



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 third quarter of 2020 work-related accidents recorded in Lombardia drop by 15.6% compared to the same period in 2019. The number of work-related road accidents continues on a downward trend, however the decrease is slower than between April and June when the lockdown still constrained mobility flows: -35.9% overall (vs -61.7% in the previous quarter) and -37.4% in the industry (following -59.2%).

Economic performance in Lombardia in comparison with benchmark regions

The surge in coronavirus cases wrecks the economic recovery started in May and triggers an increase in uncertainty.

Signs of economic distress in Italy and Lombardia have been mounting since the last ten days of October, as infections roaring back gradually prompted governments including, most recently, the Italian one to adopt new restrictions. So far, the impact seems limited, but careful monitoring is needed to promptly capture trend changes.

Electricity consumption at national level, a proxy of production activity, has been falling every day faster since the latest decree entered into force: -2.1% on Friday November 6 year-on-year, -3.5% on Monday 9, -6.4% on Tuesday 10. Similarly, between October 19 and October 25 HGV traffic on Milano's bypasses, a proxy of business trade, hits -4% compared to a year ago (against -2% in the first week of October).

Most sizeable is the impact on people's mobility. LGV traffic on Milano's bypasses drops by -27% between October 19 and October 25 year-on-year (vs -13% in the first week of the month), subway passengers in Milano plummet by -63% between October 26 and October 30 compared to the beginning of 2020 (vs the previous -44%) and in the same period accesses to the 'C area' LTZ in Milano decrease by -23% (vs -5%). All in all, people's mobility is pushed back into negative territory compared to the beginning of 2020: -17% in Lombardia as of November 6, with the fall being steeper in Milano (-25%) and Monza Brianza (-22%), where the health situation is deteriorating the most, and more contained in Lodi (-10%) and Pavia (-6%). Especially, as firms most heavily resort to smart working arrangements, work-related mobility shrinks even faster: -38% in Lombardia as of November 6 (vs -22% in mid-October).

In assessing the short-term economic outlook, three are the key factors to be considered: measures imposed to handle the pandemic in Italy, which are particularly restrictive in Lombardia assessed to be 'red zone'; further lockdowns in the main European trade partners; business and consumer climate.

Starting with measures, the ministerial decree (DPCM) published on November 3 and in force from November 6 to December 3 imposes new lockdowns and limitations. In the case of Lombardia, the restrictions imposed for the month entail a loss of over -1 percentage point of regional GDP in 2020, which subtracts -0.3 percentage points to Italian GDP. This direct effect gets amplified as other channels of transmission of economic shocks get 'infected', namely international trade and the confidence climate.

Indeed, one has to consider that over the last few weeks the main destination markets for Italian and Lombardia's firms have also been engulfed by the second wave of infections. Firms face the grim outlook of a slow down in international demand in the last months of the year, and this puts the brakes on economic recovery in Lombardia, where exports account for a little over 30% of GDP and around 40% of manufacturing firms' turnover.

The third element casting a shadow on the economic outlook is the deterioration of business and consumer confidence due to the uncertainty around the duration of the pandemic, negatively impacting on investment and consumption decisions.

As to firms, manufacturing confidence climate in the North-West still moderately improves in October, however production expectations and book orders for the following 3 months start hinting at a setback. Besides, even during the index uptick in July through September, almost 40% of firms in the North-West would lament production constraints mostly caused by insufficient demand.

As to households, rising uncertainty immediately yields a decrease in the consumer confidence climate in the North-West, which had improved for the previous two months. All components worsen, especially the economic and future ones.





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