

**PRESS RELEASE**

**INTESA SANPAOLO PRESENTS ITS TENTH ANNUAL REPORT ON THE ECONOMY AND FINANCE OF ITALIAN INDUSTRIAL DISTRICTS, WITH 72,000 BUSINESSES ANALYSED**

- **Districts are spearheading the ongoing recovery: in the 2016-17 biennium, sales and profit margins of districts companies have hit new record highs. Standout performances by agri-food and mechanical engineering districts.**
- **Between 2008 and 2017, districts achieved 13% growth, vs +8.7% in non-district areas.**
- **Revenues growth is expected to accelerate in 2018-19 (+5.8% cumulated), driven once again by the foreign markets, with still sustained domestic demand and investment goods playing a stronger role.**
- **Success explained by the increasing use of brands, patents and quality certifications, as well as by stronger international projection (export markets more distant on average by 400 Km).**
- **Territory showing good ability to renew its production setup: in the districts, one business out of ten is managed by under-35s, with peaks of 15.5% in Southern Italy, and 20% in the mechanical engineering sector and in the fashion system.**

*Milano, 29 March 2018* - **Carlo Messina**, CEO of Intesa Sanpaolo, **Gregorio De Felice**, Chief Economist, **Fabrizio Guelpa**, Head of Industry & Banking Research, presented today the 10<sup>th</sup> edition of the Intesa Sanpaolo Research Department's Annual Report on the **economic and financial performance of district firms**. The Report analyses the balance sheets for 2008-16 of almost **18,000 companies belonging to 153 industrial districts**, and of **almost 54,000 non-district businesses** active in the same sectors of specialisation. It also provides **estimates of the results achieved by the companies in 2017**, and **forecasts** for the **2018-19 biennium**. Lastly, the report focuses on the structural changes undergone by the industrial districts over the past decade, during the financial crisis period and the ensuing, slow recovery.

## 2016-17 Results

- **DISTRICT BUSINESSES SALES AND MARGINS BEATING PRE-CRISIS LEVELS**

**In the 2016-17 biennium**, industrial districts achieved good results: **cumulated sales growth** was +4.6%, while the **EBITDA margin**, due to the weak price trend, **stabilised at 7.6%**.

On aggregate **sales growth in the districts between 2008 and 2017 was 13%, compared to +8.7% for non-district areas**. Unit margins are by now at higher levels than they were before crisis. By contrast, outside the districts, the gap is still significant.

There are **many areas of district excellence** on the Italian territory. We have drawn up a ranking of the 20 top industrial districts considered, in order of growth and profit performance. All the Italian macro-areas are represented. The districts of the North East prevail (10), followed by the Nord West (5). Central and Southern Italy are present in the ranking with two and three districts respectively. All the main production chains are also represented, albeit with a prevalence of agri-food (6) and mechanical engineering (7) districts.

The three districts which top the ranking, with little separating them, are **Belluno eyewear, Sebino Bergamasco rubber, and Conegliano-Valdobbiadene Prosecco**.

## Forecasts for the 2018-19 biennium

- **IN 2018-19, GROWTH IS FORECAST TO ACCELERATE TO 5.8% CUMULATED**

The presence of new dynamic companies and of positive externalities will represent important factors of competitiveness for the **industrial districts**. In the 2018-19 biennium, **growth is forecast to accelerate (+5.8% cumulated), driven again by the foreign markets, with still sustained domestic demand, and investment goods playing a stronger role**. In particular, an important contribution could come from the **Mechanical engineering** chain, driven by investments in machinery, boosted in turn by the measures included in the government's "Piano Industria 4.0" package.

In the 2018-19 biennium, there will also be a **strengthening of unit margins** (widespread across district sector). However, the process will be slow and gradual, held back by high competitive pressures on the international markets.

