



ASSOLOMBARDA

BOOKLET ECONOMIA

# Lombardy in comparison with Italian and European benchmarks

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## Lombardy in the national and European comparison

# Executive Summary

In struggle since 2023, the Italian and Lombard manufacturing cycle remains weak in the second quarter of 2024, with a slowdown in production activity similar in intensity to the first months of the year. Between April and June, production levels in the regional industry declined by -0.7% compared to the previous quarter and -1.2% year-on-year due to decreasing orders from both domestic and foreign markets. The downturn is more pronounced at the national level, with Italian manufacturing production dropping by -3.1% below levels from a year ago, in line with the European average (-3.2% for the EU27). In spring, the performance of competitors such as France (-1.3%, which had been growing until now) and, especially, Germany (-5.0%) was also negative; in contrast, Spain recorded its second consecutive increase, amounting to +1.0%.

Focusing on the Lombard situation, the industry's weakness in the first half of 2024 mainly affects companies with over 200 employees, whose production levels record a -2.3% year-on-year decline between April and June. However, small (10-49 employees) and medium-sized (50-199 employees) businesses also face declines, albeit with more contained contractions of -1.0% and -0.7%, respectively.

Delving into the sector breakdown, the overall Lombard decline of -1.2% reflects, on the one hand, production growth in the chemical sector (+3.8%), rubber-plastics (+2.7%), non-metallic minerals (+2.6%), paper-printing (+2.3%), and food (+0.7%). On the other hand, there are significant contractions in the leather-footwear (-11.1%) and textile (-11.2%) sectors.

A turnaround is recorded on foreign markets after four consecutive quarters of declines (during which the region performed better than global trade). Between April and June, the value of sales in foreign markets increased by +0.1% in Lombardy and +0.5% in Italy year-on-year. Although these changes do not indicate an evident growth, they interrupt the negative trend of previous periods (overall, in the first six months of 2024, Lombardy's exports still fell by -1.6%, while national exports declined by -1.0%). Among the Italian regions compared, in the second quarter of 2024, Emilia-Romagna also shows substantial stability (+0.2%), while exports from Veneto (-1.8%) and Piemonte (-6.8%) continue to decline.

In terms of European benchmarks, contractions continue in Baden-Württemberg (-0.7%), Catalonia (-1.2%), and Auvergne-Rhône-Alpes (-4.1%); Bayern remains the only region to record significant growth (+2.2%).

Looking at Lombardy's exports by sector, positive contributions come from electronics (+13.5% compared to the second quarter of 2023), chemicals (+5.5%), food (+6.9%), wood (+5.7%), and automotive (+3.9%). All other sectors are in negative territory, particularly with notable declines in fashion (-8.8%) and metals (-3.9%).

Regarding destination markets, the reduction in exchanges of Lombard companies with major European markets (in the second quarter of 2024, exports to Germany decreased by -1.7% and to France by -4.0%) is compounded by significant declines in historically important non-European countries, all showing negative trends compared to the second quarter of 2023 (United States -2.2%, Switzerland -2.8%, United Kingdom -3.9%, Turkey -5.0%, and especially China -9.4%). Overall, however, it is noteworthy that more distant markets balance out those in Europe, with particular growth from the Middle East (Saudi Arabia +22.2%, United Arab Emirates +17.4%) and Asia (Hong Kong +17.2%, Singapore +11.6%, and India +8.4%), as well as Canada (+14.0%).

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The fatigue of the Lombard industry observed in the data for the year's first half persists in the more recent findings from Istat's qualitative surveys. In September, the manufacturing confidence in the North-West declines for the fourth consecutive month: order backlogs further decrease, finished goods inventories increase, and production expectations for the next 3-4 months decline (reaching their lowest since November 2020). The main obstacle to production remains insufficient demand, reported by 22.5% of businesses in the area. Historically high are also the share of companies reporting labour shortages (5.4% in the second quarter of 2024, more than double the average from 2015-2023) and financial constraints (jumping to 2.8% from 0.9% in the previous quarter).

The decline in manufacturing confidence also affects Italy, Germany, and France, while Spain's confidence increases.

On the services side, however, confidence rises for the second consecutive month, both in Italy and in the North-West. Specifically, in the North-West, companies report a significantly more favorable business environment, while orders remain nearly stable and short-term demand prospects are scaled back. The current data is positive, but the outlook for the end of the year is more cautious.

Among the compared European countries, service sector confidence rises in Germany and declines in Spain and France.

Moving to the labour market, the dynamism of the Lombard context is once again confirmed. Between April and June 2024, the number of employed persons increases for the thirteenth consecutive quarter (+51,000 compared to the same period in 2023), thus exceeding the levels of the second quarter of 2019 by +1.2%. At the same time, the number of unemployed decreases (-41 compared to a year ago), continuing the decline compared to pre-COVID levels (-29.8% from 2019). However, alongside these favourable trends, there is the first increase in the number of inactive individuals (+22,000) after three years of 'absorption': the number of unemployed individuals who are not actively seeking work remains above pre-pandemic levels by +1.3%.

In the second quarter of 2024, the Lombard employment rate rises to 69.2% (up from 68.8% a year earlier), above the Italian average (62.3%) and only slightly lower than Piemonte (69.5%) and Emilia-Romagna (70.1%). In the same period, the Lombard unemployment rate significantly drops to 3.6% (down from 4.5% a year ago): the national average is nearly double (6.7%), and only Veneto (2.7%) and Bayern (3.5%) have lower rates among the compared regions.

This result inevitably draws greater attention to the pressures between supply and demand characterizing the labour market, where dynamism leads to (positively) low unemployment and (negatively) increasing difficulties in finding skilled professionals.

Finally, some signs of difficulty emerge from the hours of redundancy fund in Lombardy, rising to 8 million in July 2024 (up from 7 million in June) and marking an annual increase of +43.7% (following a +27% increase in the second quarter).



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