



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

Work-related accidents reported in Lombardy grow between July and August, following the increase in the second quarter of 2018: the upward trend, visible with respect to the same two-month period a year ago, mainly concerns work-related road accidents (+10.6%, +10.4% with reference to industry) rather than on-the-job accidents (+1.8%, +13.7% when focusing on industry).

The trend is somewhat softened by employment dynamics: work-related accidents per person employed (net Cassa Integrazione Guadagni - CIG) indeed grow at a slower rate, both considering the total economy (+0.5% on-the-job accidents, +9.1% road accidents) and industry alone (+11.3% on-the-job accidents, +8.7% road accidents).

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

Data about production in Lombardy over the last quarters were revised: the first quarter of 2018 (+1.1%) marks the peak of the exceptional expansionary phase started in 2017, while over Spring this year the industry suffers a deceleration of -0.2% in the second quarter and -0.4% in the third quarter. The overall figure for the first nine months of 2018 shows anyway a growth in production by +3.4% compared to the same period a year ago.

Despite the recent slowdown, one every two firms in Milano, Lodi, Monza e Brianza expects to close 2018 with a higher turnover than in 2017 (when the same figure was 60%). The slower trend however clearly impacts expectations on 2019, when one every three firms forecasts a growth in sales.

The labor market considerably weakens with reference to contract workers («lavoro in somministrazione»): -37% the job posts in Milano, Lodi, Monza e Brianza in the third quarter of 2018 compared to the same period in 2017, -63% technicians. These are the first effects of «Decreto Dignità».

Bank loans to firms in Lombardy still grow in the second quarter of 2018 (+1.1% compared to 2017), although to a lesser extent than in the recent past: there are still diverging dynamics across sectors (+3.9% and +1.6% loans to industry and services, -3.3% those to construction) and across firm size (+1.6% loans to firms with more than 20 persons employed, -1.8% those to smaller firms).

Economic performance in Lombardy in comparison with benchmark regions

The economic performance in Lombardy weakens over the Summer, both considering production levels and the labor market, after having proven more resilient than the national average throughout the first half of 2018.

In particular, in Lombardy manufacturing production records a marked slowdown in the third quarter of 2018 (-0.4% on the second quarter, when it performed a -0.2%). The figure for the third quarter was published in conjunction with a revision of previous data: the initial +0.3% of the second quarter is revised downward to -0.2%. This entails that the peak of the expansionary phase started in 2017 was reached in the first quarter of 2018 (+1.1%) and that from Spring this year the industry has suffered a deceleration. Italy slows down as well (-0.3% in the third quarter), after having entered a weaker growth phase already in the first months of 2018.

It has however to be highlighted that, on a yearly basis, the third quarter figure for Lombardy is positive (+2.3% on the third quarter of 2017) although smaller than in previous periods (+3.7% in the first quarter, +3.9% in the second): cumulated growth in the first three quarters hence equals +3.4%, roughly in line with the +3.7% recorded over the whole of 2017. Moreover, the slowdown in activity concerns both small and large firms, while medium firms prove more resilient.

Despite the recent weakening of the economic cycle, based on our survey conducted every six months on around 240 member firms, 2018 is still a good year for firms in our territory: 1 every 2 firms in Milano, Lodi, Monza e Brianza expects to close the year with a higher turnover than in 2017 (when around 60% of firms recorded a positive performance). By contrast, for 18% of firms preliminary figures on turnover show a decrease (the same figure was 10% in April) and, at the same time, for 30% of firms sales volumes are steady.

The weaker short-term production activity outlook especially impacts upon expectations on 2019: around 1 every 3 firms (35%) in our territory expects an increase in sales with respect to 2018, 44% foresee a flat performance and 20% a decrease in turnover. Forecasts are substantially the same across manufacturers and innovative service firms, confirming a widespread slowdown.

The survey results are in line with monthly confidence analyses conducted by Assolombarda on the same panel of firms. As to manufacturing, after peaking in 2017 year-end, the confidence climate continues on a positive trend in the first half of 2018, but since the Summer it worsens till falling below zero in September and setting to the lowest levels since the beginning of 2013. Demand shrinks (domestic and foreign equally), stockpiles grow to higher levels than normal and production forecasts for the next 3-4 months sensibly erode. As to innovative services, confidence drops to negative levels in the third quarter of 2018, along the marked downward trend started in the beginning of the year.

In conjunction with firms' sentiment turning colder, also consumer confidence in the North-West falls in October and sets below the peak of 2017 year-end (the opposite, in Italy confidence slightly improves).

The labor market records a setback in the summer months: -37% the demand for contract workers («lavoro in somministrazione») in Milano, Lodi, Monza e Brianza in the third quarter of 2018 compared to the same period in 2017, after a long expansionary phase lasted since 2016 year-end. The number of posts falls back to the levels of four years ago. The decline is widespread regardless of the professional figure requested, with technicians recording the largest decrease (-63%). The reasons behind the reversal might be linked to the changes that «Decreto Dignità» applies to the contract work legal framework.

As to bank credit, loans to firms in Lombardy still grow in the second quarter of 2018, although at a slower rate than in the recent past (+1.1% on the same quarter in 2017, after +2.6% in the first quarter). The overall figure still hides diverging dynamics across sectors (+3.9% and +1.6% loans to industry and services, -3.3% loans to constructions) and across firm sizes (+1.6% loans to firms employing more than 20 persons, -1.8% those to smaller firms).

Finally, positive signicals stem from bankruptcy data, which in Lombardy continue to decrease also in the first six months of 2018 (-1.7% on a yearly basis), but slower than previously (-11.2% over the whole of 2017). On the contrary, voluntary settlements go back on an upward trend (+6.7% in the first quarter of 2018, after -4.2% in 2017).





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