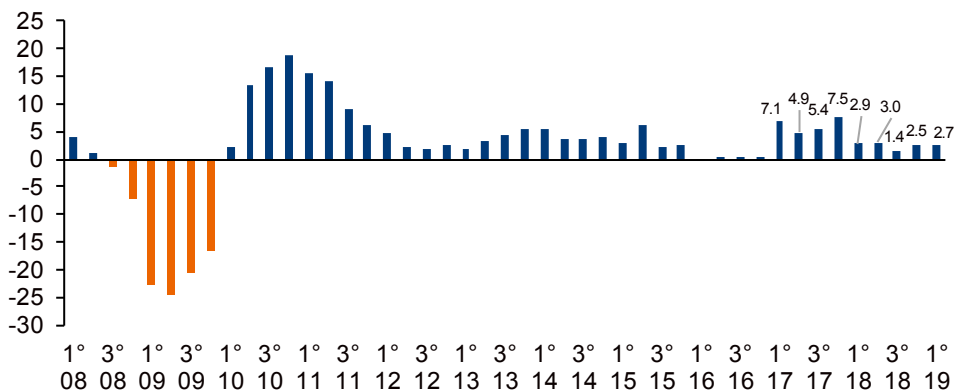


## District Monitor Excerpt

### Italian district exports continued to grow in 1Q 2019...

In the first quarter of 2019 the **exports of the Italian industrial districts** monitored by Intesa Sanpaolo continued to grow (**year-on-year change of +2.7%**), while confirming the signals of a deceleration which emerged in the course of 2018. After an excellent 2017 (sales up by +6.2% on the foreign markets), the pace of growth of district exports, conditioned by international tensions and by the slowdown of global demand, lost some steam, fluctuating around 2.5% throughout 2018.

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

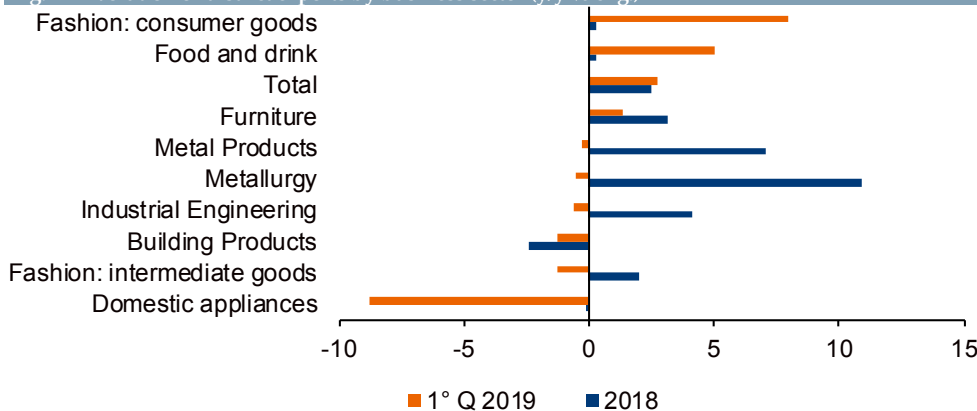


Source: Intesa Sanpaolo elaborations on Istat data

### ...driven by fashion and agrifood

While in 2018 growth was rather widespread across sectors, 2019 opened with a marked polarisation of results, with stronger exports of **fashion system consumer goods** (+7.9% y/y in the first three months of the year), **agrifood products** (+5.1%) and **furniture** (+1.3%), as opposed to a weaker trend for companies specialised in **domestic appliances** (-8.8%), **intermediate fashion system goods**, and **construction products and materials** (-1.3%). The entire **engineering** chain also dropped into slightly negative territory (-0.5% at current prices).

Fig. 2 – Evolution of district exports by business sector (y/y % chg.)

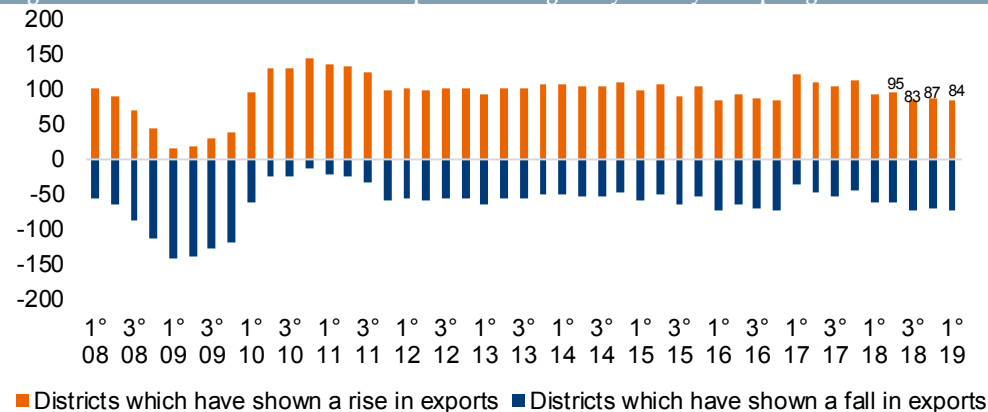


Source: Intesa Sanpaolo elaborations on Istat data

## High dispersion of results

Data hide a high dispersion of results by district: the number of districts that achieved export growth decreased to 84, while at the same time the number of districts which incurred a decline increased to 73.

