

**PRESS RELEASE**

**INTESA SANPAOLO PRESENTS ITS 11TH ANNUAL REPORT ON THE  
ECONOMY AND FINANCE OF INDUSTRIAL DISTRICTS IN 2018  
ANALYSING 82,000 COMPANIES**

- **Districts remain key players in the Italian manufacturing sector: their turnover has increased by 7.7% over the two-year period 2017-18. Between 2008 and 2017, districts grew 5% above non-district based areas.**
- **Labour productivity was 10% higher than in non-district based areas.**
- **The close proximity of supply chains is a competitive advantage for districts: suppliers are much closer to customers here than elsewhere (on average 100 km vs 118).**
- **The agglomeration of businesses in these districts encourages the adoption of 4.0 technologies, which are now already widely deployed especially in the mechanical sector (38% vs 30% in non-district based areas).**
- **Human Capital: companies struggle to find skilled workers, especially in connection with 4.0 technologies (in 78% of cases).**

*Milan, 12 March 2019* - The Chief Economist of Intesa Sanpaolo, **Gregorio De Felice**, and the Head of Industry & Banking Research, **Fabrizio Guelpa**, today presented the 11th Annual Report of the Research Department, that this year covers the **economic and financial evolution of Italian district-based companies**. The Report is based on an analysis of the financial statements of about **20.000 companies based in 156 industrial districts** and over **62.000 non-district based companies** over the period 2008-17, all operating in the same industries. The study also provides insights on the structural changes affecting the organisation of production in districts.

## Results 2017-18

- **TURNOVER AND PRODUCTIVITY GREW MORE IN DISTRICTS THAN NON-DISTRICT BASED AREAS**

In 2017, districts continued to have a higher growth in the **turnover as compared to non-district based areas (+4.3% at current prices vs +4%)**. Over the ten-year period from **2008 to 2017, the growth differential exceeded 5%**. In 2018, growth in turnover continued (+3.4%) in the districts, though at a lower pace as a result of a brisk slowdown in the economic cycle in the second semester.

In 2017, **labour productivity rose to 56,000 euro per worker, 10% higher than in non-district based areas operating in the same industries** as the districts. Results are also driven by several “champion” companies that successfully lead the supply chains operating locally.

There are many **areas of district excellence** in Italy. The best 20 districts have been ranked in terms of growth and profitability. All Italian macro-areas are represented. The **North-East (10)** and North-West (6) districts dominate. Central and Southern Italy are represented by two districts each. All the primary production supply chains are represented, with a prevalence of Agri-food (4) and especially **metal working and mechanical engineering (12)** districts.

**Sebino Rubber in Bergamo, Leather Goods and Footwear in Florence and Confectionery from Alba and Cuneo** top the ranking.

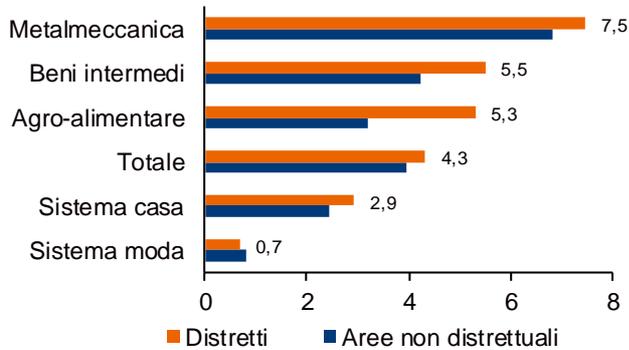
## Signs of an extensive transformation

- The close proximity of supply chains has been confirmed as a competitive advantage of districts: **suppliers are much closer to customers here than elsewhere (on average 100 km vs 118)**, with minimum distances of 56 km in the goldsmith working districts. These results were obtained by building **a new database with 7 million transactions between district-based companies and their suppliers**.
- Districts continue to offer localisation advantages, which are especially relevant to smaller businesses. At any rate, the link with the territory is also significant for larger companies, which consider the **district as a factor facilitating the innovation (44%) and internationalisation processes (42%)**.

