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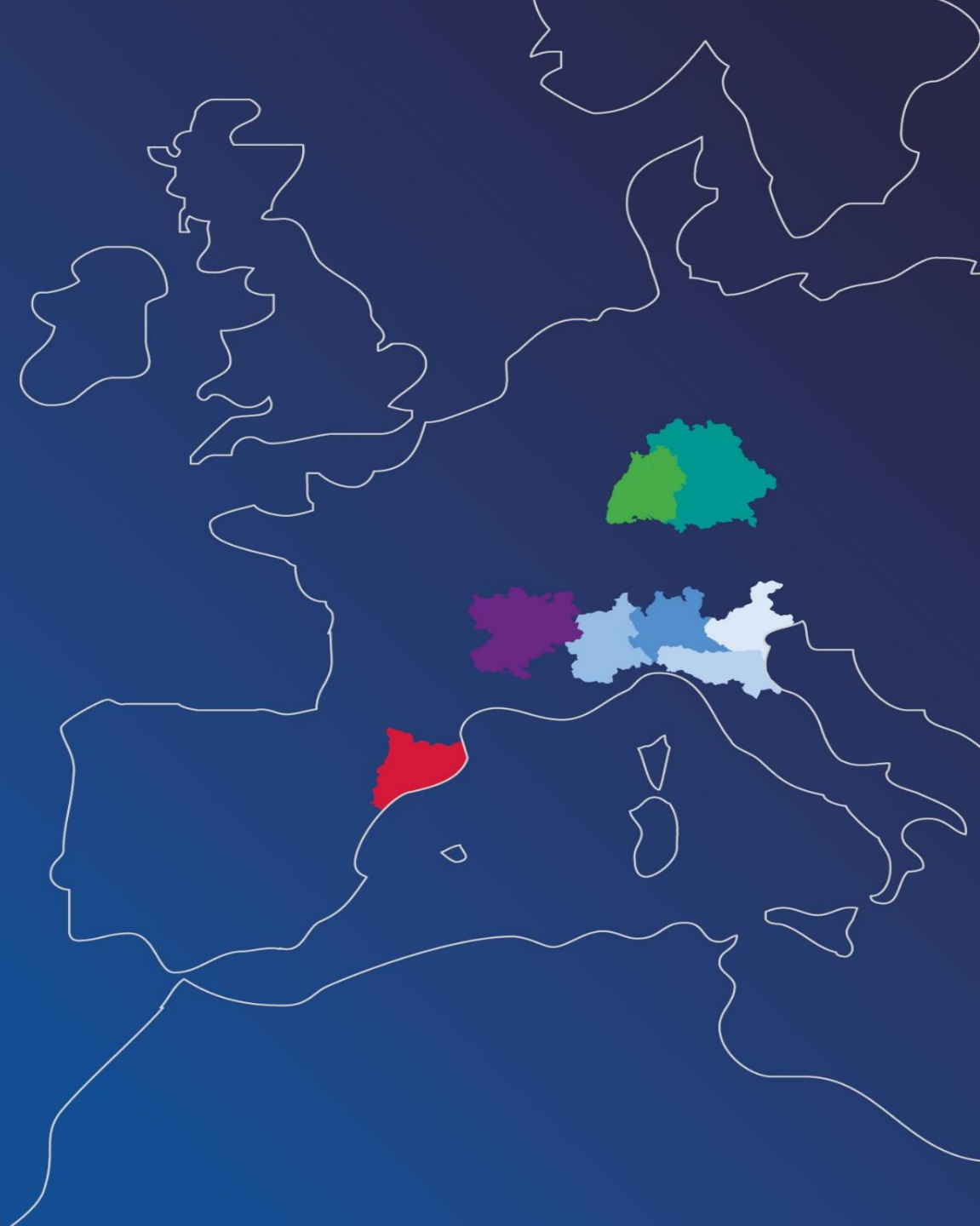
Booklet Economia

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 July 2020 recorded work-related accidents in Lombardia drop by 18.6% on the same period in 2019. Work-related road accidents still decrease, through to a lesser extent than in April and June, when the lockdown and subsequently strict mobility limitations applied: -39.8% all sectors (following -62.7% in the previous quarter) and -55.7% the industry (vs -61.1%).

