

## External trade

External trade is intended as all trading of goods between different States. Surveys of this sector are currently performed by Istat, which provides statistics divided by country, geographical and geo-economic area and by province of origin and destination for goods. Istat is also responsible for calculating the related index numbers.

For a long time surveys on external trade have also been known as “customs statistics” due to their close connection and interdependence with the customs tax system. The statistical nomenclature used for the identification and classification of goods is in fact derived from the tariff nomenclature, and the information base for goods entering and exiting countries outside the EU is still the customs declaration (Single Administrative Document - SAD), made when the goods cross EU borders.

In 1993, the foundation of the Single European Market, suppressing the formalities necessary until then to register the cross border movement of goods between member States, made trading within the EU faster and easier, while revolutionising external trade statistics as there was no longer need for physical controls or the consequent halting of goods at the border. The new regulations have led to the adoption of a new data recording system for intra-EU trading of goods, known as Intrastat, which has gradually been extended to all current members of the European Union from the original 12 countries involved.

This section presents the main information relating to imports and exports by type of goods, together with the trade balances that show Italy's overall position in terms of external trade surplus or deficit with the rest of the world, from 1861 to date.

The series of index numbers for external trade are also presented, in particular value indices, average unit and volume values, from 1931 onwards. Since 1971 these have also included import and export flows by main countries, since 1985 with disaggregation by territorial area.

### External trade statistics

External trade statistics are among the oldest available. From Italian unification until 1907 figures on external trade were published in the annual volumes entitled *Movimento commerciale del Regno d'Italia* (Commercial trend in the Kingdom of Italy), edited by the Ministry of Finance. The survey was carried out by the customs office, belonging to the Ministry of Finance (General Taxation Department) to which customs authorities were required to send two forms each quarter: Form B, the Annual overview of imports and exports, and Form E, the Annual overview of “temporary” imports and exports, which was also used to record re-exports and re-imports. The “statistical number”, i.e. that conventional progressive number that marks each good imported or exported today, was not yet in use and flows were recorded using a complete indication of the name used by customs to apply duties, which has always formed the basis for external trade statistics in Italy.

In 1907 a genuine centralised statistics office was created to take over recordings, with the task of also conducting a systematic monitoring of customs payments. The survey became monthly and the forms were considerably modified, leading to the adoption of separate forms for different types of trade.<sup>1</sup> Each type of good was distinguished, in addition to the number of the tariff used to apply duties, by the “statistical number” which served as a basis for recording goods and their classification in economic groups (raw materials, semi-finished products, finished products and food products). The adoption of the statistical number was an important innovation which allowed for the statistical recording of trade to be separated from the classification by tariff, often more generic, for taxation purposes.

<sup>1</sup> In particular, the following forms were used: Form 123b for final imports, Form 123c for final exports, Form 123d for temporary imports, Form 123e for temporary exports, Form 123f for re-importation and Form 123h for re-exportation.

Following the development of industry and the extension of international trade, the statistical number of goods became ever more important for the classification of goods, and the range of items passed from the original 635 in the tariff system in 1861 to 1,630 in 1907, up to 3,500 items in 1921 with the introduction of the new customs tariff, before reaching the 9,600 goods codes used today. Together with the new customs tariff in 1921, it became obligatory for commercial operators to declare the CIF (*Cost insurance freight*) value of goods imported and the FOB (*Free on board*) value of exports and, naturally, the obligation to record the values declared.

Until 1935, nothing changed with respect to the system for collecting, processing and publishing the figures, which remained the responsibility of the General taxation department,<sup>2</sup> which continued to perform its task through customs authorities in a survey that was continued mainly for fiscal purposes, rather than to record the performance of external trade. In 1935, with Royal Decree no. 1525 dated 11<sup>th</sup> July 1935, the statistics service for external trade was transferred from the Ministry of Finance (General customs department) to Istat. The transfer of the survey to Istat led to the adoption of new forms,<sup>3</sup> but above all to a revision of the collection procedures to speed up data communication. Customs offices and departments continued to function as local representatives for the Central Statistical Institute, but customs receipts were passed from customs offices to the customs statistics office, which manually recorded the information required for statistical purposes on the forms to be sent to the central Body. Once the monthly records were made, the survey offices sent the forms to Istat in six different packages, one for each type of flow: final imports, temporary imports, re-importation, final exports, temporary exports and re-exportation.

