



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 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

In the third quarter of 2017 in Lombardy, across all economic sectors, work-related accidents fall by -3.1% per person employed net Cassa Integrazione Guadagni (CIG) and by -1.5% in total. Focusing on Lombardy's industry sector, in the third quarter work-related accidents grow by +3.7% per person employed net CIG and +2.1% in total.

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

Lombardy has finally latched onto the marked upward trend in world trade: exports up by +7.3% in the first nine months of 2017 is among the top performances both at the national and European level (to be noted that the equivalent figure in 2016 was +0.3%). Growth is evenly spread across EU and non-EU markets (both up by +7.3%), all manufacturing sectors are on an upward trend, and among provinces the area of Milan, Lodi, Monza e Brianza provides the largest contribution to growth (+9.1%).

From surveys on the manufacturing and innovative services firms in our territory it is gathered that the expansionary phase will continue through the end of 2017 and especially the first months of 2018 (expectations on demand and production grow once again).

On the credit market, there remain strong differences across sectors: the -2.1% recorded for the total economy in the second quarter of 2017 hides a still strong crunch in the construction sector (-10.9%), a slight dip in the tertiary sector (-0.9%) and an increase in the industry sector (+0.5%). The share of gross «sofferenze» over total assets falls from 13.7% in June 2017 (from 14.5% in March). The number of defaults continues to decline (-13.4%), yet voluntary liquidations are still increasing (+3.3%).

Economic performance in Lombardy in comparison with benchmark regions

Lombardy's growth performance is strong and is driven by foreign demand: exports grow by +7.3% over the first nine months of 2017 (+0.3% the equivalent figure in 2016), one of the top performances both at the national and European level (outperforming Veneto, Emilia-Romagna, Baden-Württemberg, Bayern, Auvergne-Rhône Alpes) which is testament to how well Lombardy has latched onto the expansionary phase in world trade (+9.8% in the first nine months of 2017). Firms in Lombardy record a boost in foreign sales both on EU (+7.3%) and non-EU markets (+7.3%, with the U.S.A. up by +15.1%) and the improvement involves all manufacturing sectors (in particular, when considering the nine months as a whole, pharmaceuticals, food, metals stand out; in the last quarter, mechanics and electronics pick up). Among provinces, Milano, Lodi, Monza e Brianza contribute the most to growth, with a +9.3% in export value (a value which almost totals half of regional export value). Thanks to such sustained growth, Lombardy fills part of the pre-crisis gap measured against its benchmarks, and is now above 2008 levels by +12.5%.

In the first nine months of 2017, manufacturing activity in Lombardy grows by +3.2%, twice and a half the pace kept in 2016 (+1.3%) and more than Italy (+2.7%), reducing the pre-crisis gap to -5.3% (vs Italy's -19.1%).

From surveys on the manufacturing and innovative services firms in our territory it is gathered that the expansionary phase will continue through the end of 2017 and especially the first months of 2018 (expectations on demand and production grow once again). As to consumer confidence, it holds pretty stable in the North-West for the fifth consecutive month and stays in line with the peaks reached at end-2015.

In particular, the manufacturing confidence climate in Milan, Lodi, Monza and Brianza strongly grows in December 2017 and reaches new highs. Such growth is driven by all components: short-term expectations on production definitely improve and are at their peak, book orders increase (with the foreign component recording a strong improvement, while the domestic component slightly decreases) and the destocking of finished goods is marked (after the increase over the last months in line with extremely positive expectations on book orders).

At country level, manufacturing confidence in Italy is essentially stable above pre-crisis levels for the fourth consecutive period and slightly diminishes in Spain and France, while in Germany it keeps on increasing, along the impressive positive trend started at the beginning of 2016.

Innovative services confidence in Milan, Lodi, Monza e Brianza between October and December 2017 is stable at the record level of end-2015. Among the different components, opinions on the general economic trend lead, book orders slightly increase, short-term expectations on book orders decrease.

The upswing in Lombardy's production is associated to an overall improvement of the labor market, which is nonetheless displaying heterogeneous dynamics. In the third quarter of 2017, the number of persons employed (15-64 years old) in Lombardy increases by +49,000 units with respect to 2008 levels and, net CIG, the balance grows to +113,000 units, versus a population growth of +111,000 units only. Considering a wider age range (over 15 year olds) the positive balance with the pre-crisis grows to +66,000; however, if one factors in the increase in part-time work (often involuntary) and estimates the equivalent number of full-time workers, the balance turns negative and equal to -31,000 units. Moreover, behind a balance of +66,000 persons employed are diverging dynamics both by gender (+89,000 women, -23,000 men) and profession (+185,000 employees, -119,000 professionals). When it comes to sectors, the increase in employed persons compared to pre-crisis levels is totally imputable to services (+238,000 units, a by-product of the legalization of foreign women employed in personal care), whereas there are 38,000 fewer persons employed in manufacturing (which is nonetheless on a recovery track) and 117,000 fewer in the construction sector (once more in a contractionary phase). Over recent months, total hiring in Lombardy increases by +13.7% between January and November 2017, however permanent contracts decrease by -6.2%.

Finally, the reabsorption of the CIG continues: 57 million authorized hours in 2017 correspond to a decrease by -49% compared to 2016. It is still 20% more than the 47 million recorded in 2008, still actually used hours are 13 million, a number well below the 36 million of the pre-crisis period.

As to business demography, in 2017 the total number of active firms in Lombardy is slightly up from 2016 levels (+0.1%), which confirms trends reversed in 2015, contrary to other Italian regions where the negative trend has not switched sign yet. In the manufacturing sector however the decrease continues in Lombardy as well (-1.2% in 2017).

Finally, the credit market is still affected by heterogeneous performances between sectors. In the second quarter of 2017, loans to firms in Lombardy are stable at the figure recorded in the previous quarter (230,2 billion euros). However, considering year-on-year growth, loans declined by -2.1% and, compared to the pre-crisis, the gap is at -14.1%. It is important to note that performances vary depending on the sector considered: as a matter of fact, the overall decline by -2.1% is almost exclusively ascribable to the construction sector (-10.9%) and, to a lesser extent, to services (-0.9%). The opposite, industry performs positively (+0.5%). In Lombardy, the share of gross «sofference» over total assets falls to 13.7% in June 2017 (from 14.5% in March). The decline in the number of defaults strengthens (-13.4% in January-June 2017, after -8.0% in 2016), yet voluntary liquidations are still on the rise (+3.3%, after +7.2% in 2016).





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