



ASSOLOMBARDA

BOOKLET ECONOMIA

Lombardy in comparison with Italian and European benchmarks

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In autumn, manufacturing activity in Lombardy, and even more so nationally, continues to show signs of weakness. For this last part of 2024, there is no glimpse of an imminent way out of the stalemate. According to Istat confidence indicators and Assolombarda flash survey on business sentiment, some timid signs of a recovery are emerging for the start of 2025.

Istat's qualitative surveys reveal a slight rise in October in the climate of confidence in manufacturing in the Northwest after four months of decline, unlike the national index, which deteriorates further. This trend's reversal is driven by improved production expectations for the next 3-4 months and a (moderate) drop in finished goods inventories. However, orders are still decreasing (to the lowest level since September 2020) on both the foreign and domestic front, indicating the continuation of the current complex phase. In the Northwest, 1 in 4 manufacturing companies (25.6%) indeed indicate insufficient demand as a major critical issue; it is a high percentage and, what is more, up from previous quarters. This weakness at the local level fits into a stagnating European picture, where in October, manufacturing confidence declined further in Germany and dropped sharply in France and Spain.

On the other hand, services continue to drive the economy but without any particular momentum. Although the sector has been less affected by the global economic slowdown in the recent past, it is registering a fluctuating and, basically, almost flat confidence trend. In October, the indicator returned to a downward inclination in northwestern Italy (and more markedly at the national level), affected by a downsizing of judgements on general business performance and current orders (on balances that are still positive, however), while demand forecasts for the short term are more favourable.

On the consumer side, household confidence returned to the positive area in the Northwest, continuing to move along the upward trend characterizing the last twelve months and differing from the stationary national index. However, among the components, opinions on the general economic situation and, albeit to a lesser extent, expectations are worsening.

The uncertainty of the overall picture insinuates itself at a micro level in the sentiment of the industrial and services companies present in the Assolombarda territories: just over half of the 281 associates responding to the flash survey conducted at the beginning of November indicate an end of the year with an economic situation at a regional level that is stationary compared to previous months. Judgements are polarised when making an overall assessment of 2024, with 34.3% of respondents reporting an improvement and 40.3% a worsening compared to 2023. Forecasts on the regional economic situation for 2025 tend, on the other hand, towards a positive development (for 38.4% of respondents) or stability (35.2%) compared to 2024, while the share of those who foresee worsening stops at one-fifth, indicating 'cautious optimism' for the new year.

Moreover, in the Lombardy labour market, there is an increase in the number of hours of redundancy fund equal to +21.6% between January and September 2024 compared to the same period of the previous year (for comparison, +60.0% Piedmont, +50.1% Veneto, +53.7% Emilia-Romagna), with very marked differences between areas. There is also a rise in requests in the Assolombarda territories. Still, the overall increment of +12.6% is smaller than the regional total, again with differences between areas: -34.8% in Lodi, +8.6% in Monza and Brianza, +9.3% in Milan, +72.8% in Pavia.

Lombardy in the national and European comparison

Executive Summary

Finally, this issue of the Booklet dedicates an in-depth study of Lombardy's global trade, integrating the analysis of Istat territorial data with those of world trade value from the International Trade Committee. In the first half of 2024, Lombardy's exports were down by -1.3%, a result, however, that is decidedly better than the dynamics of global trade, which in the same period declined by -6.2%, and above 'potential exports', since if we had kept the export quotas of the first half of 2023 unchanged, demand would have fallen by -5.1%. Within a complex context, Lombardy's actual performance indicates a substantial competitive resilience of its companies, even though there is a high degree of heterogeneity between sectors. Some manufacturing sectors maintain an expansion dynamic and even beat potential demand, as in the case of electronics, which in the first half of 2024 increased its sales on foreign markets by +10.3% and was more than 12 percentage points above potential, as well as automotive and food, with +8.2% and +5.3% exports. Another group of sectors, then, experienced downturns compared to 2023 but managed to contain their losses compared to a more negative potential demand considering the retreat of global trade in these specific fields. First and foremost, chemicals, which slowed down by -0.7% against a much smaller potential demand that was about nine percentage points lower. Then there are electrical appliances (-3.9% in export value), design-furniture (-3.1%), rubber-plastics (-3.5%), machinery (-0.9%) and metals (-7.2%), with a differential compared to potential contained between one and three percentage points. Lastly, fashion and pharmaceuticals were particularly penalised, falling far short of their potential. In the first half of 2024, fashion saw a significant drop in foreign turnover of -9.0% and pharmaceuticals -2.8%, against a potential that, in this case, would have even been positive and equal to +5.1%.



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