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 two months July-August 2020 work-related accidents recorded in Lombardia drop by 16.5% compared to the same period in 2019. The number of work-related road accidents largely declines, however to a lesser extent than in April and June when the lockdown still constrained mobility flows: -39.2% overall (vs -62.2% in the previous quarter) and -42.6% in the industry (following -60.5%).

Economic performance in Lombardia in comparison with benchmark regions

The economic upswing is clearly under way in Lombardia (at least as proxy indicators reduce the gap with pre-crisis levels), the recovery is still incomplete (as supply is constrained by the only partial reopening) and consumers' and businesses' expectations remain subdued.

A testament to the liveliness of the rebound are data about electrical consumption in Lombardia, that in August set at -3% on 2019, together with HGV traffic on Milano's bypasses and cargo traffic through the Malpensa airport, which based on preliminary estimates for September both set at approximately -4%. LGV traffic is also visibly improving (-12% in September) and people's mobility in general is comparable to pre-Covid.

Assolombarda's latest survey, collecting the answers of over 1,000 member firms from industry and services, further confirms businesses to be reactive. As a matter of fact, as of mid-September, 90% of firms in Milano, Lodi, Monza-Brianza and Pavia have completely reopened and 88% of workers are back to the premises, of which 42% are always physically present at work and the remaining 46% alternate physical and remote presence. To be noted, smart working is largely deployed, so not only it was essential in ensuring business continuity during the emergency last Spring, but also proves important under the currently uncertain outlook. The share of firms with at least one remote worker has grown from 28% pre-pandemics to the latest 72% (with projections of a 'new normal' of 59% post-Covid); at the same time, the share of employees in full or partial smart working regime has also increased, from 22% to 58% of the workforce of Assolombarda member firms.
Coherently, people's work-related mobility by Google is at -29% in Lombardia compared to the beginning of 2020, also due to this intense use of smart working arrangements.

The big hit has been taken and the economy has been picking up since, but the recovery resulting sound based on the latest short-term figures is still incomplete and unequal across sectors and geographies, reflecting both weak demand (affected by the uncertainty around the health crisis) and, sometimes, feeble supply.

Both businesses' and households' expectations are uncertain and cautious. Despite visibly improving compared to the previous month, confidence climate indexes are still low (especially for firms) and below pre-pandemic levels.
Manufacturing confidence climate in the North-West suffers a gap of -9 p.p. with February (larger than the national average of -7 p.p.), while services record -5 p.p. Uncertainty impacts on demand-related data, which remain subdued both nationally and internationally.
As to consumers, hence households, confidence, the North-West records a slightly positive figure thus aligning with the national average, however the gap is still at -6 p.p. with February, and among components the current and future economic climate remains largely negative.

The critical situation on the labor market further suggests the recovery to be fragile. As previously commented on these pages, employment plunged in the second quarter of 2020 in Lombardia, with 110,000 fewer persons employed than in 2019, and the 'discouraged' having given up job hunting has markedly increased. Data about contracts (which differs from the number of persons employed, as for one person more than one contract might be activated) give a more evident measure of the entity of the shock: in June in Lombardia total hirings, though decreasing less intensively than in April, are still on a downward trend (-43.3% year-on-year), for a total of 210,000 fewer hirings between April and June compared to 2019 (of which as many as -90,000 are fixed-term contracts). Moreover, Cassa Integrazione Guadagni - CIG (i.e. redundancy payments) is largely recurred to, with 37 million hours requested in Lombardia in August only (a figure comparable to that of an entire year), which summed to authorized hours since April give a total of 490 million hours. Focusing on territories, in Milano, Monza-Brianza, Lodi and Pavia authorized CIG hours sum to 221.7 millions, +138% on the 93.2 millions authorized in the entire 2010.

The credit market provides additional information. As a result of the measures implemented during Covid, loans to firms in Lombardia in June 2020 increase (+3.8% on 2019), both for firms with fewer than 20 persons employed (+2.1%) and larger firms (+4.1%). Among sectors, loans grow for manufacturing (+5.3%) and services (+4.8%), whereas constructions are stable.

Finally, in order to get a tentative estimate of firms' ability to maintain competitiveness, it is useful to compare the drop in exports from Lombardia with that of world trade, keeping into consideration different timings and responses to the pandemic. Based on first estimates (on provisional data) between April and June 2020 exports from Lombardia (-26.9%) result more dynamic than world demand (-31.7%), but weaker than 'potential demand' (-22.6%, meaning the percentage change in demand holding pre-pandemic export shares constant). In particular, among our main markets, the largest decrease in sales compared to total imports is recorded in Germany, United States and China (three key nodes in global value chains), whereas our performance is line with demand in France and the United Kingdom, and it outdoes demand in Switzerland and Spain.

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