



Camera di Commercio
Treviso



CONGIUNTURA & APPROFONDIMENTI

Report no. 10 – August 2011

*Economic outlook
on the manufacturing industry in Treviso
Second quarter of 2011*

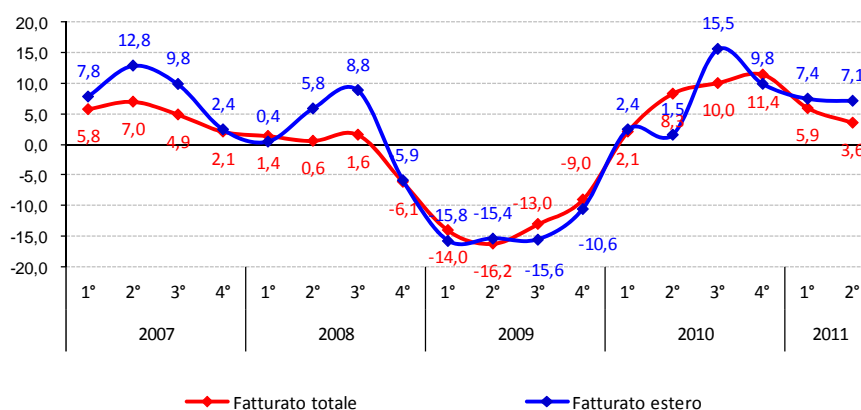
Edited by the Local Research and Economic Development office (Area Studi e Sviluppo Economico Territoriale)

ECONOMIC OUTLOOK ON THE MANUFACTURING INDUSTRY IN TREVISO - SECOND QUARTER OF 2011

During the second quarter of this year as well, exports from the manufacturing sector in Treviso kept on playing an essential role on the recovery path. This is what emerges from the usual economic analysis carried out by Treviso Chamber of Commerce on a sample of 460 enterprises that collectively account for nearly 19,000 employees.

Indeed, the **foreign turnover** registered 7.1% year-over-year growth (like three months ago), against total turnover increasing by only 3.6% (it was +5.9% three months ago). Results on international markets are still more significant if we consider the period analysed: during the second quarter of 2010, local companies had already restarted to look at foreign demand.

**The manufacturing industry in Treviso. Total and foreign turnover trends
Year-on-year change - Q1 2007 to Q2 2011**

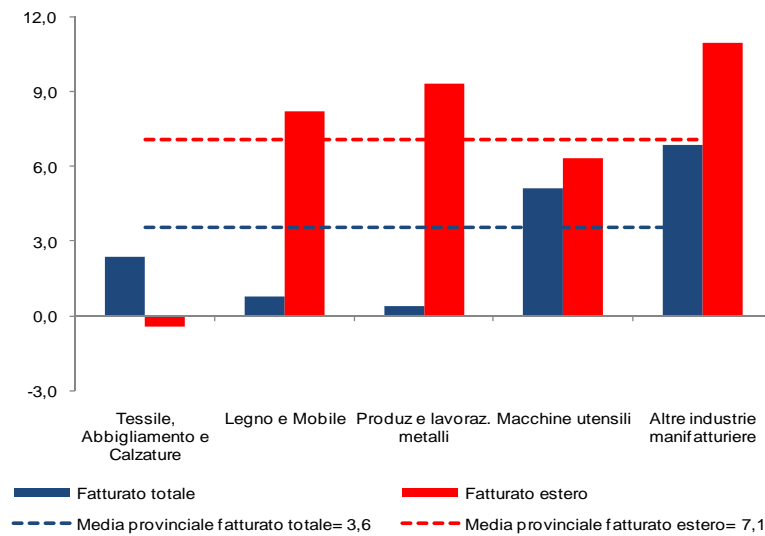


Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

Within the manufacturing industry, good performance (+8.2%) was marked by foreign turnover of the wood and furniture segment, after a poor performance in the previous quarter (+4.1%).

External orders increased less but still positively: year-on-year growth was 4.1% compared to 6% in the previous quarter: the seasonality of textiles and clothing must be considered in this context. As for machinery, foreign orders are still growing by 10% compared to the same period one year ago, while they increased less (+8%) in the wood and furniture sector and metal work products, which, however, were doing well in the quarter analysed.

