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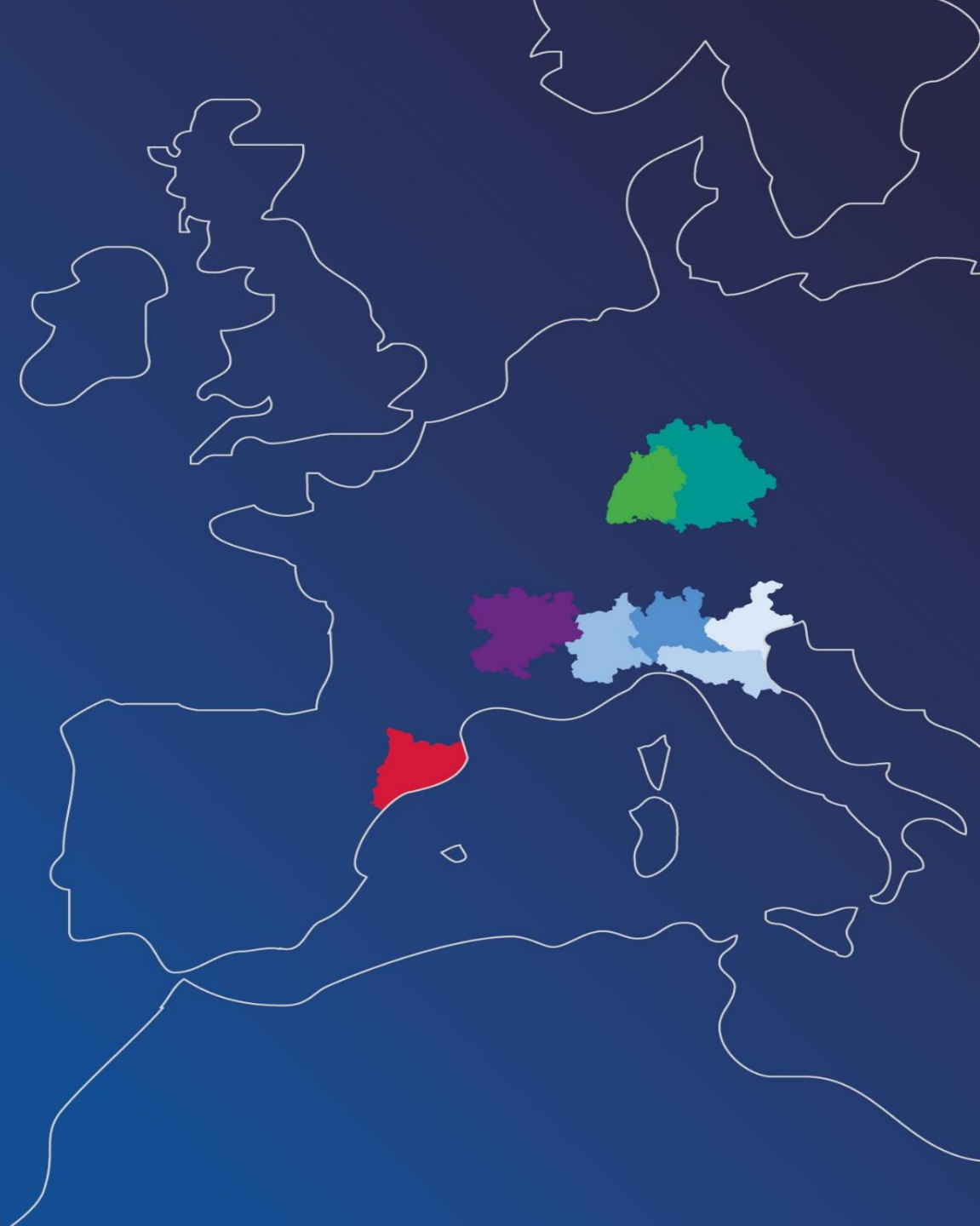
# Booklet Economia

Lombardy in comparison with Italian  
and European benchmarks

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## EXECUTIVE SUMMARY

Data on manufacturing production in the fourth quarter of 2022 further banishes recession fears fuelled by inflation and international instability. Lombardy's manufacturing index continues to grow with a cyclical change of +0.8 %, in contrast with the national quarterly change of -0.4%. What does emerge is a continuation of a positive phase for regional manufacturing, which in 2022 registered an overall +6.3% yearly average over 2021 and +10.8% over 2019, a recovery from pre-Covid that is far more pronounced than the national +0.5% and far ahead of the negative values of Spain (-0.6%), France (-4.6 %) and Germany (-5.8%). Lombardy's positive performance interests all size classes: small firms experience a +0.5% production growth, +0.6% for medium-sized firms and +1.6% for big firms.

