



ASSOLOMBARDA

Booklet Economia

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

From 2016 to 2017 in Lombardy, work-related accidents per person employed (net Cassa Integrazione Guadagni – CIG) fall by -0.6% due to the combination of two factors: on-the-job accidents dropping by -1.7% (i.e. -24.4% with respect to 2012) and work-related road accidents increasing by +3.5%. Preliminary estimates for 2018 hint at a decrease by -3.9% in the first quarter and an increase by +1.4% in the second. Focusing on the industry, accidents per person employed net CIG close 2017 with an increase by +1.1% on a yearly basis (resulting from +0.7% in on-the-job accidents and +3.2% in work-related road accidents), a trend which seems set to continue in the first months of 2018 (+5% in the first quarter, +10% in the second quarter).

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

While the Italian economy has slowed down since the beginning of 2018, the recovery in Lombardy still continues in the second quarter of 2018. Manufacturing production in Lombardy grows by +0.3% in the short-term between April and June (0.0% Italy), however it results weaker compared to +1.0% in the first quarter of 2018 and to +3.7% in 2017 as a whole. Also in the second quarter of 2018, exports from Lombardy increase by +4.4%, a positive performance though to a lesser extent than in the first quarter of 2018 (+7.9%) and compared to the remarkable boost recorded in 2017 (when they totalled +7.5%).

Short-term expectations are weary, as manufacturing and innovative services confidence climate in Milano, as well as consumer confidence climate in the North-West worsen from the spring throughout the summer.

The recovery on the labor market continues over April-June: there are +187 thousand persons employed of age 15+ than pre-crisis. The employment rate grows to 68.4% (from 67.6% a year earlier), setting above 2008 levels and almost 10 p.p. above the Italian average (59.1%). Meanwhile, the unemployment rate keeps on diminishing (reaching 6.0% in the second quarter of 2018, from 6.1% a year before), setting almost 5 p.p. below the national average, though still far from pre-crisis levels (3.7% in the second quarter of 2008).

Economic performance in Lombardy in comparison with benchmark regions

The European economy continues along a path of growth in the first six months of 2018, however it faces increasing uncertainties: rising protectionism, more vulnerable emerging economies, higher volatility in financial markets. In Italy the recovery loses momentum, with GDP slowing down and industrial production de facto on stand-by since the beginning of the year. The halt in the recovery is more marked than in the main EU countries and especially it came without ever having fully benefitted from the expansionary phase in the world economy.

Lombardy, which did very well in 2017, sometimes outperforming its main European benchmarks, at the moment still grows. However, also here drivers are weaker than in the recent past.

Manufacturing production in Lombardy, after a marked increase in 2017 (+3.7%) and a positive first quarter of 2018 (+1.0%), slows down in the second quarter, growing by +0.3% in the short-term (which anyway still builds to +3.9% on the second quarter of 2017). Considering firm size classes, small and medium enterprises grow, while large firms slightly decrease. As a consequence, the gap with the pre-crisis shrinks to -1.8% overall, with large firms well above 2008 levels (+10.5%), medium firms finally closing the gap (+0.1%) and small firms still below (-11.0%).

Firms in Lombardy perform on international markets also in the second quarter of 2018 thanks to an increase in exports by +4.4%, which is however smaller than the remarkable boost performed in 2017 (totalling +7.5%) and in the first quarter of 2018 (+7.9%).

It is interesting to note that Lombardy's performance in the first six months of 2018 (+6.1%) is the best of all national and European benchmarks. As to destination countries, dynamics are most positive considering EU countries (+6.8% in the first six months of 2018, singling out contributors Germany stands out) than non-EU countries (+5.1%, the United States most relevant). Focusing on sectors, export growth in Lombardy in the first six months of 2018 is driven by metals (+8.7%), automotive (+11.4%) and pharmaceuticals (+6.8%). It has to be highlighted that pharmaceuticals grew by +26.2% between January and March, while dropped by -9.5% between April and June: the trend concerns Monza e Brianza in particular, which records a more standard performance in the second quarter of 2018, after the 2017 data anomaly which plausibly owes to circumscribed business cases (hence not attributable to market trends). Isolating such anomaly, Lombardy's performance in the second quarter of 2018 (+4.4%) actually results being slightly above 6% and, at the same time, Monza still grows.

Between spring and summer 2018, sentiment turned colder considering firms in Milano and consumers in the North-West. Manufacturing confidence climate in Milano, Monza e Brianza, Lodi especially turns positive in August after the decrease registered in July, yet it sets on lower levels than in the first half of 2018 and well below the 2017 peak. Always in Milano, innovative services confidence plummets between April and June to the lowest levels since 2014. Over the summer, manufacturing confidence decreased also in the main European countries. It has to be underlined though, that in Germany the index still sets on historically high levels, while in Italy it reaches a barely positive balance.

Lombardy's overall positive economic stance reflects on the labor market. The increase in employment started over two years ago continues in the second quarter of 2018, hence revealing that the halt it came to in the first quarter of 2018 was only temporary.

In Lombardy, there are +158 thousand persons employed of age 15-64 compared to pre crisis (more than the increase in population by +132 thousand people), +187 thousand considering all persons employed aged over 15. With respect to 2008, there are also more women in employment (+148 thousand) than men (+39 thousand), although over the past year employment growth was mostly driven by men (+1.4%) than women (+1.0%).

Moreover, the rebalancing of the labor force between employees and self-employed does not seem to end, with the former further increasing in the last year by +2.8% and the latter further losing ground (-4.8%), hence resulting over 150 thousand fewer than in 2008, compared to employees, which increase by +340 thousand.

In the meantime, the employment rate skyrockets at 68.4% in the second quarter of 2018 (from 67.6% a year before), setting above 2008 levels (together with Veneto and Emilia-Romagna) and almost 10 p.p. above the Italian average (59.1%). Plus, the unemployment rate keeps on diminishing (6.0% in the second quarter of 2018, from 6.1% a year earlier), measuring almost 5 p.p. below the national average though still far from pre-crisis levels (3.7% in the second quarter of 2008).

Analyzing flows, in the first half of 2018 Lombardy records 720,000 hires, +11.2% compared to 2017 (+10.8% permanent contracts).





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