



ASSOLOMBARDA  
Confindustria Milano Monza e Brianza

# 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**

In 2016, workplace injuries per person employed in factories (net Cassa Integrazione Guadagni (CIG)) have decreased by 3.9% with reference to 2015 (-35.9% since 2011), those “outside factories” by 3.6% (-34.2% since 2011).

## **SUMMARY – Economic performance in Lombardy in comparison with benchmark regions**

According to the Italian National Statistical Institute (Istat)’s revised estimates, economic performance in Lombardy over 2013 and 2014 has substantially differed from previous evaluations: -2.0% instead of -1.0% in 2013 and +0.7% instead of -0.9% in 2014. In 2015 Lombardy continues to grow, though it doesn’t pick up: +0.9% in GDP compared with +0.7% at the national level.

Recent signals from the confidence climate in manufacturing and innovative services seem to project the recovery of production between the end of 2016 and beginning of 2017 in Lombardy, after the -0.2% in manufacturing production performed in the third quarter of 2016. Consumer confidence remains at its lowest levels since last year instead.

As to the labor market, in Lombardy the CIG declines more than in the other benchmark regions (-29% in 2016 with respect to 2015) and in Milan\* the overall demand for temporary work gets back on a positive trend in the last quarter of 2016 (+4%). Total hiring instead slows down more than elsewhere (-7.2% in the year to December 2016 with respect to 2015), though more moderately respect to the benchmarks with reference to permanent contracts (-28.1%).

### Economic performance in Lombardy in comparison with benchmark regions

In December Istat has finalized Lombardy's 2013 GDP, revised estimates for 2014 and released for the first time the data for 2015. As a result of this update, 2013 GDP was revised downwards (from -0.1% as of November 2015 estimates to -2.0%). However, it is especially to 2014 data that attention has to be paid, as the sign switched from negative (-0.9%) to positive (+0.7%). It follows that 2014, which appeared to be yet another year with a negative growth performance, has instead resulted being positive, in line with what could actually already be inferred from trends of the available set of "soft" indicators and industrial production data (+1.5% in 2014 over 2013) throughout the year. Lombardy has then been the driver for the Italian return to growth (+0.1% in 2014). In 2015, GDP growth in Lombardy reaches +0.9% (+0.7% the national average).

In our region, recent signals from the confidence climate in manufacturing and innovative services seem to project the recovery of manufacturing production between the end of 2016 and beginning of 2017. Consumer confidence remains at its lowest levels since last year instead.

In Milan\* the manufacturing confidence climate index slightly declines in December, after the positive exploit recorded in November, but it still sets at the high levels registered in the first months of 2016. The decline owes to the rebound in expectations over production levels for the next 3 to 4 months and to a decline in order books (fully due to their foreign component, for the domestic one has instead stabilized at its peak since 2010). The stock of finished goods, though declining, is still way higher than normal levels. Expectations both over internal demand and foreign demand for the next months stay at positive and high levels.

At country level, manufacturing confidence improves in January 2017 in Italy, reaching its highest levels since end of 2015, and in Spain, where it gets close to zero. The index is stable both in Germany (above zero and at its highest levels since beginning of 2012) and France (where it stays negative though).

In Milan\* innovative services confidence climate remains at historically high levels also in the last quarter of 2016.

Consumer confidence climate in the North-West declines in January, setting at its minimum since summer 2015. In particular, it has to be noticed the persistent decline in the economic component.

*\*Milano, Lodi, Monza e Brianza*

With regard to business demography, active firms in Lombardy keep on growing in number, though dimly, also in 2016 (+0.2%) after the turning point happened in 2015 (+0.2%), but manufacturing firms are still declining (-1.2%).

The latest data confirm that on the labor market recovery continues, though at a slower pace than in the recent past. Over the whole of 2016 CIG decreases by 29% with respect to 2015 in Lombardy (to compare: -8% in Veneto, -2% in Piedmont, +6% in Emilia-Romagna) and in Milan\* the overall demand for temporary work gets back on a positive trend in the last quarter of 2016 (+4%). At the same time, plausibly as a consequence of the reduction in fiscal incentives, total hiring between January and November 2016 sets well below its 2015 levels: -7.2% in Lombardy (-28.1% permanent contracts).

To be thorough, in the next paragraphs we summarize the trends of the other main variables reviewed in the Booklet, for which the latest data available – referring to the third quarter of 2016 – are the same as in the December edition.

Lombardy's exports manage a mere +0.4% in the first nine months of 2016 over 2015, which reflects the divergence in trends between growing EU markets (+2.2%) and declining non-EU markets (-1.8%). The pharmaceutical sector (+8.3%), food (+5.7%) and fashion (+4.7%) positively stand out, while oil products (-9.5%) and the automotive sector (-6.2%) rank among the bottom performers. Such weak export performance is in line with the fall in manufacturing production (-0.2% in the third quarter).

Finally, the first glimpses of a recovery on the credit market in Lombardy might be caught. In the second quarter of 2016 the decline in bank loans to businesses slows down (-0.1% with respect to the same quarter in 2015) and, for the first time since the crisis, the share of gross “sofferenze”, i.e. non-performing loans at high risk of non-payment, over total assets declines (13.6%). The decline in defaults also continues (-3.5% in Lombardy in the first quarter of 2016 over the same period in 2015), whereas over the same period liquidations have been slightly growing (+1.3%). Firms' risk profile improves: as of October 2016, 57.9% of firms result to be “safe” or “creditworthy” (0.6 pp more than in October 2015).





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