



ASSOLOMBARDA

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Lombardy in comparison with Italian
and European benchmarks

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Preface

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Flash update on the short-term economic outlook for Lombardy in comparison with the other highly industrialized regions in Europe - Baden-Württemberg, Bayern, Cataluña, Rhône-Alpes - and in the North of Italy - Veneto, Piedmont, Emilia-Romagna.

Safety on the workplace in Lombardy

In the fourth quarter of 2017 in Lombardy, across all economic sectors, work-related accidents fall by -4.2% per person employed net Cassa Integrazione Guadagni (CIG) and by -2.6% in total. Focusing on Lombardy's industrial sector, work-related accidents fall by -3.7% per person employed net CIG and increase by +1.0% in total.

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

In the first quarter of 2018 economic activity in Lombardy is still living a markedly expansionary phase, in particular with exports growing by +7.9% compared to a year ago, a performance which follows the +8.0% in the fourth quarter of 2017 and the overall +7.5% in 2017 as a whole. Lombardy's performance on foreign markets in the first months of 2018 is by far one of the best both at national and European level, thanks to the +9.8% achieved on EU markets (matched by a sustained +5.3% on non-EU markets) and to automotive and pharmaceuticals (both growing by more than 20%).

Based on the confidence climate, the manufacturing sector in Milano slightly slows down in April with reference to final order books, yet firms expect the economic outlook to be positive throughout the summer, and especially have growing expectations on demand and production.

Although growth remains sustained, in the first months of 2018 the labor market suffers a setback, after a constant growth over the past two years and a half. This sets Lombardy on a countertrend with respect to Italy and to Italian regional benchmarks. More in detail, there are +135,000 persons employed compared to the pre-crisis (a smaller figure than the +164,000 a year ago) and the employment rate falls to 67.0% (from 67.5% in the first quarter of 2017). The slowdown in employment does not however impact unemployment: in the first quarter the unemployment rate indeed decreases to 6.7% (from 7.0% a year ago).

As to the credit market, in the first quarter of 2018 loans to firms in Lombardy increase by +2.6% compared to the first quarter of 2017. However loans continue to decline in the case of firms with less than 20 persons employed (-1.8%) and constructions (-4.6%), while they grow in the case of larger firms (+3.3%), industry and services (+4.4% and +4.7%).

Economic performance in Lombardy in comparison with benchmark regions

That Lombardy is still on a growth path in the first quarter of 2018 is confirmed also by export data. Lombardy's exports indeed increase by +7.9% in the first three months of the year compared to a year ago, hence continuing to perform sustained growth rates (+8.0% in the fourth quarter of 2017, for an annual average of +7.5%). Lombardy's performance on foreign markets is by far the best both in the Italian (+4.6% Emilia-Romagna, +4.1% Veneto, +1.2% Piedmont) and the European context (+3.4% Cataluña, +1.4% Baden-Württemberg, +0.9% Auvergne-Rhône Alpes, +0.4% Bayern). Behind such performance are especially EU markets (+9.8%) although also non-EU markets are still growing (+5.3%); as to sectors, automotive and pharmaceuticals are top performers, growing by more than 20% on an yearly basis.

Manufacturing production in Lombardy between January and March grows by +1.1% compared to the first quarter of 2017 (when it increased by +1.9%) and by +3.6% on a yearly basis. Over the whole of 2017 Lombardy recorded a +3.7%, almost triple the equivalent figure in 2016 (+1.3%). Even when taking a closer look at production capacity usage rates the upturn in the economic cycle is confirmed: in the first quarter of 2018, the rate remains above the long-term average, in particular it proves stable at historic-high levels in the case of large firms and still on a sustained recovery trend in the case both of small and especially medium firms.

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At country level, confidence holds stable in May in Italy, where it had slightly diminished in the spring compared to previous months, and in Germany, where it stays on historic-high levels. On the contrary it diminishes in France and especially in Spain.

With reference to consumers in the North-West confidence falls in May, but it remains on higher levels than a year ago.

Although growth remains sustained, in the first months of 2018 the labor market suffers a setback both in terms of employment and jobs, after a constant growth over the past two years and a half. This sets Lombardy on a countertrend with respect to Italy and to Italian regional benchmarks.

The state of the labor market is overall mixed and to be monitored over the next months. In detail, there are +135,000 persons employed in Lombardy compared to the pre-crisis (hence fewer compared to +164,000 a year ago) and the employment rate falls to 67.0% (from 67.5% in the first quarter of 2017), Lombardy being the only region to record such decline. The halt concerns both women employment (+110,000 with respect to 2008 instead of +124,000) and men (+26,000, when it was +40,000).

The slowdown in employment however does not imply new unemployment: the related rate further decreases in the first quarter of 2018 to 6.7% (from 7.0% a year ago), in line with the decline registered in all national benchmarks (except from Veneto). The unemployment decrease in Lombardy hence owes to the increase in the number of the inactive.

The CIG continues to decline, although less than in the other benchmark regions: -19% in January-April 2018.

The Osservatorio Assolombarda-Apl finds that also in the beginning of 2018 the demand for contracted work increases in Milano, Lodi, Monza e Brianza: +32% in demand; compared to the previous quarters though, the profiles requested relate to the commercial (+52%) rather than the production realm.

On the credit market, in the first quarter of 2018 loans to firms in Lombardy grow by 2.6% compared to the first quarter of 2017. Credit however increases only for firms with more than 20 persons employed (+3.3%), while smaller firms are still suffering (-1.8%) although less than in winter 2017. The overall growth results from different dynamics across sectors as well: industry and services grow (+4.4% and 4.7%), while constructions are still on the decrease (-4.6%).

Finally, in 2017 bankruptcies are still on a downward trend in Lombardy (-11.2% compared to 2016, when they achieved -8.0%) and the number of voluntary settlements start to decline (-4.2% in 2017 from +7.2% in 2016).





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