



ASSOLOMBARDA

BOOKLET ECONOMIA

Lombardy in comparison with Italian and European benchmarks

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Lombardy, as we commented in the last booklet, stood out compared to the leading national and European benchmarks for greater resilience in the post-Covid, with GDP at the end of 2023 +5.5% higher than in 2019 and forecast growth of +0.6% in 2024 (more than the +0.4% expected for Italy by Prometeia). We now release the estimates of Assolombarda's business provinces, among which Milan's performance stands out for exceptionalism with +10.2% added value in 2023 compared to pre-Covid (Monza +4.6%, Lodi +3.5%, Pavia +2.4%) and forecast of +0.8% in the current year (Monza +0.4%, Lodi +0.9%, Pavia +0.0%).

The deceleration experienced in 2023 is expected to continue in 2024, with growth prospects of +0.6% for Lombardy's GDP and +0.4% for Italy (Prometeia forecasts), the former in line and the latter slightly below the European average of +0.6%.

The most recent economic indicators show a weak year start in the Northwest, with a seesaw trend in manufacturing confidence and a slight decline in services confidence. Indeed, the upturn in January in manufacturing sentiment makes it possible to recover from last December's decline but not to overcome the largely negative levels of the previous November: orders increase albeit slightly, finished goods inventories fall to normal levels, and production expectations for the next 3-4 months improve somewhat. Substantial stagnation is also observed in Italy, Spain, and France, while the negative trend continues in Germany, where confidence has fallen to the lowest since June 2020, with both final and prospective production shrinking and orders at their lowest levels since September of pandemic year.

In manufacturing, production is mainly hampered by insufficient demand, which is still indicated as a critical issue in the fourth quarter of 2023 by as many as one-fifth of firms in the Northwest (20.5%). By the end of last year, supply-side issues had almost receded, even though, more recently, new shipping-related tensions have emerged, with costs of naval transport exploding due to the current Red Sea crisis (the average cost of a container from Shanghai to Genoa in early February is € 5,024, a value almost four times that of November 2023). In contrast, prices of imported oil and natural gas in Europe have not suffered any particular consequences so far, although they remain at high levels in historical comparison (compared to January 2020, average prices in the first nine days of February are higher by +153.7% for gas and +24.8% for oil).

On the services front, confidence declines in January 2024 in the Northwest after three consecutive months of growth. This decline is due to the downsizing of judgments on general business performance and a decrease in order backlogs (although at levels that are still historically high); the decline of components related to the present situation is accompanied by more favourable demand expectations for the coming months.

The index remains almost stable at the national level, increases in Spain and France (which, after five months in the negative area, returns above zero), while it falls in Germany.

Concerning business demographics, data referring to 2023 provide further evidence of the substantial resilience of Lombardy's business fabric. Indeed, at the end of the year, Lombardy had 815,372 active businesses, which grew slightly both on an annual basis (+0.2%) and in comparison with 2019 (+0.1%). This positive trend contrasts with benchmark Italian regions, such as Emilia-Romagna, Piemonte and Veneto, where the downward trend already in place before the pandemic started continues. In particular, Lombardy saw an

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increase in the stock of firms operating in professional, scientific and technical (+5.1% in 2023 compared to 2022), finance and insurance (+4.2%), rental and business support services (+2.0%), information and communication services (+1.3%), construction (+1.0%) and real estate (+0.4%).

The growth in the stock of active Lombard companies in 2023, however, is accompanied by an unchanged birth rate: the number of new registrations in the Business Register is in fact about the same as the previous year (thus marking a zero change) and still below 2019 levels (-3.1%), with a gap that, however, is the smallest among the benchmark Italian regions (Piemonte -12.7%, Veneto -6.6%, Emilia-Romagna -4.2%).



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