ASSOLOMBARDA

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Lombardy in comparison with Italian and European benchmarks

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EXECUTIVE SUMMARY

September continues the slowdown that emerged since early summer. Manufacturing confidence in the Northwest declined for the sixth month in a row, falling to the lowest since February 2021. The sharp decline in orders continues in the foreign and domestic markets, with production contracting and expectations for the next 3-4 months with sub-zero balances for both production and orders. At the same time, finished goods inventories have risen sharply to historically very high levels (excluding pandemic lockdown periods).
Manufacturing confidence has fallen to the lowest since late 2020 in Italy and, although fluctuating, remains exceptionally low in Spain, France, and Germany.

After a temporary rise in August, the service confidence also dropped markedly in September both in Italy and the Northwest. However, unlike manufacturing, it remains on a positive balance and in line with the beginning of the year. In particular, indications of general business performance held while current orders (turning negative) and forecasts for the next 3-4 months declined conspicuously.

On the credit front, as of June 2023, bank loans to businesses in Lombardy went down -2.3% annually, the first decline since the fourth quarter of 2019. After more than a year of expansions, a trend reversal also affects Emilia-Romagna, which recorded -2.0%, while Veneto and Piedmont have registered more pronounced contractions, at -4.1% and -6.3%, respectively (in Veneto, loans have been decreasing since March 2023 and in Piedmont since March 2022).
The trend in Lombardy results from a more intense decline in loans to smaller firms (-7.3% for those with fewer than 20 employees) and a first reduction in loans to those with more than 20 employees (-1.6%). Lending to smaller firms also declined further in benchmark Italian regions.
Breaking down Lombardy's drop (-2,3%) by sector, the most severe decline affected manufacturing firms (-5.3% year-on-year), which had already seen a contraction as of March 2023, followed by the construction sector (-4.2%), with negative changes since December 2022, and the services sector (-0.1%), which instead remained in expansion until early this year.

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