The Canadian Trade Commissioner Service

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Automotive Market Sector Profile - Rome, Italy [1]

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1. Sector Overview

The automotive industry is one of the most important drivers of the Italian economy. With a labour force of 1.2 million (direct and indirect) workers, the industry accounts for approximately 3,500 suppliers and service providers, of which 885 are manufacturers of vehicle parts and components. Italy's largest manufacturing sector, the automotive industry generates a turnover in excess of €70 billion and constitutes 4.4% of Gross Domestic Product (GDP) and 16.6% of total national fiscal revenue . Exports represent more than half of total domestic output with primary markets in Europe (75%), the Americas (12%) and Asia (8%). Italy has the 2nd largest car fleet in the EU and in 2011, 1,748,143 new passenger cars were sold in Italy (-10.88%) with the Fiat Group - comprising the Fiat, Alfa Romeo, Lancia, Ferrari, Maserati, Chrysler and Abarth brands - holding a 29.4% (30.5% in 2010) share of the market.

Although the global economic downturn has led to sluggish demand both in the European and Italian car markets and a consequential decline in domestic car production, in 2011 the industry showed signs of recovery and overall global car production increased.

In 2011, Fiat produced 1,804,523 passenger cars and Chrysler 507,517, making Fiat the 11th and Chrysler the 23rd largest car manufacturers in the world. That said, most of Fiat's production is outside of Italy and domestic car production in 2011 totalled 790,000 units representing a 5.7% decrease on 2010.

Italy's northern Piedmont and Lombardy regions are major centres of excellence for the automotive industry. In particular, the Piedmont Region, headquarters of the Fiat Group, is home to a major industry cluster of some 43% of Italy's vehicle component and original equipment manufacturers and 75% of the suppliers of modules and systems.

Italy is also synonymous to world leading car design and home to internationally acclaimed names such as Pininfarina, Italdesign Giugiaro (now controlled by Volkswagen), Michelotti and Frua. Italy excels in automotive engineering and renowned research centres such as the Centro Ricerche Fiat (CRF), Elasis and the Centro Sviluppo Materiali, as well as prominent academic institutions such as the Polytechnic of Turin, are making significant contributions to worldwide vehicle innovation. Technology transfer from home grown premium models, such as Ferrari, Lamborghini and Maserati, are helping develop the mass production passenger cars of the future, while concerted efforts between the private and public sector with a focus on smaller, low-cost and environmentally-friendly cars have resulted in the highly successful Fiat 500.

The Fiat Group

Italy's largest industrial enterprise and sole mass manufacturer of passenger cars, the Fiat Group dominates Italy's automotive industry with a 90% share of domestic car production. In 2009, through the acquisition of a controlling stake in Chrysler, Fiat emerged as a global automotive industry leader. Currently the 6th largest vehicle producer in the world with 2011 sales of 4 million vehicles - Fiat and Chrysler combined – Fiat is setting its sights on becoming the world's number two, behind Toyota, with annual sales in the region of 6 million cars by 2014.

The Fiat group has a strong propensity for international expansion and innovation and, combined with Chrysler, currently operates 188 production plants and 117 R&D centres in over 50 nations worldwide serving customers in more than 190 countries. In 2011, consolidated Fiat-Chrysler revenues were €59.6 billion and the group forecasts €77 billion in 2012. Through its global operations and joint ventures in North America, Europe, China, India, Turkey and Brazil the Group accounts for a workforce of some 240,000 people.

January 2011, the Fiat Group separated its passenger car and industrial vehicle operations. Fiat's automotive companies - Fiat Group Automobiles (Fiat, Lancia and Alfa Romeo), Chrysler (61.8%), Ferrari, Maserati (85%), Abarth and Fiat's automotive components firms (Magneti Marelli, Teksid, Comau and Fiat Powertrain Technologies) - are now converged under Fiat Spa. While, Fiat Industrial SpA incorporates all operations related to trucks, special vehicles, buses and commercial vans (Iveco), industrial and marine engines, agricultural and construction equipment (Case IH, New Holland, Steyr, Kobelco)

2. Market: Challenges and Opportunities

Fiat's dominance of the Italian market has meant that most Italian suppliers have been dependent on contracts with Fiat. Fiat's alliance with Chrysler - and subsequent cost-cutting, supplier streamlining and globalisation - has had a significant impact on the Italian automotive supply industry which has been obliged to look beyond national borders for opportunities.

This has translated into significant opportunities for Canada as an increased number of Italian suppliers have begun exploring the North American market for partners with whom to forge strategic business, industrial, commercial and technological alliances.

The Fiat Group now owns a 58.5% stake in Chrysler, and as such, operates three plants in Ontario. It is anticipated that Fiat's increased expansion into North America will help sustain and enhance Canada's car making industry, while offering an array of opportunity on numerous fronts including: direct investments, global supply chain opportunities, technology transfer, talent exchanges and joint research and innovation collaboration.

New Fiat-Chrysler platforms destined for production in North America will entail fresh product mandates and supply opportunities for Canadian automotive suppliers. In addition, should the production of Alfa Romeos be migrated to Chrysler's Ontario plants then there will be room for expansion at Chrysler Canada.

Fiat's purchasing group manages a global supply chain of more than 10,000 companies with a purchasing volume in excess of 35 billion Euro. Fiat is undertaking a full review of its global supply chain vis-à-vis its future North America production line and as it integrates its global supply base with that of Chrysler's Italian suppliers will be keen to partner with firms located in Canada and the US in order to establish a manufacturing footprint close to Fiat-Chrysler's plants in North America.

In light of the aforementioned opportunities, Canadian companies that are competitive, technologically advanced and willing to work closely with Fiat's technicians and tier-1 suppliers will be the best positioned to competitively access these opportunities.

3. Sub-sector Identification

Rising demands to protect cars, safeguard the environment and enhance personal safety are increasingly being determined by national legislation and safety standards, not to mention consumer preferences and trends. Opportunities are therefore most abundant for those for Canadian companies that specialize in competitively priced, weight-saving subsystems that are safety-conscious, environmentally-friendly and energy-efficient. Products and systems that favour advances in powertrain technology, while reducing emissions and enhancing engine management and vehicle performance, security and passenger/driver safety are areas of increased interest both from the OEM and supplier perspective.

Another dynamic and value-added growth area that is of late experiencing a significant boom in terms of innovation, product development and subsequent commercialisation is that of in-car communications, information technology and entertainment devices (electronic maps, navigation systems and car phones). Applications and subsystems which are contributing to the concept and to the entire ecosystem that favours the "connected car" constitute a subsector of major interest in the automotive industry.

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Useful Internet Sites

Canadian Embassy in Italy
Website: www.tradecommissioner.gc.ca

ANFIA Italian Automotive Industries Association
Website: www.anfia.it

Fiat Group
Website: www.fiatgroup.com

OICA International Organisation of Motor Vehicle Manufacturers
Website: www.oica.net

ACEA European Automobile Manufacturers Association
Website: www.acea.be

ANCMA Italian Motorbike & Bicycle Association
Website: www.ancma.it

FEDER-UNACOMA Italian Agricultural Machinery Manufacturers Federation
Website: www.federunacoma.it

UNRAE Association for imported vehicle manufacturers
Website: www.unrae.it

CUNA Technical Commission Automotive Standardisation
Website : www.ass-cuna.org

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[1] *The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.*