



ASSOLOMBARDA

BOOKLET ECONOMIA

# Lombardy in comparison with Italian and European benchmarks

Edited by

Research Department

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Once again, the most recent growth forecasts have been revised upward. After a +1.1% increase in 2023, Lombardy's GDP is projected to grow by +1.0 % in 2024, when only three months ago expectations for the current year stood at +0.6%. By the end of this year, with a GDP of more than 483 billion euros in current values, Lombardy would thus stretch above pre-Covid levels by +6.7%, with nearly 84 billion euros more produced over the five years. The regional expansion remains above the already fast pace of Italy, which, with a forecast for 2024 of +0.7% (Prometeia scenario), is expected to rise to +4.2% compared to 2019 by the end of the year. In addition, Lombardy's performance in the pre-pandemic comparison also remains firmly above that of European benchmarks: by the end of 2024, the estimate is +0.8% for Baden-Württemberg, +2.4% for Bayern, and +4.8% for Cataluña..

The forecast picture at the macro level compares with a still quite mixed sentiment of Assolombarda companies, as emerged from the mid-April flash survey. Indeed, 39.5% of the 375 responding manufacturing and innovative service sector companies project that in 2024 the regional economic situation will be in line with the previous year, 28.0% foresee an improvement, and 31.7% presume a worsening.

On the labour market front, according to the new macroeconomic forecasts (improved from January), in 2024, the number of employed people is expected to grow by +1.1% in Lombardy and +1.0% nationally, thus reaching increases of +2.2% and +3.0%, respectively, compared to pre-Covid.

Delving deeper into the economic picture, as of March 2024, Istat's qualitative surveys show growth in manufacturing business confidence in the Northwest, now at its highest level since July 2023. However, the index remains largely negative and has been moving within a fairly up-and-down trend for several months. At the start of the year, some manufacturing firms in the Northwest have been particularly affected by tensions in the Suez Canal: the share of firms reporting longer delivery times for goods doubled to 9.4% in the first quarter (from 4.3% at the end of last year).

Differently from manufacturing, in March, business confidence of services' firms in the Northwest fell to its lowest since last October, although remaining positive.

The specific focus of this Booklet is about business investment. In 2023, gross fixed capital formation grew by +4.7% annually in Italy and an estimated +5.1% in Lombardy; at the end of last year, both were well above pre-Covid levels of +26.0% and +19.7%, increases that compare with a more modest +5.9% in France and a gap that persists in both Germany (-3.1%) and Spain (-3.5%).

Looking at the asset type detail (data available only at the national level), the highest contribution to investment growth in Italy between 2019 and 2023 came, given also the strong incentives, from 'construction,' which marked a +38.6% over 2019. Alongside, there were also an extremely positive performance of business investment in tangible fixed assets: the 'plant and machinery' component in Italy was at +17.2% over 2019, three times the increase of France (+5.4%) and well ahead of Spain (-8.4%) and Germany (-2.1%). It follows investments in intellectual property products, which also expanded strongly (+12.7% in Italy over the five-year period 2019-2023).

By 2024, gross fixed capital formation is expected to rebound downward by -1.7 % annually at the Lombardy level and by -2.0 % nationally. There will be a sharp contraction in the 'construction' component but a major hold on 'plant and machinery,' which is still expected to grow by +6.3% (source: Prometeia).



On this front, the Assolombarda flash survey shows that, in the current year, 80.8% of the responding members have planned investments of higher (42.4%) or equal (38.4%) value than in 2023. For these companies, the use of capital concerns mainly 'plant and machinery' (indicated by 44.2%), 'consulting, R&D and training' (40.6%) and 'software' (37.0%). Among the objectives, growth strategies such as increasing production capacity (39.6%), digitization (38.6%) and diversification of their business (32.7%) are in the lead; in addition, about a quarter (24.1%) indicate environmental sustainability motivations.

There is no shortage, however, of companies reducing the amount of investment compared to last year. They are 17.1% of respondents and, in any case, about half give as a reason the fact that they have already implemented projects in previous years. Uncertain plays a significant role in disincentivizing investment, both concerning the specific business sector (indicated by 35.9% of companies) and the broader global geopolitical context (20.3%).



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