Concerning sectors, in 2022, important parts of the regional Made in Italy see substantial activity growth: fashion first and foremost (clothing +24.5%, leather-footwear +21.7%, textiles +10.8%), along with design (wood, furniture), but also food and mechanics (both +6.8%). However, the slowdown characterising the end of 2022 emerges here as well.

Lombardy's exports in 2022 reach a new record of 162.6 billion euros, up to +19.1% over 2021 and +27.5% over pre-Covid levels; however, current values are strongly affected by high inflationary dynamics. The annual growth for Lombardy is nevertheless more pronounced than that for main national (Piemonte +18.5%, Veneto +16%, Emilia-Romagna +14.6%) and European benchmarks (Baden-Württemberg +18.9%, Bayern +13.9%, Catalonia +18%, Auvergne Rhône-Alpes +16%) and is substantially in line with the Italian one, +20%.

Lombardy's +19.1% per year in export value compares with a volume figure of +7,4%, which neutralises price rising; however, the latter incorporates anomalous increases in automotive, induced by an unbalanced comparison effect. Net of the automotive sector, annual export performance in volume is slightly negative overall, suffering from a gradual slowdown in the second half of 2022. In value, the fastest-growing exports concern electronics (+30.7%), wood (+23.7%), fashion (+23.3 %), metals (+22.7%) and pharmaceuticals (+22.5 %); the latter, together with electronics and food, experience significant increases in exports' volume as well.

Among export destinations, non-EU27 countries (+19.5% annually) contribute the most to the growth of regional export in value; in particular, trade with the United States (+37 %), Switzerland (+31.9 %) and Turkey (+22.4 %). Within the European Union, whose increase is +11.5%, the largest trade flows are with the Netherlands (+27.9%), Spain (+27.7%), Germany (+20.3%), Poland (+17.9%) and France (+13.9%).

Looking at the more recent picture, positive signs for the industry also emerge from February's manufacturing confidence index, which grows in the North-West, albeit moderately (from 102.7 to 103.7) and remains stable in Italy, while decreasing for European benchmarks. In particular, order balances in the North-West grow in both domestic and foreign demand. Even more forward-looking, expectations on production and orders improve for the next 3 to 4 months and, at the same time, inventories of finished goods fall. These elements combined paint a picture of resilience for the short term.

On the contrary, concerning service businesses, there is a decline in confidence in the North-West following two months of upward movement. In February 2023, the decline in the North-West is more pronounced than at the national level due to a worsening of opinions about business performance, which instead are on the upside for Italy, a larger drop in judgments on orders, and downward expectations for the coming months. Slowing dynamics are also observed for the main European benchmarks, except for France, where service confidence rises slightly.

Finally, consumer confidence has increased, touching its highest level since March 2022. Among the index components, opinions on the general economic situation and future climate are rising sharply, while weaker signals emerge for the personal and current climate.

Concerning the labour market, in 2022, there are 92,000 more employed people in Lombardy than in 2021, but still 27,000 less than the 4,451,000 three years ago. This growth is accompanied by both a decrease in the number of unemployed (-45 thousand individuals) and a reduction in the number of inactive (-64 thousand individuals); the former drop compared to the pre-pandemic situation (-39 thousand unemployed), while the latter still count 41 thousand individuals above 2019 levels. The same dynamics emerge from the unemployment rate, down by 0.7 percentage points below the pre-Covid 5.6%, and the employment rate, up to 68.2 % and almost in line with the 2019 figure of 68.4%.

Regarding gender composition, the positive change in the number of employed people in Lombardy is driven by the male component, which counts 70 thousand more workers than in 2021, while for women, the growth stops at +22 thousand female workers. The gap with pre-Covid levels still counts at -17 thousand male and -10 thousand female workers. In 2022, the gender gap also rose to 15.4 percentage points from 13.9 in 2021, driven by a greater increase in the male employment rate (from 73.4 % to 75.8%) than in the female one (from 59.5% to 60.4%).

Employment growth, however, has not characterised all economic sectors: agriculture has lost 17,000 workers compared to 2021. On the other hand, the number of people employed in commerce, hotels, and restaurants (+36 thousand), those in the industry in the narrow sense (+30 thousand), construction (+24 thousand) and workers in other services (+18 thousand) has increased.

Lastly, the +83 thousand increase in the number of employees mainly contributes to the rise in employment in Lombardy, accompanied by a +8 thousand recorded for the self-employed, which, although a small number, nevertheless represents a reversal of the trend tracked over the last two years.