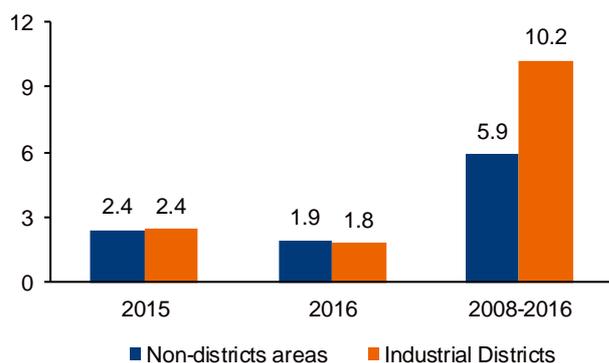
## Industrial district competitiveness factors

A number of factors lead us to believe that the industrial districts will remain one of the Italian economy's strengths. Namely:

- Their ability to react effectively to the crisis over recent years, which has resulted in the production setup becoming stronger and more competitive. The **manufacturing base** has undergone important changes, becoming **smaller in numerical terms, but larger in terms of sales** (+12.3 billion euros) and, most importantly, better prepared to take on the complex international competitive context, by activating **increasingly strategic levers**, such as internationally registered trademarks (over half of Italy's major district firms own one), patents, and quality certifications;
- A strong propensity to export towards distant high-potential foreign markets. The United States and the Chinese market (China and Hong Kong) are the countries towards which district exports grew the most between 2008 and 2016 (+3 and +1.7 billion euros respectively). **The average distance covered by district exports has increased across sectors (by approximately 400 Km on average)**, with furniture and construction materials and products leading the way;
- Increasing **presence abroad** of district leader firms **through manufacturing plants and commercial branches**, with the dual aim of strengthening distribution platforms and expanding product ranges. In the past year, **large agri-food firms have been particularly active in this respect**;
- The **re-shoring** in Italy of previously off-shored productions, and keen **interest on the part of foreign investors in Italian district assets**. Operations involving **fashion system** firms stand out;
- The **upbeat performance of agri-food districts** (sales growth of **+29.2% between 2008 and 2017**), which make the most of deep know-how and of the commercial strength of Italian DOP and IGP productions (within the districts, **72% of firms belong to a geographical-indication area**);
- The ability of engineering companies to offer interconnected machinery and mechatronics solutions (**69% of companies declare they produce 4.0 machinery**), also thanks to their strong ties with the ICT production chain. **In the past year, 60% of mechanical engineering firms have purchased ICT technology** from suppliers located in Italy, with peaks of 80% among medium-large firms;
- The development, in proximity to the district territories, of ICT poles, capable of supplying technology for the innovation of both production processes and products. **In the ICT poles located in Milan, the Veneto region, and Bologna and Modena, the average distance between suppliers and purchasers is low (less than 150 Km)**, which proves how close relations are between players located in the same area;

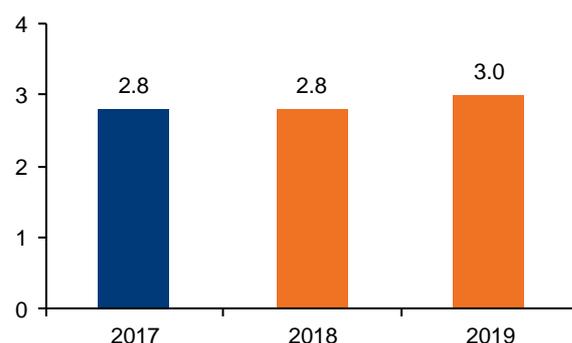
- The good share of **firms run by women** (23% of the total), with a strong presence in the **fashion system** (almost one in three), in particular in the more consumer-related specialisations, such as clothing, knitwear, goldsmithery, and footwear. In the Carpi knitwear ad clothing district, for instance, around half of the firms are run by women;
- The presence of highly dynamic **firms run by young individuals**, and capable of guaranteeing a generational turnover. In the districts, **one firm out of 10 is already run by under-35s**, with peaks of 15.5% in Southern Italy, and of 20% in mechanical engineering and the fashion system. Furthermore, between 2012 and 2016, the young district firms' sales increased by 19%, at almost twice the pace compared to other district firms;
- The birth and development of **new district specialisations**, such as for instance **cosmetics**, which can already boast a trade surplus of 2.3 billion euros, centred in a handful of provinces in Lombardy where the competitiveness is explained by a mix of factors: quality, creativity, design, and proximity to suppliers of fragrances, packaging, and machinery.

