



VENETO ECONOMIC REPORT 2016

The regional economy in 2015 and the forecasts for 2016

EXECUTIVE SUMMARY

2015: regional economy increased below expectations

- According to the most recent estimates, **in 2015 regional GDP grew by a +0.8%** compared to the previous year, following the positive trend recorded in 2014 (+0.4%). In comparison to its main regional competitors, Veneto scored better than Piedmont and Tuscany (both +0.7%), but worse than Lombardy and Emilia-Romagna (respectively +1.0% and +0.9%).
- In 2015, regional economy was mainly supported by its increasing domestic demand (excluding changes of inventories), namely of **household consumption expenditures** (+1.4%) and **gross fixed capital formation** - specifically of capital goods (+0.7%).
- After a positive start, the annual **external demand** has suffered a slight downturn during summer, partially offset by a recovery in the last part of the year. On a yearly base, **exports** recorded a growth of +2.4% in 2015, with **imports** increasing by +7.2%.
- Manufacturing sector recorded a positive trend in terms of **industrial production** (+1.8%) and **industrial revenue** (+2.3%), thanks mainly to the increasing external demand (+2.9%) and partially to the recovery of the domestic one (+1.8%).
- Thanks to the positive effects of governmental hiring incentives, **labor market** in Veneto saw an overall increase of the employment rates in 2015. Some **36,600 new jobs** has been created, with a steep raise in hiring rates (+12.3%) and a slowing-down of termination ones (+5.2%). Furthermore, positive figures came from **Cassa integrazione**, the Italian wages guarantee fund, accounting for a total of 57.6 million hours in 2015, -36% in comparison to the previous year.
- The **regional productive system** continued to suffered a severe downsizing even in 2015, with the total number of **active enterprises** reducing by 2,000 units in comparison to the previous year (-0.5%). However, promising figures came from the growing number of registrations (+0.3%) along with the reduction of terminations (-3.7%). Furthermore, the number of total insolvency proceedings decreased, involving 799 companies (-50% compared to 2014) and 25,421 employers (-35% compared to 2014). Finally, a decreasing number of **dissolution and liquidation proceeding** (-5.8%) was registered for the second consecutive year, in spite of a slight increase in the number of **bankruptcy ones** (+1.2% compared to 2014).
- Regional **credit market** highlighted major structural weaknesses. According to latest available data, non-performing loans in the financial sector reached the record amount of 18.6 billion of Euros (September 2015), while the overall amount of **bank loans** granted which fell to 156.7 billions of Euros, one of the lowest level over last years.

2016: a moderate growth is expected for Veneto

- **Regional GDP** is expected to continue the positive trend recorder last year (+0.8%), increasing by **+1.3% in 2016** in line with the whole NUTS1 area of North East (+1.4%). The encouraging outlooks for national and international economics should result in further acceleration of these growing rates for the period 2017-2018 (+1.6%).
- In 2016, less positive **exports** figures are expected (+3.0%), mainly in response to a slightly negative outlook for the international trade sector due to a general decrease in the import demand of developing economies.
- In response to the negative dynamics of the external one, the **increasing domestic demand** (+1.6%) will play a central role in driving the regional economy. Expansive fiscal policies and low rates of inflation (or better, deflation) should support both household consumptions expenditures and firms investment spending.
- Thanks to the positive increase of household income rates and to the gradual recovery of regional employment, **household consumption rates** are expected to grow of +1.7% in 2016, one of the highest value among Italian regions.
- The recovery of the building sector together with the growing consolidation of capital assets are expected to result in a moderate increase of the **investments rates** (+2.6%), a trend supposed to intensify in the period 2017-2018.
- The positive recovery of **employment rates** is expected to continue during the next 3 years, rising by +0.7% in 2016 as a consequence of the extension of the governmental hiring incentives.
- Driven by a favorable labor market context, **unemployment** will continue the negative trend began in 2015, lowering to 6.7%. This tendency is supposed to remain stable also for the 2017-2018 period, when the rates are expected to further decrease down to 6%, half of the value forecast for the national ones (11.5%).

THE REGIONAL ECONOMY OF 2015: A DETAILED ANALYSIS

Companies

In 2015, **437,130 active enterprises** were recorded in Veneto, 2,000 units less in comparison to the previous year (-0.5%), confirming the negative trend of 2014 (-0.7%). However, the overall **balance** between companies registrations (+0.3%) and terminations (-3.7%) returned to be positive (+1,500 units) after 3 years of negative trend. Business services (+429 units) and tourism (+231 units) were the most dynamic sectors, whereas building and agriculture suffered the most (-1,000 units each). Capital Company (+3,000 units) has been the most common legal form. The total number of **dissolution and liquidation proceeding** decreased (7,721 units, -5.8%), whereas **insolvency proceedings** (bankruptcies and compromises) increased (1,474 units, +1.2%).

Households

In 2015, **household disposable income** increased by +0.4%, rising up to 20,395 Euros/year. The monthly **household spending** reached 2,533 Euros (+8.2%), partially thanks to car market recovery, recording a remarkable +15.3% in terms of vehicles' registration (+121,207 units). Coming to demographic figures, in 2015 the **resident population** contracted by 12 thousand units (-0.24%), for a total of 4.9 million inhabitants, 502,000 of which are foreigners. Moreover, 2015 was characterized by a peak in **mortality rates** (49,663 deaths, +8.1% compared to 2014) along with a decrease of **birth rates** (8‰), resulting in a **negative crude rate of natural increase** (-2.1‰). The **population is becoming older**: in 2015 over-65 represented 22% of the total population, with an average age of 44.8 years old.

