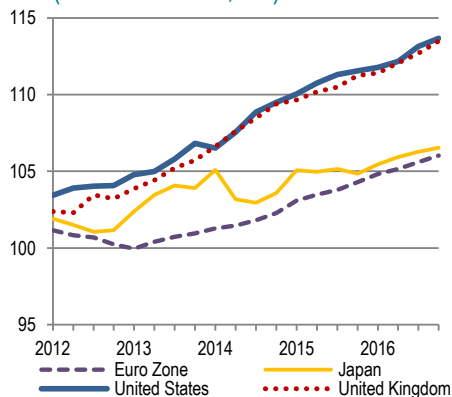
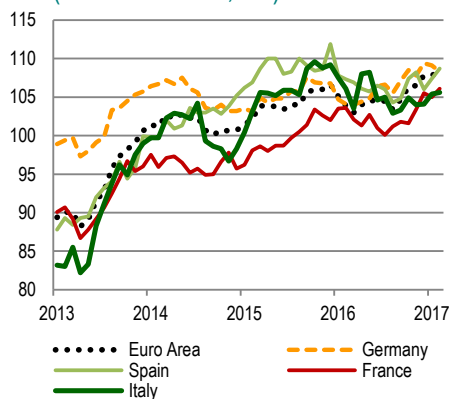


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



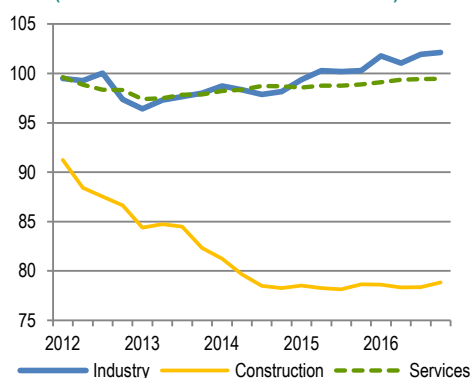
Source: Oecd

2. Economic Sentiment Indicator (base 2010=100, SA)



Source: Dg Ecfm

3. Value added by sector (chain linked volume, 2010=100)



Source: Istat

US economic activity continues to slowdown while the euro area grows at moderate rates. Italian GDP growth in the fourth quarter 2016 was driven by the manufacturing industry and by the positive investment dynamic in the presence of a slight slowdown in the service sector. Inflation accelerated further affecting only slightly expectations. The leading indicator supports a moderate improvement in economic prospects.

The international environment

The US GDP estimate revised for the fourth quarter of 2016 confirmed the economic slowdown (+1.9% on yearly basis compared to the change in Q3 (+3.5%, Figure 1). Domestic demand provided a positive contribution to GDP growth while net exports accounted for a negative contribution.

In January 2017, the unemployment rate was 4.8%, slightly worse than at the end of 2016, despite non-agricultural workers increased by 227 thousand units, a higher value than in the previous months. The expectations about the US economy remain positive: in January the leading indicator increased further as well as consumer confidence, driven by positive opinions on the current economic situation and short-term prospects.

The euro area keep growing at a constant pace: preliminary GDP estimate for the fourth quarter of 2016 marked +0.4% q-o-q as the previous quarter. Among the major European economies, Spain grew at rate than France and Germany.

In January, the rate of unemployment remained constant on a month to month basis (9.6%) while the number of unemployed persons decreased.

Coincident and leading business cycle indicators confirm the positive outlook. In February, the Economic Sentiment Indicator remained stable driven by an improvement in business confidence offset by a deterioration in in sales and consumer confidence (Figure 2). In the same period, the Euro-Coin leading indicator increased for 9 consecutive months, supported by the positive performance of the stock market.

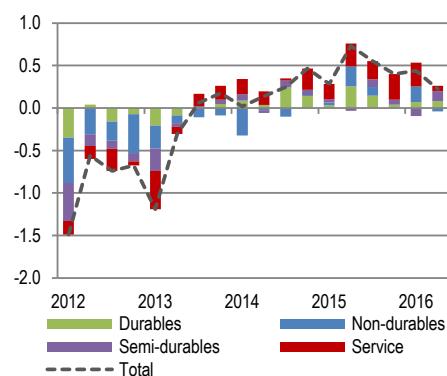
In February the Euro-US exchange rate remained broadly unchanged (1.06 euro/dollar) compared to the previous month, but with a tendency to depreciation. In the same month, Brent price has risen by 1% reaching \$56 per barrel. In December, the Central Plan Bureau data showed a modest growth in world trade (+0.5% compared to 2.6% recorded in November) as a result of an increase in trade volume for both advanced and emerging countries.

