



ASSOLOMBARDA

# Booklet Economia

Lombardy in comparison with Italian  
and European benchmarks

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## EXECUTIVE SUMMARY

### Lombardia's economy in comparison with European and Italian benchmark regions

Based on business confidence surveys the pace of recovery of manufacturers intensifies in the North-West and Lombardia over February and March, faster than the national average and against the marked acceleration recorded by German industries; however, downside risks build up due to rising raw materials prices globally. The opposite, services confidence decreases again both in our area and on average in Italy, whereas it grows in Europe.

European labor markets have all been hit by the pandemic, but while in benchmark regions unemployment increases, in Lombardia (as well as in Italy) the deep fall in employment pairs with almost no reaction in unemployment and a sharp increase in discouraged workers instead.

More specifically, North-West manufacturing confidence records another increase in March and sets 6 p.p. above early-2020 levels, performing better than the Italian average (+2 p.p.) thanks to the uptick in the first months of 2021. The growth of the index reflects increasing assessments on both national and foreign order books and a further improving short-term production expectations. To be noted at European level Germany's exceptional recovery from its low on April 2020: in March 2021 the confidence index is up 25 p.p. from its level on January 2020, striking a positive balance close to 2018 historical highs and expectations on production over the next 3-4 months at record levels.

Services confidence climate instead suffers a set-back in Italy and especially in the North-West, where both final and expected demand worsen, but it grows in the main European countries. Across all the benchmarks considered, anyway, services set on lower levels than manufacturing, recording relevant gaps with pre-Covid levels.

Lombardia's manufacturing boost in the first months of 2021 follows a milder-than-expected performance approaching 2020 year-end because of the recrudescence of the pandemic in our country especially (in 2020 fourth quarter, indeed: -2.3% exports from Lombardia year-on-year, -1.8% Italy +1.6% Cataluña, +2.7% Baden-Württemberg). It shall be highlighted that Lombardia overall records a similar annual export figure to the European benchmarks (-10.6% vs -10.3% Cataluña and -7.3% Baden-Württemberg), thanks to the strong uptick in the Summer, which clearly signaled competitiveness on international markets.

Downside risks to the current outlook stem from rising raw materials prices at global level, which might hinder the speed of the recovery. In the first three months of 2021, 14% of firms in the North-West lament 'prices and costs' as growing obstacles to exports (up from 8%), 10% 'longer delivery times' (up from 5%).

As to consumers, the confidence climate stays unvaried in March in the North-West, but uncertainty remains widespread: the index is still 10 p.p. below pre-Covid, the economic component on historical lows.

Comparing European labor markets yields interesting suggestions to gauge the different impact of the pandemic. 2020 sees employment decrease in Lombardia together with the unemployment rate, as a result of a sharp increase in the discouraged having given up job searching. In benchmark regions instead, unemployment directly suffers the pandemic hit, growing to 13.9% in the fourth quarter of 2020 in Cataluña, to 3.6% in Bayern, to 4.2% in Baden-Württemberg. Taking into account the available information about country-level employment dynamics, it seems that these regions are not affected by the 'discouragement' issue impacting on Lombardia and Italy instead.

More recently, while the job retention scheme 'CIG' is less in demand (22 million requests in February, the fewest since the pandemic started), it remains on historical highs, suggesting persisting tensions on the labor front.

Finally, reflecting emergency measures to face the pandemic loans to firms in Lombardia markedly grow in December 2020 (+7.2% on 2019) and widespread both across firm sizes (+5.3% for firms with fewer than 20 persons employed, +7.5% for larger firms) and sectors (+9.1% services, +6.4% manufacturing, +4.7% construction).

### Safety in Lombardia

In January-February 2021 work-related accidents recorded in Lombardia - compared to the same bimester in 2020 – overall increase (+7.1%), but decrease (-20.3%) in the industrial sector. On-the-road work-related accidents drop in the total economy (-50.6%), and the industrial sector (-45.6%).

## Provinces in detail

### MILANO

Manufactures in Milano suffer a sharp contraction in sales abroad at year-end, i.e. -8.6% in the last three months of 2020, which drags the final export figure down to -12.5%, a performance worse than the regional average (-10.6%). It is the equivalent of 5.7 billion euro lost: especially great a loss in the case of fashion (-18.3% in 2020) which alone accounts for a quarter of the overall export drop, but also for machinery (-12.8%), metals (-17%), electronics (-10.7%) and electrical appliances (-8.0%). Among local prime sectors, for chemicals the contraction is rather muted (-3.4%), pharmaceuticals grow (+5.2%). Overall, the industrial production level decreases by 10%.

The dip in manufacturing pairs with plummeting services – a key segment in Milano's economy: accommodation and food services' annual turnover drops by 30/40%, that of business services by a smaller 10%.

The fall in activity levels severely impacts on the labor market. There are 20,000 fewer persons employed in 2020 (vs -33,000 in 2009), i.e. -1.3% on 2019, and over 4,000 fewer persons unemployed, the result of a strong rebound in the number of the inactive, as almost 50,000 more people got discouraged from searching for a job. Over the recent months, the use of the CIG scheme remains relatively stable on large numbers (9.4 million authorized hours in February 2021), but results improved compared to figures recorded during the first pandemic months (47.3 million the peak reached in April 2020).

