



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 fourth quarter of 2017 in Lombardy, across all economic sectors, work-related accidents fall by -4.2% per person employed net Cassa Integrazione Guadagni (CIG) and by -2.6% in total. Focusing on Lombardy's industrial sector, work-related accidents fall by -3.7% per person employed net CIG and increase by +1.0% in total.

SUMMARY – Economic performance in Lombardy in comparison with benchmark regions

Based on the turnover of firms in Milano, Lodi, Monza e Brianza, 2017 stands out as a year of exceptional growth: 59% of manufacturing and innovative services firms record higher sales than in 2016 (the largest share since 2008) and only 10% record a decrease instead (the smallest share since before the crisis).

Firms expect 2018 to be equally positive: 50% of interviewed firms forecast a growth in turnover with respect to 2017, a largely better figure than the one recorded in October 2017, when it nearly achieved 37%.

Opposite to Italy's slight growth slowdown, Lombardy continues along a path of sustained growth in the first months of 2018: its industrial production increases by +1.1% in the first quarter with respect to the fourth quarter of 2017 (when it grew by +1.9%) and by +3.6% on a yearly basis (in line with the +3.7% achieved in 2017).

Economic performance in Lombardy in comparison with benchmark regions

Our regular biannual survey on 300 manufacturing and innovative services firms finds that as many as 59% of firms in Milano, Lodi, Monza e Brianza closed 2017 with a higher turnover than in 2016, the largest share since 2008; at the same time, the share of firms reporting a decrease in turnover is 18%, the smallest share since before the crisis. Manufacturing firms perform the best (61% of them record a growth in turnover).

Looking to 2018, half of sample firms expects an increase in sales compared to 2017, whereas only 10% foresees a decrease. When considering the survey conducted in October 2017 – when 25% of interviewed firms (surprisingly) preferred not to comment on their potential 2018 turnover – these findings highlight a lower degree of uncertainty than back then, which explains the increase in the share of firms expecting higher revenues from 37% in October 2017 to 50% in April 2018. In particular, innovative services firms come across as the most positive (52% expects growing sales).

Lombardy begins 2018 on a positive note. Manufacturing production in Lombardy grows by +1.1% between January and March compared to the last quarter of 2017 (when it achieved +1.9%) and by +3.6% year-on-year. Over the whole of 2017, one might recall, production grew by +3.7%, almost three times as much as in 2016 (+1.3%). Thanks to such great performance, the gap with pre crisis levels shrinks to -2.0% (compared to Italy's -18% as of the last quarter of 2017). Considering firm size, compared to the pre crisis large firms accelerate (+9.3%), medium firms almost close the gap (-1.0%), whereas small firms stop at -12.3%.

Manufacturing and innovative services confidence climate hint at growth to continue, with a larger demand expected also over the next months.

More in detail, manufacturing confidence climate in Milano, Lodi, Monza and Brianza declines in March for the third consecutive month, though on historic-high levels. Short-term production expectations are scaled down (after one year of constant expansion) and the stock of finished goods remains relevant. However order books get back on an upward trend, with a marked increase in the foreign component and a steady domestic component with respect to the previous month and, in perspective, (especially foreign) demand projections on historic-high levels.

Manufacturing confidence grows in March in the main European countries except from Italy, where it slightly decreases. Anyway the index is on positive and historic-high levels everywhere, especially in Germany.

Focusing on innovative services, confidence in Milano, Lodi, Monza e Brianza was geared down in the first quarter of 2018, although it remained on high levels. The decrease is due to a widespread worsening of all components: order books shrink, after a year of sustained growth, demand projections over the next months decline, although still broadly positive, while entrepreneurs scale their expectations on the Italian general economic trend markedly down, bringing them to minimum levels since 2015.

As to consumers, the confidence climate in the North-West has been stable since April and sets on way higher levels than a year ago.

With reference to business demography, the number of active firms in Lombardy slightly increases (+0.1%) between January and March 2018, along the positive trend started in 2015. However, the number of manufacturing firms is still shrinking also in Lombardy (-1.3%).

Throughout 2017 foreign demand drove the outstanding performance of firms in Lombardy and Milano: regional exports peaked at 120 billion euros, achieving +7.5% on 2016 levels, locking on the strong upswing in global trade (+8.4%).

Along with the economic outlook, the labor market also improved and strengthened, with 125,000 more persons employed in 2017 compared to 2008 and an employment rate (67.3%) that, after nine years, outperforms 2008 levels (66.9%).





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