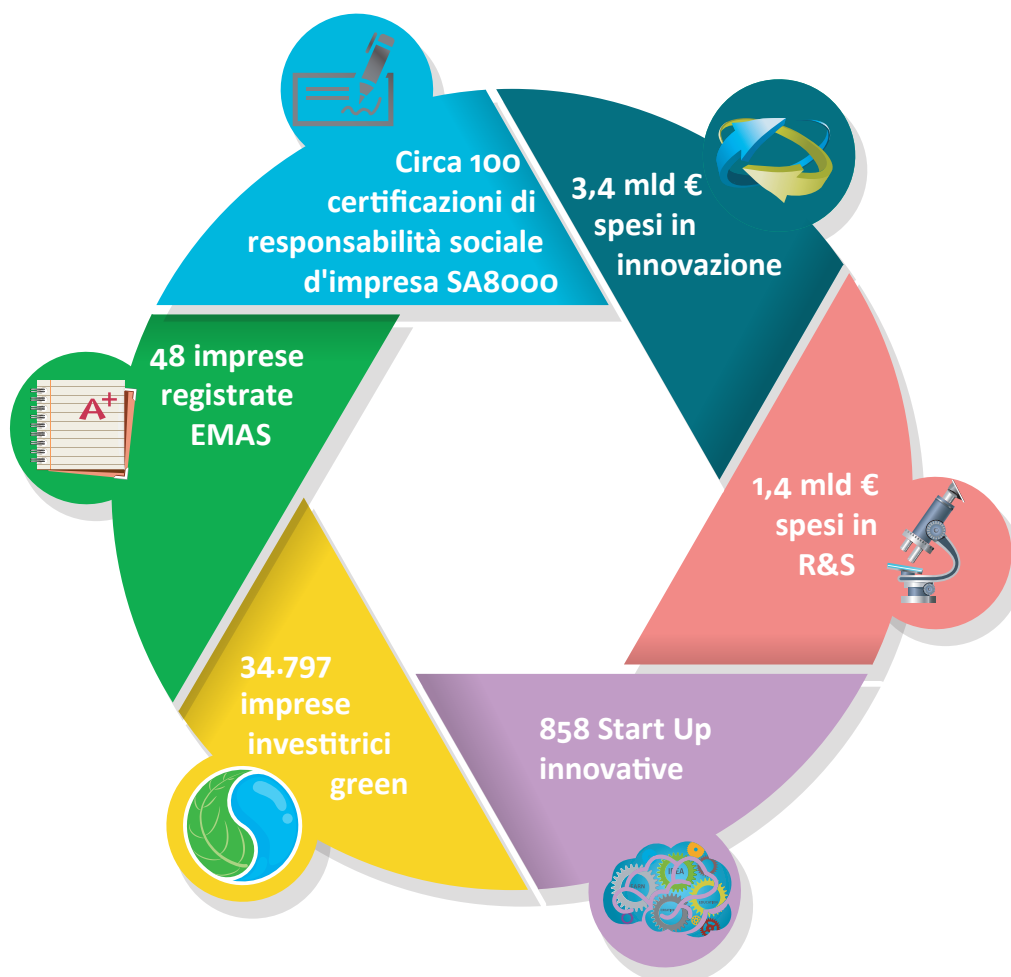
The number of innovative start-ups in Veneto remains high

At regional level, in Veneto at the end of 2018 there are around 860 innovative start-ups, one for every 3.2 new joint stock companies in

⁷ Istat Report Statistics, Innovation in Business - 2014-2016, 2018.

⁸ Pursuant to Leg. Decree 179/2012.

Fig. 2.1.3 - Veneto businesses oriented towards innovative and responsible production - Various years



Source: Processing by the Regione Veneto Statistical Office of data from Istat, Italian Companies' Register, Symbola Foundation, ISPRA, and SaaS.

the region. The Veneto region is confirmed as the fourth ranking Italian region for number of innovative start-ups (8.8% of the national total).

Three Veneto provinces feature among the top 12 positions in the rankings of Italian provinces according to number of innovative start-ups: Padua, Verona and Treviso have, respectively, 237, 178 and 154 innovative start-ups at the end of 2018.

In Veneto, more than 65% of innovative start-ups operate in the services sector, with software production, IT consultancy and research and development being the predominant activities. Just over 30% operate instead in industry and construction.

Increasing corporate competition is the main motivation driving companies to invest in environmental sustainability. This key helps us to understand the photograph provided by the Symbola Foundation's report on Italian companies engaged in the Green



Green producers grow, innovate and export more

Economy⁹. The potential for investment in the Green Economy

is linked to innovation and the upgrading of production processes and products both to improve energy efficiency and to develop a new appeal to customers and new markets, which demonstrate increasing focus on responsible production.

Almost 35,000 Veneto companies made eco-investments in the period 2014-2017 and/or will invest in 2018 in green products and technologies, 10.1% of the total green investors in Italy.

The Veneto's provinces with the greatest number of green companies are Vicenza, Treviso and Padua, accounting for almost 30% of the total number of provincial businesses.

The number of EMAS registrations can be considered an indicator of the environmental awareness of organisations and businesses and of their responsibilities related to production and the impact it has on ecosystems. EMAS certification commits companies to adopting environmental management policies



Commitment towards the environment as a rewarding aspect is becoming more widespread

and practices and, at the same time, guarantees advantages

in terms of the reduction of certain costs and risks, thus granting them a clear competitive advantage and boosting their image.

There were 48 organisations/companies from Veneto registered in 2017 under the EU Eco-Management

and Audit Scheme (EMAS), 5% of the national total, slightly down on previous years.

The ISO 14001¹⁰ environmental certification is also a tool that establishes the principles for correct environmental management of company production processes. In Veneto, there are 1,303 companies and 2,223 production sites certified ISO 14001 in November 2018.

Both of these certifications are based on the principle of shared responsibility in the management of environmental issues. This approach falls within the broader concept of corporate social responsibility, which concerns the entrepreneurial commitment to managing effectively the issues related to ethical, environmental and social impacts both within the company and in society. The aim of protecting the balance and positive growth of the community requires the production system to focus on the local territory, not only protecting the environment, but also integrating not only the pursuit of profit generation, but also the creation of shared values as part of the corporate strategies.

The main instrument of transparency through which a company can account for its commitments and results in relation to the economic, social and environmental impacts of its activities, is the Sustainability Report.

A study by the Socialis Observatory¹¹ reveals that, in Italy, active involvement in corporate social responsibility initiatives has grown considerably in the last two decades, identifying a increase both in the number of companies involved in these schemes and in the flow of dedicated investments.

In recent years, there has been a growing recourse to assessment of the conformity of the social responsibility scheme implemented by an organization/business to SA8000 requirements, recognised through certification issued by an independent third party.

Currently there are SA8000 certified organisations in over 61 countries worldwide. In Italy there are over 1,300 organisations, with around one hundred in Veneto, that, in 2018, sought this certification as an ethical guarantee of their production chain and their production cycle.

¹⁰ The acronym ISO 14001 (UNI EN ISO 14001:2015) identifies an environmental management standard, certifiable by an accredited certification body that verifies compliance with the requirements of the standard of reference.

¹¹ Socialis Observatory, Ixè, *VII Rapporto sull'impegno sociale delle aziende in Italia*, (7th Report on the Social Commitment of Companies in Italy), 2018.

⁹ Symbola Foundation - Unioncamere, *GreenItaly*, 2018.



There are about one hundred companies in Veneto with a certified social responsibility scheme

2.2 Business uptake of digital technologies¹²

Enterprises and Digital Culture

The latest Istat survey of 2018 on the use of digital technology in Italy shows that in 2018 the spread of ICT in our country has continued to grow, although there remains a *significant gap* with respect to other EU countries for both businesses and the general population.

Despite the increasingly widespread digitisation, there is still a significant gap between large and small enterprises (*Digital Intensity Indicator*): high levels ("High" or "Very High") are observed in 44.0% of companies with at least 250 employees and in just 12.2% of companies with 10 to 49 employees, highlighting clear critical issues in terms of competitiveness for smaller companies.

94.2% of companies with at least 10 employees are connected via mobile or fixed broadband; the proportion of those that have a download connection speed of at least 30 Mbit/s has increased significantly (from 22.1% in 2017 to 29% in 2018), which is an essential prerequisite for growing a 4.0 business.

On the online sales front, there is significant growth of eCommerce intermediaries. 64.1% of the companies that sold via the web in 2017 (53.8% in 2016), used at least one "e-marketplace" and 50.2% (39.1% in 2016) achieved at least half of their turnover via the web by means of intermediaries.

Finally, there is confirmation of the need to update workers' skills to adapt them to new technological requirements; the number of companies investing in digital skills by providing training for their employees has risen from 12.9% to 16.9%.

Industry4.0 Technologies: Business Size and Regional Dissemination

As far as Industry 4.0 technologies are concerned, at a national level, 8.4% of companies have introduced at least one technology. The figure is higher for companies located in the Central North (9.2%). Furthermore, the differences were considerable according to the size of the enterprise: from 6.3% among those with 1-9 employees to 48.2% for those with over 250 employees. The big jump occurs at 50+ employees; above this threshold, more than 35% of companies use of at least one type of 4.0 technology.

