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Lombardy in comparison with Italian and European benchmarks

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Although affected by the weakening of the global cycle, Lombardy's manufacturing production and exports both marked a YoY increase in 2023, thus confirming the competitive resilience of the regional economy and the continuing post-pandemic growth trend. This dynamism is reflected in the labour market: at the end of 2023, the employment gap with 2019 finally closed, and unemployment went below physiological levels.

In 2023, Lombardy's exports increased by +0.6% over 2022 (+902 million euros), enabling the region to reach a new record value of 163 billion euros in sales across national borders in one year. It occurred at a time of sharply decelerating global trade, down about -9% between last January and September (estimates in current prices), with Italy's exports remaining unchanged. Compared to European peers, Cataluña (+6.7% YoY), Bayern (+5.4%) and Auvergne-Rhône-Alpes (+1.3%) proved more dynamic in the last year, while Baden-Württemberg fell (-6.9%). In the long-term comparison with pre-Covid, Lombardy's performance abroad stands out again, showing improved competitive positioning of firms in international markets: +28% export in 2023 compared to 2019 in value, behind only Cataluña (+36.3%), but better than Bayern (+21.7%), Baden-Württemberg (+20.8%) and Auvergne-Rhône-Alpes (+15.4%).

The breakdown by geography returns valuable insights into the repositioning and flexibility of our companies in these times of disequilibrium and change. Indeed, in 2023, non-European countries accounted for 48.6% of total regional exports, the highest share in the past six years. In value, non-EU markets added up to 79 billion euros in foreign sales, a +3.2 billion in twelve months. In particular, exports increased both to closer destinations, such as Switzerland (+563 million) and Turkey (+348 million), and to distant ones, mostly Asian destinations, such as Saudi Arabia (+454 million), Singapore (+308 million) and the United Arab Emirates (+295 million). Among non-EU markets, Russia recorded the largest decline (-346 million).

On the contrary, exports to Member States (worth about 84 billion euros) has been affected by the marked economic slowdown in the area, which led to a decrease in sales of -2.3 billion euros compared to 2022. The biggest reduction concerned sales to Germany (-1.8 billion euros), whose decline, however, has been more than offset by the diversification of destinations of Lombard companies. With an export value of 20 billion, however, Germany remains the primary foreign market for the region; looking at the other most relevant partners, sales to France (+170 million euros over 2022) and the United States (+197 million) grew, while sales to Spain (-20 million) slightly decreased.

In detailing the manufacturing sectors, the overall Lombardy's increase of +0.6% was mainly due to mechanics (+6.4% over 2022), automotive (+13.4%), food (+7.1%), fashion (+3.1%), electrical appliances (+2.3%) and pharmaceuticals (+2.2%).

Looking at the overall performance of regional manufacturing, Lombardy's production increased by +0.2% over 2022, a synthesis of positive trends in the first half of the year (+2.5% in the first quarter and +0.5% in the second) and negative dynamics in the second half (-1.5% in the third quarter and -0.8% in the fourth quarter). The slight regional annual growth is a departure from the sharp decrease in Italy, where output declined by -2.2% in 2023. Moreover, compared to pre-Covid, a differentiated picture emerges at the national level and among European benchmarks: Lombardy's production levels exceeded those of 2019 by as much as +11.1%, Italy stayed at -1.8%, Spain at -0.5%, France at -4.3% and Germany at -6.5%.

The loss of tone in Lombardy's industry in the latter part of last year continues into the early months of 2024, as evidenced by the new decline in February in manufacturing confidence in the Northwest. Moreover, the slowdown in manufacturing seems to be gradually expanding to services, which recorded its second consecutive decline in confidence in February.

On the labour market side, employment dynamics in Lombardy have been positive in 2023. The number of workers grew by +76 thousand units, totaling 4.5 million employed individuals, and was accompanied by a decline in both the unemployed (-37 thousand) and inactive (-31 thousand). These dynamics have closed the gap with pre-pandemic levels, with 50 thousand more employed than in 2019. The employment rate have risen to 69.3%, and the unemployment rate has fallen to 4.0%, the lowest among the comparative Italian regions (4.2% Veneto, 5.0% Emilia-Romagna, 6.2% Piedmont, 7.7% Italy).

More in detail, in Lombardy, female employment led the way with +51 thousand female workers, joined by +25 thousand male employees (respectively +42 thousand and +8 thousand over pre-Covid).

Concerning sectors, in 2023, there were +71 thousand workers in the sector that includes ICT services, scientific and technical professional activities, health care and other services compared to 2022 and +36 thousand employed in trade, hotels and restaurants; in contrast, there were -2 thousand employed in agriculture, -7 thousand in construction and -23 thousand in industry. Moreover, compared to pre-pandemic, only construction and ICT, scientific and technical professional activities, health care and other services went above 2019 levels by +43 thousand and +52 thousand employed, respectively, while industry (-34 thousand), agriculture (-8 thousand) and trade, hotels and restaurants (-4 thousand) still suffered a gap.



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