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

From 2010 to 2015, workplace injuries in factories have decreased by 32.4% in Lombardy (-36.4% per person employed net Cassa Integrazione Guadagni (CIG) according to our estimates). Over the first ten months of 2016, they have declined by 1.1%.

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

The negligible change (zero percent) in exports over the third quarter confirms estimates of a halt in manufacturing production over the period from July to September (-0.2%) after the lively upswing recorded in the spring. In the last months of 2016 there are glimpses of recovery, though moderate: the expectations of manufacturing firms climb up again and consumer confidence stops declining.

Although weaker than in the recent past, in Lombardy the recovery on the labor market continues: over the third quarter, the employment rate grows to 66.0%, while unemployment stays at 6.7%.

From this edition onwards, the Booklet will include a specific section dedicated to enterprises' access to finance and risk profile, based upon original data. In Lombardy, the first signs of improvement begin to surface. The decline in bank loans to businesses slows down (-0.1% in the second quarter of 2016 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 (reaching 13.6%, the lowest share across our Italian benchmark regions). The downturn in defaults continues and the risk profile of enterprises improves.

Finally, the last pages report some monthly indicators useful to a "soft" yet "just in time" assessment of the economic performance of our region.

Economic performance in Lombardy in comparison with benchmark regions

After the positive performance over the spring, economic activity slows down between July and September in Lombardy; it shows signs of a moderate recovery for the last months of 2016.

New data on exports at the regional level highlight Lombardy's flat profile over the third quarter, while all national and European benchmarks display a positive performance (except from Baden-Württemberg, still suffering a substantial decline, -3.3%). Such stillness translates, in the year to September 2016, in a mere +0.4% on 2015, which reflects the divergence in trends between growing EU markets (+2.2%) and declining non-EU markets (-1.8%). Over the same period, 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.

Lombardy's weak export performance is in line with the fall in manufacturing production, which in the third quarter declines by 0.2% with respect to the previous quarter (when it registered a +0.5%) - decline that involved all businesses regardless of size.

Recent signals from the manufacturing confidence climate, in particular in terms of expectations, seem to project a recovery, though moderate, for the end of 2016, while consumer confidence remains at its lowest levels since last year.

In Milan* the manufacturing confidence climate index improves in October, recovering great part of the plunge registered over the summer, which was partly affected by new and great geopolitical tensions arising, from Brexit to the terrorist attacks in France to the "coup d'état" in Turkey. The increase in the index owes to the remarkable improvement in production expectations for the next 3 to 4 months, which reach their highest level since May 2016, and to the destocking of finished products, which get back to normal levels. Order books are essentially stable: a stronger internal demand is made up for by the decline in the foreign component (setting on a downward trend for the fifth month in a row, at its minimum levels since the end of 2012).

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At country level, manufacturing confidence declines in November in Italy, along the rather flat trend followed since the beginning of 2016 and to definitely lower levels than its 2015 average, and in Germany as well, where it remains close to zero though. It increases in Spain instead, getting back above zero and reaching its peak in a year, and it stays stable in France for the third consecutive month.

Consumer confidence climate in the North-West is overall stable in November for the third consecutive month, at its minimum since summer 2015. In particular, it has to be noticed the persistent decline in the economic component, especially current.

The recovery of the labor market in Lombardy continues, but slowly. In the third quarter the employment rate grows to 66.0% and unemployment is stable at 6.7%. The number of persons employed of age 15-64 is essentially the same as pre-crisis (versus the +115,000 of the population) and net CIG the employment balance is negative (-19,000). If the population over 65 is included, the difference with 2008 gains a positive sign (+9,000 in employment); the decline in the number of men (-33,000) is more than compensated by a higher number of women (+42,000), and the number of employees is highly growing (+126,000, versus -117,000 self-employed). Plausibly as a consequence of the reduction in fiscal incentives, total hiring over the period January-November 2016 sets well below the levels of the corresponding months back in 2015 in all Italian benchmark regions: -9.0% in Lombardy (-27.8% when looking at permanent contracts).

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 (reaching 13.6%, the lowest share across our Italian benchmark regions). In absolute terms, the stock of “sofferenze” keeps on growing, but less than in the past, setting at €31.9bn in June 2016. The decline in defaults also continues (-3.5% in Lombardy in the first quarter of 2016 over the same period in 2015), but absolute levels are still twice those registered pre-crisis. After the strong decline in 2015 (-5.4%), liquidations have been slightly growing for the first six months of 2016 (+1.3%).

Firms’ risk profile improves in Lombardy, resulting sounder than in the other Italian benchmark regions: as to October 2016, 57.9% of firms result to be “safe” or “creditworthy” (0.6 pp more than in October 2015). However, there is an ongoing process of divergence: the share of “safe” firms grows to 17.7% (2 pp more than in October 2015), while those in the risk area reach 12.8% (+0.9 pp).

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