



ASSOLOMBARDA
Confindustria Milano Monza e Brianza

Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

Edited by

Research Department

N° 22/November 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

In the second quarter of 2017, across all economic sectors, work-related accidents fall by -1.7% per person employed net Cassa Integrazione Guadagni (CIG) and by -0.2% in total, figures to which follows in the third quarter of 2017 a further -1.6%. Focusing on the industry sector in Lombardy, in the second quarter work-related accidents grow by +6.3% per person employed net CIG and by +2.7% in total, while in the third quarter they decline by -0.4%.

SUMMARY - Economic performance in Lombardy in comparison with benchmark regions

Growth in Lombardy is steady and strengthens: +0.4% quarter-on-quarter change in manufacturing production in the third quarter of 2017, +3.2% total growth over the first nine months of 2017, twice and a half last year pace (+1.3%). This results in a narrower gap with the pre-crisis at -5.3%.

Manufacturing, innovative services and consumer confidence climates stay on historic highs, suggesting a good year-end for our territory.

The evidence of an extremely good performance of production, confidence and export indicators collected throughout the year is corroborated by short-term (i.e. 3 months before closure) final balance projections provided by Assolombarda firms: 2017 marks the year when we record the largest share of firms since pre-crisis with a growing turnover (53%) and the lowest share of firms with diminishing turnover (18%). “Stated” projections for 2018 remain overall positive, although 1 in 4 firms among the 300 surveyed chooses “not to answer”.

The labor market strengthens as well: the CIG declines (-54% over January-September 2017 in Lombardy), total hiring increases (+13% in January-August in Lombardy) and demand for temporary workers picks up (+21% in the third quarter in Milan, Lodi, Monza and Brianza). However, also CIG data convey a picture of “structural uncertainty”: requested and accepted hours are still one-third higher than pre-crisis, whereas actually used CIG hours are less than half.

Economic performance in Lombardy in comparison with benchmark regions

Growth in Lombardy is steady and strengthens. Manufacturing production indeed gets back on an upward trend in the third quarter of 2017 (+0.4% on the previous quarter), compensating for the slight drop of the previous quarter (-0.3%), which followed the extraordinary boost of the first quarter (+2.2%). It follows that overall manufacturing production performed a +3.2% in the first three quarters of 2017, twice and a half last year figure (+1.3%). As a result, acquired growth for 2017 is +2.9%, well above the +1.3% registered in 2016 and leading to a narrower gap with pre-crisis standards of -5.3%.

Driving Lombardy's growth are all firms across all size classes, with small firms that accelerate the most in the last quarter. Nevertheless, there is still a wide performance divide compared to the pre-crisis period: large firms are well above 2008 levels already (+6.7%), medium firms are essentially in line, while small firms still suffer a large gap (-14.3%).

The latest manufacturing, innovative services and consumer confidence climate figures project the expansionary phase to continue through the last months of year.

As a matter of fact, the confidence climate in Milan, Lodi, Monza and Brianza grows in September for the second months in a row, thanks to the marked domestic demand-driven improvement in order books.

At country level, manufacturing confidence improves everywhere (except from France) and Germany's growth performance stands out as particularly strong and steady ever since beginning 2016. In Italy the upward trend started in the spring strengthens and confidence sets above pre-crisis levels.

Innovative services confidence climate in Milan, Lodi, Monza and Brianza slightly falls in the third quarter of 2017, yet it remains on the record-high levels of end 2015. Considering each component, order books (although in line with the high levels of 2015) and opinions about the overall economic trend worsen, while projected order books for the next 3 to 4 months markedly increase and reach new highs.

From our usual semiannual survey over a sample of 300 firms, we gather that over the whole of 2017 as many as 53% of manufacturing and innovative services firms in Milan, Lodi, Monza and Brianza expect to close the year with a higher turnover than in 2016, the largest share since 2008; at the same time, the share of firms projecting a decline shrinks to 18%, the narrowest share since 2008. In particular, innovative services firms stand out for their strong performance (55% project an increase in turnover).

As to forecasts for 2018, 37% of surveyed firms expects turnover to be higher than in 2017, while 34% expects stability and 5% a decline. Such results might be interpreted as a setback, while actually they are in line with last year forecasts on 2017 (which in terms of final balance projections, as reported above, sets to be an extremely good year). However, in this latest survey as many as 25% of surveyed firms “does not answer”, a surprisingly high percentage which suggests firms are still extremely uncertain over future performance, even in the short-term.

As to consumers, the confidence climate in October remains on historic highs, thanks especially to economic climate and future climate components.

Business demography remains unchanged: in the third quarter of 2017 the number of active Lombard firms is substantially the same as last year while manufacturing firms are still diminishing by a little more than 1% (-1.1%).

Finally, recovery continues on the labor market. Indeed, the CIG continues to decline: -54% in Lombardy between January and September 2017 compared to a year before. Comparing with the pre-crisis period, over the first nine months of the year the number of authorized hours is higher by a third, yet actually used hours are less than half (another trend suggesting that strong uncertainty still casts a shadow over firms' performance outlook). Demand for temporary workers in Milan, Lodi, Monza and Brianza grows by +21% in the third quarter of 2017, after the already good +10% in the second quarter. Total hiring in Lombardy increases by +13.0% between January and August 2017, although fixed-term contracts decline by -5.1%.



ASSOLOMBARDA
Confindustria Milano Monza e Brianza

www.assolombarda.it
www.assolombardanews.it