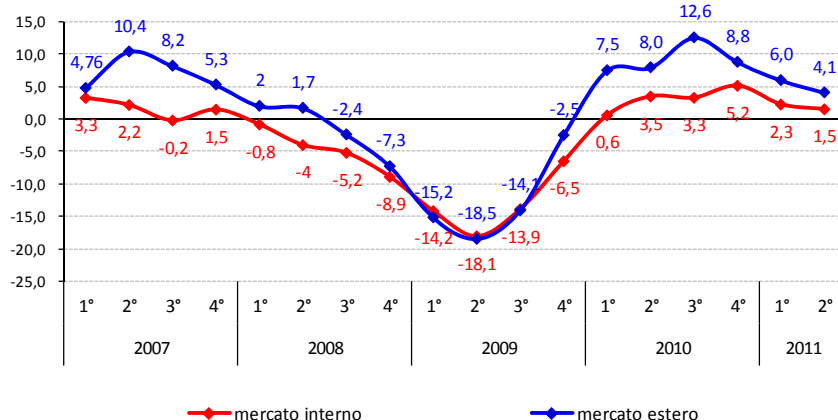
**The manufacturing industry in Treviso. Total and foreign turnover trends by sector.
Year-on-year change - Q2 2011**



Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

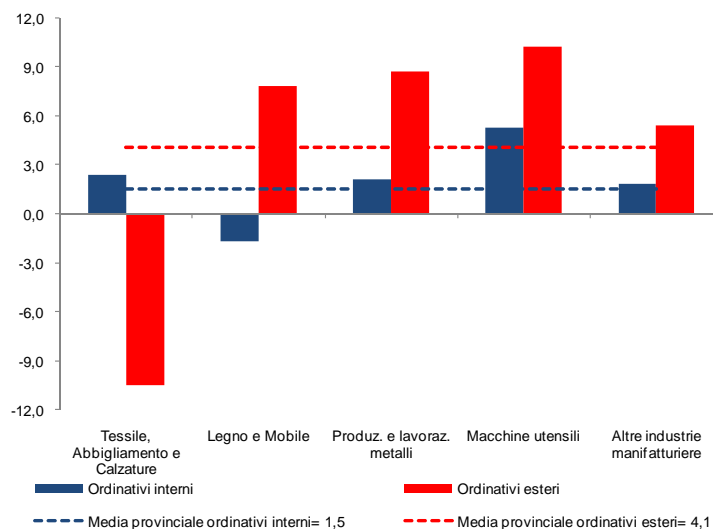
Domestic orders showed very different trends: they grew by 4.4% compared to the first quarter of 2011 (which might be a consequence of transferring orders along the production chain), but the year-over-year change was very low: +1.5% (it was +2.3% in the previous quarter). Therefore, the Italian market remains quite flat, even decreasing in the wood and furniture (-1.7%) compared to one year ago. In this same sector, despite recovery in foreign markets, the above-mentioned trend also influenced the **order backlog** : the estimated production timeline only covered less than one month, while the provincial average is 46 days and the machinery sector can guarantee 81 days.

**The manufacturing industry in Treviso. Domestic and foreign orders trend
Year-on-year change - Q1 2007 to Q2 2011**



Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

The manufacturing industry in Treviso. Domestic and foreign orders trend by sector. Year-on-year change - Q2 2011

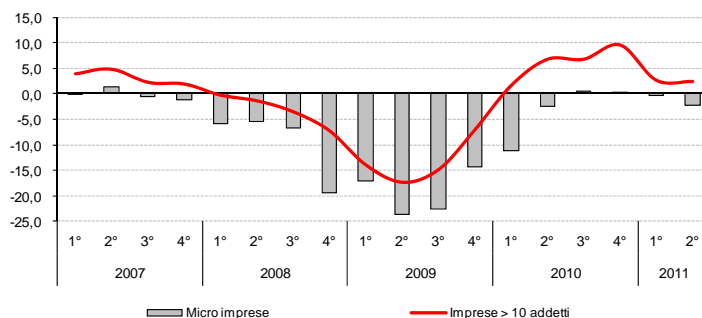


Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

The dichotomy between successful foreign trends and poor internal performance caused companies to be cautious as for **production**: it marked a 5% bounce-back compared to the previous quarter, with further growth in the **capacity utilization rate**, from 72 to 75%.

