ASSOLOMBARDA
Confindustria Milano Monza e Brianza

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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 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

Workplace injuries per person employed (net Cassa Integrazione Guadagni, CIG) in Lombardy in the second quarter of 2017 with respect to the second quarter of 2016: +6.1% in factories, +3.6% «outside factories».

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

Since year-end 2016, Lombardy has been performing in line with the other European regions, with the latest indicators unanimously suggesting the recovery has strengthened over the last months: with respect to the pre-crisis period +3.2% in manufacturing production and +7.4% in exports in the first semester (Milan, Lodi and Monza Brianza +8.7%), +115,000 persons employed in the second quarter.

In particular, manufacturing production in Lombardy grows twice as fast as last year, outperforming both the Italian average (+2.0%) and European benchmarks (Baden-Württemberg +2.9%, Cataluña +2.8%). As to exports, +7.4% in the first semester places Lombardy among the top performers both when considering European and national benchmarks.

Surveys of firms in Milan over the summer hint that growth in manufacturing and, especially, in innovative services continues, if not even strengthens. Consumer confidence in the North-West area also improves, reaching its highest levels since end 2016.

On the labor market, in the second quarter of 2017 the employment rate reaches 67.6%, up from 66.9% a year ago (recall that Lombardy is the only region among national benchmarks above 2008 levels), and at the same time the unemployment rate falls from 6.9% to 6.1%. The demand for temporary workers in Milan, Lodi, Monza and Brianza grows for the third month in a row and by as much as +10%. The absorption of the CIG continues at a considerable pace: -56% over January-July 2017.

Economic performance in Lombardy in comparison with benchmark regions

All the latest indicators concurrently suggest growth has strengthened over the last months.

Manufacturing production in Lombardy keeps stable in the second quarter of 2017 (-0.1%), following a substantial +2.1% in the previous quarter. In the first semester, production overall grows by +3.2% with respect to the first semester of 2016, at twice the pace of a year ago and faster than both the Italian average (+2.0%) and European benchmarks (Baden-Württemberg +2.9%, Cataluña +2.8%). It follows that Lombardy's «acquired» growth for 2017 – i.e. what the annual growth rate will be if there are no further quarter-on-quarter rises – is +2.8%, well above the +1.3% measured in 2016.

Growth is being driven by firms across all size classes, although there is still a performance divide with respect to the pre-crisis: large firms are above 2008 levels by +6.3%, while medium firms are still below by -3.6%, small firms by -15.2%.

Growth on international markets continues as well. In the second quarter of 2017, Lombardy's exports grow by +6.3%, following an already bullish +8.6% in the first quarter, totaling +7.4% over the first semester. Breaking down the figure by markets, both EU (+7.3%) and non-EU markets (+7.6%, especially +15.9% the U.S.) contribute to growth; as to manufacturing sectors, pharmaceuticals stand out (+40.5%); finally, among provinces, the area comprising Milan, Lodi, Monza and Brianza leads (+8.7%). Thanks to this acceleration in the first half of the year, one of the fastest among European and national benchmarks, Lombardy reduces the performance gap vis-à-vis its benchmarks in going back to pre-crisis levels, and outperforms its 2008 levels by +11.5%.

In June, manufacturing confidence in Milan* diminishes as a result of a declining domestic demand and a concurrently increasing stock of finished goods. Confidence however remains high thanks to a sustained foreign demand and a further increase in production expectations. In perspective, valuations tilt towards upside scenarios, as shown by improved expectations on both national and foreign orders.

At country level, in August confidence improves everywhere, especially in Italy, where it reaches its highest level since the pre-crisis, and in Germany, where it gets back to the high 2011 levels.

**Milan, Lodi, Monza e Brianza*

In Milan* in the second quarter innovative services confidence jumps back to end-2015 historical highs, thanks to a considerable improvement in all components: both final and future order books and expectations on general trends in the economy over the upcoming months.

As to consumers, in August confidence in the North-West area grows to its historical highs since end 2016, owing to a widespread improvement in all components (individual and business, current and future).

In light of the trends in confidence indexes, we expect growth to continue, if not strengthen, over the next months.

Considering business demography, active firms in Lombardy, although moderatly, keep on growing in number also over the second quarter of 2017 (+0.1%), yet manufacturing firms are still diminishing (-1.1%).

Finally, the positive signals from the labor market strengthen. In the second quarter of 2017 there are 115,000 more persons employed (aged 15-64) compared to the second quarter of 2008, versus a population growth of 111,000 units. When including all employed persons aged over 15, compared to the pre-crisis there are more women employed (+129,000) than men (+4,000) and the growth in the number of employees (+241,000) more than offsets the decline in the number of the self-employed (-108,000). The employment rate reaches 67.6%, up from 66.9% a year ago in Lombardy, the only region among national benchmarks above pre-crisis levels. The unemployment rate concurrently falls to 6.1% (from 6.9%). Over the same period, the demand for temporary workers in Milan, Lodi, Monza and Brianza grows for the third month in a row and by as much as +10%, driven by a higher demand for administrative staff, plausibly due to the necessity to manage higher production levels. Data on total hiring over the first semester confirm the positive trend (+12.2%). Finally, the absorption of the CIG continues over recent months: -56% in January-July 2017 compared to 2016.

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