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

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

In 2017 the recovery started in 2014 strengthens both in Milan and in Lombardy, as in Italy. Over the past four years as a whole, Milan has grown by +6.2%, almost twice Italy's rate (+3.6%), a performance driven by services (+7.6%, accounting for 82% of value added in the territory) and industry's sustained recovery over 2016-2017 (+4.0% and +3.4%). Thanks to this performance, Milan's GDP today measures +3.2% above pre-crisis levels, whereas Lombardy (-1.1%) and Italy (-4.4%) still have a gap to fill.

Manufacturing production data for 2017 back the recovery up, with small firms in Lombardy growing by +3.4% throughout the year, in line with large firms (+3.3%), and medium firms performing even better (+4.2%). Nevertheless, small firms still suffer a wide gap with pre-crisis performances (-11.9%), while medium firms are almost even (-1.1%) and large firms are way above (+8.2%).

The confidence climate allows for optimism with reference to the beginning of 2018: in particular, the manufacturing confidence climate in our territory slightly declines in January because of a slowdown in foreign orders, however firms' expectations on the latter remain high and positive. The consumer confidence climate slightly falls as well in the North-West region in February, still it remains on historic-highs and above 2016 levels.

Economic performance in Lombardy in comparison with benchmark regions

Thanks to data now available, it is now possible to draw the picture of Milan's and Lombardy's growth performance in 2017.

2017 saw both Lombardy's and Milan's GDP growing respectively by +1.8% and +1.9%. One may be reminded that Italy achieved a +1.5%. The recovery started in 2014 hence strengthens: +5.1% was Lombardy's GDP growth between 2014 and 2017, to be compared to Italy's +3.6%. Milan grows faster than Lombardy and almost twice as much as Italy, achieving +6.2% over 2014-2017.
Among benchmarks, Emilia-Romagna slightly outperformed Lombardy (with a cumulated growth of +5.5% between 2014 and 2017), while Veneto grew at a slower pace (+4.5%) and Piemonte even less so (+2.3%).
Compared to pre-crisis levels, all the regions considered still have gaps to fill: a limited one for Emilia-Romagna (-0.7%), Lombardy (-1.1%) and Veneto (-2.6%); a wide one for Piemonte (-6.5%) and the national average (-4.4%). On the contrary Milan has outgrown its precrisis self ever since 2015: +3.2% in 2017 on 2008.
Focusing on Milan, between 2014 and 2017 growth was mainly driven by services (+7.6%, accounting for 82% of value added in the territory), which now set above 2008 levels by +6.4%, Industry follows, growing by +2.3% over the period 2014-2017 (especially thanks to the marked boost recorded in 2016-2017, respectively +4.0% and +3.4%), which nevertheless is still insufficient to filling the gap with pre-crisis levels (-3.8%). Constructions still suffer deeply: -28.3% in 2017 on 2008.

Manufacturing production in Lombardy speeds up towards 2017 year-end, achieving +1.9% in the fourth quarter on the third. Over the whole of 2017, manufacturing production grows by +3.7% in Lombardy, a performance almost triple that of 2016 (+1.3%), in line with Baden-Württemberg (+3.6%), above the Italian average (+3.1%), yet below Cataluña's still, which continues along its upward trend and further accelerates (+4.2%). The gap with the pre-crisis thus shrinks at -3.2% in Lombardy, while it remains well wide in Italy (-18.2%) and Cataluña (-13.2%). Baden-Württemberg is instead above 2008 levels by +7.0%.
In 2017 firms across all size classes are on upward trens: small (+3.4%) and large (+3.3%) firms are aligned on robust and similar growth rates, medium firms do even better with +4.2%. However, there remain marked differences when comparing precrisis performances: -11.9% small firms, -1.1% medium firms, +8.2% large firms.

Taking a closer look, in 2017 all manufacturing sectors register an increase in production (except from textiles, still on the decrease), with iron and steel (+5.9%), leather and footwear (+5.8%), mechanics (+4.7%), rubber-plastic (+4.4%), chemicals and pharma (+4.2%) and non-metallic minerals (+4.2%) growing above average. All provinces grow: in particular, Milan and Lodi grow by twice as much as in 2016, Monza almost three times as much.

Based on manufacturing and innovative services confidence climates, one might well hope for the beginning of 2018, with numbers hinting at further increases in activity over the next months. As to consumers instead, the confidence climate for the North-West region edges down to the minimum of the last six months, although it remains well above last year levels.

In particular, manufacturing confidence climate in Milan, Lodi, Monza and Brianza slightly worsens in January 2018, after having reached new highs in December 2017. Such dip owes to a fall in orders, entirely due to a foreign component shrinking after the strong increase in 2017 year-end, to the subsequent marked increase in the stock of finished goods and to the worsening of short-term production expectations. Expectations on book orders, both domestic and foreign, over the next months nevertheless hold extremely positive.

At country level, manufacturing confidence grows in February in Italy, again above pre-crisis levels, while it slightly falls in Germany (within an extremely positive trend started in 2016 though), Spain and France.

Finally, the labor market in Lombardy continues to improve. The latest signs stemming from the demand for temporary workers in Milan, Lodi, Monza and Brianza are for a marked increase in the forth quarter of 2017 (+32%), in line with the extremely positive performance of the previous four quarters. The industry sector continues to drive growth, which seeks for employees (+68%), specialized workers (+53%), but also unskilled workers (+48%), especially in industrial processes.
Over the whole of 2017, total hiring increases in Lombardy (+14.0%, but -8.7% open-ended contracts). Moreover, the re-absorption of the CIG continues (-18% in January 2018 on January 2017).

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