- **Proximity also encourages the adoption of 4.0 technologies, which are now already widely deployed especially in the mechanical sector (38% vs 30%),** where they are the driving factors for medium-sized and large companies (52%).
- **Innovation has also been implemented through the interaction with innovative start-up companies and SMEs.** Though these companies tend to be located in the larger urban areas, they are also significantly present in the district-based regions (**in districts, 8.4 for every 1000 limited companies operating vs 9.5 in non-district based areas**).
- **The advantages of a local integrated supply chain, representing one of the strong points of traditional districts, are also validated in other less typical specialisations in the district structure:** this is evident with the development of a **cosmetics** segment in Lombardy and the vehicle-component districts around Turin and Brescia.
- **Districts have also been enhanced with the contribution of foreign investments in company shareholdings: 43% of inflows came in after 2001, compared to around 30% in non-district based areas,** with peaks of over 63% in the case of French investors and a high percentage for German investors (44%). German investors are well represented in the district areas with greenfield investments, whereas French investors have a higher shareholding in the fashion sector.
- Company officers and managers in district companies mostly include people that were born in the area where the business is based. **76% of district companies have boards made up of directors that were born in the region where the company operates; this percentage is down to 70% in non-district based areas.** Therefore, cultural diversity is less prominent than elsewhere, even though larger companies are more open in terms of governance, with directors that are not from the region or are foreigners (55% and 26% of companies respectively). **A more open governance might as well be a way to hire managers with cross-sector skills and international experience.**
- **More generally, with regard to Human Capital: district companies struggle to find skilled workers, especially in connection to 4.0 technologies (in 78% of business vs 71% in non-district-based companies).** A review of hiring channels in districts is needed to overcome this critical issue, as they are still largely based on informal procedures (in around 75% of companies), relying very little on the

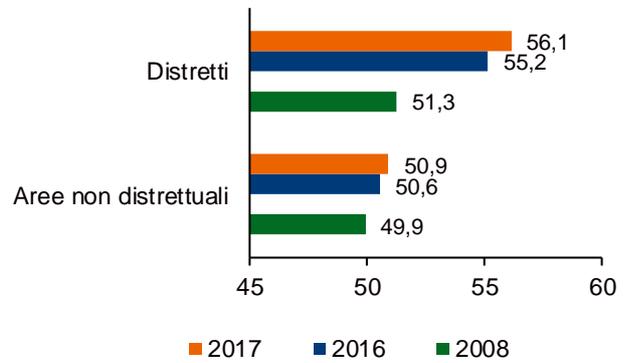
more formal channels including recruitment agencies, vocational schools, tertiary technical colleges and universities.

Turnover evolution in 2017 (% change at current prices; median figures)



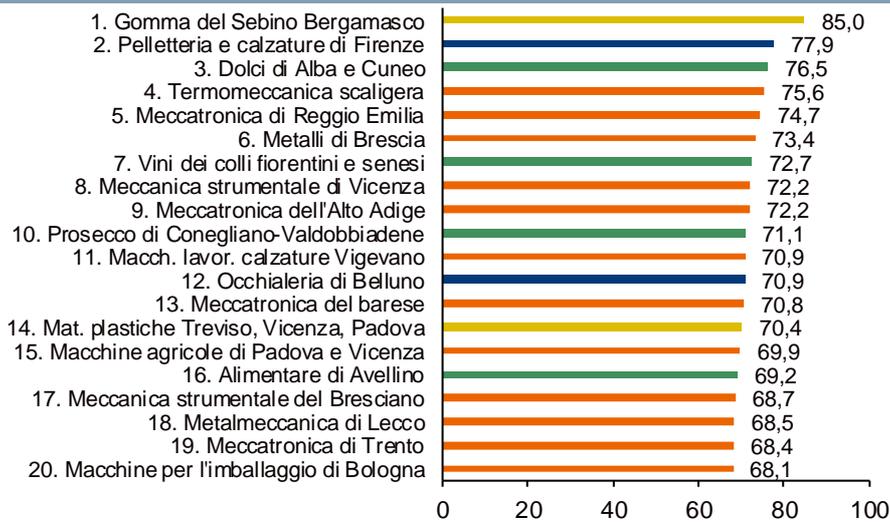
Source: Intesa Sanpaolo Integrated Database (ISID)