Labor market

In 2015, **hiring rates** skyrocketed. According to the elaboration of *Veneto Lavoro* on data from *Silv*, the annual employment balance was positive, with some 36,600 new jobs thanks to the strong increase of recruitment rates (+12.3%, 81% of those permanent) and a slowing-down of termination ones (+5.2%). However, this trend has not interested stock data yet. According to *Istat* (the National Institute of Statistics), dependent employment rates remained stable (-0.3% compared to 2014), while self-employment ones slightly decreased (-1.7%). As a result, the overall employment rate remained steady (63.6%), whilst the unemployment one decreased (7.1%).

Exports

2015 saw an overall recovery of the external demand, resulting in a strong **increase of exports rates** (+5.3%) accounting for a total value of 57.5 billion Euros. Food industry (+13.7%), eyewear (+12.7%), chemicals (+11.7%) and beverages (+10%) were the leading sectors. On the other side of the spectrum, knitting (-4.7%) and clothing industry (-1.8%) recorded the worst figures. Import rates similarly experienced a positive trend, increasing by +5.9% in 2015, accounting for 41.9 billion Euros. As a result, 2015 reported a positive **trade balance of 15.6 billion Euros** (+588 million compared to 2014). A detailed analysis of manufacturing export highlighted a decreasing demand from non-EU Countries (-8.5%) - namely because of the Russian embargo (-30.2%), and from central and south America (+5.8%) - as a consequence of Brazilian recession (-11.2%).

Agriculture

Due to adverse climatic conditions, **gross agricultural output** shrank by -1% in 2015, accounting for a total value of 5.7 billion Euros. The number of active **agribusiness** decreased by -1.4% in comparison to the previous year, accounting for 68,498 units. On the other hand, **food industry** increased by +1.8%, for a total sum of 3,376 active units. The overall number of **workers** employed by the agricultural sectors was 62,551, -0.7% in comparison to 2014.

Manufacturing Industry

The manufacturing sector of Veneto is keeping the pace. Based on the *VenetoCongiuntura* survey, Unioncamere Veneto estimated a growth of +1.8% in the regional **industrial production**, (+2.3% in the last quarter), confirming the positive trend recorded the previous year. Industrial revenue increased by +2.3%, domestic demand recovered (+1.9%) and the external one remained steady (+3.1%). With regards to the typology of goods produced, capital ones increased by +2%, intermediate by +1.9% and consumer goods by +1.7%. Coming to **sectors**, the best figures were recorded by rubber and plastic industry (+3.9%), food (+3.5%), furniture (+2.3%) and engineering (+2%). On the contrary, textile industry (-1.9%) and transport sector (-0.4%) scored the most negative ones.

Building Sector

2015 was a year of adjustment for the building sector, finally showing some positive figures after the negative peaks of its recent past. The encouraging +0.2% increase in the total **revenues** represented both the end of the crisis and the deadlock situation companies will have to face in the next future.

Retail trade

After 4 years of recession, **retail trade sector** increased by +2.9% in 2015, progressively growing from a +1.7% in the first quarter to +3.7% in the last one. This positive trend was driven mostly by medium and large retailers (+4%), while small ones remained steady (-0.1%). The food sector scored the best turnover (2.1%) in comparison to the rest of the industry (+1.5%).

Tourism

In 2015 Veneto still remained the first Italian region in terms of touristic attraction, the sixth in Europe, with **63.2 overnight stays** (+2.2% compared to the previous year). Mostly concentrated in art cities and lakeside area, 2/3 of the tourists were foreigners from Germany, Austria and the Netherlands. Similarly, arrivals (especially to mountains area and lakesides) grew by +6.1% reaching the peak of 17.2 million annual visitors. *Ciset* esteemed a total tourists spending of 11.3 billion Euros: 6.3 billion coming from Italians and 5 from foreigners.

Transports

According to *Assaeroporti*, **Venice-Treviso airport** confirmed its status as third Italian hub after Rome and Milan. In 2015, a 14.7% increase in cargo traffic was recorded, for a total freight exchange of 51 thousand tons. Similarly, a steady growth of passengers was reported, +3.8% in comparison to 2014 (11 million total costumers). The figures of the **port of Venice** saw an increase of the total amount of tonnage of freight traffic (+15.3%), but also a fall of passenger transport (-9.8%).

Credit

In 2015, **credit market** highlighted major structural weaknesses. As of September 2015, **non-performing loans** accounted up to 18.6 billion Euros, 15 coming from business sector (+15% compared to 2014), 2.8 from households (+2.8%). The amount of total **bank loans** fell to 156.7 billions, mainly driven by a sharp decrease in loans granted to business (96.7 billion, -3.3%). However, the amount of loans granted to households increased up to 45.3 billion (+2.1%), mainly thanks to the growth of real estate mortgages.

Business investments

According to *VenetoCongiuntura*, in 2015 almost **48%** of regional businesses with more than 10 employees allocated resources in tangible and intangible investments. More precisely, this trend was lead by food sector (+44.6%) and furniture one (+41.4%). Small enterprises recorded the biggest variation (+28.1%), followed by big firms (+23.9%) and medium-sized ones (+23.5%), for an average value of 25% increase in investment expenditure in comparison to 2014. These investments focused mainly on the **improvement of production processes**: 86.7% of firms invested in the purchase of plants and machinery, 42.8% in office automation, 29.6% in training and human resources, 28.8% in research and development, 25.6% in real estate, and 20.8% in renewable energies and energy saving. Enterprises invested on average **3.2% of their annual turnover**. For 2016 this positive trend is expected to continue, both in terms of total number of firms undertaking investments, and in the overall amount of resources allocated.