



ASSOLOMBARDA

Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

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Preface

Flash update on the short-term economic outlook for Lombardia 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 Lombardia

August 2019 data confirm the downward trend in recorded work-related accidents in Lombardia: compared to July-August 2018, those «on-the-job» decrease overall by -1.7% and by -0.7% in the industry sector. «Work-related road accidents» grow instead: +1.1% overall, +4.6% in the industry sector.

Economic performance in Lombardia in comparison with benchmark regions

The gradual worsening of the international economic outlook is affecting the industrial sector in Lombardia as well. After having grown for six consecutive years, for the first time in March-June 2019 regional manufacturing production registers a negative year-on-year change (-0.9%) and, following a idle first quarter, activity decreases (-1.2%) in the short term too. Similarly, in mid-2019 Baden-Württemberg and Cataluña see production considerably decrease (to be noted especially that Baden-Württemberg, once factoring in the downward trend in the second quarter 2019, loses the 5 p.p. above pre-crisis levels gained over the past two years and records -0.3% compared to 2008).

In Lombardia the slowdown started in the second half of 2018 has turned into widespread slump: small and medium firms are particularly hit, but also large firms stall. As a consequence, the gap with pre-crisis peaks widens: -2.6% overall, -12.3% small firms, -0.2% medium firms (whereas large firms set above 2008 levels at +10.7%). In manufacturing, most subsectors (7 out of 13) see activity shrink in the second quarter of 2019: -9.7% wearing apparel, -2.7% leather-footwear, -1.6% machinery and equipment, -1.3% textiles, -1.2% transports, -0.9% paper-printing, -0.8% other manufacturing. Meanwhile, the number of provinces in Lombardia recording negative performances increases (6 out of 12): -4.6% Lecco, -3.0% Mantova, -2.4% Bergamo, -1.9% Monza, -1.0% Brescia, -0.5% Varese.

Manufacturing confidence climate does not suggest the trend to reverse soon. In September manufacturing confidence in the North-West increases slightly, but is still markedly negative overall. The increase in confidence reflects a positive trend in both national and international order books (still below zero though) and a slight improvement in production expectations over the next three-four months. In the same month, confidence instead decreases in Italy and in the main European countries, considerably falling and reaching new lows in Germany especially.

As to consumer confidence, it dimly improves in the North-West in September (in line with last year's average, but below the average of the first half of 2018); the opposite in Italy the index remains at the same level for the third consecutive month.

Behind the slackening industrial production is in particular world trade, the slowdown of which suffers the burden of relevant geopolitical risks. Exports from manufacturing firms in Lombardia grow in the second quarter of 2019 (+1.2% on a yearly basis) but this is not enough to offset the halt recorded in January-March (-1.6%): the first six months of the year overall sum to -0.2% (the opposite, Italy grows by +2.7%). Most affected are transports (-10.6%), whereas pharmaceuticals (+6.8%) and fashion (+4.3%) still perform positively. Among provinces, 8 out of 12 see exports decrease (especially Monza Brianza and Varese), while Milano and Pavia stand out for their growth rates. Considering destination markets, the year-on-year decrease in exports from Lombardia owes to EU countries (-0.7%, due to -1.0% in Germany and -1.2% in Spain), whereas non-EU markets hold (especially +10.2% in the USA) though to be noted is the decrease in exports towards China (-4.1%).

Considering the labor market, the improvement continues but weaker. In the second quarter of 2019 the unemployment rate in Lombardia decreases to 5.1% (from 6.0% a year before), but the employment rate increases only by 0.1 p.p. to 68.5% (from 68.4%) and the activity rate falls to 73.2% (from 73.9%). In absolute terms, parallel to -42,000 unemployed, there are +40,000 inactive and +17,000 employed.

July 2019 also marks one year since Decreto Dignità: at national level in these first 12 months total hiring decreases by -3.5%, from 7.527.144 to 7.265.657. The overall figure results from opposite trends: permanent contracts increase (+134,000) together with those fixed-term contracts turned into permanent contracts (+288,000), whereas fixed-term contracts (-168,000) and especially outsourced work decrease (-375,000). The gap between permanent and fixed-term/outsourced work is negative and equal to -121,000 contracts.

Finally, in mid-2019 bank loans to firms still decrease (-1.3% in June compared to the same period in 2018, following -1.0% in March) and the downward trend which was already affecting small and large firms, and services and constructions, now concerns also the manufacturing sector. In detail, loans to firms with fewer than 20 persons employed further drop (-3.5%) and the downward trend registered since the beginning of the year for medium-large firms continues (-1.0%). Among sectors, loans to services (-1.2%) and to constructions (-3.0%) further decrease, while also manufacturing registers a negative sign after over two years on the increase (-0.7%).





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