In the Central North, the most widespread technology is IoT (4.1%), followed by Cybersecurity (3.2%), Horizontal Data Integration (3.0%) and the Cloud (2.8%).

In Veneto, for almost all technologies, the figure is higher than the average for the whole of the Central North. In first place is the Internet of Things (5.8%), followed by Horizontal Data Integration (4.3%), Cybersecurity (3.8%), and the Cloud (2.9%).

The aggregate interpretation of technological investment priorities clearly indicates the strong manufacturing prevalence of the investing companies, given that they are, in many cases, a technical selection used to develop applications for Predictive Maintenance, Automation of industrial processes and Value Chain Integration typical of production.

Veneto's analytical data also indicates a lower propensity to invest in digital technologies intended for Modelling, Numerical Simulation and Product Development. This indicates, in many cases, the prevalence of manufacturing companies in B2B Value Chains. It is worth mentioning that investments in Augmented Reality are still very limited. This technology is very effective not only for developing new products, but also for developing innovative marketing solutions and competitive value propositions.

The Crucial Issue of Skills in Italy

As initially seen, there is a growing proportion of companies that have organised IT training for their employees.

This data requires further study, given that the introduction of 4.0 technology, also encouraged by the specific regulations introduced with the Industry 4.0 Plan, is not enough on its own to give rise to a true business digital revolution that involves several elements that require an integrated approach. To use the words of Federico Butera: "The three pillars for facing the fourth industrial revolution of every large

¹² Paragraph edited by Fondazione Nord Est (FNE).

Table 2.2.1 - Diffusion of individual 4.0 technologies by size class and geographical area.
% Values

	Total	1-9	10-49	50-249	250 and over
ITALY					
Collaborative robots	1.6	0.8	4.3	11.6	20.5
3D printers.	2.0	1.5	3.6	9.4	20.3
Augmented Reality (AR)	0.4	0.3	0.6	1.8	3.8
Simulations (HPC)	1.4	1.0	2.7	7.2	19.6
Horizontal data integration	2.7	1.7	6.3	16.2	26.4
Vertical data integration	1.9	1.3	4.1	9.7	23.3
IoT	3.8	2.7	8.8	15.3	20.6
Cloud	2.5	2.0	4.1	10.7	22.7
Big Data analytics	1.4	0.7	3.6	11.4	21.4
Cybersecurity	3.0	1.8	7.5	17.7	32.4
Smart material	0.5	0.4	1.1	2.5	6.8
At least one technology	8.4	6.0	18.4	35.5	47.1
CENTRAL NORTH					
Collaborative robots	1.8	0.9	4.6	12.2	20.3
3D printers	2.1	1.4	3.8	10.0	20.6
Augmented Reality (AR)	0.3	0.2	0.6	1.7	4.1
Simulations (HPC)	1.5	1.0	2.8	7.8	19.8
Horizontal data integration	3.0	1.8	6.7	16.8	26.9
Vertical data integration	2.0	1.3	4.3	10.2	24.3
IoT	4.1	2.7	9.2	15.5	21.3
Cloud	2.8	2.2	4.0	11.0	23.5
Big Data analytics	1.4	0.6	3.8	11.7	22.2
Cybersecurity	3.2	1.8	7.7	18.4	32.7
Smart material	0.6	0.4	1.2	2.4	7.2
At least one technology	9.2	6.3	19.3	37.1	48.2

Source: FNE processing of MISE data - October 2018

Table 2.2.2 - Diffusion of individual 4.0 technologies for certain regions. % Values

	Veneto	Friuli V.G.	Trentino A.A.	Emilia Rom.	Italy
Collaborative robots	2.4	2.7	1.4	2.4	1.6
3D printers	2.4	1.4	3.1	1.8	2.0
Augmented Reality (AR)	0.3	0.6	1.6	0.5	0.4
Simulations (HPC)	1.8	1.3	1.8	1.6	1.4
Horizontal data integration	4.3	3.2	2.4	3.4	2.7
Vertical data integration	2.5	2.9	3.1	2.6	1.9
IoT	5.8	4.3	3.7	5.7	3.8
Cloud	2.9	2.6	3.2	2.5	2.5
Big Data analytics	1.6	1.9	0.9	1.3	1.4
Cybersecurity	3.8	2.9	2.6	3.5	3.0
Smart material	1.0	0.8	0.6	0.6	0.5

Source: FNE processing of MISE data - October 2018

and small system will be established through the joint design of technology, organization and people development."¹³.

As far as the supply of human capital with digital skills in enterprises is concerned, in the economic sector on the whole, 16.1% of companies have ICT specialists among their employees. The figure rises to 27% in the professional, scientific and technical sectors, whereas it stands at 16.4% in manufacturing and 17.1% for non-financial services.

However, in sectors with a lower proportion of in-house ICT specialists, there is significant use of external personnel to carry out ICT functions: overall, 60% of economic activities, and a peak of 66.1% in manufacturing.

Confirming the need to increase digital skills, it has been found that 6% of companies have hired or tried to hire personnel with specialist ICT skills, and 16.9% of businesses have organised training courses in the previous year to develop or update the ICT/IT skills of their employees. Training activities in 14% of companies involved employees without specialist ICT/IT skills, confirming that today employees of all levels and in all areas need to have a certain degree of digital skills and knowledge of IT tools.

2.3 Agriculture in Veneto is thriving

In 2018, the total value of agricultural production in Veneto is estimated at 6.4 billion euro, a marked increase compared to the previous year (+8%). The agricultural year is positive for herbaceous crops (+3%) and especially for woody crops (+36%), while livestock farming showed a negative trend (-2.6%). The reasons for this were, above all, to do with the increase in the quantities produced by numerous crops, while the trend in market prices had a positive effect on the value of herbaceous crops, with a negative impact, however, on woody crops and livestock farming.



6.4 billion euro in gross agricultural production in 2018

In line with the national trend, the number of farms registered

with the Veneto Chambers of Commerce fell by 0.7% to 63,186 in 2018. The downturn concerned only sole-proprietor companies, down by 1.6% to 51,541. However, these companies still account for 81% of the total agricultural enterprises in Veneto. On the contrary, the number of partnerships and joint stock companies are growing: the former have increased by +3.3% compared to 2017 (10,011 units) and the latter have increased by +7.4% (1,125 units).

In 2018, the number of companies in the Veneto food sector also fell slightly (approximately -0.2%), in line with the trend of the Italian food industries, which recorded a decline of -0.1%. This decrease concerns partnerships (1,223, -2.2%) and sole proprietorships (1,213, -2.4%), while the number of joint stock companies rose to 1,132 (+4.4%).

During 2018, according to Istat data on the labour market, there was a decrease in agricultural employment at a regional level (-6.7%), compared to 2017, with an average of 63,840 units. In particular, there was a marked decline in the number of self-employed workers (around 41,650, -9.5%), while the number of employees fell slightly (around 22,200, -1.1%). The trend in the agricultural sector is in contrast both with that recorded at the national level, where employment remained essentially the same, and with the general employment data, which in the Veneto region are unchanged compared to the previous year.

With regard to foreign trade, Veneto's trade balance deficit decreased compared to 2017: the negative balance fell to around 305 million euro (-12.4%). The positive result is the result of a slight decrease in imports (approximately 7.1 billion euro, -0.3%), while exports increased, albeit slightly, to almost 6.8 billion euro (+0.4%).

As far as cereals are concerned, the weather is unfavourable for autumn/winter cereals due to the high rainfall in March and May, as well as the scarcity of water and high temperatures in April. Yields per hectare are down for soft wheat and barley (-12%) and durum wheat (-10%), but greater investment (95,000 hectares of soft wheat, +31%, over 16,000 hectares of durum wheat, +10% and about 17,000 hectares of barley, +4%) has nevertheless increased final production (600,000 tonnes for soft wheat, +15%) or limited and reduced losses (95,000 tonnes

¹³ F. Butera, *The Fourth Industrial Revolution: who will design the new organisations and work, and how will they do it?*, in Fondazione Nord Est, *La nuova competitività*, 2018.

Following the significant falls in production in 2017, characterised by late frosts and summer drought, the climate in 2018 was, on the whole, positive for fruit, increasing yields and production particularly of apples (291,000 t, +24%) and kiwifruit (57,400 t, +46%), albeit below the standard levels considered normal for these crops. However, weather conditions caused plant protection problems, with



hot summer, which, however did not cause any particular problems for wine growing in Veneto. In fact, yields during the grape harvest were hardly affected by the weather and diseases, with the average quantity of grapes harvested rising by +50%, with good quality grapes reaching the wineries. The quantities of grapes produced in the last year amounted to around 1.64 million tonnes, with an average annual increase of +48.9%, a foreseeable improvement given the ominous harvest of 2017. These grapes produced 1,280 million litres of wine, an increase of +51.8% compared to the previous year. The land planted with vineyards and already under production in the last year amounted to 86,974 hectares, with an annual increase of +8.4%. The land cultivated with DOC/DOCG vineyards constituted 75.6% of the total, with 17.4% being IGT vineyards and the remaining 7% made up of varietal vines and table wine. The average price of Veneto grapes, as a result of the sharp rise in volumes produced, fell in the last year by -20.9%, returning to the levels of 2016. As far as the livestock sector is concerned, the quantity of milk produced is around 1.18 million tonnes for the year, a stable figure with respect to 2017, and also keeps the farm gate price of milk at an annual average of around 36 euro/100 litres in the

Veneto region, while at national level there was an evident reduction (-3.5%). However, the consumer market for dairy products is still stagnant. The quantity of beef consumption also stalled, rising in value (+3%), but with an increase in availability due to an increase in slaughter of Italian livestock (+6% in carcass weight). The Veneto region also slaughtered more of its own animals (+2.7%), thus leading to a fall in imports. For pigs, the 2017 national production of meat in carcass weight continued into 2018, thanks to a slight increase in yields. The Veneto figure, however, shows a fall in slaughter (-12%) in relation to a decline in commercial farming (-2.5%). A slight drop in domestic consumption and tensions on the international market had a negative impact on market prices at source (-10%). In 2018, poultry production saw a decrease of around -3%; a slightly stronger decline for broilers (-4.5%), better for turkeys (-2.5%). This allowed reasonable price recovery with respect to 2017 (+2.7%), improving profitability. Veneto's production structure holds firm, with no recorded closures.

