



ASSOLOMBARDA

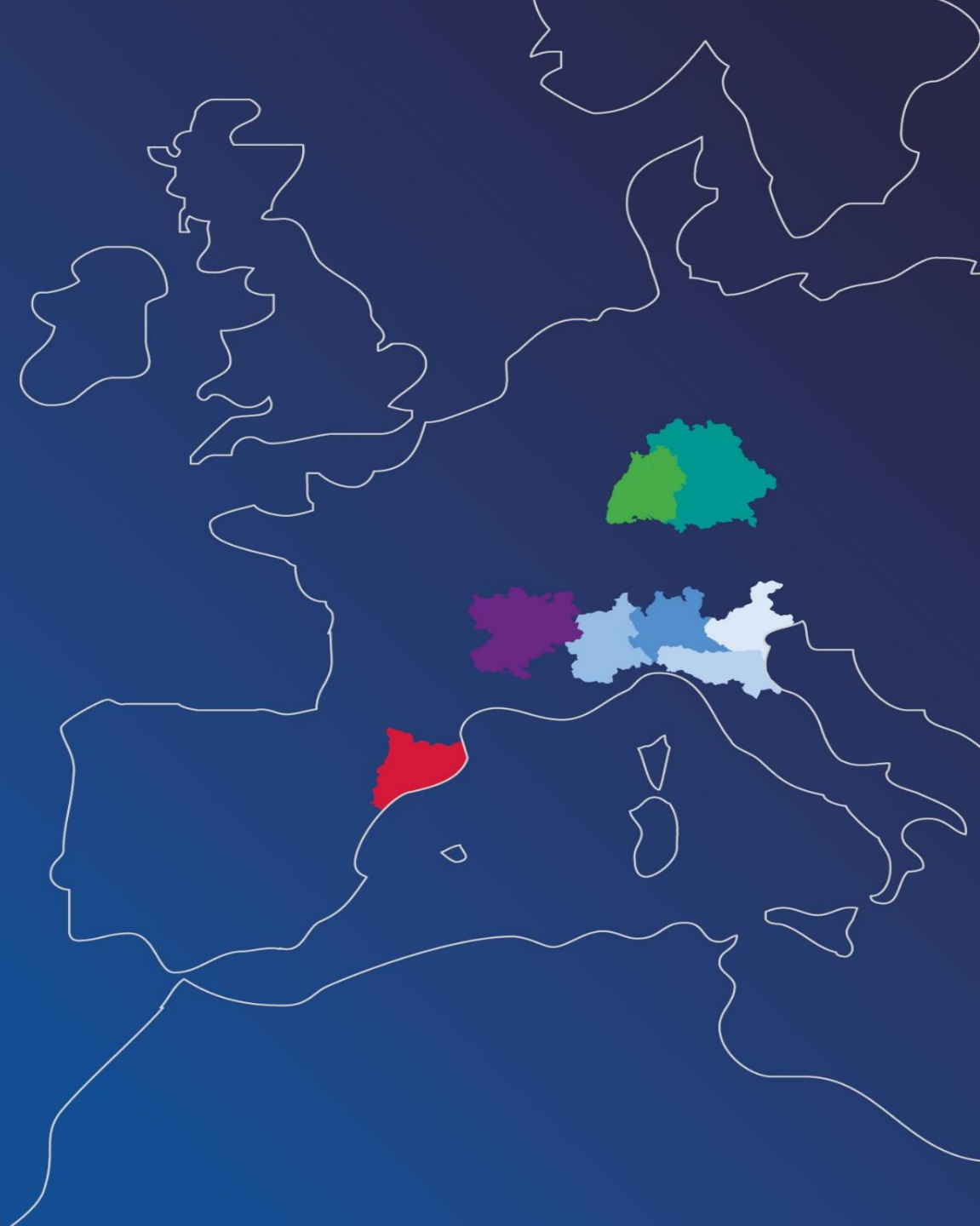
Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

Edited by

Research Department

N° 76/May 2023



EXECUTIVE SUMMARY

Lombardy's GDP is expected to grow by +0.8% in 2023, an upward revision from the +0.6% estimated three months ago. Therefore, Lombardy's performance for the current year is assumed to be higher than Italy's (+0.7%, according to Prometeia). Employment forecasts are also revised upward: +1.2% in Lombardy in 2023 (from +0.8% in January). The gap with pre-Covid will thus be closed within the end of the year: +0.6% employment in the region compared to 2019 (less than the Italian average, at +0.9%).

