



ASSOLOMBARDA

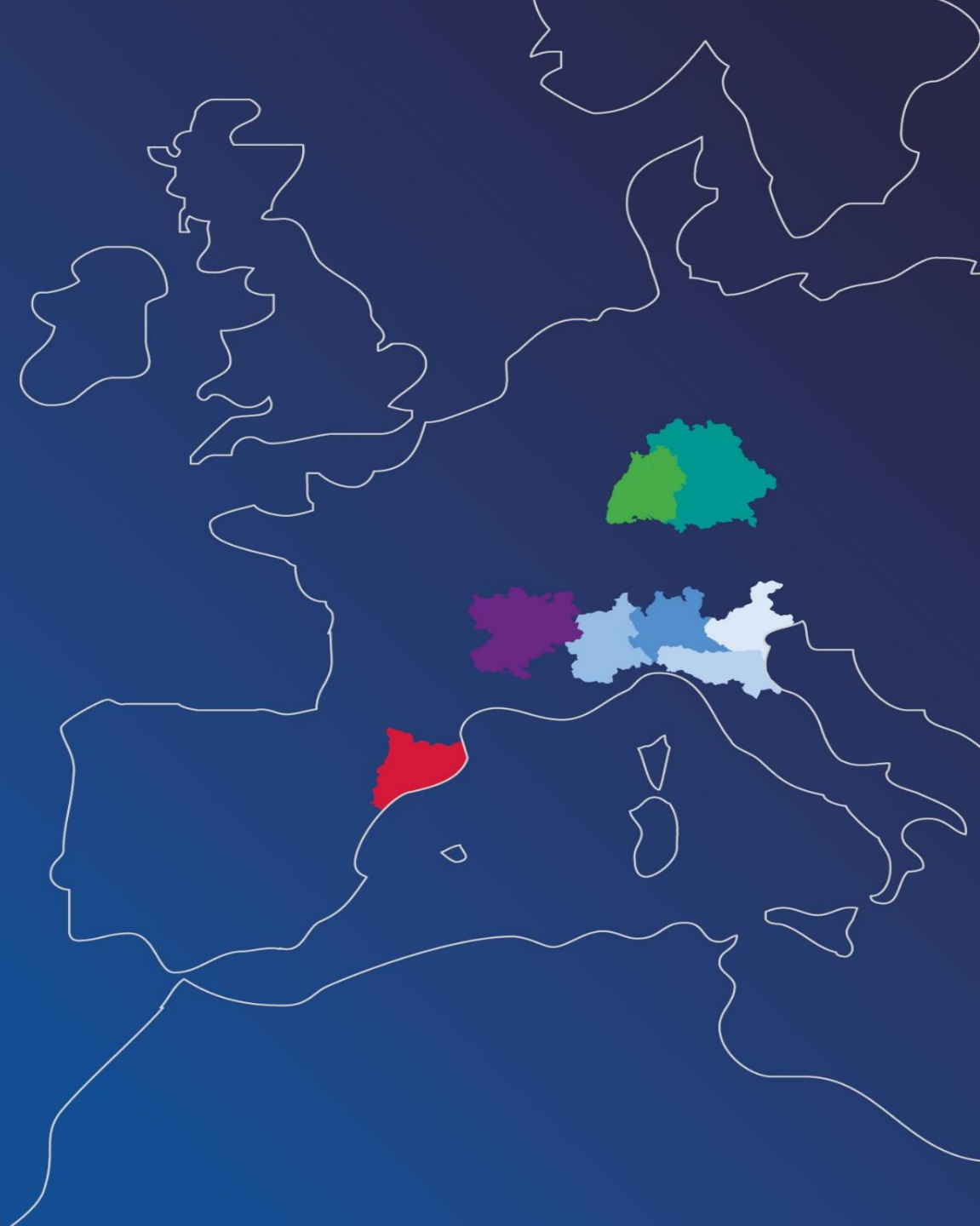
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Lombardy in comparison with Italian
and European benchmarks

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EXECUTIVE SUMMARY

After a positive dynamic protracted until the end of 2022, Lombardy's manufacturing output remain stable in the first quarter of 2023, with a zero cyclical variation. However, this scenario is mitigated by the year-on-year growth, which remain positive at +2.5%, thus clearly detached from the -0.4% recorded at the national level and higher than the variations characterizing main European benchmarks: France +0.7%, Germany +1.7%, and Spain +2.1%. Moreover, the first quarter of 2023 shows a rebound in orders: +0.8% of foreign and +0.3% of domestic demand.

The +2.5% increase in manufacturing output is shared by all firm size classes: more pronounced for large (+3.8 per cent) and small enterprises (+2.5 per cent) and less so for medium-sized enterprises (+1.7 per cent).

Looking at business sectors, the greatest changes are recorded for clothing (+7.9%), transport equipment (+6.3%) and leather-footwear (+5.2%), while the production in chemicals (-3.0%) and pharmaceuticals (-3.4%) contract.