Labour productivity (added-value per worker: in thousand euro at current prices; median figures)



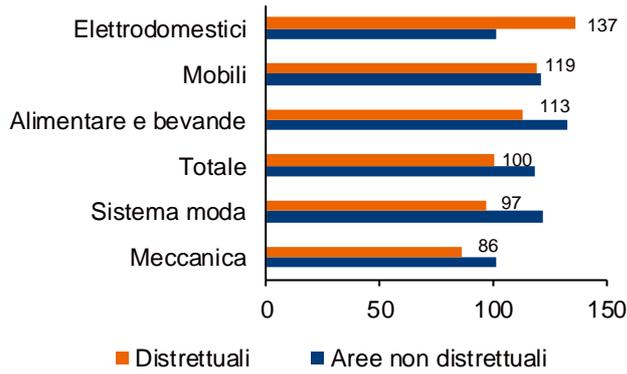
Source: Intesa Sanpaolo Integrated Database (ISID)

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



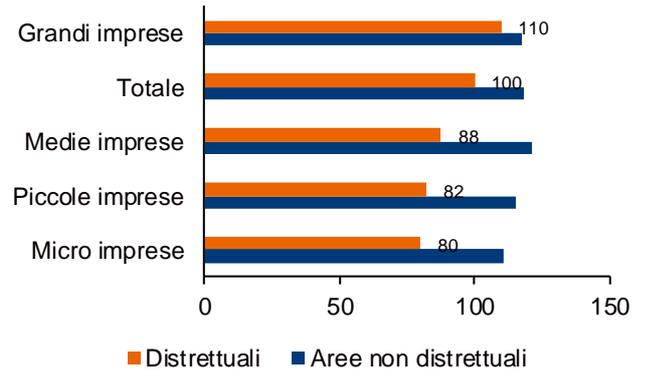
Note: the fashion sector is shown in blue; districts specialising in rubber and plastic are in yellow; agri-food districts in green; mechanical engineering districts in orange. Source: Intesa Sanpaolo

Average distances of supplies (average weighted km per transaction amount), 2017



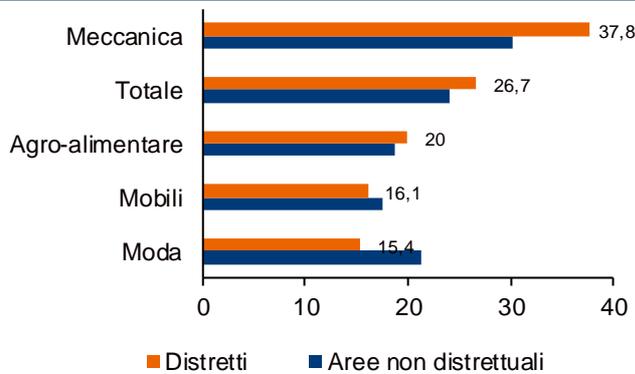
Source: Intesa Sanpaolo Integrated Database (ISID)

Average distances of supplies based on size of purchasing company (average weighted km per transaction amount), 2017



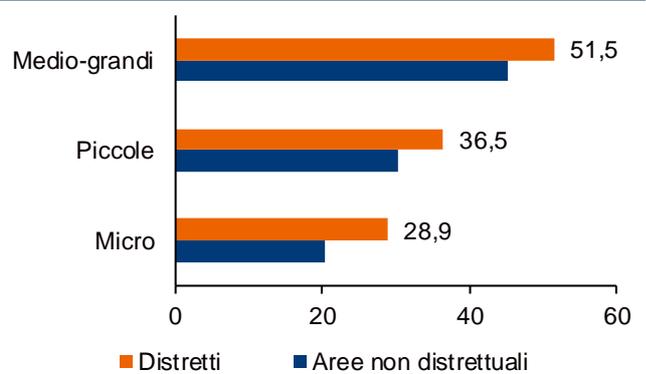
Source: Intesa Sanpaolo Integrated Database (ISID)