In the following years, thanks to a greater level of availability of mechanical instruments, the organisation of data processing was further modified. From the second half of 1942 onwards a data processing method was introduced. After an initial phase of checking and summarising by a dedicated office (*ufficio "Somme"*), survey models sent to Istat were codified, translating into numbers all the descriptive information transcribed by survey offices on the forms themselves. These codified forms were then transferred to the data processing office which perforated the figures on the forms for subsequent processing and preparation of tables to be published.<sup>4</sup>

When surveys were resumed after the Second World War, the old names for the forms – still linked to the Ministry of Finance series – were changed.<sup>5</sup> These new forms remained the same in both form and substance right up to the introduction of the Single administrative document, only once changing name again in 1955.<sup>6</sup>

In 1950, the old goods classification in use since 1921, adapted from the customs tariff system, was substituted by a new system including 5,237 statistical numbers which, for the first time, were integrated into the tariff system itself, thereby becoming genuinely part of law for commercial operators and survey bodies. Another important innovation introduced during the period consisted in the fact that the application of duties was no longer based on weight, but on the value of the goods.

Since 1952, the goods groups formed from aggregations derived from the tariff nomenclature, have passed from 167 to 236. Since 1947 these have been in turn placed, rather than in the four traditional economic groups (raw materials, semi-finished products, finished products, food products), into nine groups divided by level of finishing, according to the classification by branch and class of economic activity established by Istat.

Some of these classifications were abandoned following the process of the international harmonisation of external trade statistics, which over time led to a new classification of goods, in addition to the adoption of a single survey form (SAD) for the various countries. Since 1968, with the implementation of the European customs union, all member states have adopted a single customs

<sup>2</sup> The General taxation department was transformed into the General customs and indirect taxation department in 1916.

<sup>3</sup> Form 122a-bis for goods, definitively imported or exported, subject to customs duties; Form 122b-bis for goods exempt from customs duties, definitively imported or exported; Form 122b-ter for goods temporarily imported or exported; Form 122b-quater for goods re-imported or re-exported; furthermore, a dedicated form was created to communicate data corrections (Form R).

<sup>4</sup> The forms were subsequently ordered by selecting machines and the information was transcribed using tabulating-machines in control processes that, after careful checking, were returned to the data processing office for data transcription and preparation of the final tables.

<sup>5</sup> Form CE1 for imports and exports subject to customs duties; Form CE2 for customs exempt imports and exports; Form CE3 for temporary imports and exports; Form CE4 for re-importation and re-exportation. In this new series, the use of the CE2 form became obligatory for final exports, due to the abolition of export duties following the recovery of foreign trade after the war.

<sup>6</sup> Following the change in the names used, the forms became: Form Istat/C/1 (ex CE1) for imported goods; Form Istat/C/2 (ex CE2) for exported goods; Form Istat/C/3 (ex CE3) for temporarily imported or exported goods; Form Istat/C/4 (ex CE4) for re-imported or re-exported goods; Form Istat/C/7 (ex R) for corrections to figures previously declared. Lastly, since 1947 a question has also been included on the foreign currency used for the transaction.

tariff to third countries, both regarding nomenclature (good names and numerical code) and for the customs duty. The starting base was formed of the first 4-6 numbers in the harmonised system, i.e. the economic classification of goods established on an international level by the Customs cooperation committee.

Since 1972, when the European Community regulation for the classification of external trade statistics has come into force, a harmonised nomenclature for member states has been adopted (Nimexe). This system was formed of approximately 8 thousand types of goods, each of which was assigned a code. In 1975 electricity was added to the goods recorded. In 1988, the system was absorbed into the Combined Nomenclature (CN), which added another two figures to the first six in the harmonised system to more precisely classify the goods recorded in external trade statistics. Since 1988, moreover, SAD has become the form used in the European Economic Community to declare goods subject to customs procedures.<sup>7</sup>

Since 1<sup>st</sup> January 1993, external trade statistics in countries in the EU have been based on a new system recording EU flows of goods, known as Intrastat. With the introduction of the new system, information on the intracommunity trading was drawn from the list recording movements, presented directly by economic operators to the competent customs offices by area. The new collection system was introduced by law in each member State by (EEC) European Council regulation no. 3330 dated 07<sup>th</sup> November 1991 (base regulation) which, together with implementation Commission regulation no. 3046 dated 22<sup>nd</sup> October 1992 and subsequent modifications thereto, has ruled the Intrastat system in use since 1993.

