



ASSOLOMBARDA
Confindustria Milano Monza e Brianza

Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

Edited by

Research Department

N° 15/March 2017



Preface

Flash update on the short-term economic outlook for Lombardy in comparison with the other European “engines of growth” - Baden-Württemberg, Bayern, Cataluña, Rhône-Alpes - and the other benchmark regions in the North of Italy - Veneto, Piedmont, Emilia-Romagna.

Safety on the workplace in Lombardy

In 2016, workplace injuries per person employed in factories (net Cassa Integrazione Guadagni (CIG)) have decreased by 3.9% with reference to 2015 (-35.9% since 2011), those “outside factories” by 3.6% (-34.2% since 2011).

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

Manufacturing production in Lombardy picks up at year-end, achieving +1.3% in 2016 as a whole (vs. +1.9% Italy, +3.4% Cataluña, +0.6% Baden-Württemberg). Annual performances by firms’ size are alike: +1.4% large and medium enterprises with respect to 2015, +1.2% the equivalent figure for small enterprises. The wide gap with respect to the pre-crisis period thus stabilizes at +5% for large firms, -6% for medium firms and -17% for small firms. Driving growth are two sectors, iron and steel (+2.7%) and mechanics (+2.0%), and the provinces of Lodi (+3.4%), Mantova (+2.3%), Pavia (+2.2%) and Brescia (+2.1%).

In 2016 total hiring slows down by -8.9% with respect to 2015; -32.7% when considering permanent contracts. In both cases, total hiring in 2016 results higher than in 2014 (before the introduction of tax relief measures).

On the credit market the decline in bank loans to businesses slightly worsens (-0.4% in the third quarter of 2016 with respect to 2015, after a -0.1% in the second quarter) and the share of gross “sofferenze”, i.e. non-performing loans at high risk of non-payment, over total assets gets back on an upward trend (13.8%). In Lombardy liquidations have been growing (+7.6% in the first nine months of 2016), while the decline in defaults has continued (-5.4%).

Economic performance in Lombardy in comparison with benchmark regions

Manufacturing production in Lombardy ends 2016 with a positive sign, in line with expectations as inferred from the confidence climate: +0.3% in the fourth quarter with respect to the third, when a slightly negative variation was recorded (-0.1%), marking a short break in the recovery after eight consecutive quarters on an upward trend.

Over the whole of 2016 manufacturing production in Lombardy has grown by 1.3% over 2015, a positive performance though slightly below last year's (+1.5%), the national average (+1.9% in 2016, led by a particularly good December) and, at the European level, Cataluña's (+3.4%). Baden-Württemberg's 2016 performance is less impressive (+0.6%), although the region still sets at levels higher than those of Lombardy and the other European benchmarks.

It follows that, as of end-2016, the performance gap with the pre-crisis peak decreases at -8.0% in Lombardy, less than half that of Cataluña (-19.6%) and the national average (-21.3%). Baden-Württemberg instead gets slightly above its 2008 levels (+1.2%).

Considering firms' size, large enterprises pick up at year-end and close 2016 with a +1.4% with reference to 2015, as also medium firms, while small firms manage a +1.2%. With reference to the pre-crisis period, the wide gap across firms' sizes has stabilized: large enterprises stay above 2007 levels as they have been since 2011 (+5%), while medium (-6%) and small (-17%) firms are still below.

As to sectors, particularly dynamic are steel and iron (+2.7% in 2016) and mechanics (+2.0%). Among provinces, Lodi (+3.4%), Mantova (+2.3%), Pavia (+2.2%) and Brescia (+2.1%) stand out. Manufacturing in Milan and Monza closes 2016 just below the regional average (+1.1%).

In our region, the most recent signals from manufacturing and innovative services confidence climate lead to assume recovery continuing through the beginning of 2017. On the consumer side instead, confidence remains at last year's lowest levels.

In Milan* the manufacturing confidence climate index slightly declines in December, after the positive exploit recorded in November, but it still sets at the high levels registered in the first months of 2016. The decline owes to the rebound in expectations over production levels for the next 3 to 4 months and to a decline in order books fully due to their foreign component, for the domestic one has instead stabilized at its peak since 2010. The stock of finished goods, though declining, is still way higher than normal levels. Expectations both over internal demand and foreign demand for the next months stay at historically high levels.

At country level, in January 2017 manufacturing confidence improves in Italy, reaching its peak since end 2015, and in Spain, where it gets close to zero. The index is stable above zero and at its highest levels since 2012 in Germany, while it stays negative in France.

In Milan* innovative services confidence climate remains at historically high levels also in the last quarter of 2016, confirming last year's extremely positive context.

Consumer confidence climate in the North-West declines in January, setting at its minimum since summer 2015. In particular, it has to be noticed the persistent decline in the economic component.

As to the latest updates on the labor market, total hiring declines by 8.9% in Lombardy in 2016 with respect to 2015, more than in Piedmont (-5.1%), Veneto (-2.6%) and Emilia-Romagna (-1.4%). In particular, it is permanent contracts that are falling, but in Lombardy (-32.7%) less than elsewhere. Though declining with reference to 2015, both total hiring and hiring under permanent contracts in 2016 are higher with respect to 2014, before the introduction of tax relief measures on new contracts. The latest data signal that the CIG continues to decrease in Lombardy: -27% in January 2017 with respect to January 2016.

To conclude, the signs of improvement caught on the credit market in Lombardy in the second quarter of 2016 have weakened. The decline in bank loans to businesses slightly worsens (-0.4% in the third quarter of 2016 with respect to 2015, after a -0.1% in the second quarter) and the share of gross "sofferenze", i.e. non-performing loans at high risk of non-payment, over total assets gets back on an upward trend (13.8%, a percentage nevertheless lower than that recorded in all benchmarks). Over the first nine months of 2016, liquidations have been growing in Lombardy (+7.6%; it was -5.3% in 2015), while the decline in defaults has continued (-5.4%). Finally, firms' risk profile improves overall: as of December 2016, 55.9% of firms result to be "safe" or "creditworthy" (0.8 pp more than in December 2015).



ASSOLOMBARDA
Confindustria Milano Monza e Brianza

www.assolombarda.it
www.farvolaremilano.it
www.assolombardanews.it