Finally, as far as the fishing sector is concerned, the total volume of fish from the six regional fishing markets is about 16,869 tonnes, with a decrease in quantities of -12.2% compared to 2017. Scardovari was the only market to record an increase (13.1%), with all other markets suffering losses of between -3.1% in Chioggia and -25.4% in Caorle. With a total turnover of 44.8 million euro, the Veneto fish markets decrease in value by -10.5%. If we consider the total movements of fish markets, which includes products of national and foreign origin in Chioggia and Venice, quantities of around 25,804 tonnes (-9.3%) are recorded, while the turnover is 107.4 million euro (-5.6%). The bivalve sea mollusc sector, managed by the Co.Ge.Vo., also took a step backwards, with the total of 4,560 tonnes produced in 2018, in an annual loss of -17.9%. The number of fishing vessels (658) in the Veneto fleet remains stable (-0.6%); while, going against historical trends, the number of fishing enterprises increased by +1.9% compared to 2017. Those devoted to aquaculture remain unchanged (+0.2%).

2.4 Exports: 'Made in Veneto' continues to flourish

World trade, after a long period of relatively slow growth, picked up in 2017. This recovery, however, did not last for long, and 2018 saw a sudden halt in international trade. Indeed, annual growth in world trade is expected to be just over 3 percentage points, compared to +4.6% in 2017.

The stagnation in world trade, which some observers tend to consider cyclical in nature, could also be a forewarning of a structural slowdown linked to the emergence of protectionist policies. While trade tensions cannot fully explain all the setbacks of 2018, they undoubtedly played an important role, prompting consumers and businesses to anticipate the effects of the restrictive measures.

World trade slowed down in the last few months of 2018, when imports and exports from China started to slow down significantly. The World Trade Organization (WTO) estimates a decrease of trade in the last quarter of the year of -0.3%¹⁴.

The start of tariff wars by the US Administration and the uncertain outcome of Brexit could significantly affect the growth of world trade in the current year. Some international institutions anticipate growth close to 3 percentage points, which seems cautious considering the trends of recent months. In the first few months of 2019 trade tensions have lessened to some extent but they continue to give cause for concern. The new direction of trade policies is also affecting the climate of investor expectations and this could lead to a significant slowdown in global investment, with repercussions on the international reorganisation of supply chains. A study by the International Monetary Fund (IMF), found in the April 2019 *World Economic Outlook*, measured the impact of duties at 25% on all transfers between the U.S. and China: a scenario that would cost the U.S. up to 0.6% of GDP each year and China up to 1.5%.

¹⁴ WTO Press Release of 2 April 2019.

After the results of 2017 (+7.6%), Italian exports, despite the uncertainty and vol-

In terms of the contribution to export growth of the various regional divisions, contrary to the previous year, export growth was positive for all of the divisions in 2018.

A glance at the geography of Italian exports reveals different growth rates among the various areas. Exports to EU markets, to which more than 56% of the foreign turnover of Italian companies can be attributed, records significant growth (+4.1%) and sales to North America did not seem to be affected by the effects of the protectionist policies of the Trump Administration, recording an increase of 5 percentage points on an annual basis.

Positive prospects also seem to be emerging for Italian exports to African countries. After the marked slowdown recorded in recent years, Italian exports to African markets, especially those in the Sub-Saharan area (+7.2% annually), are reversing the trend and embarking on the road to recovery.

There was still modest (1.6%) but significant growth in the turnover of Italian companies in Central Asia (+16.1% on an annual basis), driven by sales in Kazakhstan (+€458 million compared with 2017) and India (+€392 million). For India, the very positive result was distributed over various types of product, with peaks for machinery and chemicals.

Trade with other European partners (non-EU) and with the Eastern Asian markets remains almost stationary. The considerable growth in exports to Switzerland offsets the negative results in Russia and Turkey. Exports to China, after a brilliant 2017, have seen a downturn (-2.4% on an annual basis). The halt in domestic demand by the Asian giant has been felt throughout the world, leading to a slow-down in sales of goods ranging from electronic devices to cars.

The Middle East was definitively the main Achilles' heel of Italian exports in 2018; exports fell by almost 10 percentage points and concerned several economic sectors. In addition to geopolitical problems, there are also problems linked to the weak price of crude oil, which lead to a reduction in purchases of both luxury goods and machinery.

Among the traditional 'Made in Italy' sectors, there has been a considerable yearly increase in exports from the chemical and pharmaceutical industry (+4.5%), the leading national export sector with a market share of 21.4%, the metalworking sector (+5.1%), and the fashion sector (+3.3%), with clothing exports up +3.7% and leather goods up +4.0%. The value of foreign turnover in the mechanical sector was also positive, with more moderate growth (+2.0%) and peaks in sales in the EU, North America and Central Asia. The transport sector, which generates 11% of foreign sales and was one of the main players in the growth of foreign demand in the last five years, has come to a halt (-0.1%). The drop in car exports (-5.5%) is counterbalanced by the growth in foreign sales of aircraft, automotive and boat components.

With the results achieved in 2018, a foreign turnover of 41.8 billion euro, the national agrifood sector continues its upward trend, even though it has recorded more moderate increases compared to previous years. The most important export markets for agrifood companies in Italy remain those in the EU, where the main destinations are Germany, which has seen a slight annual decrease (-0.5%), France and the United Kingdom. In the United States, the largest destination market outside of the EU, the growth of foreign turnover reaches 4%, at 4.2 billion euros.

The data for 2018 confirm an upward trend in foreign procurement, +5.6% annually, which brings the value of national goods imports to 424 billion euro. Growth in cross-border acquisitions is more intense from non-EU markets (+8.7% annually) than from EU countries (+3.6%), in line with the previous year.

Germany maintains its position as Italy's leading supplier, with an import value of 70.1 billion euro and



an annual growth rate close to 7 percentage points, followed at a considerable distance by France (36.5 billion euros) and China, which consolidates its position as the main non-EU trading partner (+8.2% on an annual basis).

With regard to sectoral trends, the chemical and pharmaceutical sector (+7.8% annually) and metallurgical sector (+9.0%) are the main sources of growth in national imports. Purchases of electrical equipment (+6.7%), machinery (+5.1%) and fashion goods (+3.5%) also continue to grow.

There has been a slightly negative trend, however, for purchases of agrifood products and computers and electronic equipment, which are falling by almost 1 percentage point.

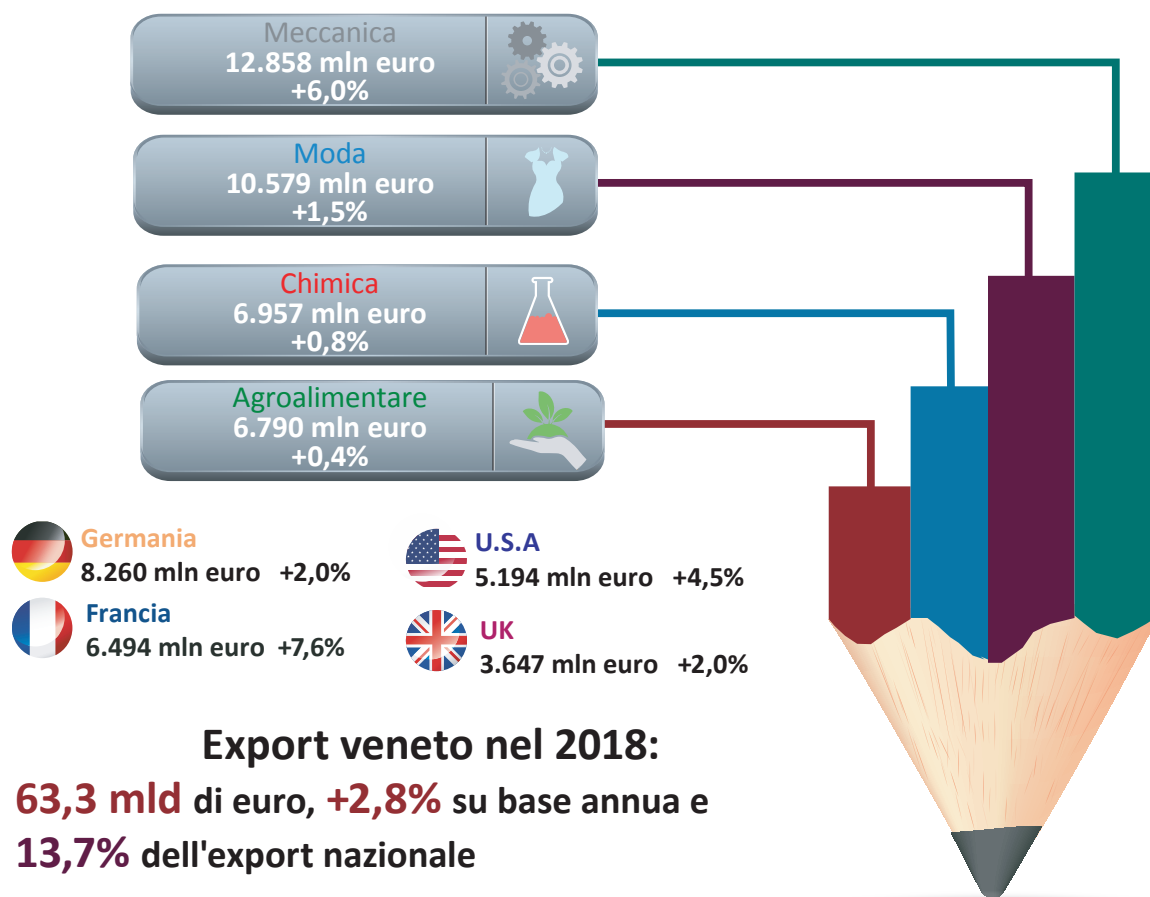
In 2018, the Italian trade surplus significantly decreased, in light of a more substantial increase in