In the Intrastat system, data are provided by the operators themselves (VAT taxable persons) who perform purchases or sales of goods with VAT taxable persons resident in other EU member States. In fact, operators resident in Italy who perform intracommunity trading are obliged to present, at customs collection centres, the declaration containing the figures relating to the operations performed within the EU. On a national level, Legislative Decree no. 388 dated 24<sup>th</sup> September 1992 and the Ministry of Finance decree dated 21<sup>st</sup> October 1992, approving Intrastat forms, defined the Italian persons obliged to draw up lists of the intercommunity transactions, the frequency with which these lists must be presented, their compilation mode, the forms to be used and the sanctions for those failing to meet the requirements established by European regulations. Subsequently, with Ministry of Finance decree dated 27<sup>th</sup> October 2000, some changes were introduced and the summary forms in EUR for dispatches and arrivals within the EU were approved.<sup>8</sup>

Until 2010, the last reference year for the series presented in this section, the statistical surveys on external trade were performed in compliance with the criteria set out in the (EC) regulation issued by the European Parliament and Council no. 638/2004 and European Commission regulation no. 1982/2004,<sup>9</sup> regarding intracommunity trading, and by European Council regulation no. 1172/1995 and European Commission regulation no. 1917/2000<sup>10</sup> for extra-community trading.<sup>11</sup>

Total surveys are performed by Istat using data collected by Customs authorities through Intrastat declarations of operations within the EU and SAD (customs receipts) for those outside the EU (both the Intrastat and SAD form are valid for both fiscal and statistical purposes).

The monthly Intrastat survey cover approximately 20 per cent of operators and 98 per cent of trading; quarterly and annual surveys<sup>12</sup> guarantee the remaining coverage, requiring commercial operators to provide simplified information on the value of trading. In the case of transactions with countries outside the EU, the information base is formed by the Single Administrative Document - SAD, which is compiled with reference to each single commercial transaction. Both the procedure for providing

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<sup>7</sup> The instructions for filling out the single administrative document are contained in a memorandum in (ECC) Commission regulation no. 2454 dated 02<sup>nd</sup> July 1993, which sets out the provisions for applying (ECC) Commission regulation no. 2913/1992 establishing the community customs code.

<sup>8</sup> Recent changes to national legislation were introduced by Legislative Decree no. 18/2010 (Official Gazette no. 41 dated 19<sup>th</sup> February 2010), by Ministry of Economy and Finance decree dated 22<sup>nd</sup> February 2010 (Official Gazette no. 53 dated 05<sup>th</sup> March 2010) and by the Customs Authorities decision dated 22<sup>nd</sup> February 2010.

<sup>9</sup> Amended by: (EC) European Parliament and Council regulation no. 222/2009 which changed (EC) European Parliament and Council regulation no. 638/2004 and (EU) Commission regulations no. 91/2010 and no. 96/2010, which amended (EC) regulation no. 1982/2004 introducing variations for the survey from 2011 onwards.

<sup>10</sup> In the same way for extra-community trading: Commission regulation no. 1669/2001, Commission regulation no. 179 dated 02<sup>nd</sup> February 2005 and Commission regulation no. 1949 dated 28<sup>th</sup> November 2005 which amended (EC) Commission regulation no. 1917/2000, (EC) European Parliament and Council regulation no. 471/2009 and (EU) Commission regulations no. 92/2010 and no. 113/2010.

<sup>11</sup> Note that, since 2011, new regulations have been enforced.

<sup>12</sup> The annual declaration has been no longer in use since 2010.

statistical information by the declarant and its subsequent transmission from customs to Istat has been increasingly computerised for both surveys, in particular – in the case of intracommunity trading – since 2001 it has been possible to submit Intrastat declarations online using an electronic data exchange procedure, which became obligatory in 2010.<sup>13</sup>