Evolution of sales (% change at current prices; median values)



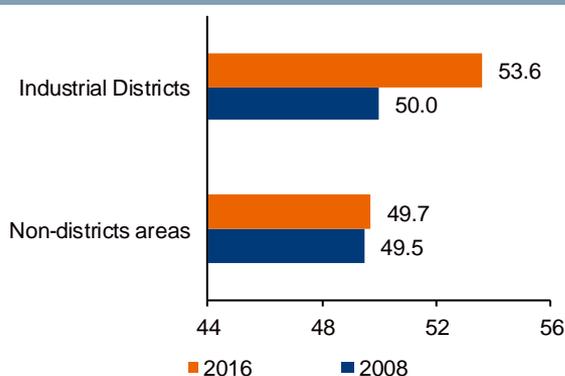
Source: Intesa Sanpaolo Integrated Database (ISID)

Industrial districts: sales trend (% change at current prices, median values): 2017 estimates and forecast for 2018-19



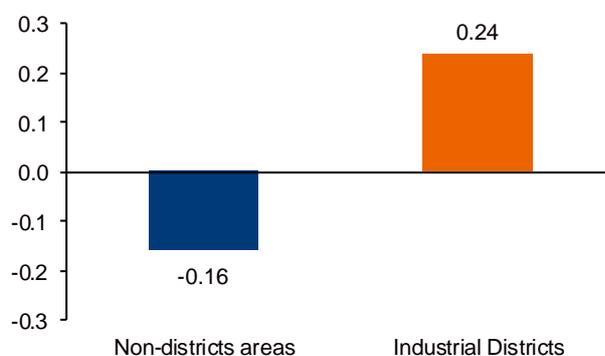
Source: Intesa Sanpaolo Integrated Database (ISID) and Analisi dei Settori Industriali (ASI)

Job productivity (value added per worker; in thousand euros at current prices; median values)



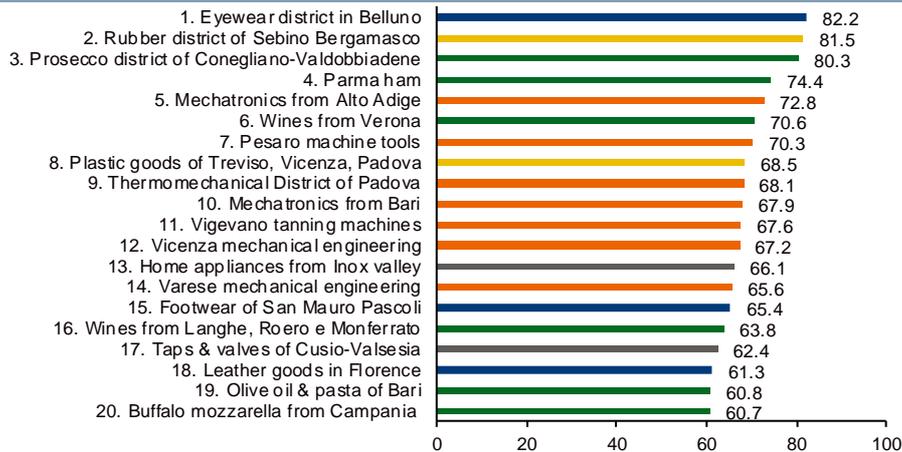
Source: Intesa Sanpaolo Integrated Database (ISID)

EBITDA margin (median): difference between 2008 and 2016



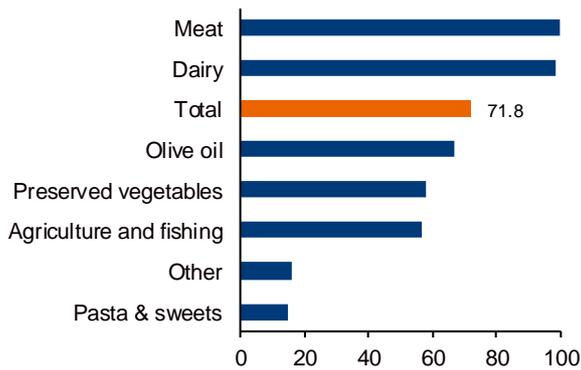
Source: Intesa Sanpaolo Integrated Database (ISID)

Top districts in terms of growth and profitability performance (index: 0-100)