imports compared to exports, with Italy closing the year with a positive balance of 38.9 billion euro, compared to 47.6 billion euro in 2017.

The trade balance with EU countries shows a surplus of 10.7 billion euro, around two billion more than in the previous year. The trade surplus towards North America is also growing, reaching 29 billion euro in 2018. After a few years, due to the strong reduction in exports, there is a return to a negative trade balance with the Middle East (-3.7 billion euros) and the trade deficit with Eastern Asian countries also continues to grow (-9.4 billion, 3 billion more than in the previous year), with China ahead of the rest (-17,6 billion euros in 2018).

Among the sectors that contribute most significantly to the trade balance surplus are mechanics (+€50.6 billion), fashion and chemical products, while there

Fig. 2.4.1 - Veneto exports: products and markets that make their mark



Source: Processing of Istat data by the Regione Veneto Statistical Office

is a trade deficit in the energy, electronic equipment and agrifood sectors.

Veneto



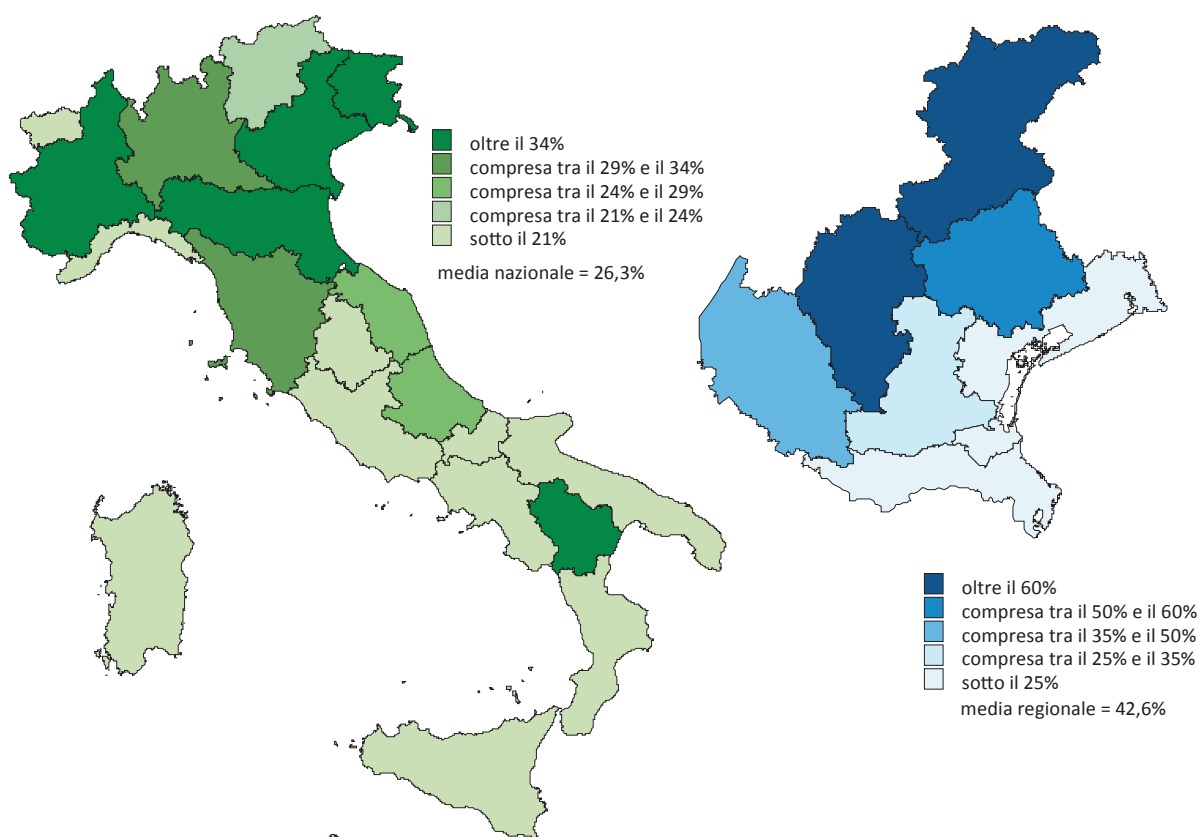
New record for Veneto exports

Despite the slow-down in world trade, exports from Veneto reached record levels. In 2018, Veneto's exports reach €63.3 billion and record a growth rate (+2.8% annually) almost in line with the national average. Looking at individual quarterly performances, exports show constant progress in all quarters of 2018, with growth values close to 3 percentage points. The foreign trade orientation of Veneto companies has also been highlighted by the high degree of openness to international trade. The increased propensity for exports¹⁵, which accounts for 38.1% of

Despite the slow-down in world trade, exports from Veneto

¹⁵ Determined by the ratio between exports and the wealth produced by a region (GDP in the case of regions and added value for the provinces).

Fig. 2.4.2 - The export propensity of the Italian regions(*) and provinces of Veneto() - 2018**



(*) % Ratio between exports and GDP

(**) % Ratio between exports and added value

Source: Processing of Istat data and Prometeia forecasts by the Regione Veneto Statistical Office

regional wealth, makes Veneto one of the regions most open to international markets in Italy.

In the last decade, exports have been a fundamen-



High export propensity of the Veneto entrepreneurial fabric

tal component
of our aggregate
demand during
a period of weak

household consumption and investments; foreign demand has been crucial for *balancing* our economic system and sustaining employment. Maintaining a high degree of international openness of the economic system, as we have seen in previous editions of our Report¹⁶, is fundamental for motivating companies to introduce technological and organisational innovations, which are essential for facing the competitiveness of international markets.

Veneto is the third ranked Italian region for openness to foreign markets, after Friuli Venezia Giulia (40.6%) and Emilia Romagna (39.4%). Lombardy, the leading Italian region for value of exported goods, stays in sixth place with a value close to 32%, a good 6 percentage points above the national average (26.3%).

The provinces of Veneto most inclined to look to international markets are Vicenza, which confirms its high propensity to export (66.7%) ranking fifth among the Italian provinces, Belluno (60.7%) and Treviso (51.6%). Verona's propensity to export is in line with the regional average; however, this is less so for Padua, Rovigo and Venice, which closes the regional rankings with a value close to 20 percentage points.

The Markets

The main destination markets for Veneto goods are those of the EU, +4.1% annually, which receive more than 60% of the total value of exported Veneto products.

The German market remains the main destination for Veneto exports, accounting for 13% of all regional exports and remaining strongly interconnected with the Veneto market in terms of production in various industrial sectors. In 2018, the value of exports exceeded 8.2 billion euro, up by 2 percentage points compared to 2017. Mechanics, agrifood and fashion are confirmed as the leading sectors for "Made in Veneto" products purchased by the Germans, collectively accounting for almost half of the Veneto goods exported to Germany. The Oscar for best performance in 2018 goes to the leading sec-

tor in regional exports: the turnover for mechanical production exports to Germany, standing at 1.4 billion euro, is up by 172 million euro compared to the previous year. The positive trend in metal processing continues, with an increase in export turnover of +6.4%, while sales fall in agrifood products (-8.5% on an annual basis) and fashion goods (-1.9% compared to 2017), which suffered more the effects of the economic slowdown and the decline in German household consumption in the second half of 2018. France, the second largest market for Veneto companies, is the backbone of regional exports: Veneto product sales to the French market reach 6.5 billion euro, the greatest increase in terms of value of exported goods (+460 million euro compared to 2017), with significant results in the fashion sector (+13.5%), metal processing (+14.9%) and the agrifood industry (+12%).

Veneto exports also achieved good results in Spain (+7.6%), the Netherlands (+6.9%) and the Czech Republic (+7%), while the only negative figure among the main EU markets came from sales in Belgium (-1.2%).

