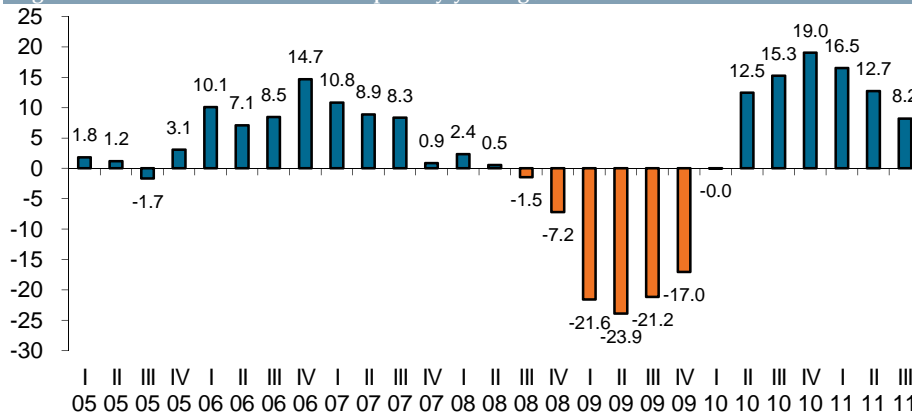


District Monitor excerpt

District exports up again in Q3 2011

In the third quarter of 2011, the exports of Italy's traditional industrial districts kept growing at a sustained pace, scoring an 8.2% y/y increase (Fig. 1). Despite the obvious slowdown, this is a strong result, as it comes after five consecutive quarters of double-digit growth. The gap compared to pre-crisis levels has almost entirely been bridged: Q3 2011 district exports were "only" 3.1% short of the corresponding period of 2007.

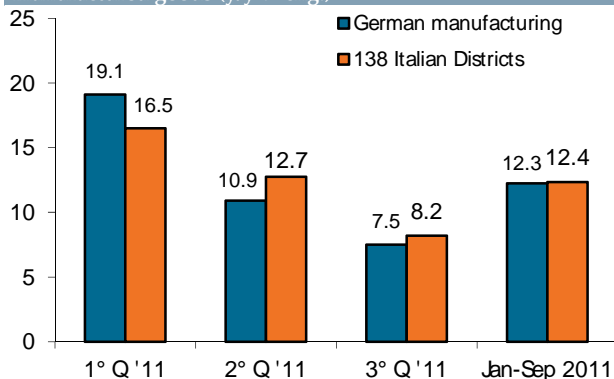
Fig. 1 – Trend of industrial district exports (y/y % chg.)



Source: Intesa Sanpaolo elaborations on Istat data

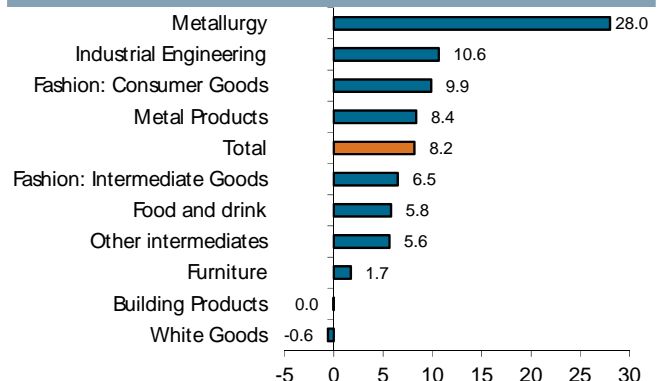
Once again in Q3, the traditional districts "beat" German competition: indeed, for the second quarter in a row, district exports grew at a stronger rate than German exports of manufactured goods (8.2% vs. 7.5%, Fig. 2).

Fig. 2 – Italian district exports vs. German exports of manufactured goods (y/y % chg.)



Source: Intesa Sanpaolo elaborations on Istat data and Bundesamt statistics

Fig. 3 – Trend of district exports by sector in Q3 2011 (y/y % chg.)