Nevertheless, the pace of growth of production in companies with 10 employees or more is getting steady at approximately +2.5%. On the other hand, microenterprises (2 to 9 employees) got back into negative change (-2.3%), after achieving satisfactory stability in the previous quarters. Also considering the weak terms of comparison (in Q2 2010, to which year-over-year change is referred, production had just begun to recover after the worst periods of the crisis), the analysis confirmed that linear recovery to pre-crisis levels was quite unlikely, which also explained the lack of positive signs as for **employment**.

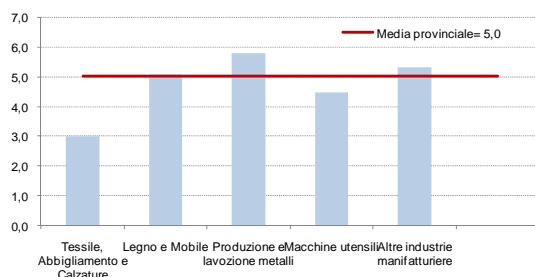
The manufacturing industry in Treviso. Production trends by size. Year-on-year change - Q1 2007 to Q2 2011



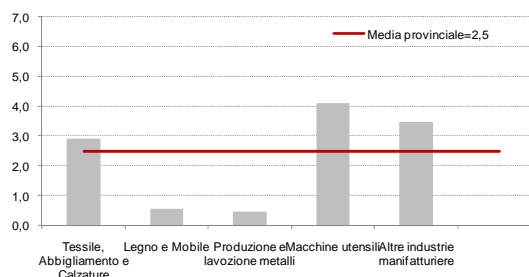
Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

The manufacturing industry in Treviso. Production trends by sector. Second quarter of 2011

Quarter-on-quarter change



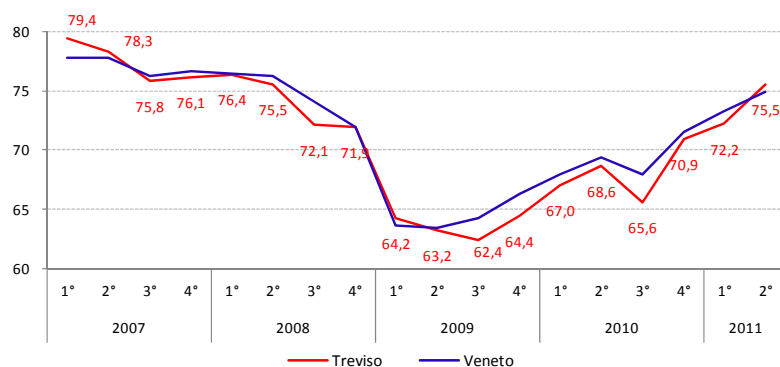
Year-on-year change



Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

The manufacturing industry in Treviso. Capacity utilization rate. Comparison Treviso-Veneto

Time series: Q1 2007 - Q2 2011



Source: Unioncamere Veneto data processing by the Ufficio Studi at Treviso Chamber of Commerce

