ASSOLOMBARDA

Booklet Economia

Lombardy in comparison with Italian and European benchmarks

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EXECUTIVE SUMMARY

After the increase registered in the first two months of 2023, in March, the manufacturing confidence index continues to grow in the Northwest, as in Italy, France and Spain (while it is falling in Germany), mainly because of the improvement in expectations for the short term. Indeed, the increase in the Northwest and at the national level is driven by a rise in production expectations for the next 3-4 months, now at their highest value since the second half of last year, which are confirmed by favourable demand-side prospects. Among the other components of the confidence index, domestic and foreign orders fall slightly, while inventories of finished goods increase marginally. Finally, current production somewhat declined.Concerning sectors, in 2022, important parts of the regional Made in Italy see substantial activity growth: fashion first and foremost (clothing +24.5%, leather-footwear +21.7%, textiles +10.8%), along with design (wood, furniture), but also food and mechanics (both +6.8%). However, the slowdown characterising the end of 2022 emerges here as well.

According to firms in the Northwest, obstacles to exports decreased in the first quarter of 2023: the share of those complaining about refraining factors for foreign sales dropped to 39.2%, while for all quarters of 2022 this percentage remained around 50%. The price and costs factor is a critical issue for 21.4% of firms, thus well below the 30% peak reached in the fourth quarter of 2022 and confirming that inflationary tensions are gradually easing, although they remain at historically high levels. Also, the incidence of those reporting the lengthening of delivery time as a problem decreased to 10.8% from 11.8% in the last quarter of 2022, thus reaching the lowest value since the second quarter of 2021. However, considering the average incidence in 2019 was 2.4%, the comeback is still very partial.

A different scenario emerges from the service sector in the Northwest, whose confidence index has further decreased in March following February's decline. The indicator also contracts in Spain and France, while it rises at the Italian average and in Germany. Focusing on the Northwest, opinions about business performance have reached the lowest level since April 2021, but demand expectations and opinions about orders have risen, even though slightly for the latter.

On the household side, the consumer confidence index has risen in March for the second consecutive month in the Northwest and Italy: concerning the former, all index components are growing, except for perceptions about future climate, which remains stable.

Given the positive trend of 2022 employment and unemployment indicators in Lombardy analyzed in the previous Booklet, it is interesting to investigate the underlying dynamics of hiring and termination flows. Over the past year, 1,509,211 new contracts have been signed in Lombardy, a considerable increase of +14% over 2021 and +10% over 2019; these growths are more pronounced than those experienced nationally, respectively +11% and +7%. Concerning permanent hires, they appear particularly dynamic, accounting for 22% of Lombardy's 2022 total and growing by +21% year-on-year (+15% compared to pre-Covid), while at the Italian level, the share is lower (17%), the increase is +18% over 2021 and only +1% over 2019.

At the same time, we observe strong dynamics regarding terminations in Lombardy, which are rising from 1,194,279 in 2021 to 1,407,670 in 2022 (+18%), in line with Italian +16%. Specifically, resignations grow considerably both regionally (+16% compared to 2021 and +33% compared to pre-Covid) and nationally (+13% and +28%).

Based on these numbers and considering contractual transformations, we obtain positive employment balances in both Lombardy and Italy. At the regional level, the balance is +101,541, down by -20% from the +126,260 recorded in 2021 but with a substantial increase in permanent relationships, from +26,476 to +92,344; also, the latter account for 90% of the annual balance. The difference between inflows and outflows is positive at the national level as well, but the contraction from 2021 is more pronounced (-35%), and the contribution of permanent relationships is lower (85%).

Last, the authorized hours of layoff in Lombardy fell from 6.8 in January to 6.3 million in February, while they instead increased in Piedmont and Veneto and remained stable in Emilia-Romagna.

MILANO

Milan recorded 707,937 hires in 2022, 24% of which were permanent, a figure well above the Italian average of 17% and higher even than Lombardy’s figure of 22%. Also, 651,580 terminations have been recorded over the year, of which more than one over three (35%) were voluntary resignations (in line with the regional figure at 36% but higher than the national average of 28%).

Considering conversions from one contract type to another, the balance between hires and terminations was +56,347, with a significant contribution from permanent contracts (+43,769).

MONZA E BRIANZA

In the province of Monza, 93,049 contracts were activated in 2022, 24% of which were permanent contracts, thus the same share as in Milan, two percentage points above the regional share and well above the national 17%. In Monza and Brianza, the incidence of resignations on total terminations stands out at 40%, higher than Lombardy’s 36% and Italian 28%, mirroring a particularly dynamic labour market (recall that the unemployment rate is very low at 4.3%). The balance between activations and terminations, net of transformations, is positive overall and regarding permanent hires only.

LODI

In 2022, 20,337 new hires were recorded in Lodi, 24% of which were permanent, an incidence in line with Milan and higher than the regional 22% and the Italian average of 17%. Over the year, there were 19,379 terminations, and 39% of them were voluntary resignations (for comparison, 36% regionally and 28% nationally).Taking into account contractual transformations, the balance between hirings and terminations is positive and equal to 958, while the balance referring to permanent contracts only is higher and equal to 1,227.

PAVIA

In the Province of Pavia, there have been 52,068 hires in 2022, of which one in every five is permanent (a lower share than the 22% in Lombardy, but still higher than the Italian 17%). Over the same period, terminations have been 48,865, 36% of which are due to voluntary resignations, thus in line with Lombardy’s figure and higher than the national average (28%). Finally, the balance between activations and terminations, also considering transformations, is positive overall (+3,203) and for permanent contracts (+3,067).

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