As new restrictions got implemented in March 2021, overall people's mobility decreases again (-11%, in line with Lombardia) after having filled the gap with pre-pandemic levels in February (+2%, +6% in Lombardia). Work-related mobility remains stable instead at around -30%.

### MONZA E BRIANZA

For firms in Monza in the fourth quarter of 2020 the recovery started in the Summer strengthens, driven by the rebound in world trade and despite the large number of Covid cases. Exports grow above pre-Covid levels increasing by 1.9% in the last quarter of 2020 year-on-year, widely supported by almost all key local sectors, especially chemicals and other manufacturing, which includes furniture and design. The legacy of 2020 anyway weighs heavy on the economy: 684 million euro were lost on foreign markets, -7.1% on 2019 (better than the regional average, -10.6%). Also considering manufacturing production, the local economy fares better than the region, hitting -7.9% compared to Lombardia's -9.8%.

Over the whole of 2020, considering the sectors of specialization, pharmaceuticals grow (+16.1%) and, among top sectors, for electronics (-2.4%), electrical appliances (-6.0%),

metals and chemicals (both -6.6%) and rubber-plastics (-6.7%) losses are subdued. Other manufacturing, furniture included, (-8.4%) and automotive (-10.9%) drop deeper than the average, and machinery suffers the most (-16.6%).

As to the labor market, there are 3,000 fewer persons employed in 2020 compared to 2019 (half the record in 2009), dropping by just -0.7% (-1.7% in Lombardia). As at the regional level, the contraction in employment is coupled with a drop in unemployed (-9,000 units, the unemployment rate down to 4.9%), reflecting the relevant increase in the discouraged (+16,000 inactive persons). In the recent months, the CIG remains stable (2.5 million authorized hours in February 2021), still on record-high levels but the lowest since the start of the pandemic (12.4 million the peak in April 2020).

Overall people's mobility decreases with the introduction of new restrictions (-10%, in line with Lombardia), after having fully recovered in February (+7% on pre-pandemic levels). Work-related mobility flows set at around -25%/-30%.

## LODI

Lodi positively closes 2020 and foreign sales increase by +6.3% on 2019, over half of the gain attributable to electronics (+6.6%), but particularly positive also machinery (+22.8%) and electrical appliances (+8.4%). However, overall 2020 results in a loss, -3.9% on 2019 (-142 million euro of sales abroad), but much smaller than the regional average (Lodi is the second most resilient province of the year) thanks to the sectorial specialization of the territory. Coherently, manufacturing production decreases by 3.3% in Lodi, vs -9.8% in Lombardia. On foreign markets, pharmaceuticals (+24.7%), food (+7.4%) and metals (+1.5%) grow. Among top sectors, electronics (first in absolute terms) limits its losses to -3.0%, whereas machinery (-5.6%), electrical appliances (-6.8%) and rubber-plastics (-7.8%) contract more than the manufacturing average. The worst performing sector is chemicals (which includes cosmetics), which alone, being the second most relevant exporting sector in Lodi and overall dropping by 14.7% in 2020, accounts for over half of Lodi's loss in 2020. Labor market figures, to be cautiously read as based on a small sample, result better than the regional average, with almost 1,000 more persons employed than in 2019 (+1%) and over 1,000 more unemployed (the rate decreases to 5.9%, though remaining higher than in Lombardia). The CIG is still largely recurred to (300,000 hours in February 2021, 3.9 million the peak in April 2020), however pursuing the downward trend started last Summer (except from the uptick in November).

As new restrictions were put in place in March 2021, overall people's mobility falls back below pre-Covid levels, but to a lesser extent than in Lombardia (-4%, -8% in Lombardia). Work-related mobility is still at around -25%.

## PAVIA

Manufacturers in Pavia close 2020 with exports plummeting (-20.4%) and the annual figure is dramatic, the worst of all provinces in Lombardia at -15.7%, i.e. -644 million euro lost. Production levels shrink by 10%. Among top exporting sectors, fashion (-47.2% in 2020, with a marked drop also in the last quarter) accounts for almost half the annual figure, but machinery (-18.9%), metals (-22.6%), petroleum products (-47.4%) and, to a lesser extent, chemicals (-9.9%) weigh negatively as well on the overall performance. Food (+14.5%), pharmaceuticals (+7.1%) and rubber-plastics (+1.1%) see their foreign sales increase. There are 9,000 fewer persons employed on the labor market in 2020 compared to 2019 (over twice the figure in 2010, at the peak of the previous crisis), a relevant -3.7%. At the same time unemployment decreases (-4,000 persons, the rate is 5.4% but still higher than in Lombardia), as the discouraged increase (+13,000). The use of the CIG remains high (500,000 hours in February 2021), but is the lowest since the pandemic started (5.9 million the record in April 2020). With the new restrictions imposed in March 2021, overall people's mobility falls back below pre-Covid levels (-2%), whereas the drop is steeper in Lombardia (-8%). Work-related mobility is still at around -20 (-30% in Lombardia).





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