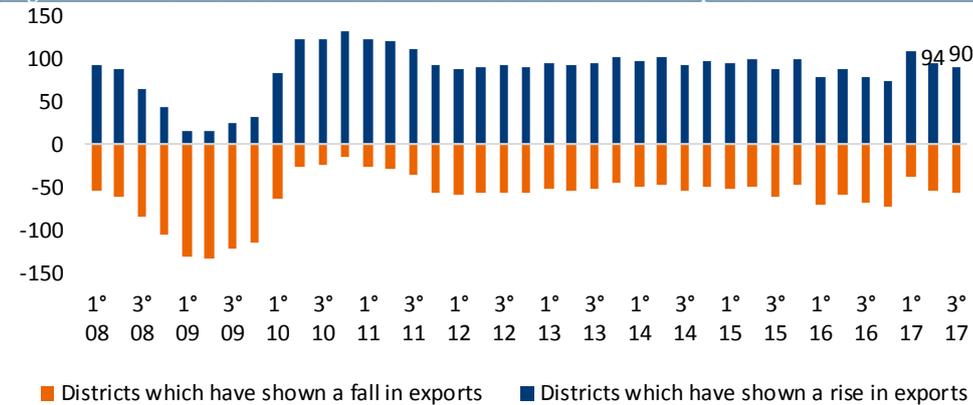


District Monitor Summary

Lombardy and Piedmont districts drive growth during the third quarter of 2017 ...

Exports from the 147 Italian industrial districts mapped by Intesa Sanpaolo grew significantly throughout the third quarter of 2017, recording 4.5% increase in current prices compared to the third quarter of 2016. Overall, district exports grew by 4.9% on an annual basis throughout the first nine months of the year, reaching EUR 73.5Bn, almost 11Bn more than 2008 levels. All high-district-intensity sectors contributed to overall growth, with 90 out of the 147 districts monitored recording a positive trend, a historically high value.

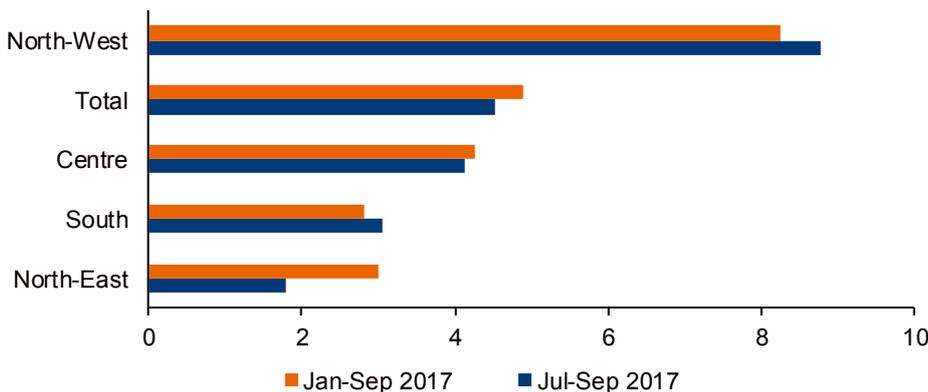
Fig. 1 – Number of districts which recorded an increase or decline in exports



Source: Intesa Sanpaolo calculations based on Istat data

Most Italian territories are experiencing a recovery, with the North-West regions spearheading growth: Piedmont takes the lead (+14.3% change on an annual basis during the third quarter of 2017) together with Lombardy (+6.8%), followed, at a distance, by the Centre and the South.

Fig. 2 – District export trends by macro areas – comparison (% change on an annual basis)



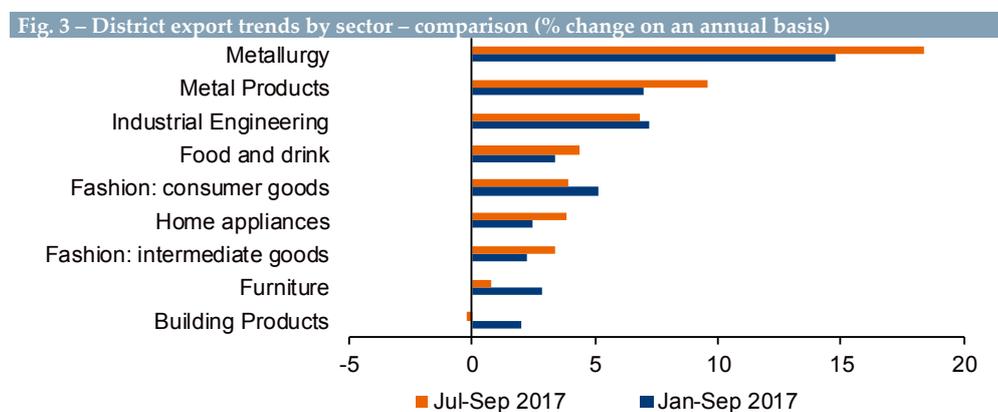
Source: Intesa Sanpaolo calculations based on Istat data

...thanks to the boost from the engineering chain and jewellery sectors

Industrial engineering chain districts recorded a brilliant performance (+8.6% in the third quarter), showing signs of acceleration and confirming themselves to be among the most dynamic specialized sectors of the country, also stemming from the recovery of production prices. German competition was outperformed again (+6%). The main drivers were metals in Brescia, Lecco industrial engineering, the thermomechanical sector in Verona and Bergamo

industrial engineering, all of which ranked among the top positions in Italy in terms of growth in export values during the third quarter of 2017. Important signs of acceleration also appeared in other areas of the country, particularly in the South, where the mechatronic sector in Bari stood out. The Italian industrial engineering chain sector is experiencing a particularly favourable moment thanks to its **significant competitiveness on foreign markets** and a domestic demand finally on the upturn due to **positive financial conditions and industrial incentives**.

