



ASSOLOMBARDA
Confindustria Milano Monza e Brianza

Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

Edited by

Research Department

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Preface

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

Foreign demand drives the recent pick up in growth in Milano and Lombardy: regional exports peak at 120 billion euro in 2017, +7.5% with respect to 2016 (when the same figure was a mere 0.6%). Lombardy hence sets among the top performers in the national and European context, with all provinces and all manufacturing sectors positively contributing to recent dynamism.

Milano, Lodi, Monza and Brianza drive export growth the most (+8.5% in 2017). Among sectors, pharmaceuticals (+25.2%), food (+17.0%) and metals (+9.0%) stand out, but also automotive, electronics and rubber-plastic have well-performed recently.

In our territory, expectations on the next months are positive, as manufacturing sector, innovative services and consumer climates indicate.

Positive trends on the labor market help boost confidence: in 2017 there are +125,000 persons employed compared to pre-crisis and, for the first time in nine years, the employment rate (67,3%) finally exceeds its pre-crisis levels (66.9%). Still on an upward trend is women employment, finally joined by men employment, and skilled workers as well. In particular, fixed-term contracts grow the most. Despite improvements, generational imbalances remain: the growth in the number of persons employed (+125,000) is the sum of -505,000 persons employed under 44 and +631,000 over 45.

On the credit market, in the third quarter of 2017 in Lombardy bank loans to firms are essentially stable (-0.1%) compared to 2016. Both loans to industry and loans to services grow (+1.5% and +0.6% respectively), as well as loans to firms employing more than 20 persons (+0.3%). The opposite, loans to constructions (-5.9%) and smaller firms (-3.0%) continue to fall. *Our thanks to Bank of Italy - Milan for the exclusive on these data, which take into account securitization and other loan sales, allowing for a better monitoring of local lending trends.*

Economic performance in Lombardy in comparison with benchmark regions

In 2017, the recovery started in 2014 strengthens both in Milano and Lombardy, as well as in Italy. The cumulative growth rate over the period 2014-2017 is +5.1% for Lombardy, +6.2% for Milano, almost twice as much the equivalent figure for Italy (+3.4%). As a result, Milano sets today above pre-crisis levels by +3.2%, contrary to Lombardy and Italy, still stuck respectively at -1.1% and -4.5%.

Foreign demand gave a substantial kick to recent growth in Milano and Lombardy. As a matter of fact, in 2017 regional exports peaked at 120 billion euro, growing by +7.5% on 2016 (when growth was by a mere +0.6%), in line with the upswing in world trade. Lombardy hence sets among top performers in the national and European comparison. All provinces positively contribute to export performance, Milano, Lodi, Monza and Brianza more than the others, accounting for 45% of regional exports and growing by +8.5% in 2017. Demand is strong both in EU countries (+8.0%, with Eastern Europe growing above average) and non-EU countries (+6.9%, in detail +12.8% USA, +9.9% China e +27.8% Russia).

As to sectors, pharmaceuticals (+25.2% year-on-year), food (+17.0%) and metals (+9.0%) stand out, but also automotive, electronics and rubber-plastic have distinctive performances in October-December 2017.

In our territory, the manufacturing confidence climate hints at a positive outlook over the next months both in terms of production and demand (domestic as well as foreign).

More in detail, in February in Milano, Lodi, Monza and Brianza the manufacturing confidence climate scales back as it did in January, yet it remains on historic highs. Net order books, both internal and external, fall. However, the combination of large stocks of finished goods in warehouses, high (and growing compared to the previous month) production expectations and historic-highs in demand expectations clearly indicate that firms expect sustained growth to continue over the next months.

Comparing countries, in March the manufacturing confidence climate shrinks everywhere, though it remains on positive and historic-high levels: in particular, in Italy the downsize follows five months of stability, while in Germany it still sets on the trend of exceptional growth started at the beginning of 2016.

The consumer confidence climate in the North-West goes up in March and sets on levels way higher than a year ago.

The labor market benefits from the economic upswing. In 2017 there are +125,000 persons employed compared to the pre-crisis and, for the first time in nine years, also the employment rate (67.3%) is higher than in 2008 (66.9%). Such positive balance is largely due to an increase in female employment (+115,000), however also male employment is finally picking up (+10,000).

Fixed-term contracts grow over the past year: the share of open-ended contracts falls to 88.7% in 2017, while it was substantially stable around 90% throughout 2008-2016. The recovery has not involved unskilled workers (-231,000 those with only a middle school license), with a subsequently growing divide between them and university graduates (+281,000) and high-school graduates (+76,000).

Generational imbalances remain. The growth in the number of persons employed (+125,000) is the sum of -505,000 persons employed under 44 and +631,000 over 45. Even when taking demographic trends into account (there are 431,000 15-44 year olds less compared to 694,000 45-and-over year olds more), the exclusion of the young from the labor market recovery is a reality. Unemployment data hint at positive developments also for the population under 44, their unemployment rate having fallen the most. In particular, the unemployment rate for 15-24 year olds shrinks by 7 p.p. (from 29.9% to 22.9%) and the share of Neet falls from 15.0% to 14.2%.

On the credit market, from this Booklet onwards loans to firms in Lombardy include securitization and other sales as computed by Bank of Italy - Milan. These data, on which Assolombarda has an exclusive, allow to monitor and estimate trends on the local credit market with higher precision and reliability. In the third quarter of 2017, bank loans to firms sum up to 222,5 billion euro and hold essentially stable (-0.1%) compared to the same quarter in 2016, in line with a gradual mitigation trend started around mid-2016. The aggregate figure results from combining different trends by firm size and sectors. Considering firm size, medium-large firms with more than 20 persons employed (87% of total loans) see a tiny increase (+0.3% in the third quarter of 2017), while loans to firms with up to 20 persons employed (13% of total loans) continue to suffer (-3.0%). As to sectors, loans to industry grow (+1.5% in the third quarter of 2017), followed by services (+0.6%), while constructions still diminish (-5.9%). Finally, the fall in the number of bankruptcy procedures strengthens in Lombardy (-12.5% in the first nine months of 2017 with respect to the same period in 2016), while voluntary settlements shift trend and start to diminish (-1.3%).





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