Information on external trade in Italy refers to the so-called special trade system which includes: 1) under exports, national goods or those in free circulation exported with a final destination, loaded as supplies on foreign ships or aeroplanes, those temporarily exported for the manufacturing of products to be re-imported or for additional labour or reparation<sup>14</sup> and goods re-exported following temporary importation; 2) under imports, foreign goods definitively imported or withdrawn from customs warehouses that were introduced in the customs territory for use, those temporarily imported for the manufacture of products to be re-exported or for the additional labour or reparation<sup>15</sup> and those re-imported following temporary exportation. Special trade statistics do not include goods in transit in the national territory and foreign goods introduced into customs warehouses and not withdrawn for use, for temporary importation or shipped abroad. Some items specified by current legislation are also excluded from external trade statistics.<sup>16</sup> In addition to value and quantity<sup>17</sup>, the main information contained in the survey forms for goods transactions include the good code (8-digit Combined nomenclature), the invoice currency, the nature of the transaction, country of origin, country of consignment and destination, transport methods, delivery terms, region of origin or destination. The classification of goods adopted by EU countries in external trade surveys refers to the tariff and statistical nomenclature and common customs tariffs and is updated annually by EU regulation. This combined nomenclature covers approximately 9,600 types of goods and represents a further disaggregation of the harmonised system, which is the economic classification of goods recognised on a global level and formed of groups of goods in over 5,000 items (with numerical six-digit code).

The survey of external trade is performed in relation to the statistical territory which coincides with customs areas, from which the Italian Republic is distinguished only by the exclusion of the municipality of *Campione d'Italia*, which constitutes a customs-free area. In a similar way free warehouses and trading points are also excluded from customs areas, as assimilated with territories outside the customs border.<sup>18</sup>

### *Warnings for time series comparisons*

- in 1861-1876 publications it has not been possible to establish whether temporary imports and exports, re-exportations and re-importations were included or not in special trade;
- for 1877 temporary good transit was included;
- between 1878 and 1896 temporary transit was not included;
- between 1897 and 1906 only some of the goods temporarily imported and exported, re-exported and re-imported were included in "special trade". Several variations were made to the list of these goods in the period considered;
- between 1907 and 1929 the composition of special trade changed considerably, in that it included goods temporarily imported and exported to manufacture products to be re-exported or

<sup>13</sup> Customs Authority decision dated 22<sup>nd</sup> February 2010.

<sup>14</sup> Temporary flows of goods for reparation have been excluded since 2005 from EU trade statistics.

<sup>15</sup> Temporary flows of goods for reparation have been excluded since 2006 from statistics on trade outside the EU.

<sup>16</sup> On the basis of current legislation some items remain excluded from external trade statistics, including: payment instruments valid as legal tender and values; monetary gold; emergency aid to crisis hit regions; goods with diplomatic or consular immunity or similar; goods that are not the object of commercial transactions (such as publicity material and commercial samples); products used as part of common exception actions to safeguard people or the environment; goods for temporary use, as long as no finishing is planned or takes place and the duration of the temporary use is not more than 24 months; goods that carry information; goods repaired or destined for reparation, in addition to the associated spare parts; goods sent to national armed forces stationed outside the statistical territory, goods sent to national armed forces stationed outside the statistical territory, in addition to goods purchased and sold in the statistical territory of a member State by the armed forces of another member State stationed there; equipment for launching space vehicles, either in export or import.

<sup>17</sup> Regarding the value of the goods, the survey forms record the invoiced value and the statistical value of the goods; external trade statistics refer to the statistical value of the goods defined as the CIF value on import and FOB value on export. The quantity is expressed in kilograms (net mass) and/or in one of the other units of measurement indicated by Eurostat (supplementary unit).

<sup>18</sup> Note that *San Marino*, although classed as third country, does not come under external trade surveys due to the absence of customs barriers between the state and Italy, while the Vatican State, as independent state located in the national territory, is a third country in every respect.

re-imported. However, goods temporarily exported or imported for additional labour or reparation were excluded, in addition to the corresponding entries for re-exportation or re-importation. In the figures relating to the years following the 1915-1918 war, goods provided for reparation were excluded;

- since 1930 the International convention for economic statistics, signed in Geneva on 14<sup>th</sup> December 1928, has established, among various criteria, those for the composition of special trade. In application of the criteria set down by the Geneva international convention, external trade data refer to the special trade that since 1<sup>st</sup> January 1930 has included: on importation (or exportation), goods definitively imported (or exported) for use or temporarily introduced for transformation; additional labour or reparation, in order to be then re-exported (or re-imported). This composition underwent several variations before 1930;
- since 1939, goods previously imported or exported and returned to the sender have been no longer included in exports or imports respectively but were detracted from the flow in which they were included on entry or exit from the State territory;
- for the period between 1943-1947, or for some years in that period, data were not recorded due to the war;
- since 1947 imports and exports performed through the Trieste customs office have been included. These also include goods imported through the Unrra, AUSA, USFAP and ERP programmes, while they exclude those for goods imported for merely charitable purposes and therefore free of charge, such as war surpluses and gift parcel.
- the thresholds for submitting the Intrastat listings were raised in 1999 and 2003. These variations did not have a significant impact on the survey, since the thresholds are fixed in relation to the coverage ratio that the monthly survey must guarantee with respect to the total, a rate which has not undergone any substantial variations.

