ASSOLOMBARDA
Confindustria Milano Monza e Brianza

Booklet Economia

Lombardy in comparison with Italian and European benchmarks

Edited by

Research Department

N° 18/June 2017

ASSOLOMBARDA
Confindustria Milano Monza e Brianza

FAR VOLARE
MILANO

Issued on 6th June 2017

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

Over the first four months of 2017 in Lombardy, total workplace injuries increased by +0.7% with respect to the same period in 2016, those «outside factories» by +7.9%.

SUMMARY - Economic performance in Lombardy in comparison with benchmark regions

Despite estimates over the last two years being extremely conservative, Milan still registers a cumulative economic growth of +3.9% over 2014-2016, which is 1.5 times growth in Lombardy (+2.8%) and 2.5 times growth in Italy (+1.8%). Milan hence outperforms its 2008 levels by +1.0%, whereas Lombardy and Italy not yet (-3.3% and -6.0% respectively). To be noted, Bayern exceeds its pre-crisis levels by +15.0%, Baden-Württemberg by +10.7% and Cataluña only by +0.8%, but performed a growth rate over the past three years of +9.6%.

In 2017, after a particularly dynamic first quarter (+1.7%), manufacturing confidence in Milan* further improves in April, mainly as a result of destocking, with a lower national demand, but high foreign demand and high expectations on production.

As to the labor market, Cassa Integrazione Guadagni (CIG) continues to decrease (-57% between January and April 2017 with respect to 2016), while total hiring slightly increases (+3.0% in the first quarter of 2017).

The analysis of the credit market conveys some risk signals instead: in Lombardy bank loans to businesses decrease again in the fourth quarter of 2016 (-0.2% on 2015, after -0.4% in the third quarter), gross «sofferenze» (i.e. non-performing loans at high risk of non-payment) as a share of total assets grow to 14.2% and voluntary winding-ups are back on an upward trend (+7.1% in 2016). Anyway, defaults have been declining since 2015 (-8.0%) and firms' risk profile improves (55.9% of firms result to be «safe» or «creditworthy»).

**Milano, Lodi, Monza and Brianza*

Economic performance in Lombardy in comparison with benchmark regions

According to Prometeia's (highly conservative) estimates, in 2016 Milan (+1.1%) grows as much as Lombardy (+1.1%) and more than the national average (+0.9%), managing to exceed its 2008 levels (+1.0%), unlike Lombardy (-3.3%) and especially Italy (-6.0%). Over the past three years, Milan registers a cumulative economic growth of +3.9% over 2014-2016, which is 1.5 times growth in Lombardy (+2.8%) and 2.5 times growth in Italy (+1.8%).

The other European regions are however recovering faster: Bayern exceeds its pre-crisis levels by +15.0%, Baden-Württemberg by +10.7% and Cataluña only by +0.8%, although it grew by +9.6% over the past three years.

2017 started well when it comes to manufacturing confidence in Milan*, which further improves in April and sets on historically high levels. Nevertheless, the picture is mixed and open to different interpretations. The improvement in confidence indeed mainly results from a decline in the stock of finished goods, which after 5 months of buildup falls below normal levels. At the same time there is a decline in order books, with a widening gap between a foreign demand that grows and reaches its highest levels, and a national demand that instead contracts. Finally, expectations on production over the next 3 months, although they fall short of the peak reached at the beginning of the year, stay on historically high levels.

It is worth remembering that manufacturing production in Lombardy markedly accelerated in the first quarter of 2017 (+1.7%, after +1.0% in the fourth quarter of 2016), a growth widespread across all business size classes.

At country level, manufacturing confidence slighlty decreases in Italy in May (after four consecutive months of improvement, but it stays on positive levels) and Spain, while it keeps stable in Germany (on largely positive levels) and substantially grows in France.

**Milano, Lodi, Monza and Brianza*

The labor market also delivers positive signals. In 2016 there are 36,000 more 15-64 year olds employed than in 2008 and, net CIG, the balance grows to 41,000. Over the same time period, the population grew by 120,000 persons. It is important to note though that there are substantial differences when breaking down the figure by age: compared to the pre-crisis, in particular, there are 264,000 more 55-64 year olds in employment versus 68,000 more in the population, whereas there are 89,000 fewer 15-64 year olds in employment versus 67,000 more in the population.

Moreover, the CIG in Lombardy still substantially decreases (-57% between January and April 2017 with respect to 2016), in line with Piedmont (-57%), much more than in Veneto (-37%) and Emilia-Romagna (-35%). Total hiring increases in Lombardy (+3.0% in the first quarter of 2017, though less than in the national benchmarks), while permanent contracts are still decreasing (-9.3%, more than in the national benchmarks).

The credit market provides instead a mixed picture. In the first quarter of 2016, bank loans to businesses decline (-0.2% with respect to the same period in 2015, following a -0.4% in the third quarter), marking a u-turn compared to the stabilization seen in the Spring. Since the beginning of the crisis, loans have decreased by -14.0% in Lombardy. Plus, in the fourth quarter of 2016 gross «sofferenze» (i.e. non-performing loans at high risk of non-payment) as a share of total assets grow to +14.2% and reach 32.8bn euro in volume (5.6bn in 2008). There are positive developments when it comes to defaults: overall in 2016 defaults decline (-8.0%), continuing on the downward trend started in 2015 (-8.5%). However, voluntary liquidations are growing again (+7.1% in 2016, after -5.2% in 2015). Finally, firms having overcome the crisis are performing increasingly better and are less risky to finance: in December 2016, 55.9% of firms in Lombardy result to be «safe» or «creditworthy» (+0.8 p.p. compared to December 2015).

ASSOLOMBARDA
Confindustria Milano Monza e Brianza