Main economic indicators of the manufacturing industry in Treviso

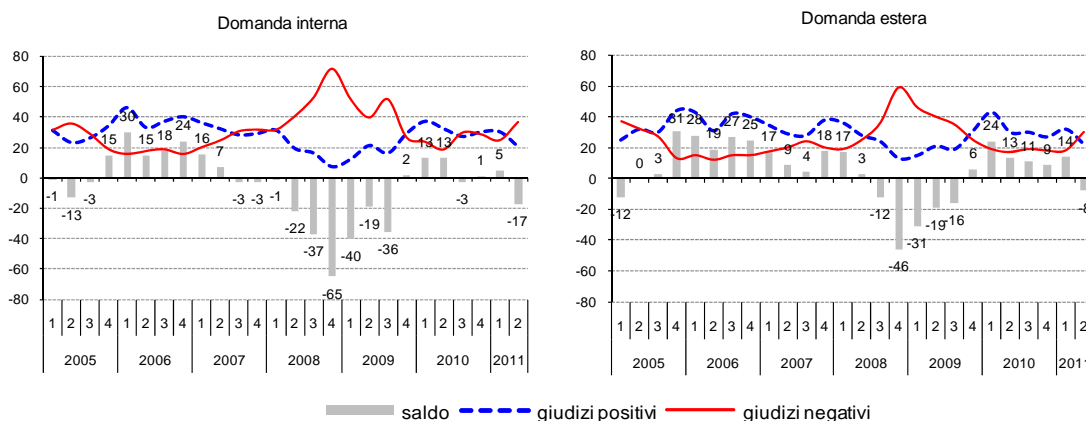
| PRINCIPALI INDICATORI | 2008 | | | | 2009 | | | | 2010 | | | | 2011 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1 trim | 2 trim | 3 trim | 4 trim | 1 trim | 2 trim | 3 trim | 4 trim | 1 trim | 2 trim | 3 trim | 4 trim | 1 trim | 2 trim |
| PRODUZIONE | | | | | | | | | | | | | | |
| var. volume fisico rispetto al: | | | | | | | | | | | | | | |
| trimestre precedente | -0,6 | 1,5 | -10,2 | -0,7 | -8,4 | -2,1 | -5,5 | 5,8 | -3,9 | 3,8 | -1,2 | 8,2 | 0,4 | 5,0 |
| stesso trim. anno preced. | -0,2 | -1,3 | -3,5 | -7,2 | -13,9 | -17,3 | -14,8 | -7,0 | 1,7 | 6,9 | 6,9 | 9,7 | 2,7 | 2,5 |
| OCCUPAZIONE | | | | | | | | | | | | | | |
| variazioni rispetto al: | | | | | | | | | | | | | | |
| trimestre precedente | 0,0 | -0,5 | -0,8 | -2,0 | 0,5 | -0,4 | -0,4 | -0,1 | -0,9 | 0,2 | 0,1 | -0,4 | 0,5 | -2,6 |
| stesso trim. anno preced. | -0,3 | -0,8 | -0,2 | -2,0 | -2,3 | -4,6 | -5,8 | -4,9 | -3,6 | -1,9 | -1,4 | -0,6 | -0,4 | -0,4 |
| CAPACITA' PRODUTTIVA | | | | | | | | | | | | | | |
| grado di utilizzo impianti: | 76,4 | 75,5 | 72,1 | 71,9 | 64,2 | 63,2 | 62,4 | 64,4 | 67,0 | 68,6 | 65,6 | 70,9 | 72,2 | 75,5 |
| FATTURATO | | | | | | | | | | | | | | |
| variazioni rispetto al: | | | | | | | | | | | | | | |
| trimestre precedente | -0,1 | 3,4 | -6,9 | 1,1 | -9,7 | -0,5 | -5,7 | 3,3 | -4,2 | 4,9 | -2,9 | 11,3 | -2,0 | 7,5 |
| stesso trim. anno preced. | 1,4 | 0,6 | 1,6 | -6,1 | -14,0 | -16,2 | -13,0 | -9,0 | 2,1 | 8,3 | 10,0 | 11,4 | 5,9 | 3,6 |
| FATTURATO ESTERO | | | | | | | | | | | | | | |
| variazioni rispetto al: | | | | | | | | | | | | | | |
| trimestre precedente | 2,6 | 3,3 | -5,8 | 4,4 | -14,9 | 0,9 | -3,4 | 5,8 | -7,9 | 2,5 | 4,5 | 7,4 | -2,7 | 11,4 |
| stesso trim. anno preced. | 0,4 | 5,8 | 8,8 | -5,9 | -15,8 | -15,4 | -15,6 | -10,6 | 2,4 | 1,5 | 15,5 | 9,8 | 7,4 | 7,1 |
| % di fatturato venduto all'estero: | 35,8 | 35,0 | 34,1 | 30,5 | 26,0 | 31,8 | 28,6 | 29,9 | 29,2 | 31,2 | 26,1 | 25,8 | 27,1 | 29,9 |
| NUOVI ORDINATIVI | | | | | | | | | | | | | | |
| var. rispetto al trim. prec.: | | | | | | | | | | | | | | |
| dal mercato interno | -1,4 | 0,2 | -6,5 | -1,9 | -8,8 | -4,1 | -6,8 | 2,5 | -1,3 | 1,5 | -3,9 | 5,6 | 1,2 | 4,4 |
| dal mercato estero | 2,0 | 2,2 | -4,5 | -2,3 | -10,1 | -0,8 | -5,4 | 5,6 | -3,3 | 2,0 | -1,8 | 15,0 | 2,8 | 5,6 |
| var. rispetto stesso trim. anno prec.: | | | | | | | | | | | | | | |
| dal mercato interno | -0,8 | -4,0 | -5,2 | -8,9 | -14,2 | -18,1 | -13,9 | -6,5 | 0,6 | 3,5 | 3,3 | 5,2 | 2,3 | 1,5 |
| dal mercato estero | 2,0 | 1,7 | -2,4 | -7,3 | -15,2 | -18,5 | -14,1 | -2,5 | 7,5 | 8,0 | 12,6 | 8,8 | 6,0 | 4,1 |

