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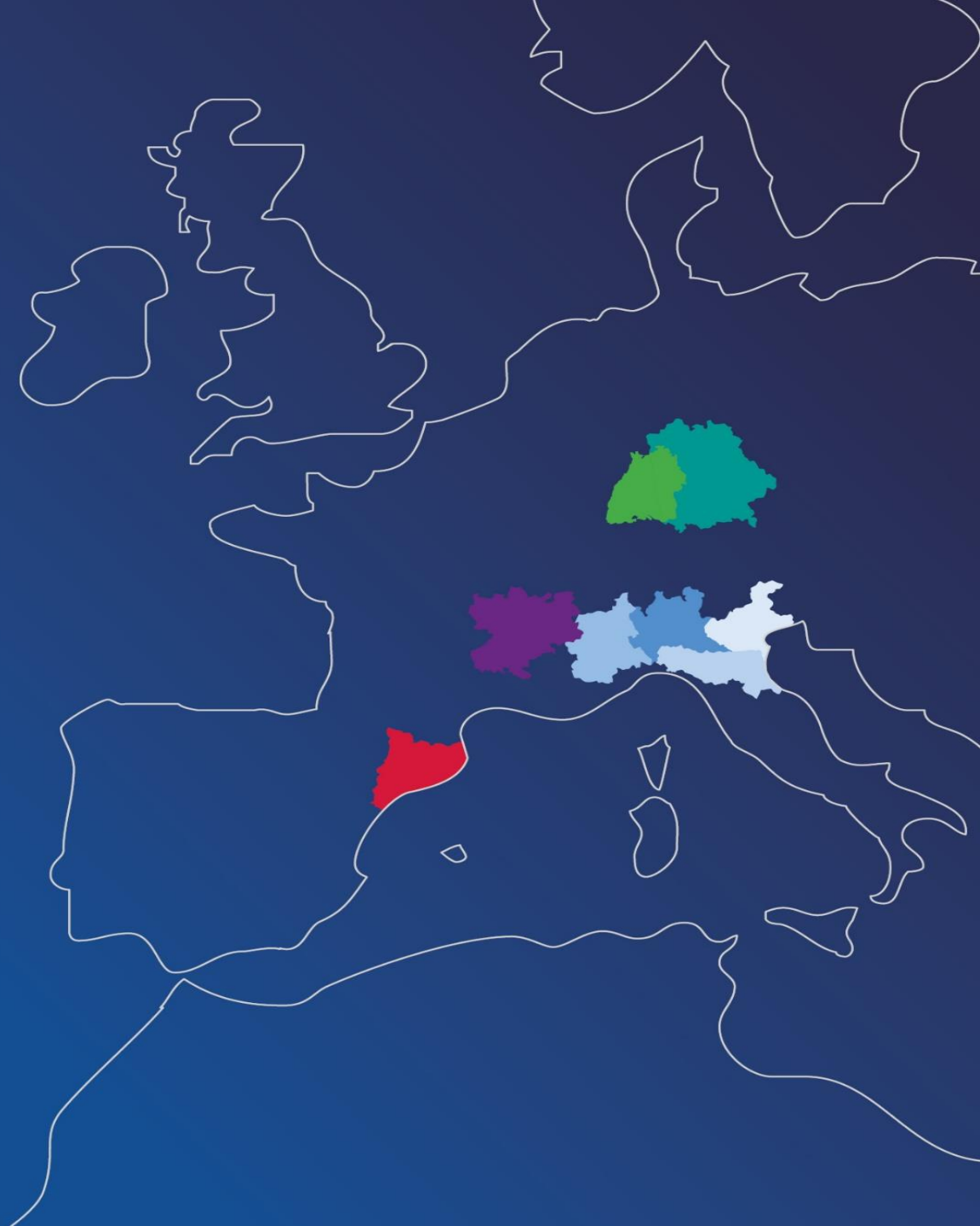
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Lombardy in comparison with Italian
and European benchmarks

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EXECUTIVE SUMMARY

In the first half of 2022, Lombardia's economy proved incredibly resilient: if the first quarter was exceptional, the second was astonishing, strong headwinds considered. The manufacturing sector exceeded all expectations between April and June, outperforming the Italian average and that of European benchmarks: regional production scored +11.2% on pre-Covid levels in the second quarter of 2022, whereas Italy and Spain achieved +2.2% and +0.2% respectively, Germany and France still registered gaps of -3.9% and -4.2%.

The performance on international market was equally positive, as exports from Lombardia hit +20.7% in the second quarter of 2022 on the same period in 2021, totaling a record 80.7 billion euros in the first six months of the year. The Spring upswing is by two thirds achieved on European markets, as exports grow especially towards Spain (+30.5% in the second quarter of 2022), Germany (+25.1%) and France (+20.7%). Among non-EU markets, exports to the United States stand out (+36%), while shrinking towards China (-4.6%), reflecting the slowdown of the Asian economy. As to sectors, the largest contributors to export growth in April-June are metals (+30.7%), fashion (+27.3%), chemicals (+22.9%) and electronics (+27.3%). In the red are only automotive and other means of transport (-2.6%).

Manufacturing activity weakened in the Summer, though. July and August data for the North-West and Lombardia point to a decline in confidence (at its lowest since Spring 2021, similarly to what recorded in Italy and in Europe) and especially in order books together with demand and production expectations over the Autumn.

On the contrary, services remain buoyant, mainly thanks to tourism. Overall, they shall record a mild expansion in the third quarter.

This year's last quarter is the equation's unknown variable, on which the strong increase in energy and commodity prices and uncertainty around world trade trends take their toll. Focusing on commodity prices, data highlight a general and relevant increase on pre-pandemic levels: both key metals (nickel, steel, aluminum, copper...) and food commodities (such as wheat and palm oil) are consistently 50% above January 2020 levels.

Over the past few weeks though, food commodities spiked due to the war, whereas metals priced in concerns about weaker global demand. Among energy goods, widespread economic slowdown weigh on crude oil (Brent tumbled to \$90 the barrel, after skyrocketing above \$120 in June); the opposite, gas traded on European markets remains historically high (around €190/MWh, almost 17 times the average of €11.2/MWh in January 2020) and highly volatile (in August 2022 it swung from a high of €339/MWh to a low of €192/MWh). Such volatility brings complexity to firms, already struggling to manage supply costs.

EXECUTIVE SUMMARY

Finally, as to Lombardia's labor market, the latest data on the second quarter of 2022 show an increase in the employed (+115,000 persons compared to 2021) and a decrease in both the unemployed (-40,000) and the inactive (-85,000).

The unemployment rate fell to 5.0% (down from 6.0% a year earlier), similarly to data recorded in European benchmark regions. More in detail, compared the second quarter of 2019, Lombardia still records 30,000 fewer persons employed and, despite there being 7,000 fewer persons unemployed, there are as many as 32,000 more inactive persons, a signal of stress though weaker than in the past and largely stemming from inactivity trends.

Most recently, over the summer authorized CIG hours decreased and to levels comparable to those recorded before the pandemic.





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