



ASSOLOMBARDA
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Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

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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 have decreased by 32.4% in Lombardy (-36.4% per person employed net Cassa Integrazione Guardagni (CIG) according to our estimates). Over the first nine months of 2016, they have declined by 1.3%.

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

Economic activity in Lombardy slows down more than expected between July and September, after the acceleration performed in the spring: regional manufacturing production decreases by -0.2% (after a +0.5% in the second quarter, revised downward). Like Lombardy, also Baden-Württemberg slows down (-0.1%), while Cataluña keeps growing, though at a lower rate (+0.6%). The decline in Lombardy involves all businesses regardless of size.

The latest measurement of the confidence climate in the manufacturing and the innovative tertiary sectors signals a moderate recovery of production in Lombardy in the last months of 2016, after the setback suffered in the third quarter. Manufacturing confidence in Milan* bounces slightly above zero in September and innovative services increase in the third quarter.

Nevertheless, 2016 is looking to be a year overall less favorable than 2015 for firms in Milan: 37% is the share of firms in the manufacturing and innovative tertiary sectors expecting to close 2016 with a growing turnover (48% was the equivalent figure in 2015, strongly revised downward with respect to the 50% forecasted in April 2016).

On the labor market, the reintegration of workers under the CIG continues in Lombardy (-29% in the first ten months of 2016), but to be monitored is the halt in the demand for temporary work in Milan* in the third quarter (-3%).

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The performance of the economy of Lombardy compared with benchmarks

Economic activity in Lombardy slows down more than expected between July and September, after the sustained acceleration experienced in the spring. As a matter of fact, in the third quarter of 2016 regional manufacturing production declines by 0.2% with respect to the previous quarter, for the first time after eight consecutive periods on positive trends. Furthermore, the growth rate of the second quarter has been revised: from +0.8% to 0.5%. Hence, the growth overall gained in 2016 is +1.2% (versus the +1.5% performed in 2015).

A slowdown in the third quarter is recorded even in our European benchmark regions. However, while in Baden-Württemberg manufacturing production decreases (-0.1%) in line with Lombardy, in Cataluña recovery continues, even though at a slower pace (+0.6% after the +2.6% of the second quarter). On average, production picks up in Italy (+1.5%, after the -0.2% of the second quarter).

In light of these considerations, the gap from the pre-crisis peak increases to -8.3% in Lombardy, setting at a level that is less than half Cataluña's (-18.8%) and almost a third of the Italian one (-21.7%). Baden-Württemberg instead is slightly above its 2008 levels (+0.3%).

It has to be underlined that the decline registered in Lombardy over the third quarter is spread across all firm sizes. However, what persists is a divergence in performances with respect to the pre-crisis period: large enterprises are already ahead of their 2008 levels (+3%), medium (-7%) and especially small businesses (-17%) not yet.

The latest indications from the confidence climate in the manufacturing and the innovative tertiary sectors signal a contained recovery of production in Lombardy in the last months of 2016, after the setback suffered in the third quarter.

In Milan*, the manufacturing confidence climate slightly bounces back just above zero in September, recovering from the decline seen in August. The improvement in confidence comes from the improvement in expectations over production levels for the next three to four months, while order books are essentially stable (the decline in the foreign component is more or less made up for by a stronger internal demand) and inventories accumulate (hence regaining part of the August decline, getting back a little bit above normal levels). There is much to hope from the improvement in expectations on order books, both on the domestic and foreign market, for the end of 2016.

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At country level, manufacturing confidence improves everywhere once again in October, except from France, where it stays stable: it grows in Italy, though remaining in line with the trend performed since the beginning of 2016; it goes back on a positive trend in Germany and sets at its highest levels since early 2012; it almost reaches zero in Spain and stands at its highest levels since late 2015.

The confidence climate of the innovative tertiary sector in Milan* went up in the third quarter and is in line with its 2015 average, thanks to improved opinions about the general trend of the Italian economy and higher expectations on orders for the next months, which get back to their spring levels. On the contrary, final orders are declining.

Over the whole of 2016, 37% of manufacturing and innovative services businesses in Milan* expect to close the year with a turnover higher than in 2015, a definitely smaller share than the 2015 peak (48%); at the same time though, 28% of them foresee a reduction in turnover (32% the equivalent figure in 2015). It is necessary to highlight that, with respect to April projections, preliminary estimates for 2016 are strongly revised downward: from 50% to 37% the firms closing 2016 with a growing turnover; from 28% to 13% those expecting a lower turnover; broadly stable at 35% those assuming no change in their performance in comparison with 2015. As for 2017, 35% of the surveyed firms expect a growth in turnover on 2016, while 46% of them signals stability, 8% a decline and 11% "do not answer". The high abstention rate uncovers the entrepreneurs' strong uncertainty over the future performances of their businesses.

As to consumers, the confidence climate in the North-West declines again in October, reaching its lowest levels since summer 2015. In particular, it has to be noted the reduction in the current economic component and in the personal component, both current and future.

When looking at business demography, in the third quarter the number of active firms in Lombardy keeps on growing (+0.2%) after its turn in 2015, but manufacturing firms are still declining (-1.4%).

The most recent data on the CIG signal that recovery continues: -29% in Lombardy between January and October compared with the same period in 2015 (in comparison: -6% in Veneto, +1% in Emilia-Romagna, no change in Piedmont). Conflicting signals, to be examined in depth when data on employment and unemployment in the third quarter come out, concern overall demand for temporary work, which declined in Milan* by 3% in the third quarter of 2016 with respect to the same period in 2015; the demand for technicians declines (-9%), but the number of sales clerks increases (+4%) thanks to the good tourist inflow over the summer.



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