ASSOLOMBARDA

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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 October 2020 work-related accidents (including Covid cases) recorded in Lombardia increase by +8.1% over the same month in 2019. Work-related road accidents decrease further: -52.1% the total economy (following -31.7% in the previous three months) and -56.6% the industry (vs -32.6% in July-September).

Economic performance in Lombardia in comparison with benchmark regions

In November Lombardia's economy suffers a second hit from the pandemic, and its recovery reaches a halt after having kept a lively pace since the Summer. The impact is not as deep a drop as in April, but still relevant enough for business and consumer confidence climate to freeze over. Moreover, some key differences emerge between provinces, mostly reflecting local production specializations and the spread of Covid cases.

Let's start from recollecting Summer months. Back then, sentiment is positive as the manufacturing sector bounces back driven by foreign demand, which between July and September supports exports' marked recovery from the fall suffered during the Spring lockdown, although the third quarter finds exports still at -7.9% with respect to the same period in 2019.
Over the first nine months of 2020, total exports from firms in Lombardia hit -13.4% on a yearly basis, the equivalent of -13 billion euro in lost turnover from sales abroad due to the pandemic: automotive (-23.9%) and fashion (-20.8%) record the steepest decreases, but regional performance is affected by machinery (-16.4%) and metals (-17.3%) as well; pharmaceuticals (+13.4%) and food (+0.7%), two essential value chains that increased their activity during Covid, grow instead. Compared to the regional average, exports from Monza and Brianza (-10.2%, i.e. -730 million euro) and Lodi especially (-8.2%, -208 million) decrease to a lesser extent; from Pavia (-13.9%, -418 million) and Milano (-13.8%, -5 billion) to a larger extent.

Then the second wave of infections puts the brakes on economic recovery. Towards the end of October, and even more intensely at the beginning of November, proxy indicators of economic activity and business transactions slow down: HGV traffic on Milano bypasses decreases by -4% at the end of October and by -9% at the end of November, and over the month on average electrical consumption in Lombardia declines by -4%. People's mobility shrinks as well: LGV traffic plummets by over -50% three weeks into November on 2019, after having reached -15% between September and beginning of October; accesses to Area C in the municipality of Milano drop by -34% compared to pre-Covid after recording changes of less than -10% in the previous two months. Hence overall people's mobility falls back below pre-pandemic levels, especially in Milano (-11%) and Monza and Brianza (-9%), both relatively more under pressure from the health emergency (-4% the mean decrease in Lombardia as of November 27) but also in Lodi (-1%), while it grows in Pavia instead (+3%).

Mobility dynamics are reigned in also due to the larger spread of smart working practices. As a matter of fact, the latest survey by Assolombarda on 1,100 of its member firms from manufacturing and the tertiary sector finds that as of end-November 72% of firms in Milano, Lodi, Monza and Brianza, Pavia recurs to remote work and such arrangement concerns a significant share of workers, as much as 49% of those in the panel. The share of smart workers is in line with that recorded in mid-September (50%), but the share of ‘in part’ smart workers decreased (to 10% as of November) to the benefit of ‘exclusively’ or ‘prevalently’ smart workers (respectively, to 24% and 15% of the panel).

In assessing the impact of the second wave, next to distinctive economic structures influencing local growth, supply-side strains caused by the spread of infections shall be considered. Based on the survey by Assolombarda, in the most complex situation seem to be Monza and Brianza, with 56% of firms that record employee absences for Covid-related reasons, and Milano (53%), but also Pavia (48%) and, to a lesser extent, Lodi (31%). Most importantly, in Monza and Brianza one in five firms denounces a ‘significant’ impact on activity because of these absences, compared to a smaller 8% in Milano and Pavia and a mostly ‘neglectable’ impact in Lodi.

Finally, in Lombardia CIG authorized hours in October pick up to 72 million (+71% on September), after the gradual reintegration following the rise in April. Focusing on territories, the increase is most visible in Milano and Monza and Brianza (where hours double from 21.3 million in September to 42.6 million in October) and less so in Pavia (from 0.8 to 1.2 million), while in Lodi hours, though still a large number, are on the decrease (from 700,000 to 600,000).
On Lombardia’s labor market, signs of distress are in the -107,000 persons employed measured by Istat in the third quarter of 2020 on the same quarter in 2019 and in the increase of the unemployment rate to 6.0% (from 5.1%).

Last but not least, the outlook for year-end and the beginning of 2021 is influenced by the worsening of the business and consumer confidence climate. In the North-West, business confidence decreases in the case of manufacturers (-5 percentage points vs October) and very much so in the case of services (-11 percentage points), with downward-reviewed expectations for the next 3 to 4 months, both for national and foreign demand. Although in absolute terms the index is higher than in the first wave, it is comparable to the lows of 2009 for services and of 2012 for manufacturing. As to consumers, the pandemic especially affects the national economic climate and the future component.

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