Source: Intesa Sanpaolo elaborations on Istat data

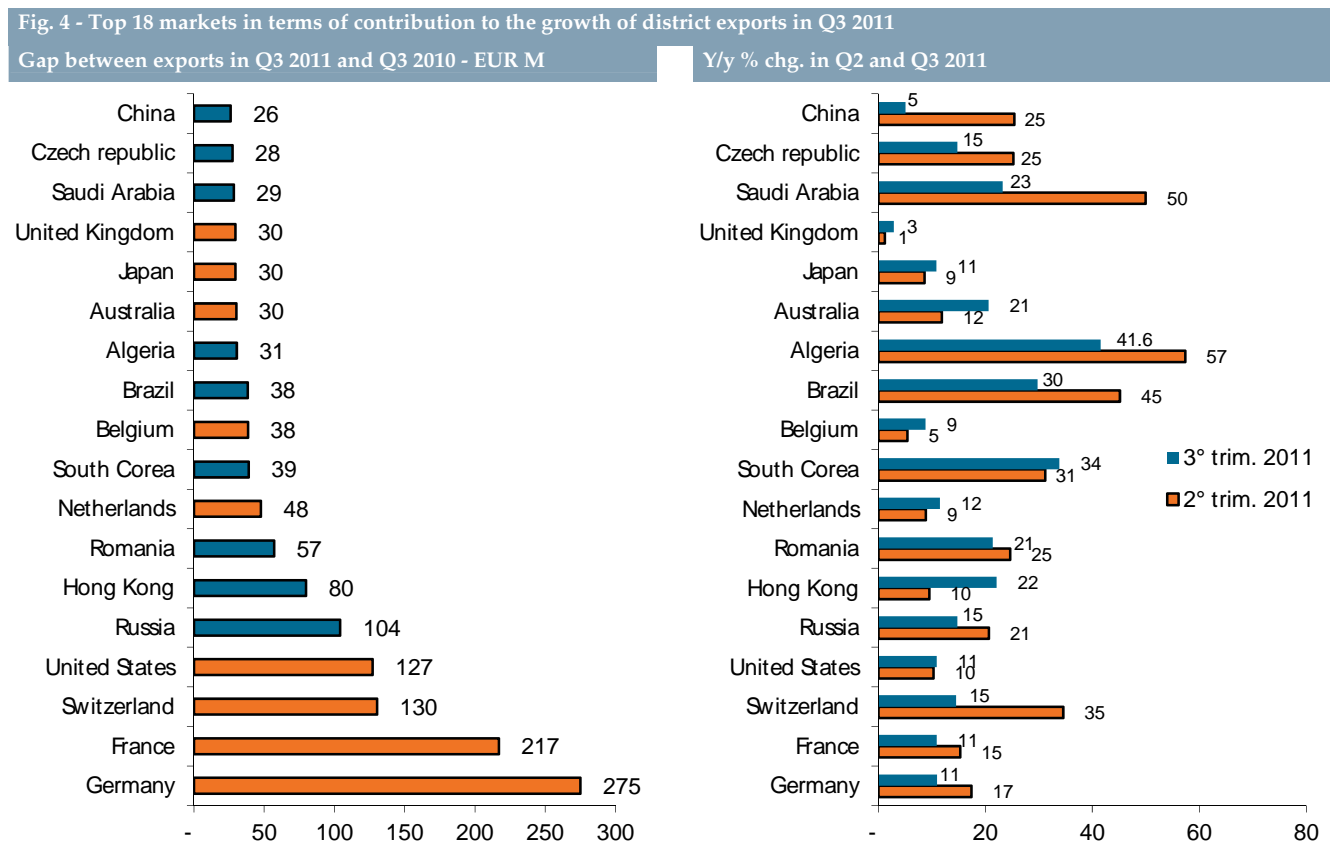
The engineering districts drove the trend (Fig. 3). Strong performances were also recorded by districts specialised in consumer goods of the fashion system, which achieved year-on-year growth of 9.9% in foreign sales. The trend of agriculture and food districts was also positive again, albeit at slower rates (+5.8%). The hardships being faced by the real estate market in many commercial target markets, on the

other hand, kept holding back the performance of **housing system districts**, the exports of which are still mostly in line with 2010 low export levels.

Germany and France engines of growth

Propensity to export towards high-potential “new” markets grew further. While on the decline, traditional district exports grew by 9.3% y/y, with a strong pace of growth being retained in particular towards Russia, Romania, South Korea, Brazil, Saudi Arabia, and Algeria.

The strongest contribution to district export growth, however, came from the traditional target markets, led by Germany and France (Fig. 4). Exports to Germany kept growing at a sustained pace for engineering production chain districts, driven by Brescia metals, Lecco engineering, Friuli components and thermoelectric engineering, as well as for some important fashion poles (Fermo footwear, Prato textiles and clothing, Empoli clothing, Santa Croce sull'Arno tanning and footwear) and agriculture & food districts (Langhe, Roero and Monferrato wines, Verona wines). In France excellent performances were achieved by Alba and Cuneo confectionary, Brescia metals, Florence leatherwear and footwear, Arezzo leatherwear and footwear, Fermo footwear, and Livenza and Quartier del Piave furniture.



Note: new markets in blue. Mature markets in red. Source: Intesa Sanpaolo elaborations on Istat data

Best outlook for 2012 on emerging markets

In the first nine months of 2011, traditional Italian districts continued to recover, proving highly competitive on the international markets. However, **the emergency phase is still not over. Many enterprises and districts are still well short of pre-crisis export levels.** These include some areas that are undergoing deep restructuring and internationalisation processes, and others hit by the shut-down of major companies. The delay compared to pre-crisis levels is considerable also for many Italian districts of leading importance, with those specialised in the housing system at the fore.

The sovereign debt crisis affecting Italy and Europe, and the resulting deterioration in demand conditions, will almost certainly interrupt the uptrend which began in Q2 2010 and continued into Q3 2011. In the course of 2012, therefore, **the selection process** the Italian manufacturing setup is undergoing should **further intensify**, resulting in the exit from the market of the companies showing the most serious delays compared to pre-crisis levels, and therefore facing greater hardships in safeguarding a balanced economic and financial position.

In this newly adverse context, **fewer difficulties will be encountered by Italian companies with a stronger propensity to export**, especially to new, high-potential markets. **In 2012, even more so than in the past few years, it will be crucial to exploit the growth opportunities offered by the new markets**, where, according to the latest forecasts, GDP growth will slow, but continue to record sustained rates. This is crucial because next year demand from the two main drivers of the Italian manufacturing sector, and of its districts in particular (France and Germany) is expected to undergo a sharp slowdown, forcing Italian companies to seek growth opportunities elsewhere.