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## MILANO

Data about manufacturing production in the fourth quarter of 2022 reveal an even more positive performance for Milan than for Lombardy: +1.0% vs +0.8% change over the previous quarter. Annual growth is also higher, standing at +6.8% in Lombardy's capital compared to +6.3% in the whole region, bringing the increase over pre-Covid levels to +10.9%, thus consistent with the Lombardy figure.

In 2022, exports from the province of Milan, which accounts for 34.7% of regional exports, mark an expansion of +22% year-on-year, a more significant change than Lombardy's (+19.1%) but still reflecting strong inflationary dynamics. The most considerable increases characterise exports of metals (+25.3%), fashion (+24.9%) and electrical equipment (+23.2%), while automotive is the only sector registering a drop (-9.5%).

Overall positive signals also emerge from the labour market. The employment rate in 2022 has reached 70.1%, thanks to an increase of nearly 34,000 people employed compared to 2021. Hence, the recovery from the fall to 67.7% in 2020 continues, but the rate remains below the pre-Covid 70.7%. In addition, the unemployment rate in Milan fell to 5.4%, thus lower than 5.9% in 2019.

## MONZA E BRIANZA

In the fourth quarter of 2022, manufacturing output in the province of Monza e della Brianza recorded a cyclical growth of +0.4%, thus less than the regional +0.8% but more than the national -0.4%, and the average annual expansion marks +7.5% (against a regional +6.3%). Compared to pre-pandemic figures, industrial activity is +12.4% above 2019 levels, better than the already positive +10.8% registered in Lombardy and the Italian average of +0.5%.

In 2022, exports in value from Monza e della Brianza recorded an annual growth of +21.7% over 2021 (an increase certainly affected by the sharp price rise) and +34% over 2019, values higher than the regional counterparts of +2.6 and +6.5 percentage points. The sectors of specialisation that experienced an above-average annual expansion were pharmaceuticals (+60.3%), wood (+29.4%) and chemicals (+26.6%).

On the labour market front, thanks to an increase of +11,471 workers in 2022, the employment rate in the province of Monza e della Brianza reaches 69.7%, up +1.4 percentage points from 68.3% in 2019, while the unemployment rate (4.3%) is the lowest over the past four years. In particular, the number of both employees (about +6,969) and self-employed workers (+4,502) increased.

## LODI

In the last months of 2022, the manufacturing output in the province of Lodi contracted by -0.2% over the previous quarter, in contrast to the +0.8% expansion experienced in Lombardy. The growth in 2022 is +3.9% over 2021, thus being smaller than the regional one (+6.3%). Finally, compared to 2019, the increase for the Lodi province was +9.3 % versus Lombardy's figure of +10.8%.

In 2022, Lodi marks an annual +39.6 % increase in sales in foreign markets (a figure in value that also reflects the widespread rise in prices), while the comparison with 2019 tracks +50.6%: both variations are far higher than the regional average and those reported for the other provinces under analysis. In 2022, Lodi's export performance was driven mainly by electronics (+80.9%), but pharmaceuticals (+44.1%) also gave a significant contribution, while wood (-6.1%) and mechanics (-34.1%) registered a drop over 2021.

Regarding the labour market, the employment rate has dropped slightly to 67.7% from 68% in 2021 but is still well above the pre-Covid rate (65.6% in 2019). The unemployment rate decline continued in 2022, from 7.2% in 2019 to 5.3% in 2021 and, eventually, 5.1% in 2022.

## PAVIA

The manufacturing output in the province of Pavia experience a cyclical change of -0.4% in the fourth quarter of 2022, a decline consistent with the national average but in contrast to the +0.8% increase in Lombardy. Despite this slowdown, the annual growth of +7.1% over 2022 is still higher than that recorded at the regional level (+6.3%).

Exports of Pavia's companies grow in value by +16% in 2022 over 2021 and +7.3% over 2019, significant percentages affected by sustained price dynamics, but that are lower than the growth recorded at the regional level (+19.1% and +10.8%, respectively). Among the main sectors, chemistry (+39.1%), metals (+33.6 %), food (+31.6%), electronics (+20.8%) and rubber-plastics (+18.1%) experienced a sharp expansion.

Concerning the labour market, the employment rate in 2022 rose to 66.8%, marking a jump from 64.7% in 2021, which, however, still does not close the gap from pre-Covid levels (67.9 % in 2019). In absolute terms, employment increased by +7,532 individuals last year compared to 2021 due to a recovery in employees (+7,482). Finally, the unemployment rate falls to 5.9 %, below 6.6% in 2019.





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