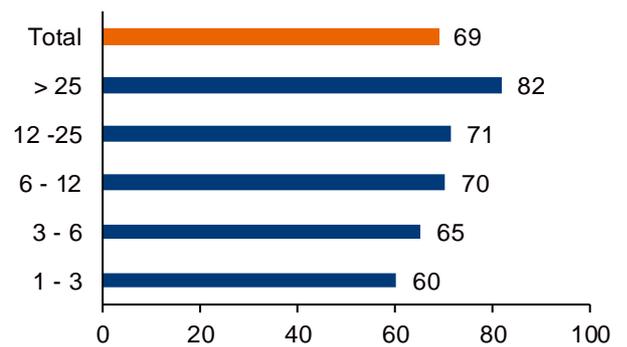
Nota: fashion system districts in blue; districts specialised in rubber and plastic in yellow; agri-food districts in green; mechanical engineering districts in orange; home system districts in grey. Source: Intesa Sanpaolo

Agri-food districts: % of firms which belong to a DOP or IGP area



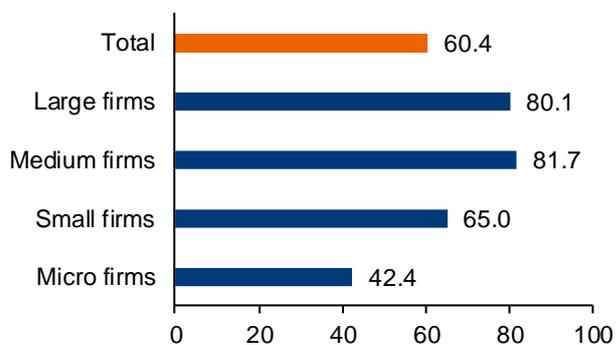
Source: Intesa Sanpaolo elaborations on ISID and Mipaaf data

Mechanical engineering firm with an offer of 4.0 machinery (% of firms which produce goods supported by incentives, by sales class in million euros)



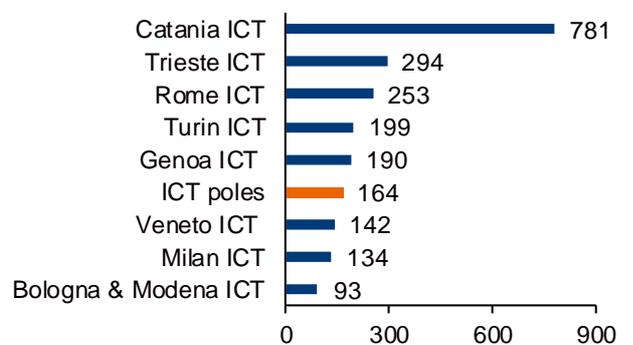
Source: Intesa Sanpaolo

% share of mechanical engineering firms which have acquired technology in 2017, by firm size



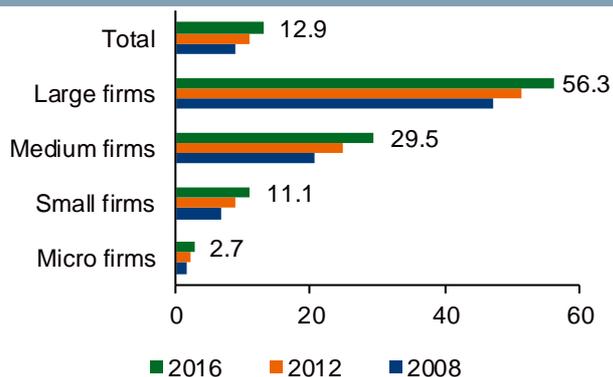
Source: Intesa Sanpaolo

Distance in Km between suppliers of technology and their customers (average weighted by value of transactions)