Source: Veneto Congiuntura - Unioncamere Veneto - Treviso Chamber of Commerce

Economic forecasts

The entrepreneurs interviewed proved more cautious in their expectations for the third quarter: forecasts of stable conditions prevail, while the gap between positive and negative expectations increased not only for what concerned domestic but also foreign demand. The latter shows negative expectations rising from 18 to 30%, while positive forecasts decreased from 32 to 22%.

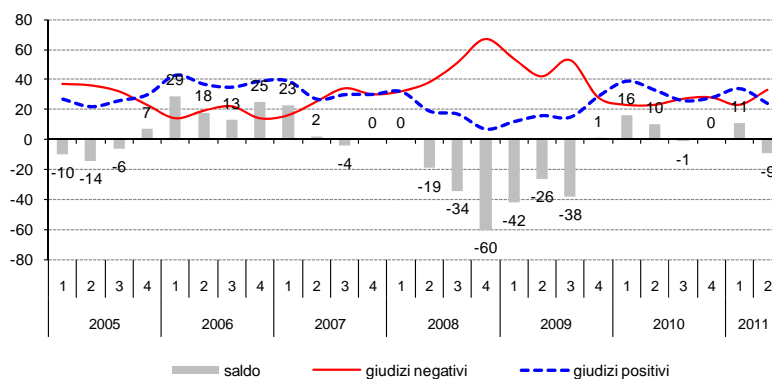
The manufacturing industry in Treviso. Domestic and foreign order forecasts
Comparison between positive and negative expectations and balance Time series 2005-2011



Source: Survey by Unioncamere Veneto, graphics by Treviso Chamber of Commerce

Turnover forecasts worsened as well, with negative expectations rising from 23 to 36% and positive ones decreasing from 36 to 26% compared to the previous period's survey.

The manufacturing industry in Treviso. Turnover forecasts
Comparison between positive and negative expectations and balance. Time series 2005-2011



Source: Survey by Unioncamere Veneto, graphics by Treviso Chamber of Commerce

Hasty conclusions should not be drawn in this respect: local entrepreneurs' *sentiment* was probably influenced by the period considered (summer quarter) and uncertainty due to macroeconomic instability, speculative pressures and the restrictive policies announced: these combined factors are likely considered further obstacles to difficult recovery.

The manufacturing industry in Treviso. Entrepreneurs' forecasts at 30 June 2011

(percentage of entrepreneurs' judgments for the next three months and comparison to previous quarters)

