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Lombardy in comparison with Italian and European benchmarks

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Executive Summary

The year 2024 opens against a backdrop of still weak domestic and global demand, resulting in declines in industrial production levels (see Booklet Economia No. 87 - May 2024) and declines in the value of exports in Lombardy, Italy and the comparative regional territories. On the other hand, labour market dynamics remain positive, with employment growth.

Between January and March of the current year, the negative trend that has characterized exports since the second quarter of 2023 continues and becomes more pronounced. Indeed, the value of sales on foreign markets shows a -3.4% year-on-year decline in Lombardy and -2.8% nationally. Contractions also affect comparative Italian regions such as Piedmont (-2.1%), Emilia-Romagna (-3.0%) and Veneto (-5.1%). The slowdown in global demand also leads to declines among European peers: a slight drop for Auvergne-Rhône-Alpes (-0.3%) and significant decreases for Baden-Württemberg (-6.8%) and Catalonia (-9.2%). Bayern exports, on the other hand, held up with a +3.4%increase.

In detailing the sectors in Lombardy, automotive, electronics, and food see a growth start to the year, with increases over the first quarter 2023 of +13.4%, +7.4% and + 3.7%, respectively. On the other hand, contractions more pronounced than the regional average affect the metals sector (-10.6%), wood (-9.9%), fashion (-8.9%), electrical appliances (-6.4%), chemicals (-6.0%) and rubber-plastics (-5.4%).

Concerning exchange geographies, sales to non-European markets drop (-1.2%) and even more so to EU27 countries (-5.3%), which still suffer from the overall stagnant context and on which Germany's recession weighs particularly heavily. Indeed, Lombardy's exports to the latter mark -10.1% compared to a year earlier, as, among the main trade partners, the Netherlands (-13.6%) and France (-6.6%); on the rise, instead, outgoing trade to Poland (+0.8%) and Spain (+3.6%). Turning our gaze outside the European Union, direct sales to the U.S. (-9.2%), the U.K. (-4.1%), and Turkey (-3.5%) are falling, while, among the most significant destinations, Switzerland (+1.2%) and especially China (+9.4%) are growing.

Businesses are, therefore, experiencing an overall sluggish start to the year characterized by insufficient demand: in particular, in the Northwest, this criticality is reported by 23.3% of manufacturing firms, the highest incidence since the third quarter 2020. Weakness and uncertainty in the business cycle also characterize the most recent picture. After a slight rise in May, manufacturing confidence in the Northwest dropped again in June, indicating the persistence of the seesaw trend that has been going on since last November. Yet, more favourable manufacturing expectations are noted for the short term.

A decline in confidence also affects Italy, while European benchmarks show slight increases, though they remain at largely negative levels (mainly Germany).

The decline is mainly driven by a substantial drop in orders, albeit flanked by more favorable judgments on business performance and improved demand-side prospects for the next 3-4 months, now back to August 2023 levels.

In contrast, the index falls again nationally, in Germany and France, while it rises in Spain, where services confidence is at its highest level since November 2021

On the labour front, between January and March 2024 in Lombardy, the number of employees increased for the twelfth consecutive quarter (+53 thousand compared to the same period in 2023). It thus exceeded by +1.5 per cent the levels of the first quarter of 2019, considered the pre-Covid comparison period. Given the zero change in the number of unemployed compared to 2023, the employment expansion in the first quarter of 2024 is primarily due to a reduction in the inactive, down by -31 thousand compared to the beginning of 2023. Despite this, inactive persons remain above the pre-pandemic level, indicating that recovery is still underway.

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Looking at the performance indices, in the first quarter of 2024, the Lombard employment rate rises to 69.1 per cent from 68.7% a year earlier (+0.4 p.p.), a value only slightly lower than Veneto and Piedmont, both at 69.2%, but distant from Emilia-Romagna's 70.9%. At the same time, Lombardy's unemployment rate remains stable at 4.3%, a physiological value and, indeed, unchanged from a year earlier (well below Italy's 7.7%). Lower incidences are found only for Veneto (4.1%) and, among European benchmarks, for Baden-Württemberg (4.2%) and Bayern (3.8%). However, it is interesting to note that, although at lower levels, the indexes of German regions mark an increase compared to the beginning of 2023, while that of Lombardy remains unchanged in the annual comparison.

At the same time, however, tensions are strengthening in the labour market, where the mismatch between supply and demand is growing. As of April 2024, companies are encountering difficulties in finding 47.3% of the candidates sought, marking a further increase from 46.3% of last April (Excelsior data).

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