Fig. 3 – Number of districts that achieved positive or negative year-on-year export growth



Source: Intesa Sanpaolo elaborations on Istat data

Even among the best-performing district chains, some districts suffered setbacks and, vice versa, the most challenged sectors proved very upbeat in some districts. In the fashion system, for instance, Florence leather and footwear, after growing at a strong pace for years, achieved in 1Q 2019 a 53% surge in exports, to 1.5 billion euros in value, 500 million more than in the corresponding period of 2018. The district's performance is benefiting from the substantial investments made by some important luxury brands located in the district to improve their production plants and logistics. At the same time, in the fashion industry, and in Tuscany, Santa Croce sull'Arno tanning and footwear suffered a significant decline (-13.7%). The slight contraction of engineering exports, on the other hand, hides the presence of districts that are on a strong uptrend, for instance Bari mechatronics (+38.5%), Bologna packaging machinery (+9.9%) and Turin machine tools and industrial robots (+11.9%).

## Puglia, Tuscany and Piedmont very upbeat. Slowdown in Lombardy and Veneto

The divide by industrial sector is also confirmed at the regional level: if on the one hand standout performances were achieved in **Puglia** (+17.3%), **Tuscany** (+16%) and **Piedmont** (+8.4%), on the other a number of regions incurred a slowdown. The latter included high-district-intensity regions such as **Lombardy** (-1.5%), **Veneto** (-0.6%) and **Marche** (-3.5%). More in general, the Northern districts slowed most, with exports in the first three months of 2019 only slightly beating 2018 levels (+0.4%). By contrast, Central Italian districts achieved stronger export growth (+11.1%, i.e. 607 million euros more in value) as also the Southern districts (+6.3%; +111 million), driven by Tuscany and Puglia.

	Million euros			y/y % chg.	
	1Q 2018	1Q 2019	Difference	1° trim. 2019	2018
<b>North West, of which:</b>	<b>10,070</b>	<b>10,174</b>	<b>105</b>	<b>1.0</b>	<b>4.1</b>
Piedmont	2,489	2,699	210	8.4	6.2
Lombardy	7,525	7,415	-109	-1.5	3.3
<b>North East</b>	<b>12,468</b>	<b>12,450</b>	<b>-18</b>	<b>-0.1</b>	<b>1.6</b>
Emilia-Romagna	4,174	4,216	42	1.0	1.3
Friuli-Venezia Giulia	526	538	12	2.3	3.6
Trentino-Alto Adige	1,177	1,144	-33	-2.8	2.1
Veneto	6,591	6,552	-39	-0.6	1.6
<b>Centre, of which:</b>	<b>5,452</b>	<b>6,058</b>	<b>607</b>	<b>11.1</b>	<b>2.4</b>
Tuscany	4,033	4,677	644	16.0	3.0
Lazio	96	103	7	7.2	7.3
Umbria	179	174	-4	-2.4	13.2
Marche	1,144	1,104	-40	-3.5	-1.5
<b>South, of which:</b>	<b>1,753</b>	<b>1,864</b>	<b>111</b>	<b>6.3</b>	<b>-0.6</b>
Puglia	661	775	114	17.3	-0.3
Campania	784	799	15	1.9	-0.1
Abruzzo	145	145	0	-0.1	4.1
Sicily	115	98	-16	-14.3	-6.1
<b>Total districts</b>	<b>29,742</b>	<b>30,547</b>	<b>804</b>	<b>2.7</b>	<b>2.5</b>

Source: Intesa Sanpaolo elaborations on Istat data

## Strong performances in Switzerland, the United States and the United Kingdom.

### Setbacks in Germany, China, Russia, Turkey and Iran

By geographical region, export growth was mostly achieved on three markets: **Switzerland** (+32.7%, a 584 million euro increase, almost exclusively in fashion system consumer goods), the **United States** (+10.4%; +273 million, mostly in engineering, fashion and agrifood products) and the **United Kingdom** (+9.8%; +164 million driven by agrifood, engineering and fashion products). A noteworthy return into positive growth territory was achieved by flows addressed to the **Middle East** (United Arab Emirates +12.3%, Saudi Arabia +10%) and **Japan** (+5%). Import-export trade with Japan has undoubtedly started to benefit from the economic partnership sealed with the European Union and in force since 1<sup>st</sup> February 2019. In particular, district sales increased in the engineering, agrifood and fashion sectors. At the same time, however, district exports slowed on the two main target markets, **Germany** (0.0%) and **France** (+0.9%), contracted somewhat towards **China** (-3.4%), dropped significantly in **Russia** (-8.1%) and, most notably, **Turkey** (-27%) and **Iran** (-68,6%). In these latter countries district exports were held back by financial crises and political and trade disputes.

## Uncertainty weighing on the second half of the year

The picture for the second half of the year is very uncertain, as tensions on the global market remain very high. The postponement to November of the decision on whether or not the US will introduce tariffs on car and component imports, and of the outcome of Brexit, may even push firms to bring forward some transactions. By no coincidence, therefore, in 1Q 2019 district exports to the United States and the United Kingdom increased significantly. Furthermore, in what has become a volatile context, with widespread growth no longer in place, the trend of Italian exports is very likely to keep suffering from significant performances dispersion. It will be essential for district firms to manage to rapidly change their scope of action in function of the growth opportunities which could arise in the various regions of the world, and of any new barriers and/or mounting tensions on their specific target markets.