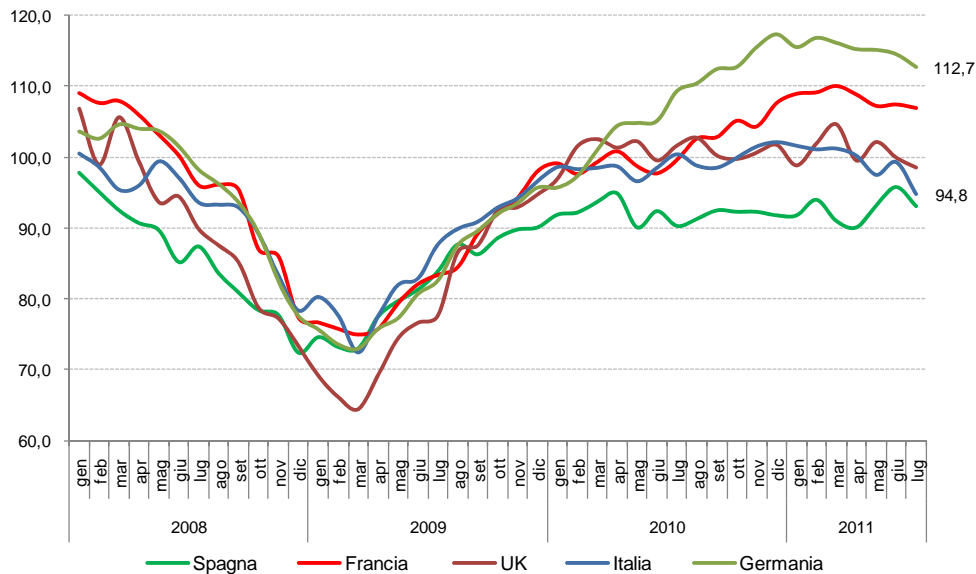
| INDICATORI | | SETTEMBRE 2010 | DICEMBRE 2010 | MARZO 2011 | GIUGNO 2011 |
|------------------------|-------------------|----------------|---------------|------------|-------------|
| PRODUZIONE | in aumento | 9 | 5 | 9 | 9 |
| | lieve aumento | 17 | 23 | 25 | 15 |
| | stazionaria | 47 | 44 | 43 | 43 |
| | lieve diminuzione | 15 | 13 | 11 | 15 |
| | in diminuzione | 12 | 15 | 12 | 18 |
| DOMANDA INTERNA | in aumento | 8 | 6 | 7 | 7 |
| | lieve aumento | 19 | 24 | 23 | 13 |
| | stazionaria | 43 | 41 | 45 | 43 |
| | lieve diminuzione | 17 | 13 | 11 | 17 |
| | in diminuzione | 13 | 16 | 14 | 20 |
| DOMANDA ESTERA | in aumento | 9 | 6 | 10 | 9 |
| | lieve aumento | 21 | 21 | 22 | 13 |
| | stazionaria | 51 | 55 | 50 | 48 |
| | lieve diminuzione | 12 | 7 | 8 | 14 |
| | in diminuzione | 7 | 11 | 10 | 16 |
| FATTURATO | in aumento | 11 | 8 | 11 | 9 |
| | lieve aumento | 21 | 25 | 25 | 17 |
| | stazionaria | 44 | 41 | 41 | 38 |
| | lieve diminuzione | 13 | 11 | 11 | 17 |
| | in diminuzione | 11 | 15 | 12 | 19 |
| OCCUPAZIONE | in aumento | 1 | 1 | 1 | 1 |
| | lieve aumento | 4 | 6 | 7 | 5 |
| | stazionari | 78 | 76 | 83 | 82 |
| | lieve diminuzione | 11 | 11 | 6 | 6 |
| | in diminuzione | 6 | 6 | 3 | 6 |

Source: Survey by Unioncamere Veneto, graphics by Treviso Chamber of Commerce

Worsening expectations were confirmed by world leading economic indicators.

The European Commission *Economic Sentiment Indicator* (ESI) had been decreasing since March 2011. Between June and July, it dropped 2.2 points. Furthermore, the largest decrease was registered in Italy, where it dropped 4.5 points. Nevertheless, even Germany - with better judgments than the European average - declined 1.8 points.

