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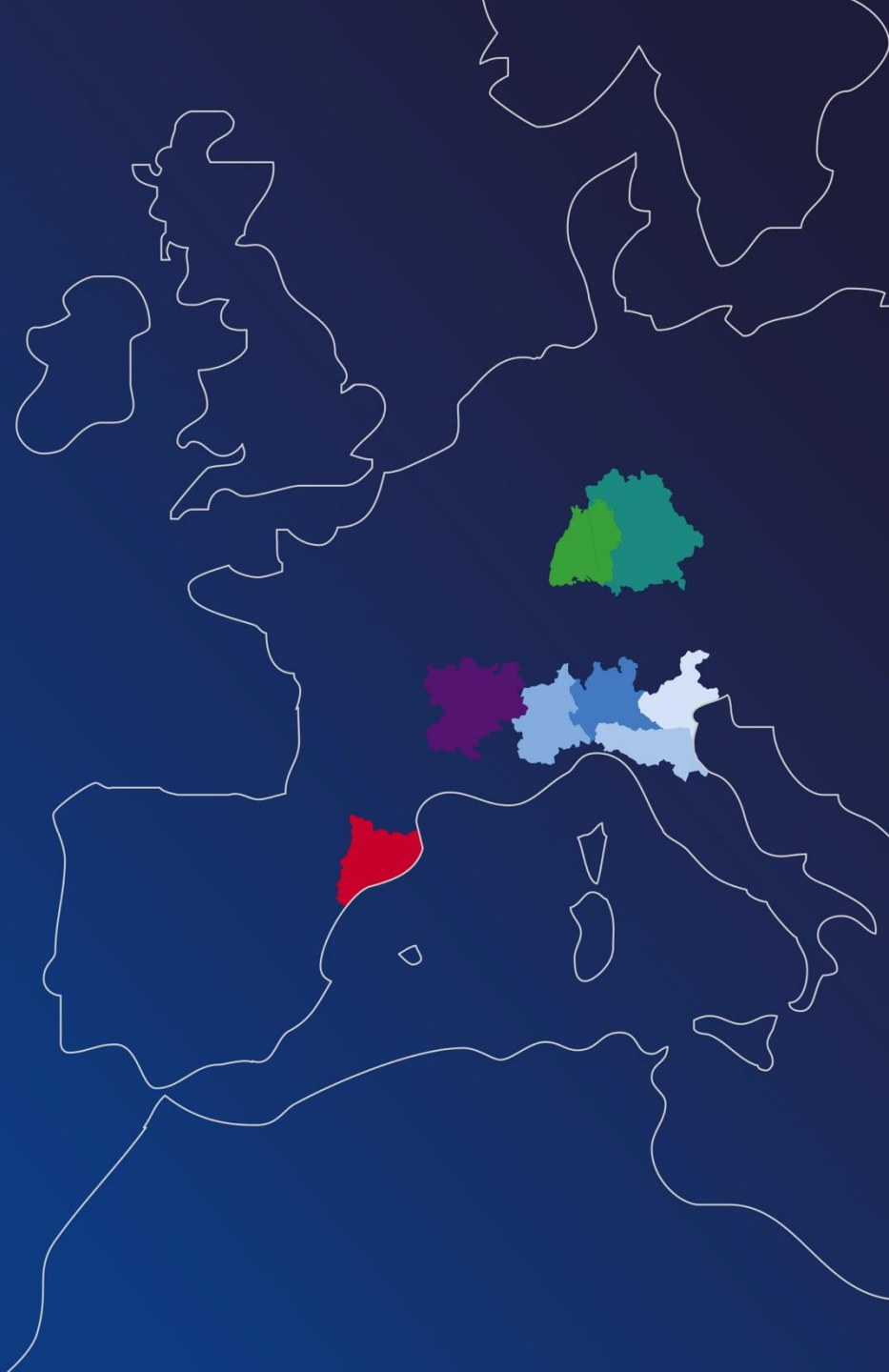
# Booklet Economia

Lombardy in comparison with Italian  
and European benchmarks

Edited by

**Research Unit**

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# 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**

From 2010 to 2015, workplace injuries in factories in Lombardy have decreased by 32.4%. Over the first 8 months of 2016, the decrease has been of 1.0%.

## **SUMMARY - The performance of the economy of Lombardy compared with benchmark regions**

The decrease both in manufacturing and consumer confidence over the summer seems to assume subdued growth towards the end of 2016, in contrast with the peak reached between April and June. To what extent is it a real economic slowdown or a temporary reaction to Brexit and other events, from the terrorist attacks in Nice to the attempted coup d'état in Turkey?.

