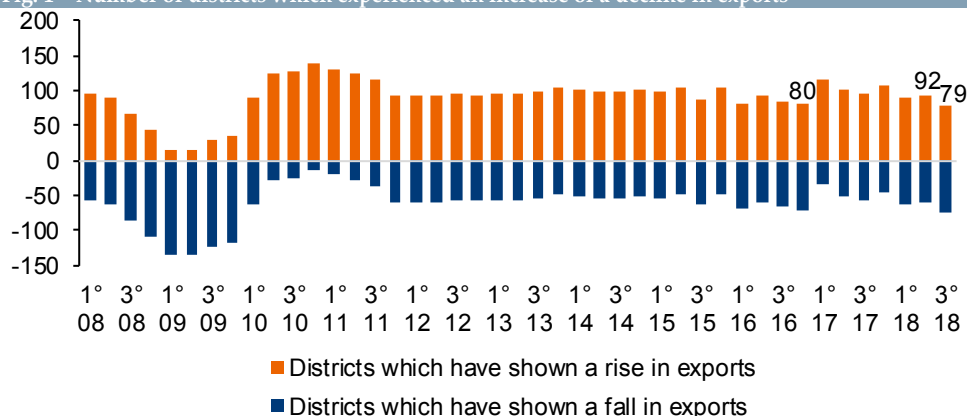


District Monitor Excerpt

District exports slowed in 3Q 2018

In the third quarter of 2018, the exports of Italian industrial districts monitored by Intesa Sanpaolo increased slightly (+1.4% y/y), confirming the downtrend observed since the beginning of the year. Data broken down by district show a split down the middle of district-based production: **79 districts** achieved **export growth in value** (from 92 in the second quarter of the year), and 73 experienced a decline: an unprecedented number since 2016. Overall, **in the first nine months of the year exports grew by 2% y/y**, falling just short of the average for Italian manufacturing, supported by non-district sectors such as pharmaceuticals, aerospace, and electronics.

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



Source: Intesa Sanpaolo elaborations on Istat data

Metals and engineering districts alone kept up a solid pace of growth

The metals and engineering production chain kept up a solid growth trend, slightly stronger than the German average (+5.3% vs. +4.5%): **basic metals** in particular led the way, also thanks to a positive price effect, achieving 15.5% export growth in the first nine months of 2018. **Metal products** (+8.7%) and **engineering** (+3.4%) followed. By no coincidence, six out of the 10 top-performing districts in terms of export value growth are specialised in these segments of activity. Two districts in the Brescia area stood out: Brescia metals and Lumezzane taps, valves and pots, which ranked respectively first and third, achieving higher exports by 345 million euros and 183 million. The Capannori paper district ranked fifth, boosted by exports of machinery for the paper industry, followed by Bologna packaging machinery, Trento Mechatronics, Bergamo tool engineering, Verona Thermo-mechanical engineering, and Alto Adige Mechatronics.

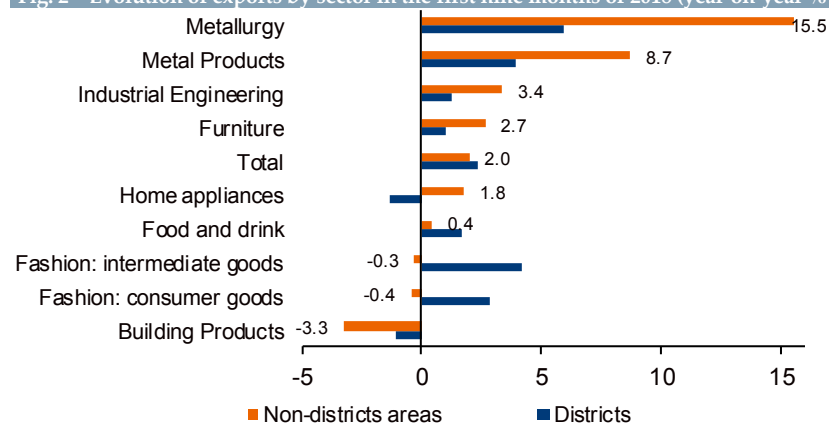
Lacklustre trend for other high-district-intensity sectors

The other district sectors recorded blander growth rates. While far from brilliant, the performance of the districts specialised in the production of **furniture** and **households appliances** (exports in value up by +2.7% and +1.8% respectively in the first nine months of 2018) beat those of non-district areas. Exports were essentially stable for **food and beverages** (+0.4% y/y), **intermediate fashion industry goods** (-0.3%) and **fashion industry consumer goods** (-0.4%). On the other hand, the districts specialised in the production of construction materials experienced another decline (-3.3%).

