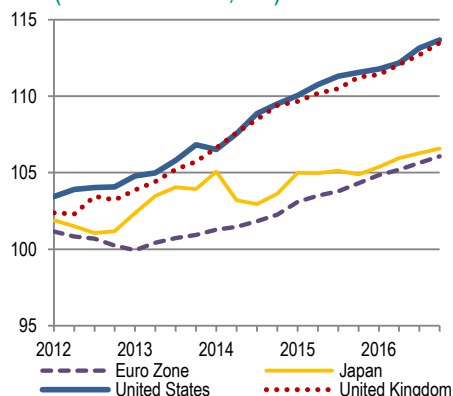
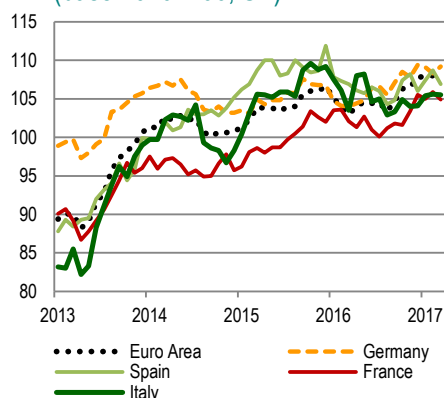


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



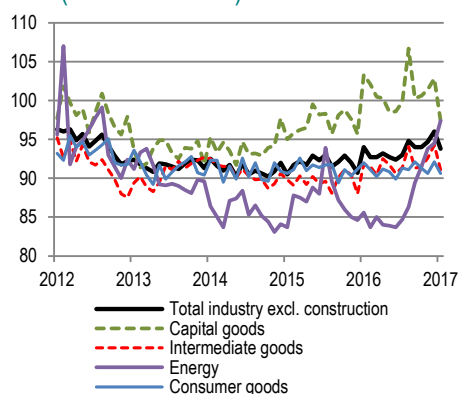
Source: Oecd

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



Source: Dg Ecfm

3. Production indexes (base 2010=100)



Source: Istat

The outlook for the US economy and the euro area remain positive in the presence of stability in international trade. In Italy the trend in economic activity is positive in a context of increased corporate profitability and intensification of investment. Household consumption are moderately increased, supported by a substantial reduction in the propensity to save. The price recovery remains limited. Consumer and business confidence and the leading indicator support the continuation of current economic growth.

The international environment

The US economy slowed down at the end of 2016 as confirmed by the most recent revision of Q4 GDP estimate, increasing by 2.1% on a yearly basis (+3.5% in Q3, Figure 1). In particular, household consumption, inventories and fixed investment contributed positively to GDP growth, while net exports accounted for a negative contribution. The labor market is improving: in February non-agricultural workers increased (+235 thousand units) more than in previous months. The unemployment rate amounted to 4.7%, a slight improvement compared to January (4.8%).

The leading indicators signal a favourable outlook for the US economy. According to the Conference Board, in February, the leading indicator increased further. In March the consumer confidence improved driven by positive expectations about both the current situation and the medium-term economic outlook.

In the Euro Area, the industrial production increased in January (+0.9% m-o-m) and the employment increased in Q4 2016 (+0.3%). In February the rate of unemployment decreased further reaching 9.5%.

Growth prospects remain positive. In March, the Economic Sentiment Indicator is unchanged compared to the previous month as a result of constant confidence in both manufacturing and construction sectors and of an overall improvement in consumer confidence (Figure 2). The Euro-Coin Indicator recorded a slight decrease in March after 9 months of consecutive growth remaining, however, at high level.

The euro dollar exchange rate appreciated slightly (+0.4%), affected by the uncertainty about the evolution of fiscal policy measured adopted in the United States. In the same period the Brent prices experienced a sharp decrease reaching \$52.5 per barrel (-6.3%). In the following months, a moderate increase in crude oil prices can be expected due to the uncertainty in decisions by producing countries.

