



ASSOLOMBARDA

Booklet Economia

Lombardy in comparison with Italian
and European benchmarks

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Preface

Flash update on the short-term economic outlook for Lombardia in comparison with the other highly industrialized regions in Europe - Baden-Württemberg, Bayern, Cataluña, Rhône-Alpes - and in the North of Italy - Veneto, Piedmont, Emilia-Romagna.

Safety on the workplace in Lombardia

In the April-May 2020 bimester recorded work-related accidents in Lombardia decrease by 10.7% compared to the same period in 2019. Such trend reflects Covid-19 containment measures: on the one hand, having the lockdown interested most production activities as by Government decree, on-the-job work-related accidents sensibly drop for industrial activities (-55.0%); on the other work-related road accidents plunge as a result of mobility limitations (overall -74.6%, considering industry alone -67.5%).

Economic performance in Lombardia in comparison with benchmark regions

Lombardy is juggling at once the damage assessment from Covid, the rebound since the end of the lockdown and the measurement of gaps to fill before restoring 'normality'.

No doubt that Italy in 2020 is on track for its sharpest downturn ever, captured by Prometeia's latest projections (as of July 2020) in a 10.1% drop in GDP, with a direr outlook for the North (-10.6% North West, -10.5% North East) than the Center (-9.7%) and the South and Islands (-9.4%). Focusing on regions, GDP is expected to plummet by 10.7% in Lombardia and 10.6% in Emilia-Romagna, Veneto and Piedmont. Roles switch in the recovery projected in 2021, with the North springing back faster (+6.4% North West, +6.6% North East) than the rest of Italy (+5.9% on average, +5.4% Center, +4.8% South and Islands).

Despite uncertainty looming on any scenario put forward at this stage, the economic fallout from Covid-19 is to be significant. In Lombardia we estimated production activity to plummet by 35% in March (more than in the national average) and by 45% in April (in line with the rest of the country, given the geographical extension of the lockdown). Istat records in May a significant and, most importantly, larger than expectations, bounce in production activity in Italy, bringing to -20.3% the decrease on 2019; consequently, we revised our regional estimates for the same month at -22% year-on-year.

June finds our region's economic situation pretty mixed: on the one hand, there is still a relevant share of firms that are even just partially closed and soft indicators rebound more slowly than on average in Italy, on the other business confidence climate for both manufacturers and services improves to a larger extent (though still registering a gap with past levels). On these premises, we estimate production to be at -20% on 2019 in June (the equivalent year-on-year figure for Italy is -17% according to Prometeia).

Our estimate takes into account the still incomplete recovery in production: based on a survey conducted in mid-July on 500 industry and service firms members of Assolombarda, 15% of firms are still closed, even just partially (they were 28% two months ago). Also, the evidence collected points at smart workers decreasing to 27% of total workers (from 47%, though still a relevant share) and workers on the premises increasing to 51% (up from 30%).

Soft indicators also yield key evidence. In particular, in June HGV traffic, a proxy of production-induced trade and restored activity, records -15% on Milano's bypasses (data by Serravalle) and -20% on regional highways (data by Anas, to be compared to -8% at national level).

Most recently, July shows signs of a gradual but faster return to normality, though gaps with the pre-Covid situation are still wide. In particular, HGV traffic on Milano's bypasses in the first 3 weeks of July still decreases by 5% on 2019 (-18% LGV). Cargo traffic through Malpensa airport in June is still at -9% compared to a year ago and the picture is unchanged in July. Google Maps has seen work-related mobility in Lombardia gradually increase since the end of the lockdown, but the gap on the beginning of 2020 is yet to be filled and the trend is slower than at national level: -28% in mid-July in Lombardia, following -46% in mid-May (to compare, in Italy: -25% in June, after -42% in May).

On the contrary, in mid-July overall mobility (not just work-related) closes the gap with pre-Covid levels in Lombardia and in the provinces of Monza and Brianza, Lodi and Pavia. Gap still open in Milano instead (-7%; as already mentioned, in this case it is reasonable to assume the higher weight of work-related mobility than in the other provinces).

The economic picture is complete once business climate is factored in. In July it grows for the second consecutive month, and more so in the North-West than in Italy, both in manufacturing and especially in services. Levels however remain contained and there is no recover yet from the nosedive took in March: with respect to February, the manufacturing index registers a gap of -14 p.p. in Italy and -15 in the North-West, services as many as -33 and -21 p.p. respectively.

Considering households, consumer confidence climate instead decreases in July after a hint of recovery in June, and remains very low: the decrease is minimal in Italy (-1 p.p.) and more visible in the North-West (-3 p.p.), with the gap widening to -11 p.p. in Italy and -13 p.p. in the North West with respect to February 2020 – a smaller but still relevant gap than what recorded for business confidence. In the North-West point of attention is the further deterioration in the economic climate and the future climate components.

Finally, Cassa Integrazione Guadagni – the Italian redundancy scheme – is still largely recurred to. In June 2020 indeed, 81 million hours CIG were authorized in Lombardia, for a quarterly total of 376 million hours, 20% above the peak of 313 hours recorded in 2010. Focusing on provinces, between April and June 2020 171.3 million hours were authorized in Milano, Monza and Brianza, Lodi and Pavia, almost twice the 93.2 million authorized in 2010 overall: in the case of Milano and Monza Brianza authorized hours are twice as many as in 2010, in the case of Lodi over 1.5 times those in 2014 (peak year), while in Pavia the demand in the same three months has not yet reached the 2009 peak.





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