

Press release

## **Euler Hermes on Expo Milan 2015: Giving the Italian economy a chance**

**ROME - 5 MAY 2015** - Expo Milan will make a limited but positive contribution of 0.1% to Italian GDP in 2015. In total, including first-round effects, the Expo could bring up to +0.4% of GDP from tourism (15 million visitors), export revenue (+10% in some sectors), additional output (€6 billion) and new jobs (approx. 100,000). These are some of the main conclusions by [Euler Hermes](#), the worldwide leader in credit insurance, in its economic study “Expo Milano 2015: Made in Italy *alla grande?*”

“In the history of economy, Universal Exhibitions have always been turning points and a chance for re-launch,” said Michele Pignotti, the head of Mediterranean Countries, Middle East and Africa (MMEA) region for Euler Hermes. “Milan and Italy are ready to play that role, as Expo 2015 promises to be one of the levers to support the Italian recovery this year.”

According to the Euler Hermes report, the Expo will be one of several components enabling a slight recovery in Italy after three consecutive years of contraction. The other factors are

- rising confidence and the resulting private consumption recovery
- a lower euro driving €6 billion of additional exports in 2015
- the easing of financing constraints, with a steady decline of real interest rates on SME loans and credit demand recovery, and
- lower energy prices and the IRAP tax cut pushing up corporate margins.

### **Expo Milan as an innovation driver**

Expo 2015 should foster synergies between foreign and Italian companies argued Ana Boata and Andrea Pignagnoli, respectively European economist for Euler Hermes and economist for Euler Hermes Italy, and co-authors of the study.

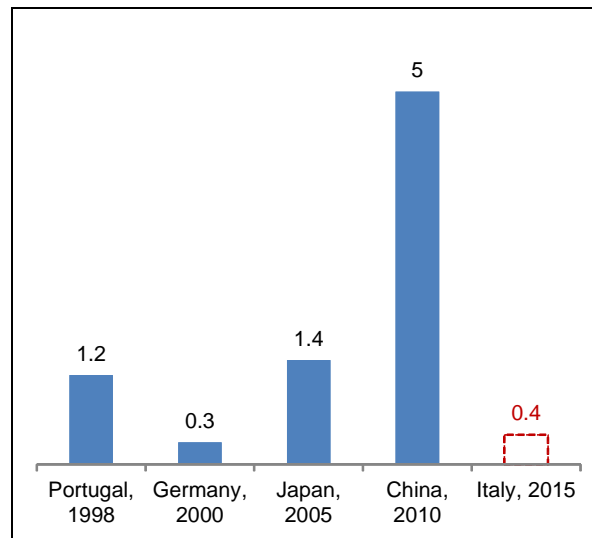
For example, Italian products will benefit from increased visibility by and additional demand from tourists. More than 30% of Expo participants will come from abroad, mainly from Argentina, Brazil, China, Turkey, UAE and the USA. This will also play the other way around: offering new markets for Italian products abroad, as some Expo participants could become importers of Italian goods and promoters of Italian services in their home countries. The traditional export sectors such as agrifood, energy, machinery and textile should be the main winners.

### **The Expo legacy? 40% of the newly-created companies at a risk of default**

Legacy effects of mega-events are often linked to sustained efforts before and after the event, to harness the benefits and limit the risks. A potential scenario is that post-event, activity would decline, especially in those sectors which should be the main winners in 2015. Government initiatives to make the region live post-Expo will be key for the approximately 10,000 companies created since 2013. These initiatives are even more important in a period of economic recovery, as Italian business insolvencies will finally enter a downward trend after seven consecutive years of increases: -2% in 2015 and -5% in 2016.

Within this baseline scenario, Euler Hermes expects business insolvencies to continue to decline in 2017 and 2018. However, the co-authors see an increasing risk that the drop in activity will not be compensated after the Expo ends. In this case, Euler Hermes expects that approximately 40% of newly-created companies will default. The drop in activity could cause one-third of the newly-created companies in the construction sector to default in 2017. The sector is already in a difficult situation, with insolvencies at record high levels (3,500 per year: +12% in 2014). The hotel and restaurant sector would be less impacted; tourist flows should increase post-Expo as Italy would have strengthened its attractiveness. Only 1 in 10 companies would default in this sector in 2017. In total, in the worst case scenario, 2,500 companies could default in 2017 (+14% rise from 2016) and 1,500 in 2018 (+7%).

**Expo impact (incl. first-round legacy effects), pps of GDP**



Sources: Official sources, Euler Hermes

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