The economic situation in Italy

Businesses

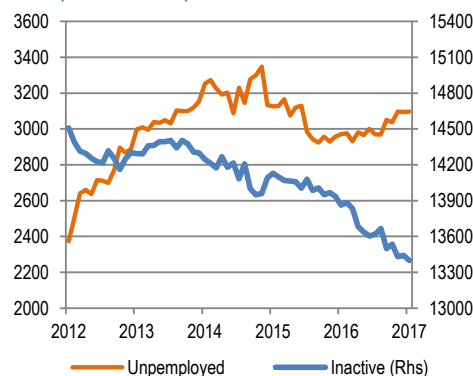
In the fourth quarter of 2016 gross domestic product, adjusted for calendar effects and seasonally adjusted, increased by 0.2%, slightly decelerating compared to the third quarter (+0.3%). GDP growth was driven by domestic demand excluding inventories accounting for 0.4 percentage points; net foreign demand provided a null contribution, with comparable growth rates for imports and exports (respectively +2.2% and +1.9%).

4. Households' consumption expenditure (m-o-m % change and index)



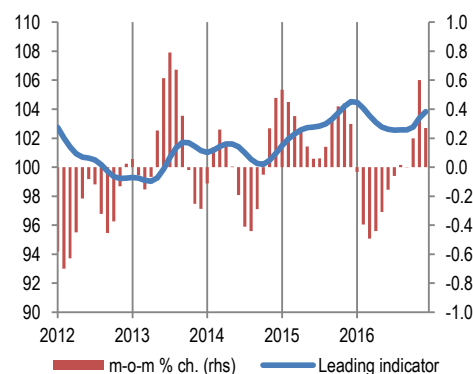
Source: Istat

5. Unemployed and inactive (Thousands)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

On the demand side, gross fixed investment kept growing (+1.3%), confirming the trend of the third quarter (+1.5%).

Value added in manufacturing increased in the fourth quarter (+0.9%), corroborating the evidence of a positive trend as in the previous quarter (+1%, Figure 3). Industrial new orders support the prolongation of an increasing trend in the following months (+1.7% in Q4).

In January, trade with non-EU countries increased further, with a more marked rise in exports (+2.8%) than imports (+1.7%).

In the fourth quarter value added in construction recorded a positive rate of growth (+0.6%) for the first time in 2016; while services remained constant following the slight increase of the third quarter (+0.1%).

Households and labour market

In the fourth quarter of 2016, domestic final consumption increased (+0.2%) as a result of rising government (+0.6%) and resident households (+0.2%, Figure 4) expenditures. Consumption of semi-durable goods declined (-0.8%) while durable goods recorded a positive rate of growth (+1.1%).

In the same period, the volume of total retail sales did not change compared to the previous quarter, driven by a decrease in sales of food products (-0.4%) and a slight increase in non-food products (+0.1%).

National accounts data for employment provide evidence of a sustained growth in 2016 compared to 2015. Full time equivalent units increased (+1.4%) as a result of the rise both in manufacturing and services (+1.7%), and a decrease in construction (-2.9%). In January, Labour Force Survey data indicate an increase of employment (+0.1% compared with December). The unemployment rate remained stable at 11.9% together with a slight increase of people seeking employment (+0.1%) and a decrease of the inactive (15-64, -0.3%, Figure 5).

Prices

Consumer price inflation accelerated further in February. According to the preliminary estimates, the consumer price index for the whole nation (NIC) grew by 1.5%, half a percentage point more compared to the previous month. The recovery is driven by energy and unprocessed food, whose price increases are affecting price developments since the end of last year.

In February, among the components of the basket of the harmonized consumer price index (HCPI), the share of highly dynamic products (growth rate over 2%) rises to 24%, about 11 percentage points more than the minimum of October. At the same time, the incidence of products with decreasing prices falls to 28.5% (38.6% was the maximum value registered last September).

The inflationary pressures is mainly concentrated in energy and food: for core inflation, the incidence of products with high growth rates is 10.1%, while the stable products or deflation are 21% of the total. The expectations for the coming months do not point to upward pressure on prices.

The Outlook

With reference to the consumer survey, the confidence climate index decreased in February with homogeneous dynamics across all its components. As to businesses, composite business confidence climate index increased, with an improvement in the manufacturing sector and in retail. In services and construction the level of confidence did not report significant changes. For the next few months the leading indicator continues to report moderate improvement of economic prospects. (Figure 6).