On the other hand, the value of trade with markets outside of the EU, which has grown by less than 1 percentage point, is almost stationary. Among the markets outside of the EU, the best results were achieved in North America; in 2018, exports increased by an annual +4.5%, with peaks in the mechanical sector (+15%), electrical goods sector (+12.9%), furniture (+8.9%) and metal processing (+4.4%) sectors. Veneto's exports to the USA do not seem to have been affected by the trade war. On the contrary, exports of machinery for industry have increased sharply, driven by the policies implemented by the Trump Administration to bring American companies back home. In addition, the good performance of exports was promoted by the growth in the American economy that boosted private consumption, to the benefit of Veneto agrifood product exports, which recorded growth of more than 5%.

The Latin American and Central Asian markets also performed well, driven by strong growth in exports to Mexico (+12.9%), India (+12.8%) and Brazil (+15.7%), while sales to East Asia remained fairly stable (-0.2%).

The foreign turnover of Veneto companies in China, one of the key markets in Asia, recorded a modest increase (+0.2%), while trade with Hong Kong dropped significantly (-6.9%). This decline is partly due to the slowdown in the Chinese economy, even though the main share of lost sales involves

¹⁶ Statistical Report 2017, Ch. 3 "Inclinations and competitiveness of the Veneto production system".

The decrease in sales in Russia mainly concerns industrial goods (-9.4% for mechanics, -8.4% for chemicals and -1.5% for metal processing), while there is a continuing positive trend in consumer goods (+9.8% for agrifood and +1.2% for the fashion sector).

The fashion sector remains the second largest sector for Veneto exports and a flagship of the regional productive fabric, thanks to its ability to combine in-



With the results achieved in recent years, the agri-food sector continues to be one of the main sectors for regional export. 2018 was not a brilliant year (+0.4%) and this sector suffered more than others the effects of a market scenario unfavourable to international trade and a slowdown in consumption in some of the main reference markets. This result is due to a significant fall in sales in the German market for companies in this sector. The performance of exports to Germany (1.3 billion euro in 2018), is significantly negative, with a decrease in annual turnover of 118 million euro. Positive indications in sector exports are recorded in France, with the highest increase in terms of value (+€55 million), the USA, with a total value of €615 million and an increase of +7.8%, and the Netherlands (+18.7%). Almost 11% of Veneto agrifood products reached

the tables of British consumers with a turnover of 726 million euro and, despite concerns over Brexit, in the last year, there was a 3.8% increase in Veneto food products sold across the Channel.

Geopolitical risks, changes in monetary policy and the prospect of commercial war have have a significant impact on the performance of the price of gold, leading to a reduction in foreign sales by Veneto firms in the gold sector (-4.6%). Despite the stability of the primary reference market (+1.0% annually in the USA) and the significant increases recorded in South Africa (+12.5%), France (+18.4%) and Switzerland (+15%), there was a drop in sales due to lower demand for jewellery from other key markets for the sector, such as Hong Kong (-16.6%) and the United Arab Emirates (-22.5%).

The balance of trade in Veneto, i.e. the difference between exports and imports, remained positive and amounted to 14.8 billion euro. However, this is a slight decrease, -668 million, compared to 2017. The trade balance with EU markets closed with a positive result of €6.2 billion; trade surpluses towards France, the UK, Spain and some of the other EU markets far exceed the trade deficit with Germany, which was over €3 billion last year.

The trade balance with non-EU markets also closed with a positive balance of 8.5 billion euro. The trade imbalance towards Asian markets, which also continues its growth trend in 2018 (-1.4 billion with the Far East and 512 million euro with Central Asian countries), was more than offset by the trade surplus recorded in all other geographical areas. The trade surplus is particularly high towards North American countries (+€4.8 billion) and European markets outside of the EU: +1.5 billion euro towards Switzerland and +857 million euro towards Russia.

At a sectoral level, the trade balance of the Veneto region shows extremely positive values in the mechanics sector (a surplus of 9.7 billion euro) and in other manufacturing sectors such as furniture, jewellery, sports goods and medical supplies (+4.2 billion euro), the fashion sector (+3.2 billion euro) and electrical devices sector (+2,6 billion); whereas there are sectors with strong deficits, including transport vehicles (-5.4 billion) and agrifood products (-305 million euros), with a trade deficit of slightly less compared to the previous year, but still significantly lower than that recorded in the pre-crisis period.

As far as imports are concerned, economic operators in Veneto bought goods from abroad for a value close to 49 billion euro. The main trend in imports from Veneto (+5.2% annually) was affected by

the strong growth in purchases of metals and metal products (+12.5% annually) and energy products (+24% for gas extraction). The main sector for regional imports is the transport vehicle sector (7.7 billion euro, or 15.8% of total regional procurement), followed closely by the fashion sector (7.4 billion), chemical and pharmaceutical products (7.3 billion) and the agrifood sector (7.1 billion).

The European market remains the main market for imports, accounting for 73% of imported goods (66.4% from the EU). The purchase of goods from non-EU European markets has reduced annually by six percentage points, while imports from EU markets have grown by +6.2%. Germany remains firmly the main trading partner also in terms of imports (11.5 billion euro, or 23.6% of regional procurement) and 2018 is a record year for the acquisition of products made in Germany, with an increase of 1.3 billion compared to 2017.

With regard to imports from other geographical areas, there was a significant increase in acquisitions from East Asian markets (+343 million euro), North America (+15.1%), Middle East (+17%) while there was a drop in acquisitions from African countries (-9.5% annually). With the new record of four billion euro in imported goods in 2018, China reasserts its role as the primary non-EU supplier to Veneto companies. The upward trend of imports from the Chinese market is mainly attributable to the growth in supply of chemical products (+11.9% annually) and of machinery (+6.3%), while the acquisition of goods from the fashion sector remains close to a standstill (+0.4%).

Provinces

Treviso, Padua and Venice are the Veneto provinces that in 2018 record particularly brilliant performances on the export front. For businesses in Vicenza and Verona, growth in foreign turnover is instead more



**Partnership
with Germany
is consolidated**

limited, while exports from Belluno and Rovigo remained almost

stable. In terms of imports, all the provinces contributed positively to growth in the value of regional procurement, with considerable increases in values for Verona, +6.2% on an annual basis (910 million euro more than in 2017), and Rovigo (+25.9%).

In 2018, the province of Vicenza saw its exports grow by 1.4% (+255 million euro), slowing down in comparison with the exceptional results of 2017. Vicenza totalled flows of almost 18 billion euro, equal

to 28.4% of Veneto exports. In terms of the individual outlet markets, there were good performances for the two main destinations of Vicenza goods: Germany and France both grew in value by 7.6%. There were very positive performances recorded in Spain (+6.8%) and the Czech Republic (+9.6%). Flows towards the USA remained stationary (-0.1%), while there was a significant decrease in sales towards the Chinese market (-11.2% in China and -15.3% Hong Kong) and the United Arab Emirates (-21.5%), which mainly concern the gold sector and goods from the fashion sector.

Exports from the province of Treviso reach a value very close to 14 billion euro, recording growth of 4.6% (+596 million euro compared to 2017). The strong performance of exports reflects the good results achieved in the USA (+15.3%), France (+5.7%), Romania (+10.8%) and Spain (+9%), while sales to the main reference market of Treviso companies declined slightly (-1.6% to Germany). By analysing the sectors, the most significant positive data come from machinery exports (+166 million euro), followed by food products (+76 million euro) and furniture (+61 million euro). The trend in exports by the fashion sector and in electrical equipment, which account for 30% of provincial exports, is fairly stable.

The total value of manufacturing exports from the province of Verona is worth 18% of the total for Veneto, thus taking bronze medal as the third province of the Region in terms of value of exported goods. Overall, exports from Verona increase by +1.2% annually, well over 11 billion euro. The agri-food industry, though recording a decrease of more

than 2 percentage points, remains the main sector for sales abroad, with a share of 26.8% of the total for the province. Exports have grown considerably in mechanics (+130 million), metal processing (+103 million) and fashion (+93 million); whilst chemical and pharmaceutical products record a significant fall of 132 million euro. If we consider the ranking of the main markets in terms of export value, first place goes to Germany (down 2.6% annually), the market that receives goods from the province worth more than 1.8 billion euro, equal to 16.2% of sales made on international markets. It is followed at a distance by France, which recorded the best performance in terms of value (+88 million euro), the United Kingdom and the United States.

The overall exports of companies in the province of Padua closed in 2018 with an increase of +4.5%, placing the province among the highest in terms of regional results. The acceleration of exports from the province of Padua, which in 2018 reached almost ten billion euro, is due in particular to the excellent results in the foreign sales of machinery (+201 million euro compared to 2017) and optical and medical equipment exports (+94 million). Looking at the main EU export markets in detail, sales grew to Germany (+4.3%), France (+7%) and the UK (+7.4%). Outside the borders of the European Union, the USA (+12.5%) and Switzerland (+22.4%) are the two main destinations of local exports.