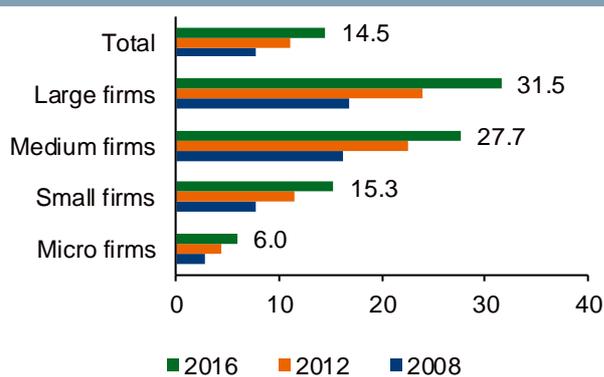
Source: Intesa Sanpaolo

Districts: % of firms with internationally registered trademarks, by size



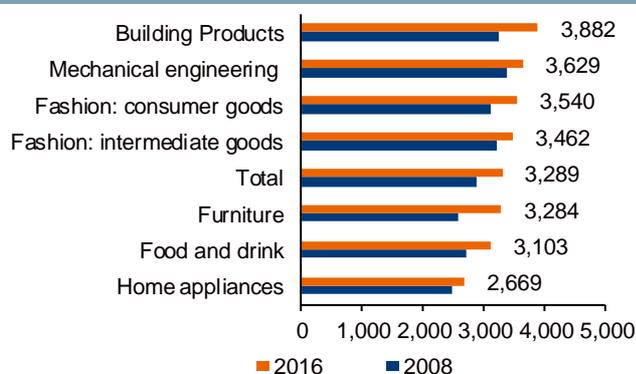
Source: Intesa Sanpaolo Integrated Database (ISID)

Districts: % of firms with quality certifications, by size



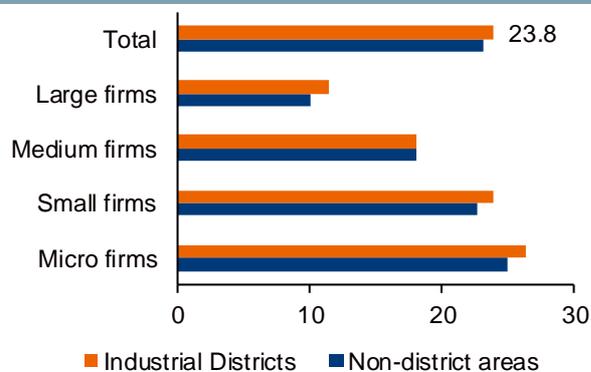
Source: Intesa Sanpaolo Integrated Database (ISID)

Districts: average distance covered by exports, by sector (km)



Source: Intesa Sanpaolo elaborations on Istat data

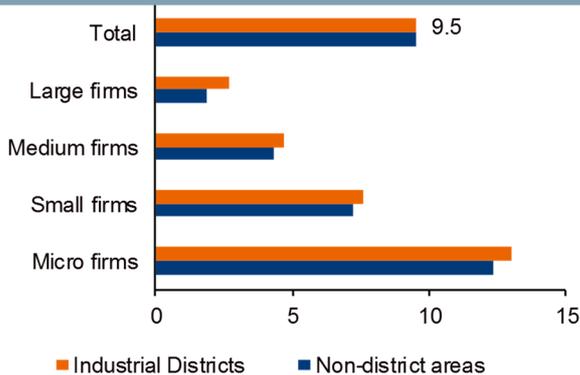
Diffusion of firms run by women, by company size (%)



Firms run by women (company owner or board of directors' majority). Source: Intesa Sanpaolo Integrated Database (ISID)

Source: Intesa Sanpaolo Integrated Database (ISID)

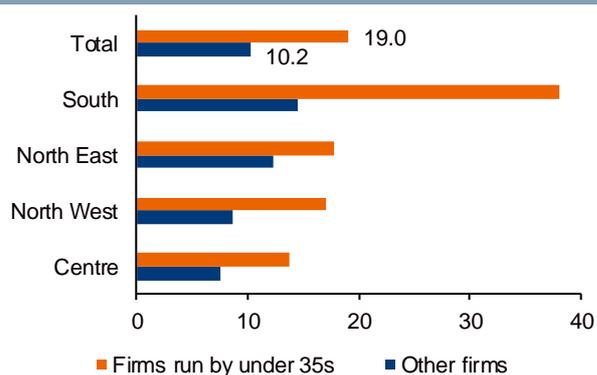
Diffusion of firms run by 35s, by size (%)



Firms run by under 35s (firm owner or board of directors' majority). Source: Intesa Sanpaolo Integrated Database (ISID)

Source: Intesa Sanpaolo Integrated Database (ISID)

Districts: % change in 2012-16 revenues by age of company owner/leader and macro region (medians)



Firms run by under 35s (company owner or board of directors' majority). Source: Intesa Sanpaolo Integrated Database (ISID)

Source: Intesa Sanpaolo Integrated Database (ISID)

For further information:

**Intesa Sanpaolo**

CIB Media and International Media Office

+39 06 67125297

[stampa@intesasanpaolo.com](mailto:stampa@intesasanpaolo.com)