



ASSOLOMBARDA

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Lombardy in comparison with Italian
and European benchmarks

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EXECUTIVE SUMMARY

In 2022, Lombardy exported 23.3 billion euro in business services, including supplies abroad of ICT, finance and insurance, professional services (including consultancy), R&D, and other business services, including trade-related services and operational leasing. Compared with the national figure, Lombardy concentrates 37.7% of Italian business services exports, a substantial number if we consider that the same percentage referring to manufacturing is 26%. In 2022, Lombardy's business services exports grew by +14.8% over 2021, better than the Italian +14.2% but lower than the European +17.7% and the +19.1% recorded for regional manufacturing exports. On the other hand, expansion compared to pre-Covid is more marked and equal to +37.6%, a variation higher than the European average of +32.3% and at a considerable distance from the national +16.5%; this remains a brilliant dynamic when compared to the regional manufacturing exports, which grew by +27.5% in the same period.

Looking at the aggregate in detail, the categories that expanded above the overall average of +14.8% were ICT services (+23.2% over 2021), professional services (+18.7%) and financial and insurance services (+15.7%): the latter account for about one-fifth (19%) of the total, as do professional services (22.1%). Of greater importance are 'other business services', which account for one-third of the aggregate (33.7%). Last, ICT and R&D represent 14.9% and 10.4% of business services exports.

The most recent Istat surveys on business sentiment outline a further drop in manufacturing confidence in the Northwest for July, down for the fourth consecutive month and at the lowest levels since January 2021. In detail, judgments on orders fell, and inventories of finished goods reached levels twice as high as the 2022 average; after two months of decline, however, production expectations for the next 3-4 months remained almost unchanged. The index also fell in Italy, Spain and, more markedly, Germany and France.

Among refraining factors, both the share of North-West companies reporting obstacles to exports (to 34.8% from 39.2% at the beginning of the year) and production (slightly to 36.6% from 37%) have felt in the second quarter of 2023, reaching the lowest levels since the end of 2019. More in detail, the incidence of firms reporting difficulties related to prices and costs (to 16.3% from 21.4%), the lengthening of delivery times (to 8.4% from 10.8%) and insufficient equipment and/or materials (to 15% from 19.6%) have decreased further. On the other hand, issues related to insufficient demand are rising (19.3%, the highest value since Q1 2020), and those related to labor shortages persist (8.3%).

After declines in May and June, the market services confidence in the North-West rose again in July, thanks to demand-side growth prospects that offset the current reduction in orders. The index also rose in Italy and Spain, while it fell in Germany and France.

On the bank lending front, Lombardy's businesses recorded substantial stability in March 2023 (+0.2% year-on-year), confirming the deceleration seen in December 2022. Slowdowns were also evident in Emilia-Romagna (+0.8%) and Veneto (-1.9%), while Piemonte recorded -1.6% in March after more than -5% declines in 2022. These dynamics result from an increasingly intense contraction in loans to micro and small enterprises in Lombardy and benchmark Italian regions. In detail by sector, loans to Lombardy's firms operating in the services sector rose by +2.6% YoY in March 2023, while manufacturing saw a turnaround and loans fell by -1.6% after more than 12 months of increases. There was also a -2.2% decline in the construction sector compared to March 2022.

Concerning the labor market, the analysis of hiring and termination flows confirms the positive picture that emerged from last year's employment and unemployment indicators and the first quarter of this year. Between April 2022 and March 2023, hirings in Lombardy amounted to 1,516,040, of which 22% were permanent contracts, up to +4.4% and +7.4%, respectively, on the previous twelve months. Similarly, at the national level, new permanent contracts are growing faster (+5.9%) than the total (+3.8%). At the same time, Lombardy counts 1,411,319 terminations, an increase of +8.8% compared to the April 2021-March 2022 period; a similar trend is also recorded in Italy (+8.3%). Among the reasons, voluntary resignations are growing at a lower rate, +5.4% and +3.6% respectively.

In this context, considering also the contractual transformations that occurred between April 2022 and March 2023, we obtain positive balances at both regional and national levels. In the first case, the balance between hirings and terminations amounts to +104,721 units (-32.5% compared to the previous 12 months): this number is determined exclusively by permanent contracts, +106,110 units, a sharp increase from the +43,534 of the previous 12 months. The difference between inflows and outflows is also positive in Italy but with a more pronounced contraction than during the last period (-37.9%).





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