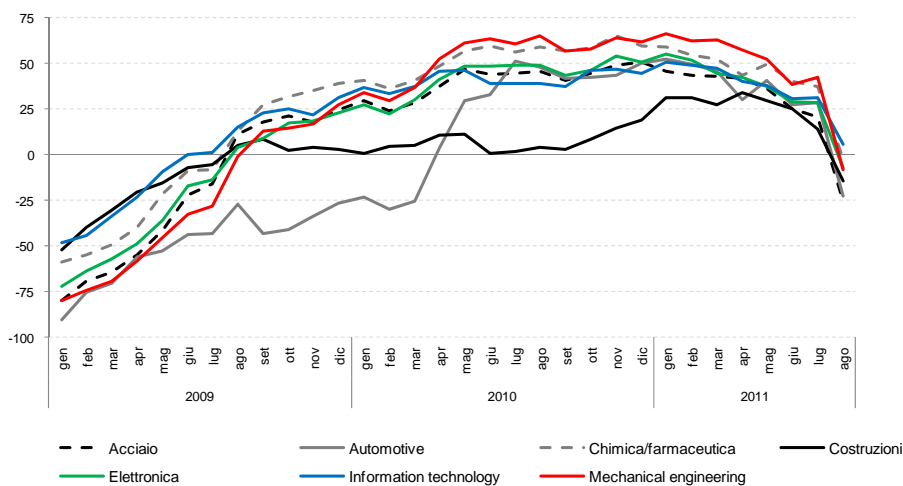
Economic Sentiment Indicator (ESI) - World comparison
Monthly time series January 2009 - July 2011



Source: European Commission Services data processing by the Ufficio Studi at Treviso Chamber of Commerce

Lower German expectations were also confirmed by the ZEW index (*Zew Indicator of Economic Sentiment*). Financial analysts participating in the August survey showed declining expectations in German economy referring to several sectors. It must be pointed out that the machinery sector (mechanical engineering) as well was affected by lower expectations, in spite of positive judgments it had received in previous months.

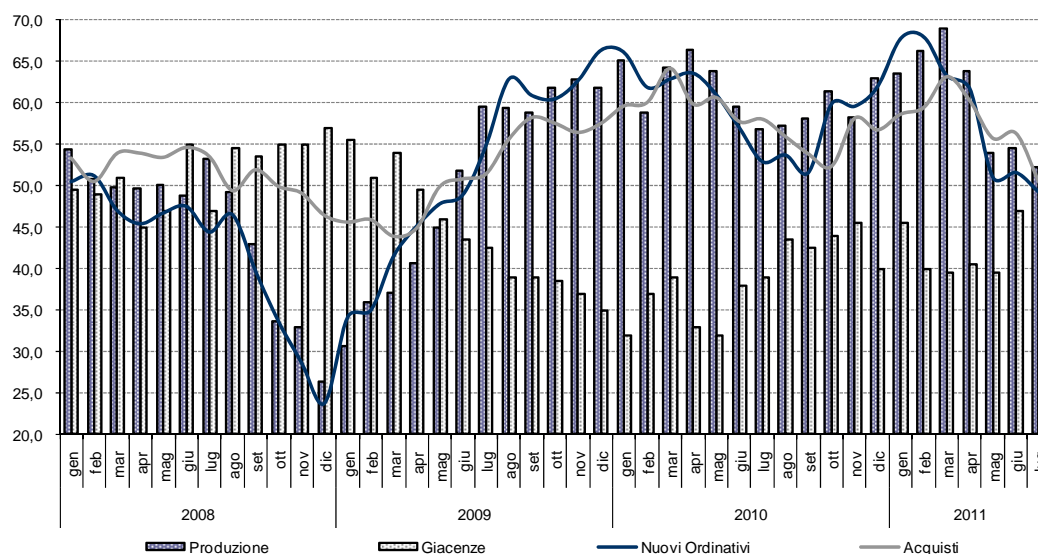
ZEW Index - Balance between positive and negative expectations by sector
Monthly time series January 2009 - August 2011



Source: ZEW Financial Market Survey data processing by the Ufficio Studi at Treviso Chamber of Commerce

Moreover, the *Purchasing Managers Index* (PMI) clearly showed that the USA were also affected by negative sentiment, fuelled by monthly interviews to managers and purchasing managers of manufacturing companies. Sentiment had begun to deteriorate between February and March, showing a context in which growth was possible, yet at a slower pace. However, the new orders indicators was below 50 (that is, indicating contraction instead of expansion) in July 2011.

**The manufacturing industry in the USA. Purchasing Managers Index (PMI).
Main sub-indicators trend. Monthly time series January 2008 - July 2011**



Source: Manufacturing ISM Report on Business data processing by the Ufficio Studi at Treviso Chamber of Commerce