In Lombardy, performance diverges very much across businesses: overall, regional manufacturing production remains below its pre-crisis level by 7.8%; however, large enterprises have improved above 2008 levels (+4%), while medium (-6%) and, especially, small (-17%) ones are still lagging.

The labor market keeps on giving signs of recovery: +65,000 employed of age between 15 and 64 in the second quarter of 2016 compared to pre-crisis and +43,000 net Cassa Integrazione Guadagni (CIG). The employment rate is at 66.9% and the unemployment rate has fallen to 6.9%. The reintegration of workers in Lombardy under the CIG continues (-35% change in the period January-September 2016 in comparison with the same period in 2015), even if CIG Straordinaria gets back on an upward trend (+15%, less than elsewhere anyway), testament to the endurance of relevant corporate restructuring and reconversion.

### The performance of the economy of Lombardy compared with benchmarks

After the higher-than-expected acceleration in the spring (manufacturing production in Lombardy grew by 0.8% between April and June), both manufacturing and consumer confidence have decreased, hinting at a possible economic slowdown in this region over the fall and winter. It is true that such decline was recorded right after the events of this summer, ranging from Brexit and the Nice attack to the attempted coup d'état in Turkey. The key issue is assessing the extent to which the decline is a temporary reaction to heightened geopolitical tensions or a symptom of a real economic slowdown.

As a matter of fact, the manufacturing confidence index in Milan\* declined in July and August, moving into negative territory. In any event, there are specific aspects affecting these two months, both in light of what mentioned above and because of the impact of business closures. Behind the decline in confidence is the worsening of all components: orders, both on the domestic and foreign market declined, consolidating the downward trend started in June, inventories have returned to normal levels and short-term production expectations have decreased (though remaining positive). In prospect, expectations on order books for the next three to four months are declining too, especially relative to the domestic market, where they almost reach zero. At country level, manufacturing confidence edges higher in Germany, Spain and France in September, while it stabilizes in Italy, confirming the flat trend recorded since the beginning of 2016.

With reference to consumer's confidence, we have witnessed further declines in Italy in September, in line with the downward trend since the beginning of 2016 and reaching its lowest level since last year. The same trend characterizes the confidence climate in the North-West of Italy (for which the latest available data dates back to August). In particular, it has to be noted the sharp reduction in the economic component both current and future, and in the personal future component.

In the Lombardy region remains a very strong divergence in performances across businesses: indeed, if overall regional production in manufacturing has not yet closed the gap with its pre-crisis level (-7.8%), large enterprises have already increased above 2008 levels (+4%), while medium (-6%) and, especially, small (-17%) ones are still lagging.

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*\*Milano, Lodi, Monza e Brianza*

The steady growth in spring of industrial production in Lombardy was matched by rapidly growing exports: +1.4% in the second quarter of 2016 (after a mere +0.1% in the first quarter), as a result of the +4.3% on EU markets nullifying the -2.1% on non-EU markets. When comparing performances across sectors, other manufacturing, fashion, rubber and plastics and food showed a more positive performance. Such improved performance translated into an aggregate +0.7% over the first six months of 2016 in Lombardy, which hence performs better than Veneto (+0.3%), Italy (+0.0%), Auvergne-Rhône-Alpes (+0.1%), Baden-Württemberg (-0.9%) and Piedmont (-7.4%), but worse than Bayern (+4.8%), Cataluña (+2.0%) and Emilia-Romagna (+1.6%).

On the labor market recovery continues. The second quarter of 2016 sees a positive balance with respect to the pre-crisis period: 65,000 more employed between 15 and 64 years of age than in the second quarter of 2008 and 43,000 more net of CIG. Employment rate in Lombardy has increased to 66.9% in the second quarter of 2016 (in line with pre-crisis levels) and, at the same time, the unemployment rate has gone down to 6.9%.

In recent months, the reintegration of workers under the CIG has continued in Lombardy, achieving a -35% decrease on 2015 (in comparison: -38% Veneto, -23% Piedmont, -20% Emilia-Romagna). Nevertheless, CIG Straordinaria is increasingly utilized in all regions considered, even if in Lombardy (+15%) to a lesser extent than elsewhere. These findings signal that, despite an overall background of improvement, corporate restructuring and reconversion are still underway. Finally, also due to the reduction in fiscal incentives, the “avviamenti al lavoro”<sup>\*</sup> overall has decreased in all Italian benchmark regions: a -10% change in Lombardy over the period January-August compared with the same period in 2015, a -28% when looking at permanent contracts.

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<sup>\*</sup> “Avviamenti al lavoro” refers to the incoming and outgoing flow of workers. It is not comparable with data - which Istat extracts on the basis of a sample survey - on the stock of persons employed and unemployed.





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