In 2018, exports from the province of Venice reach 5 billion euro. The 6.8% increase in Veneto exports is due to contributions by the chemical sector (93 million euro more than in 2017), fashion sector

Table 2.4.1 - Foreign trade by province. Values expressed in millions of euro and annual % variation - 2017:2018

	Exports			Imports		
	2018 € m	% share	% var. 2018/17	2018 € m	% share	% var. 2018/17
Belluno	3,894	6.2	0.1	931	1.9	13.6
Padua	9,987	15.8	4.5	6,601	13.6	3.3
Rovigo	1,459	2.3	-0.7	2,973	6.1	25.9
Treviso	13,551	21.4	4.6	7,138	14.7	3.0
Venice	5,039	8.0	6.8	5,906	12.2	3.7
Verona	11,423	18.0	1.2	15,593	32.1	6.2
Vicenza	17,959	28.4	1.4	9,417	19.4	1.4
Veneto	63,312	100.0	2.8	48,558	100.0	5.2

(*) 2018 provisional data

Source: Processing of ISTAT data by the Regione Veneto Statistical Office

(+73 million) and agrifood products (+37 million). In terms of export markets, the most significant growth is seen in direct exports to France (+15.8%), the USA (+13.7%), Spain (+19.2%) and China (+35.6%). France is confirmed as the biggest importer in the EU (13.5% of Veneto exports), followed by Germany with 12.1%. The main reference market outside the EU remains the US, recipient of 8% of provincial exports.

Exports from Belluno, polarised by the eyewear sector, whose sales abroad represent over 70% of the province's total export flows, reach a value close to 3.9 billion euro. The slight decline in sales of eyewear abroad (-1.8% on an annual basis) is offset by growth in Belluno's other major manufacturing sectors. In fact, sales of machinery abroad are growing (+6.6%), along with chemical products (+13%) and computers and electronic products (+8.0%). In terms of geographical areas, the most striking positive trends are towards EU markets (+2.8%), which cover more than 50% of provincial exports, and Central Asia (+13.8%). In contrast, trends are significantly negative in the Middle East (-16.4%), Africa (-17.1%) and East Asia (-3.4%).

Businesses in the province of Rovigo exported goods for a value of 1.5 billion euro and their foreign turnover fell slightly by an annual 0.7%. The main export sector in Rovigo remains that of chemical products, with a 29.9% share of provincial exports, followed by food products and mechanical products. The EU markets, which recorded an increase in foreign turnover of +1.2%, account for almost 70% of provincial exports.

2.5 Internal trade and the continuous evolution of the channels and forms of distribution

Sales

2018 ended with a slight increase in the value of retail sales in Italy (+0.2% on the previous year), the result of moderate growth (+0.8% per annum) for large-scale retailers (including 4.4% growth in food discount stores) and a 1.3% decline in sales for small retailers.

Some regional estimates of large-scale retail¹⁷ in 2017 show differences between the areas in terms of both the composition of large-scale distribution

sales and trends. In the North-West, the sales of the largest hypermarkets greatly exceed those of the supermarkets and in any case leave a small share to small retailers, while in the North-East it is the supermarkets that cover the majority of the sales. Supermarket sales also prevailed in the Centre and South, but compared to the other areas, there was a greater presence of local providers (free service and discount stores).

The deep structural differences are accompanied by very different evolutionary trends, which show that Veneto is the Northern region with the strongest growth in large-scale retail sales in the past year (+6.0%), followed by Trentino Alto Adige (+5.3%). In Central and Southern Italy, Molise (+7.5%), Campania (+6.1%), Abruzzo (+5.5%) and Sardinia (+4.7%) are the regions with the highest growth. Even observing the ten-year trend, the regions with the greatest increase in large-scale retail sales remain unchanged: Trentino Alto Adige (35.8%), Campania (27.6%), and Veneto (20.4%).

However, the confidence of retail traders continued to improve at the end of the year: there are improvements in all the components of the index, sales ratings and expectations, inventory ratings and the order volume expectations.

At the same time, at national level, e-commerce sales continue to grow strongly (+12.1% in 2018 compared to the previous year).

Estimates released by the B2C eCommerce Observatory of the Politecnico di Milano break down the growth of the e-commerce market into a strong market increase for products, which register an annual +25% and reach 56% of total e-commerce, and a more moderate growth in services, which stop at +6% compared to 2017.

The top sector is tourism (9.8 billion euro, +6%), followed by information technology and consumer electronics (4.6 billion, +18%) and clothing (2.9 billion, +20%).

Among the emerging sectors, furnishings (+53%) and food&grocery (+34%) are growing at a sustained pace. It is precisely this latter sector, the top item of expenditure in the Italian shopping basket, that should be strengthened in terms of supply, so as to develop an Italian market on a par with the main European eCommerce markets, such as France, Germany and the United Kingdom.

In 2018, purchases made using smartphones exceed 8.4 billion euro, covering 31% of total eCommerce,



Failed recovery of Italian retail

¹⁷ Ancc-Coop, *Coop Report 2018 - Economy, consumption and lifestyles of Italians today*.

an increase of 40% compared to 2017.

16% of eCommerce sales were cross-border: in 2018, sales from Italian sites to foreign consumers are worth 3.9 billion euro and are made up of 68% in product sales (+11% compared to 2017) and the remaining 32% in services, driven by the tourism sector.

The annual focus of the Alkemy Observatory on the behaviour of Italian online shoppers placed one of every four transactions in Lombardy, followed by web shoppers in Lazio, Emilia Romagna, Piedmont and Veneto. In 2018, in Veneto, 36 online purchases were

made for every 100 inhabitants; an upward trend in purchases compared to the previous year.



Growth in large-scale retail sales in Veneto

Businesses

In 2018 in Veneto there are 48,845 businesses with permanent premises, down by 1.5% on the previous year, having been hit by the sharp reduction in the number of company headquarters, -2.3%. The decline is sharper than the national trend (-1.0% per year).

However, permanent-premises businesses in Veneto to continue to represent 6.6% of the national total, taking sixth

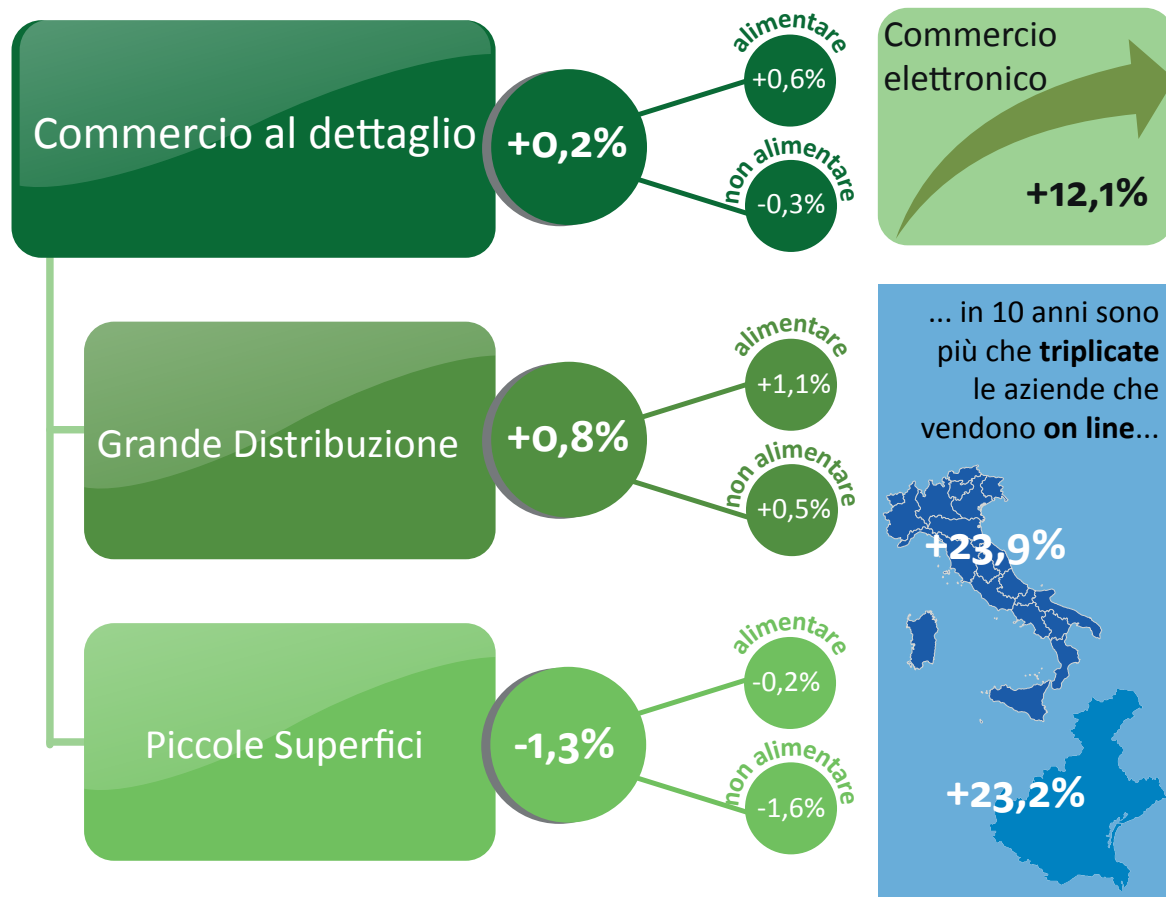
place behind Campania, Lombardy, Lazio, Sicily and Puglia. Retail outlets specialising in the sale of IT and telecommunications equipment are the only perma-



The climate of confidence of retail businesses improves

to continue to represent 6.6% of the national total, taking sixth

Fig. 2.5.1 - The value of sales in 2018 in Italy



Source: Processing of Istat and Prometeia data by the Regione Veneto Statistical Office

THE TOOLS FOR A SUSTAINABLE DEVELOPMENT MODEL: ECONOMIC ACTIVITIES AND EMPLOYMENT FROM ECONOMIC SITUATION TO TRENDS

2



E-commerce continues its expansion, even across the border

nent-premises retail outlets in the Veneto region that recorded an increase in the last year, +1.6% of the total businesses. Food, beverage and tobacco businesses showed slight reductions of -0.7%, as did businesses specialising in the sale of motor fuel of -0.1%. More significant decreases were recorded for businesses specialising in the sale of cultural and recreational items, -4.5%, and for those specialising in the sale of household products, -3.1%.