The more favourable economic scenario is also confirmed by the indications collected in early May with the 'Assolombarda Business Sentiment Flash Survey'. Indeed, the share of those who foresee a more positive 2023 for the regional economy compared to last year reaches 37% (it was 28% according to January's survey), while the percentage of those who foresee a decrease compared to the 2022 pace drops to 31% (from the previous 36%). One of the elements contributing to the improvement in the overall picture is the easing of price pressures: most responding firms believe inflation has already peaked in the past few months and, therefore, that there will be a decline (52%) or stability (31%) during 2023. However, inflation reduction is proving to be slower than expected: indeed, in January, 73% of firms foreshadowed a downward trend throughout 2023 (however, it should be considered that while then monthly inflation was at 10%, in April, it has been 8.3%). Finally, sentiment regarding the future trend of energy prices remains positive but more cautious: 44% expect further reductions during the year from April's €42/Mwh, and according to 31%, it will remain stable, while for the 18%, energy will experience new increases.

Looking at Istat's most recent qualitative surveys, manufacturing business confidence fell in April in both the Northwest and the Italian average, in Germany and France, while it rose in Spain. Balances on foreign and domestic orders fall, as well as production expectations (which nonetheless remain on positive balances); instead, finished goods inventories rise.

More in the detail of production activity, the share of Northwest firms reporting factors hindering production fell to 37% in April, compared to a 2022 average of 46.5%. While critical issues related to insufficient demand and financial constraints are decreasing, the insufficiency of equipment and materials is back up slightly, but above all, labour shortages are increasing. Critical issues in finding human resources and skills are reported by 8.1 % of firms in the Northwest: this is an all-time high, up from 5.6% at the end of 2022, compared with pre-pandemic figures stably below 2%.

On the contrary, the confidence index for service firms in the Northwest rises, reaching the highest value since July 2022, thanks to more favourable business trends and rising expectations on orders, while the judgment on the latter falls slightly, thus remaining negative. The index also rises concerning the Italian landscape following the same dynamics in the components but with smaller changes than in the Northwest. Among European benchmarks, service firms' confidence increases in Spain but falls in France and Germany.

MILANO

The new estimates confirm that 2022 Milan's value added grew by +5.0%, so well above the regional +3.9% and the Italian +3.7%. An economic expansion of +1.3% is expected for 2023, a forecast revised upward by 0.3 percentage points from the +1.0% reported at the beginning of the year. Compared to 2019, the added value of the Milan Province at the end of the year will mark +7.9% over pre-pandemic levels.

On the labor front, employment is expected to increase by +2.8% in 2023, meaning that Milan will close the gap with pre-Covid in 2023, moving above the 2019 figure by +2.2%.

MONZA E BRIANZA

After expanding by +2.9% in 2022, the value added in the Province of Monza and Brianza is forecasted to grow by +0.3% in 2023, less than in Lombardy due to not-as-bright expectations for manufacturing, which is a strong vocation of this area.

On the labor front, employment increased by +3.0% in 2022 (above the regional +2.1%) but is expected to decline by -0.4% in 2023 (vs a regional +1.2%). Nonetheless, by year-end, provincial employment will be well above pre-pandemic levels (+1.4% over 2019), more than Lombardy's average (+0.6%).

LODI

After a substantial + 3.8% in 2022, the Lodi economy is expected to expand by +0.9% in 2023: the new forecasts incorporate more dynamism for the current year than the +0.4% estimated last January. Concerning pre-Covid levels, in 2023, the change in provincial value added over 2019 will be +5.1%. On the employment front, the change in 2023 is expected to be positive and equal to +1.4%, with the number of workers above the 2019 figure by +4.5%.

PAVIA

Pavia recorded a +3.7% expansion in value added in 2022 and is expected to grow by + 0.7% in 2023, a significant upward revision from the +0.3% in January. By the end of this year, the provincial economy will thus be +2.4% above pre-pandemic levels.

The number of employed people in 2022 increased by +3.3%, showing higher growth than Lombardy's +2.1%, but in 2023 workers are expected to decline by -1.0%. This reversal hinders the achievement of pre-Covid levels, in 2022 still -1.4% away from 2019 and in 2023 -2.4%.





ASSOLOMBARDA

www.assolombarda.it

www.genioeimpresa.it

Follow us