Economic performance in Lombardia in comparison with benchmark regions

The complete trend reversal of the Italian economy after the paralysis suffered in March and April when the pandemic and the 'perfect economic storm' were at their peak, continues and strengthens during the summer. The recovery is incomplete (all indicators are still below pre-Covid levels) and varies across sectors, however it is adamant that business activity has been picking up since May and the negative trend in monthly time series is losing intensity. The progress is visible starting from industrial production data: -8% year-on-year in July, a further improvement from -14% in June and -21% in May, which followed the sudden and deep -43% in April and -29% in March.

However, economic activity rates come with a '-' sign and do not compare with before the pandemic. Italian industrial activity stands at -16.8% in January-July 2020 on 2019 and, according to Centro Studi Confindustria, similar figures are likely to hold valid in August-September.

As to Lombardy, data unanimously suggest the drop having been steeper throughout the lockdown until May, and the recovery being slower: based on available indicators, we estimate a year-on-year decrease in production by -35% in March, -45% in April, -22% in May and -15% in June.

Among other factors, international interconnectedness weights on the regional outlook. With world trade shrinking, exports from Lombardy plunge in the second quarter of 2020 (-26.9%, a figure in line with that of the other main European manufacturing regions) across all sectors and provinces though with different intensities. More in detail, after decreasing in March (-13.1% year-on-year) exports plummet in April (-40.8%) and, to a lesser extent, in May (-29.8%) and June (-10.1%). Focusing on manufacturing sectors, food (-3.5%) and pharmaceuticals (-12.8%) decrease the least, fashion (-42%) and automotive (-41.3%) the most; given their importance in the regional economy, impactful is also the decrease suffered by mechanicals (-29.0%) and metals (-30.1%).

Over the first six months of 2020, exports in Lombardia decrease by -15.3% year-on-year, the equivalent for our firms of 9.7 billion euro of sales abroad lost, of which 3.2 billion in Milano, 634 million in Monza e Brianza, 236 million in Pavia and 121 million in Lodi.

'Soft' indicators of economic activity over the summer, although partial, confirm that recovery is underway but more slowly in our region than elsewhere in Italy. Electricity demand in Lombardia increased to -10% in July year-on-year (-7% in Italy). HGV traffic on Milano's bypasses, a proxy of production-induced trade and restored activity, is stable in September on the same levels as in July, still at -5% compared to 2019. Work-related mobility based on Google Maps is -34% on pre-Covid levels still in Settembre (-29% in Italy).

Businesses thus seem to generally perceive the current situation as critical. Confidence climate surveys accordingly record caution and highlight the direr situation for manufacturers in the North-West than in the rest of Italy, with August figures -16 p.p. below February levels (the same gap is -13 p.p. at national level). On the contrary, services perform better than nationally (-15 points in the North-West vs -24 in Italy).

Consumers instead appear more confident than firms, especially with reference to their family condition. Compared to the beginning of 2020, there is still a negative and large gap of -11 p.p. in the North-West, but it is indeed higher than for businesses.

As to the labor market, the effects of the pandemic between April and June 2020 are more evident than in the first part of the year. As a matter of fact, Lombardia records -110,000 persons employed (the worst figure since the third quarter of 2009), as a result of a decrease in the number of the self-employed (-23,000) and the employees (-87,000). The employment rate (at 66.5%) and the unemployment rate (at 4.0%) both decrease, reflecting the uptick in the number of those that, discouraged, have given up job searching.

Finally, there is still a high recurrence to redundancy schemes (Cassa Integrazione Guadagni). 454 million hours were authorized in Lombardia between April and July, 45% more than in the whole of 2010, the previous peak year. Focusing on provinces, in four months only both Lodi (with 8.8 million hours) and especially Milano and Monza e Brianza (with 182.9 million hours) see requests double compared to the annual peaks recorded in 2014 and 2010 respectively; Pavia (with 13.4 million hours) is slightly above the 2009 peak.





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