In these sectors as well, several districts continued to achieve stand-out performances, first among them **Florence leatherwear and shoes** (+11.6% of exports in the first nine months of 2018, a 322 million euro increase), which ranked second in terms of the contribution made to

district export growth, only just behind Brescia metals. Brilliant results were also achieved by the Langhe, Roero and Monferrato wine, up by 16.5% to fourth place in terms of export growth in value.

Fig. 2 – Evolution of exports by sector in the first nine months of 2018 (year-on-year % chg.)



Source: Intesa Sanpaolo elaborations on Istat data

Lombardia, Piemonte and Umbria still doing well

Among the Italian Regions, strong performances were achieved by **Lombardia** (+4.9%), led by its engineering districts, **Piemonte** (+4%), driven by the agrifood districts (in addition to wines, Alba and Cuneo sweets, and Piemonte walnuts and fruit), and most prominently **Umbria** (+11.6%), up sharply thanks to the positive contribution of all three of the region's districts (knitwear, furniture and olive oil).

Tab. 1 – District exports in the Italian regions in the first nine months of 2018

	Million euros			y/y % chg.	
	1Q-3Q 2017	1Q-3Q 2018	Difference	1Q-3Q 2018	3Q 2018
North West, of which:	23,804	24,902	1,098	4.6	3.6
Lombardia	17,343	18,188	845	4.9	3.1
Piemonte	6,334	6,585	251	4.0	4.9
North East	34,433	34,782	349	1.0	0.0
Veneto	18,797	19,074	277	1.5	0.3
Trentino-Alto Adige	3,244	3,324	80	2.5	0.9
Friuli-Venezia Giulia	2,580	2,617	36	1.4	5.1
Emilia-Romagna	9,812	9,767	-44	-0.5	-2.3
Central Italy	15,483	15,653	171	1.1	0.2
Toscana	11,805	11,988	183	1.6	1.2
Umbria	491	548	57	11.6	8.8
Lazio	202	217	16	7.7	24.3
Marche	2,986	2,901	-85	-2.8	-5.7
Southern Italy, of which:	5,410	5,359	-51	-0.9	3.4
Abruzzo	411	426	16	3.8	3.3
Sicilia	301	295	-6	-1.9	0.7
Puglia	2,300	2,282	-18	-0.8	8.4
Campania	2,254	2,229	-24	-1.1	0.1
Total districts	79,130	80,697	1,567	2.0	1.4

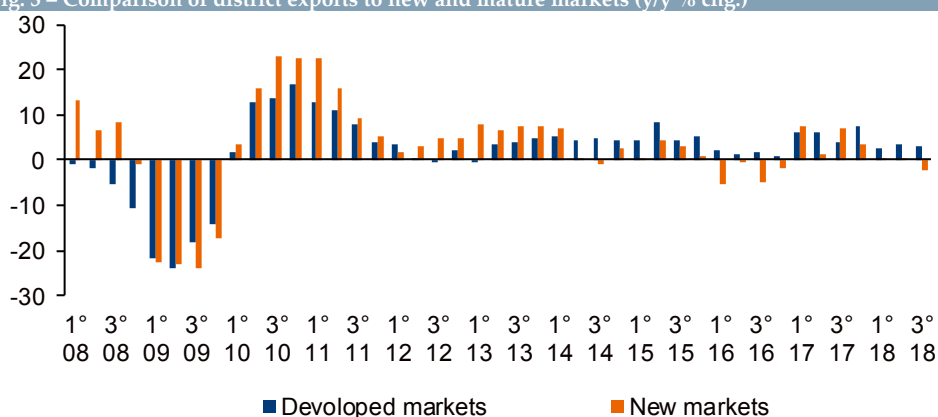
Source: Intesa Sanpaolo elaborations on Istat data

Positive signals also came from the **district areas of Abruzzo**, which after experiencing a serious years-long crisis showed signs of a recovery led by the clothing districts. Montepulciano d'Abruzzo wine exports also continued to grow.

Good performances on the advanced markets

In geographical terms, in the first nine months of 2018 district exports increased by 3.2% y/y towards the **advanced markets**, supported by the favourable trend of flows addressed to **Switzerland** (+12%, thanks to flows directed to the logistics platforms of some important players in the Florence leatherwear and shoes sector district, Biella Textiles, and Empoli clothing and apparel), and **Germany** (+4%). Also, exports to the **United States**, after pulling back slightly in the opening three months of the year, showed signs of a recovery in the following quarters, making very slight progress from the record-breaking levels reached in 2017, driven by the metals and engineering chain. On the other hand, among the new markets (-0.4% on average), noteworthy performances were achieved in **China** (+6.2%, led by engineering and furniture), as well as in **Vietnam** and **Brazil**, where district export growth was especially strong (+16.7% and +11.9% respectively), fuelled by engineering.

Fig. 3 – Comparison of district exports to new and mature markets (y/y % chg.)



Source: Intesa Sanpaolo elaborations on Istat data