Percentage of companies adopting 4.0 technologies per macro-sector



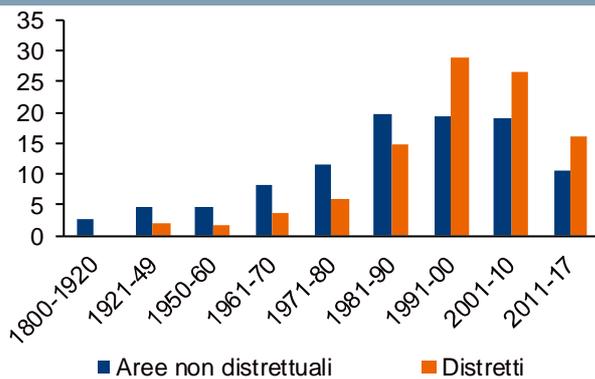
Source: Intesa Sanpaolo, managers survey

Mechanical: percentage of companies adopting 4.0 technologies per size



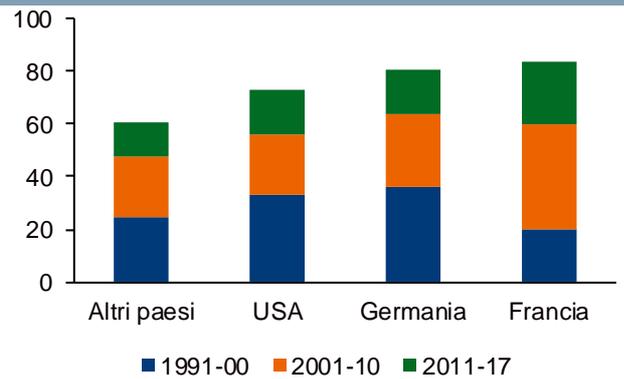
Source: Intesa Sanpaolo, managers survey

Foreign-controlled companies per position and date of entry (% share)



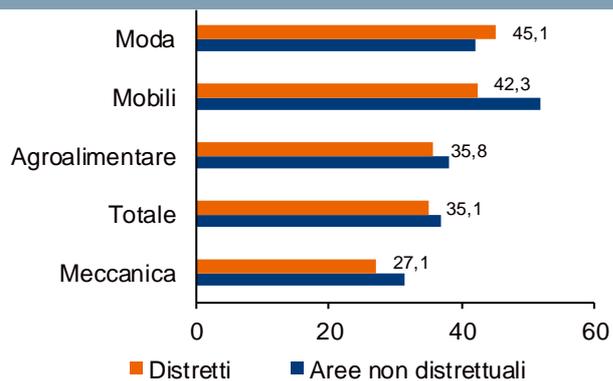
Source: Intesa Sanpaolo Integrated Database (ISID)

Percentage of foreign-controlled companies in districts with entry after 1990 per investor's nationality (%)



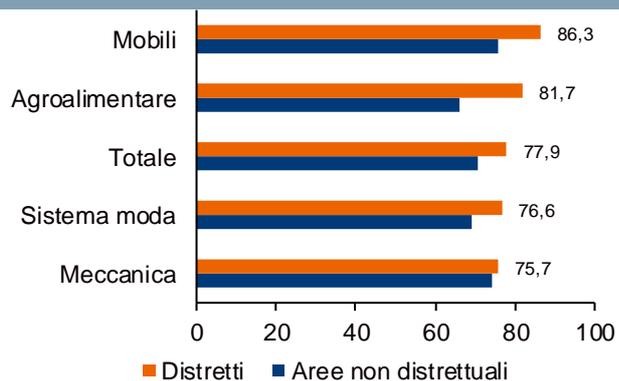
Source: Intesa Sanpaolo Integrated Database (ISID)

Percentage of companies with insufficient digital skills (%)



Source: Intesa Sanpaolo, managers survey

Percentage of companies with issues in sourcing staff specialising in 4.0 per macro-sector (%)



Source: Intesa Sanpaolo, managers survey

*For further information:*

**Intesa Sanpaolo**  
 CIB Media and International Media  
 +39 06 67125297  
[stampa@intesasanpaolo.com](mailto:stampa@intesasanpaolo.com)