Turning to sales on international markets, in the first quarter of 2023, Lombardy's exports in value increased by +8.4% year-on-year, thus marking a higher growth than Emilia-Romagna (+4, 5%) and Baden-Württemberg (+7.9%), but lower than the Italian average (+9.8%) and the benchmark regions Veneto (+9.0%), Piedmont (+16.8%), Auvergne Rhône-Alpes (+8.6%), Bayern (+14.6%) and Catalonia (+22.2%). Concerning sectors, the most significant increases in value characterize exports of food (+16.6%), fashion (+16.2%), electronics (+13.5 %), mechanics (+12.8%) and electrical appliances (+12.5%). The only sector that experienced a decline in exports in the first months of the year was automotive (-2.4%). However, it must be considered that these changes refer to current values and are therefore affected by inflationary dynamics that remain high compared with last year.

Looking at the destination countries, in the first months of 2023, Lombardy's exports to Non-EU27 countries increase by +15%, a much more marked growth trend than the +3.3% recorded for European markets. About the former, exports to leading trade partners such as the US, Switzerland and Turkey grow by +25.6%, +23.6% and +20.8%, respectively. On the other hand, the change is smaller for the United Kingdom (+5.7%) and in slight contraction (-1%) for China. Regarding the main markets in the European Union, note the -2.1% decrease in sales toward Germany, on the contrary, constantly growing during 2022, while exports to the Netherlands (+15.1%), Spain (+9.2%), France (+6.2%) and Poland (+1.0%) increase.

The most recent qualitative indications from businesses outline that in May, the manufacturing business confidence index in the Northwest decline to the lowest levels since the beginning of the year: indeed, there is caution in terms of both domestic and foreign demand and production expectations for the next 3-4 months. The deterioration in manufacturing confidence is also experienced nationally, in Germany and Spain, while France bucks the trend.

In the Northwest, the confidence index among service businesses also fall in May, reporting a downturn in business performance and prospectively expecting a demand reduction while orders still grow. The index also declines nationally in Germany, France and, albeit slightly, Spain.

The picture at the beginning of the year remains nonetheless positive for Lombardy's labour market. In the first quarter of 2023, there were +98 thousand employed in Lombardy compared to the same period in 2022, and the employment rate rose to 68.7% (from 67.1% a year earlier), placing it above that of Italy (60.6%) and Piedmont (66.3%), but still below that of Veneto (70.1%) and Emilia-Romagna (70.2%).

At the same time, the decrease of -51 thousand unemployed compared to a year earlier is reflected by the unemployment rate dropping to 4.3% from 5.5% at the beginning of 2022, well below the national 8.3% and the lowest among the compared Italian regions (Veneto 4.5%, Emilia-Romagna 4.8%, Piedmont 6.5%). Moreover, Lombardy is the only one among the European benchmarks to record a fall in the indicator with respect to the first quarter of 2022. Indeed, the unemployment rate rises in Cataluña from 10.2% to 10.4%, Bayern from 3.2% to 3.5%, and Baden-Württemberg from 3.5% to 3.8%.

Finally, in Lombardy, inactive persons are also decreasing (-66 thousand), although they are still +65 thousand compared to pre-Covid.

MILANO

Milan's manufacturing production recorded a trend growth of +3.3% in the first quarter of 2023, a better performance than Lombardy's +2.5%. Exports in value also showed a positive change in the first months of the year: +14.5% compared to the first quarter of 2022 and, therefore, well above the regional +8.4%. The increase in foreign sales is spread across all sectors, with the highest values above the provincial average for electrical appliances (+24.7%), fashion (+24.0%) and automotive (+19.4%).

MONZA E BRIANZA

In the first quarter of 2023, manufacturing production in the Province of Monza and Brianza grew by +3.3% compared to the figures at the beginning of 2022, thus exceeding Lombardy's +2.5%. In the same period, the value of exports increased by +8.7% year-on-year (vs. +8.4% in Lombardy) and, in particular, the increases in food (+26.0%), electrical appliances (+24.8%), automotive (+15.9%), mechanics (+24.6%), metals (+12.9%) and electronics (+25.4%) stand out. On the other hand, exports of chemicals (-1.3%), pharmaceuticals (-6.8%) and wood (-18.3%) declined.

LODI

In the first three months of 2023, manufacturing production in the Lodi area grew by +5.2% compared to the first quarter of 2022, more than double the regional figure (+2.5%). Exports in value also increase more than in Lombardy: +21.7% in the former and +8.4% in the latter. In particular, foreign sales in the mechanical sector (+61.2%), metals (+53.9%), chemicals (+34.3%) and electronics (+25.1%) grew strongly. Even net of the strong contribution from electronics, Lodi exports show a considerable increase of +18.9%. On the contrary, the most marked reductions in exports hit rubber and plastics (-6.7%), wood (-13.6%) and pharmaceuticals (-17.1%).

PAVIA

In the first quarter of 2023, Pavia recorded a year-on-year increase in manufacturing production of +0.9% : the change, although positive, is nevertheless limited and lower than Lombardy's +2.5%. On the other hand, a better performance characterized exports, grown by +15.3% in value on a trend basis, thus well above the regional average of +8.4%. The pharmaceuticals sector is the one recording the most marked increase in foreign sales in the first few months of the year, amounting to +88.4%, and makes the main contribution to the provincial variation (net of pharmaceuticals, provincial exports show a more contained but still substantial growth of +6.1%). Also noteworthy are the increase in exports of food (+37.7%), electrical appliances (+31.2%), electronics (+26.2%), oil&gas (+22.1%) and wood (+18.9%), while foreign sales of automotive (-14.5%) and chemicals (-20.5%) fell.





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