From 2007 to 2010 the listings to be submitted are:

- for intracommunity dispatches:
  - monthly, for operators who have performed in the previous year or assume to carry out in the course of the year, intracommunity dispatches exceeding 250,000 EUR (in case of a new intra-EU trade) ;
  - quarterly, for operators whose intracommunity dispatches exceed 40,000 EUR;
  - annually, for the remaining operators.
- for intracommunity arrivals:
  - monthly, for operators who have performed in the previous year or assume to carry out in the course of the year, intracommunity dispatches exceeding 180,000 EUR ;
  - annually, for the remaining operators.

With respect to *external trade indices*, please note that over time these have undergone several variations associated with the calculation methods used, the value of goods considered in the calculation of indices with respect to total imports and exports and the year taken as reference base for the indices. In particular:

- The series of price index numbers for goods imported and exported calculated with 1913 as base year was obtained using the chaining of three series constructed for the 1861-1906 period (base 1871), for the 1907-1920 period (base 1913) and for the 1922-1965 period (base 1938).
- Price indices for 1921 were obtained by interpolation and those relating to the years 1943-1947 have not been calculated, due to the lack of absolute figures for external trade or when available data could not be used. The value of the goods considered in the calculation accounted for around 80 per cent of the overall value of imports and exports, for all the years

in the series. The calculation procedure was based on the Paasche formula (index with fixed base and mobile weighting) with quantity indices obtained by relating the relative value indices to all goods and the corresponding price indices.

- Since 1949 the indices have been once again calculated on a monthly basis, using the average of 1948=100 as base. The calculation of the price and quantity indices was performed using the Fisher formula and the value of the goods considered represented, in 1948, 94.3 per cent of the total imports and 84.1 per cent of exports. The calculation of indices with 1948 as base year continued until December 1953.
- The indices have been subsequently recalculated by Istat starting from 1951 with a base of 1953=100. The value of the goods considered in the calculation of price and quantity indices covered, in 1952 and 1953, 90.5 and 87.6 per cent respectively of the total imports and 91.6 and 89.5 per cent of exports.
- When the base year was changed in 1966, the series of indices, also known for the first time as average unit values and linked to coherent groups of goods, was calculated by grade of finishing for products, economic use and by branch or class of economic activity. The value of the goods considered in the calculation of the price index numbers was of around 90 per cent of the total both for imports and exports.
- With the changes of base year that took place in 1970 and 1980, the calculation method for the three series of indices (values, prices, quantity) did not change. The value of the goods taken into consideration for the calculation of these index series was of approximately 75 per cent of the overall value both on export and import. The series of index numbers using 1970 as base ceased in 1984.
- Since 1981, indices have been recalculated using 1980 as base, adopting the NACE/CLIO classification of economic activities (for the EEC and non-EEC geographical areas). The price indices (average unit value) calculated referred to a group of goods which represented approximately 90 per cent of the overall value of imports and 85 per cent of exports.
- Currently the series of index numbers for external trade uses 2005 as base year, and all series from 1996 to date have been recalculated with reference to that year.<sup>19</sup>
- Index numbers for external trade with 2005=100 base are obtained using the Fisher formula in which the base year is represented by the immediately preceding year (mobile-base indices). The indices are relative to the average unit values by ATECO 2007 (NACE) product groups and by specific geographic and/or geo-economic areas, in addition to the main industrial groupings (MIG).

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<sup>19</sup> With the passage to 2005 base year, a new calculation method was adopted (Istat, *Nota informativa* del 25 febbraio 2008 - Information note dated 25<sup>th</sup> February 2008). The methodology specifies the direct calculation of elementary value and average unit values, while volume indices, which represent the variation in the quantities imported or exported with respect to the base year, are obtained from the ratio between the value indices and the corresponding average unit value indices, in order to ensure a complementary relation between the three indices. The main innovations introduced regard the calculation of elementary indices to a more detailed good classification, the adoption of a method to identify and process any measurement errors and the aggregation of the elementary indices via trimmed means.