Belluno, Rovigo and Padua were the provinces of Veneto most affected by the difficulties in the sector: businesses with permanent premises decreased by -3.8%, -2.9% and -2.3%, respectively, compared to 2017. There was a less significant decline in the remaining provinces of the Veneto region, which ranged from -1.4% in Vicenza to -0.7% in Venice.

Similar to businesses with permanent premises, other commercial sectors also encountered difficulties: the number of wholesalers fell by 1.1% per annum in 2018, brokers closed the year with a -1.9% decrease, while businesses operating in the trade and repair of cars and motorcycles recorded a slowdown in growth compared to previous years (+0.7% in 2018).

The number of Internet retail companies registered with the Italian Chambers of Commerce at the end of 2018 more than tripled in 10 years, with an average annual increase of 23.9%. In Veneto, the trend is almost identical; in ten years, Veneto retailers trading in all types of product via the Internet have gone from 419 in 2009 to 1,392 in 2018, with an average annual increase of 23.2%.

In 2017, the Veneto large-scale retail network has more than 2,000 establishments, more than 41,000 employees and almost 3 million square metres of retail space. Overall, there is an increase in number of businesses (+1.9%) the number of employees (+7.3%) and retail space (+3.3%) compared to the previous year.

There are signs of expansion in all forms of large-scale retailing, but with very different paces and trends.



Further decline in traditional shops

The number of supermarkets, which make up over half of all establishments, remains essentially the same (-0.3%), while at the same time seeing a growth in the number of employees (+3.8%) and retail space (+1.0%).

Hypermarkets continue to grow in number (+3.6%), retail space (+2.7%) and workforce (+7.1%).

There is a decrease in number of mini markets (-0.8%) and the relative total retail space (-0.5%),

but the number of employees still increased (+1.2%).

The most significant growth

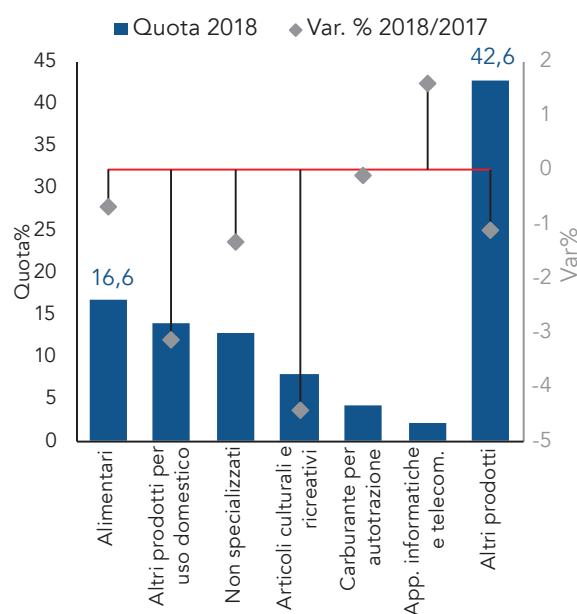
concerns department stores, which boomed in 2017: +13.6% establishments, +12.2% retail space and +21.9% employees. These increases are seen throughout almost the entire country and may be affected by a growth component due to the fact that this distribution format includes certain businesses with characteristics typical of specialised distribution, but which do not comply with the size restrictions foreseen for such classification.

Specialist stores also registered a more than positive trend in 2017, with growth in businesses (+5.8%), employees (+14.3%) and retail space (+4.5%). The main product specialisations in the specialist stores in Veneto are: textiles/clothing/furs, for more than

Only businesses specialising in IT and telecommunications products buck the trend



Fig. 2.5.2 - Annual quota and percentage variation of businesses with permanent premises according to commercial specialisation. Veneto - 2018



Source: Processing of data from the Italian Ministry of Economic Development by the Regione Veneto Statistical Office

25% of businesses; furniture/furnishings/textiles for the home and household appliances/electronics/computers, together for over 15% of businesses. Among these principal sectors of specialisation, the textile and clothing sector and the household appliances sector closed 2017 with an increase compared to the previous year (respectively +9.4% and +4.7% of stores). Only home furnishings closed the year with a decline in stores (-5.6%). It is also worth noting the positive performance of the specialist stores in footwear (+24%) and sports goods (+20%) and the decrease in the stores dedicated to DIY and gardening (-6.7%).



In Italy and Veneto, e-commerce companies have tripled in ten years

2.6 Ten years on from the start of the recession, the labour market has been profoundly transformed

Ten years on from 2008, the year in which the recession began, employment in Italy has risen past



Signs of expansion from all forms of large-scale retail distribution

pre-crisis levels, but the structure of the Italian labour market has been profoundly

transformed: the cyclical phase, characterised by a double and intense recession and subsequent recovery, has contributed to the extensive reorganisation of employment as part of long-term changes already

underway. The past decade has seen a profound transformation in the productive fabric, which has led to a shift in employment towards working as an employee (as opposed to self-employment), with an increase in fixed-term employment and a significant expansion in part-time employment.

An important structural effect of the recession has been the strong increase in involuntary part-time work: in ten years, part-time workers who have not found a full-time job have increased in Italy from 5.8% of the total employed in 2008 to 11.4% in 2017, against the fall in full-time workers. This is due, on the one hand, to the weakening of labour demand and, on the other hand, to the restructuring of employment by sector of economic activity, which has increased the weight of sectors with a higher concentration of part-time work (hotels and restaurants, business services, health and domestic services) and decreased that of sectors with more full-time employment (industry in the strict sense and construction).

In addition to the characteristics of the work, the socio-demographic composition of workers has also changed in the last ten years. The economic cycle has been accompanied by long-term structural changes, with different degrees of impact on the various population groups. Overall, the total population of people in employment is more "senior" and more educated than ten years ago, although it must be stressed that compared to the past, workers today are more often overqualified; there are also many more women in employment.

Fig. 2.5.3 - Stores, retail space and number of employees in large-scale retail trade. Veneto - 2017

Supermercati	Ipermercati	Minimercati	Grandi magazzini	Superfici specializzate	Totale	
1.112	86	357	217	273	2.045	Esercizi (n°)
19.886	8.615	2.065	2.978	7.542	41.086	Addetti (n°)
1.145.499	421.917	106.435	286.677	820.227	2.780.755	Superficie di vendita (mq)

Source: Processing of data from the Italian Ministry of Economic Development by the Regione Veneto Statistical Office

More specifically, the presence of women in the Italian labour market has increased, with the employment rate rising from 47.2% to 49.5%. In 2018, half a million more women are employed (+5.4%) than in the same period of 2008, while there are 370,000 fewer men (-2.7%). The latter declined steadily between 2008 and 2013 (about 900,000 fewer men employed over five years), mainly affected by the negative trend in construction and industry; while female employment, concentrated in the tertiary sector, between 2008 and 2013 recorded a fluctuating situation, up to 2014, when it resumed growth at a faster pace than men.

Then there are the changes in pension regulations stemming from problems of financial sustainability linked to the ageing of the population and lower fertility rates.



Employment is on the rise, but there are increasing numbers of temporary contracts and overqualified workers

The resulting European recommendations¹⁸ on increasing the employment of

people in older age groups have led to an increase in the number of employed people in the 55-64 age group: in ten years, the employment rate of 55-64 year-olds in Italy has increased by more than 19% to 53.7%, compared to 34.3% in 2008.

Veneto in These Ten Years of Labour Market Transformations

Let us now analyse in detail the situation in Veneto, in the broader Italian scenario, and the changes that have occurred in the labour market over the last ten years.

According to updated data from the Labour Force Survey conducted by Istat, in 2018 the Italian labour market showed new positive developments. For the fifth consecutive year, employment has risen and unemployment has continued to fall: more than 23 million people are employed and 2,755,472 are seeking work, i.e. 0.8% more and 5.2% less than last year, respectively. As a result, in the space of a year, the employment rate of 15-64 year-olds in Italy has risen from 58% to 58.5%, thus returning to the 2008 level, and the unemployment rate has fallen to 10.6% compared to 11.2%, still a long way, however, from the average levels of ten years ago (in 2008

it was 6.7%).

In Veneto, employment is still growing significantly, while unemployment is slowly reversing the decline recorded in recent years and again starting to rise slightly. However, this rise is probably more due to the effect of greater participation in the labour market of people who were previously not actively seeking employment; in one year, the number of employed increased by 0.6% and the number of unemployed by 2.6%, while the number of people not seeking employment decreased by 2.7%.