Other district-intensive sectors recorded a less robust growth trend, albeit a generally positive one: in fact, during the third quarter of 2017, the rise of exports on an annual basis oscillated between 3.4% in districts specialized in **intermediate goods for the fashion industry** and 4.4% for **agricultural and food products**. District manufacturers of **fashion industry consumer goods** (+3.9%) and **domestic appliances** (+3.8) are positioned halfway. At the bottom of the ranking are **furniture** districts, with a slight upturn (+0.8%), and **construction products and materials**, which are virtually stable (-0.2%). All district production chains displayed a positive result during the first nine months of the year.



Source: Intesa Sanpaolo calculations based on Istat data

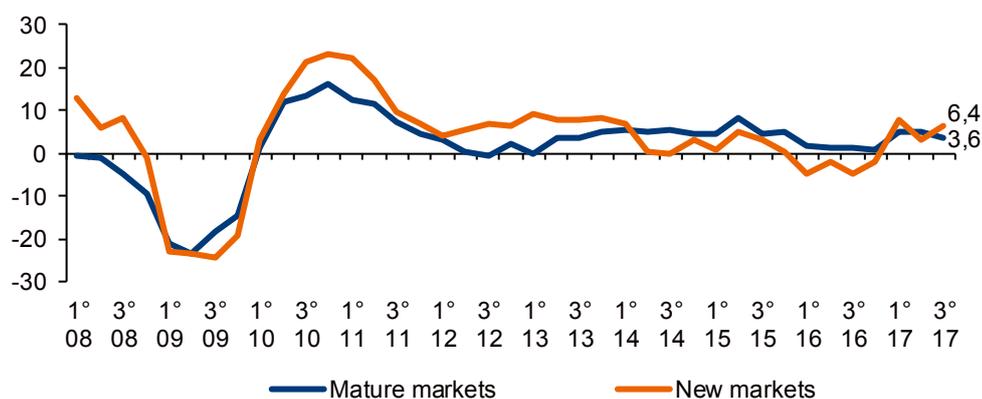
The **gold district in Valenza** reached the first position in the ranking of top Italian districts, with increased exports equal to EUR 129M between the third quarter of 2017 and the corresponding period of the previous year, thanks to the surge in flows towards Switzerland, the United States and Hong Kong, ultimately due to the production launch in the Bulgari plant. In general, the third quarter of the year exhibited a significant **improvement of the trend for the Italian gold districts**: Arezzo and Vicenza, despite an international environment with a relatively subdued demand of gold, are back on a favourable path of growth.

China and Russia are driving growth again

Growth is also widespread in target markets, with **emerging areas** becoming **driving forces again**, lead by China and Russia. District sales had a boost in **China**, with a 25% improvement on an annual basis during the third quarter of 2017, equal to EUR 141M more than the corresponding period in 2016. Summing these figures to the EUR 47M from Hong Kong, these total almost EUR 190M of added sales only in one quarter. All the main district production chains are under the spotlight in this market: for the home and housing products industry, new record levels have been achieved for the wood and furniture sector in Brianza and the marble sector in Carrara; in the engineering chain industry good performance have been obtained by Lecco, the thermomechanical industry in Verona and the packaging machines in Bologna, while in the fashion industry the leather tanning in Arzignano and the eyewear in Belluno stand out. Similarly exceptional results were recorded in **Russia** (+17.4%, equal to an additional EUR 90M) thanks to the performance of mechatronics in Bari and

instrument engineering in Bergamo. Moreover, the Russian market returned to be a driver of growth for industries ranging from fashion, home and housing products and agriculture and food, with footwear in Fermo, clothing in Rimini, knitwear and clothing in Perugia, domestic appliances from the Inox Valley, tiles in Sassuolo, and wines from the Langhe, Roero and Monferrato and the Brescia area.

Fig. 4 – District exports to new and mature markets – comparison (% change on an annual basis)



Source: Intesa Sanpaolo calculations based on Istat data

District exports to mature markets also continued on their path of growth. In particular, the performance seen in Switzerland and France stand out: these have been the main two commercial outlets in terms of growth in export values during the third quarter of 2017. Once again, **Switzerland** drove increased flows towards logistics platforms of several important fashion industry players which are active in the leather goods and footwear district of Florence. This market also recorded a boost in the sales of the gold district in Valenza. In **France**, the spotlight was mainly on agricultural and food products districts (driven by confectionary from Alba and Cuneo), followed by the home and housing product districts (furniture from Livenza and Quartier del Piave; taps, valves and pans from Lumezzane), engineering chain areas (metals in Brescia, Lecco engineering) and the fashion industry clusters (footwear from Riviera del Brenta, textiles and clothing from Prato).

New records expected in 2018 for district exports

Positive foreign demand conditions will prompt the path towards growth for districts over the next months, with **new records for exports to be met in 2018** thanks to their competitiveness.

The revival of Italian consumer spending and the recovery of investments will enable district companies targeting the domestic market to grow again. For the first time since the crisis started in 2009, district territories will experience an **environment with widespread growth** and the gap between more dynamic players and slower ones could get smaller.