ASSOLOMBARDA

Booklet Economia

Lombardy in comparison with Italian and European benchmarks

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N° 42/April 2020

Issued on 1 April 2020

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 January 2020 «on-the-job» work-related accidents in Lombardia decrease by -3.2% both in the total economy and in the industry compared to January 2019. Against the trend, «on-the-road» work-related accidents in the total economy increase (+7.5%).

Economic performance in Lombardia in comparison with benchmark regions

Since end of February the Covid-19 epidemic has progressively spread over Italy. The restrictive measures implemented so far will (and already do) spill over to production and consumption. Moreover, the lagged and asymmetric spread of the epidemic across countries will weight on the Italian and the global recovery due to shocks in highly interdependent global supply chains.

While estimates are continuously updated, economists all agree on projecting a severe and common economic downturn. The intensity of the downturn will depend on how long the epidemic lasts and how vastly it spreads.
According to Prometeia, projections as of March 27th show global GDP decreasing by -1.6% in 2020, by a greater extent than in 2009 (-0.4%), and global trade dropping by -9.4% (-12.3% in 2009), based on the assumption that China is back to normality in the second quarter and Europe and the USA by end of the summer.
Considering a slow and gradual removal of restrictions on production starting from the first days of May, Italy's GDP might shrink by -6.5%, which is in just one year the equivalent of the drop in the two years of 2008 and 2009 (respectively -1.0% and -5.3%).
Centro Studi Confindustria as of March 31st projects the Italian GDP to fall by -6.0% in 2020, under the assumption that the direst phase of the epidemic is faced towards the end of May.

Quantitative data on the size of the production drop is not available yet, but soft qualitative indicators are telling.
The survey run by Istat in the days from March 2nd and March 13th record a plummeting confidence climate: -9 percentage points in manufacturing in Italy, -10 p.p. in the North-West (with large similarities across all sectors); -18 p.p. in services both in Italy and in the North-West (with falls of as much as -40 p.p. in tourism and -31 in trasports and warehousing).
Consumer confidence is also dim, losing 10 p.p. in Italy and 9 in the North-West, with the current and future economic component dropping to its lowest levels since Spring 2013.

Electricity demand measured by Terna is yet another proxy of the large drop in activity: overall energy consumption in Italy was by 26% lower in the week of March 23rd-29th than in February.
The Italian economic outlook is then set in a European context also of sluggish growth: though national data is not available yet, the flash PMI index for manufacturing and services for the Eurozone dropped by 51.6 in February to 31.4 in March, below the floor reached in February 2009 at 36.2.

Focusing on the provinces of Milano, Lodi, Monza and Brianza, based on the survey run by Assolombarda over more than 1,400 member firms (for a total of over 98,000 employees) one finds that, as of March 26th, 30% of firms had shut down (or were about to) and 43% had partially closed. Only 27% of firms are open (many fewer than the 76% registered on March 12th): the equivalent figure in the industry is roughly the same, while it grows to 36% in the tertiary sector.
As to work modalities, 49% of employees are in smart working, 21% physically go to work and 30% are not working. It is interesting to note that a third of those employed in firms that have closed (or are about to) is in smart working. There are differences across sectors: smart workers reach 43% in industry and 65% in the tertiary sector, those physically at work are 24% and 12% respectively, those not working are 33% and 24%.
As to the use of social safety nets, 69% of firms do/intend to deploy them (75% in industry, 60% in services) for around 73% of their employees. Over the total sample, the number of workers put in safety nets (CIGO, FIS; etc.) are 48% of the total.

The current economic outlook for Italy and Lombardia adds to a context which was already sluggish before the pandemic hit: Italy stopped growing in 2018 and in the last quarter of 2019 recorded a minus sign (-0.3% in GDP), in Lombardia GDP in 2019 registered a mere +0.7%, the result of stagnant production (+0.2% in 2019 following +3.0% in 2018) and a freeze in export performance (+0.0% in 2019 after +5.4% in 2018).

Last but not least, the labor market slows down towards 2019 year end. Recent data show a +25% in CIG over the first two months of 2020 compared to the same period in 2019 (Cassa Ordinaria +55%); this without accounting for the pandemic yet.

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