In 2018, there are 2,139,160 employed people in Veneto, a rate of 66.6% of 15-64 year olds, compared to 66% in the previous year and 66.4% in 2008. There are 147,390 people looking for work, with an unemployment rate of 6.4% compared to 6.3% in 2017 (3.4% in 2008), which is associated with an increase in the rate of activity in one year from 70.6% to 71.3%.

Once again, Veneto confirmed its position as one of the leading regions in Italy: it has the fifth highest employment rate among the Italian regions and, despite losing a couple of positions in the ranking for the lowest unemployment (Emilia Romagna and Lombardy recorded a sharp decrease in unemployment rates this year), it remains among the top positions for the lowest overall and youth unemployment rate (fourth place in both cases). More specifically, in 2018, with an employment rate of 71.5% for 20-64 year-olds, the Veneto region is getting ever closer to the European target of 75% set for 2020 by the Europe 2020 Strategy and has already been exceeding the Italian government's lower target of 67% for years¹⁹.

Ten years on from 2008, the structure of the labour market in Veneto has also undergone significant changes.

The labour market in Veneto is recovering, employment has been growing in recent years, but this growth concerns only subordinate employment and is concentrated mostly among employees with temporary contracts. In 2018 there were +12,745 employees in Veneto, or 0.8% more than in 2017. This increase is due only to the fixed-term contract component, up by 10.9% compared to the previ-



More working women and older workforce over past ten years

¹⁸ The Lisbon Strategy already set a target of 50% employment among 55-64 year-olds by 2010.

¹⁹ The Europe 2020 Strategy is a ten-year strategy proposed by the European Commission in 2010. It is based on a vision of smart, sustainable and inclusive growth and identifies priorities and goals to be achieved. On the subject of employment, the Commission has set an ambitious target: to reach 75% employment among 20-64 year-olds by 2020. Given the complex situation of the national labour market, the Italian government has set a more realistic target for Italy of between 67% and 69%.



Growing employment, stable unemployment

ous year (an increase of around 28,000), while "permanent contract" employees decreased by 1.1% (down by over 15,000 units). Compared to ten years ago, there is an evident increasing use of fixed-term contracts: from 11.9% of total employees in 2008 to 17% in 2018.

In ten years, there has also been an increase in part-time employment and, significantly, in involuntary part-time employment. This phenomenon is an indication of employment difficulties and is, for all intents and purposes, a mismatch between labour

supply and demand; these employees are employed on a

part-time basis, not by choice, but for external reasons, mainly due to business needs.

In 2017 in Veneto, the proportion of involuntary part-time workers was 8.8% of the total workforce, compared to 4.2% in 2008. Compared, however, to other Italian regions, once again the situation in Veneto is good. Veneto ranks second in the regional rankings for the lowest levels of underemployment (Trentino Alto Adige is first with 6.9%, and the Italian average is 11.4%).

In line with the national trend, in addition to a mismatch between supply and demand, the increase in involuntary part-time employment is partly due, also for our region, to the restructuring of employment towards sectors of economic activity where reduced-hours contracts are more widely used. In the Veneto region, in ten years, against a sharp fall in the number of workers in industry, and particularly in the construction sector (from 2008 to 2018, -33% people employed in the construction sector in Veneto and -28% in Italy), there was growth in agriculture and services of 10.4% and 8.4% respectively. This context also involves the concept of "quality work". Working may not be enough and this is confirmed by the data on poverty. Being forced to work fewer hours than desired, for example, highlights the inadequacy of the job as a source of income, so much so that it becomes a cause of marginality with respect to the potential availability of the worker. For young people, then, the downward shift in wages, the types of "low quality" and "low intensity" work that are becoming increasingly widespread, the delayed entry to the world of work, can only increase the risk of being poor despite earning a salary.

In our region, too, there are clear signs of the impact of ongoing socio-demographic changes on employment.



The type of employment is changing...

The significant increase in number of women in the labour mar-

ket continues. Compared to the previous year, in 2018 employment in Veneto further increases for women, with a rate of 58.2%, more than 1 percentage point above the value of the previous year and 2.5 percentage points more than in 2008. And there are increasing numbers of women with even small children who are working: in fact, the employment rate of women with at least one pre-school child is growing, alongside that of women without children, which rose from 76.3% in 2008 to 82.1% in 2017.

Young people have been particularly affected by the recession, while employment levels for people aged 55-64 are increasingly high. With the recession, in the space of a few years, in fact, youth unemployment in Veneto increased by 17 percentage points between 2008 and 2014, reaching a rate of 27.6% in 2014. Fortunately, with the recovery, the rate has fallen significantly, currently standing at 21%, the fourth lowest value among all Italian regions. And the data relating to NEETs, i.e. young people Not in Employment, Education or Training, reveal the advantageous condition in which our young people find themselves compared to other Italian regions. In 2018, there are 104,307 15-29 year-olds in this situation, 2.3% less than the previous year, representing 14.8% of the young people from Veneto in this age group, the third lowest rate in Italy.

At the same time, in this decade the employment rate among people aged 55-64 continues to grow. The ageing population, combined with lower fertility, is one of the main challenges facing Italy and the European Union.. European governments have committed themselves over the last two decades to pursuing an increase in retirement age and achieving a significant increase in the employment rate of older people. The emergency of ageing and the recession has highlighted the need for political action to promote the more prudent management of pension savings, improving the long-term sustainability of public finances and ensuring the adequacy of benefits and the expansion of the active population. To achieve this, the Lisbon Strategy set a target for 2010 of 50% employment among 55-64 year-olds. Today in 2018, 55.6% of 55-64 year-olds in Veneto work (53.7% in Italy), compared to the much lower figure of 32.1% in 2008; in just ten years this rate has seen an increase of over 23 percentage points.

A brief mention of the current "Quota 100" Italian

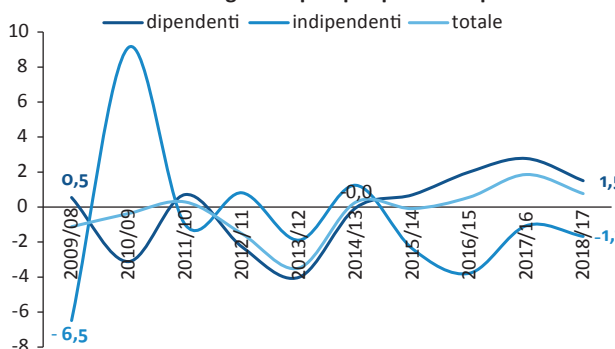
pension policy should be made here. The European Commission has criticized lowering the retirement age, declaring that this would entail greater burdens for the State. To this the Honourable Claudio Durigon, Undersecretary of Labour, replied that "The resources allocated to Quota 100 amount to around 22 billion in three years. I understand that whenever we tackle the pension system, we do not look at the human side of people, worn out by work, but even looking at the accounts there are comparisons to show that the measure is sustainable".



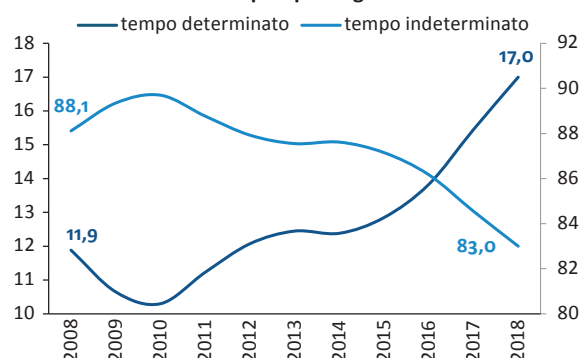
... along with the workers

Fig. 2.6.1 - Labour market indicators. Veneto - 2008:2018

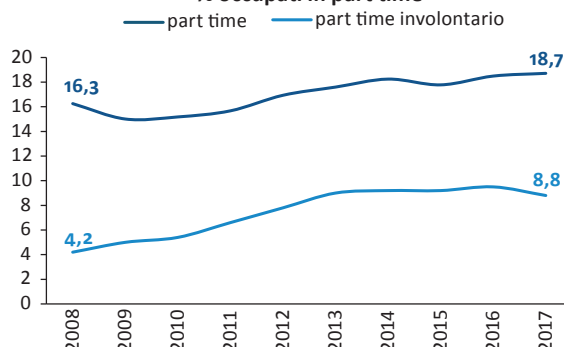
Variazioni % annue degli occupati per posizione professionale



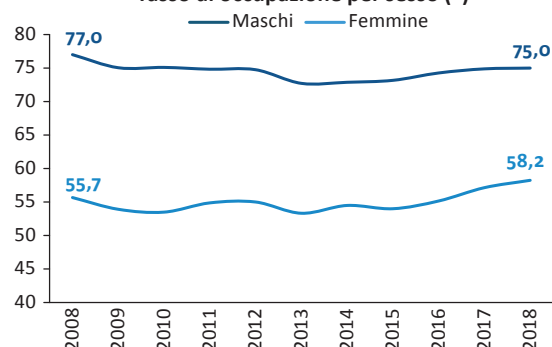
% occupati per regime orario



% occupati in part time



Tasso di occupazione per sesso (*)



(*) Employment rate = (Employed/ Reference population) x 100

(**) Unemployment rate = (Jobseekers/Workforce) x 100

Source: Processing of Istat data by the Regione Veneto Statistical Office