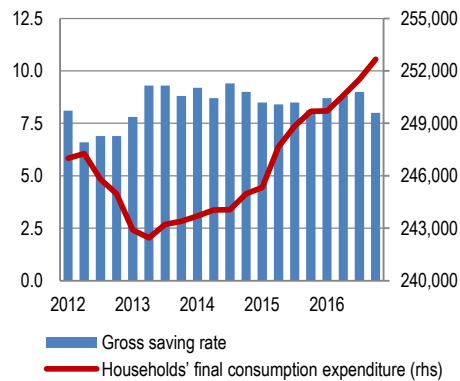
According to the data from the Central Plan Bureau world trade remained stable in January compared to December, as a result of a decrease in export for the Euro Area and Japan (-1.1% in both the areas).

The economic situation in Italy

Businesses

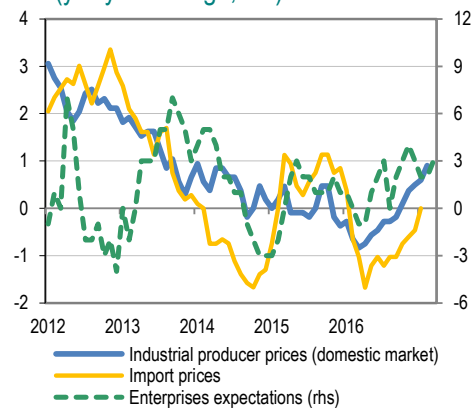
In January, industrial production decreases (-2.3% compared to December, Figure 3) remaining positive on the average over November-January (+0.5% over the previous quarter). In the same quarter, the energy sector increased (+6.8%), while capital goods slowed down (-2.0%). The consumer durables (+0.7%) and intermediate goods (+0.4%) showed a modest growth.

4. Gross saving rate and households' final consumption expenditure (million of euro and %)



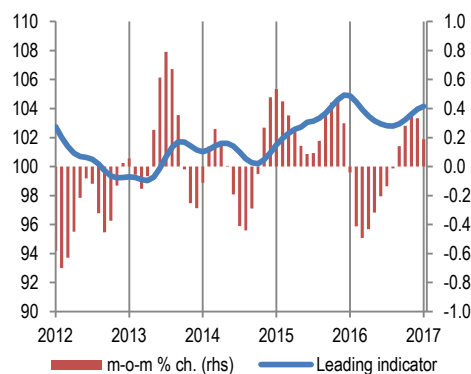
Source: Istat

5. Industrial producer prices: final consumer goods (y-o-y % change, SA)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

A similar picture has been recorded for turnover and orders of manufacturing. In January, there has been a downturn both in sales (-3.5%) and orders (-2.9%). However in the November-January quarter sales registered an increase (+1.7%) following a positive performance of the domestic market (+1.7%) and foreign markets (+1.8%). In the same quarter orders increased (+0.8%), driven by the foreign market (+1.3%).

In the same period, international trade has been particularly intense (+3.8% for exports and 4.3% for imports) especially with non-EU countries registering an expansion for all main industrial groups. Conflicting signals are recorded in February with a marked slowdown of trade with non-EU countries, more pronounced for exports (-4.7%) and lower for imports (-0.4%). In January the construction sector recorded a sharp decline partly due to adverse weather conditions: the seasonally adjusted index of production in construction fell by 3.8% m-o-m. In Q4 2016, house prices increased slightly (+0.1%, from -0.9% in the previous quarter), reversing a trend that began in the first quarter of 2012. Overall, the recovery in levels of economic activity is associated with an increase of business profitability: in the fourth quarter of 2016, the gross profit share of non-financial corporations increased compared both to the previous quarter (+0.3 percentage points) and the corresponding quarter of 2015 (+1.1 points). The gross investment rate increased as well.

Households and labour market

Household consumption increased by 0.5% in Q4 (q-o-q). In the same quarter disposable income and the purchasing power of households decreased (-0.6% and -0.9% respectively Figure 4). Thus the propensity to save was 8%, a decrease of 1 percentage point compared to the previous quarter. In January, the volume of retail sales increased by 1.1%, driven by a positive trend for both food goods (+1.9%) and non-food goods (+0.8%). In February, employment remained unchanged with an increase in temporary employees (+0.9%) and a decrease of permanent employees (-0.1%). The unemployment rate has significantly reduced reaching 11.5%. The outlook for employment remains positive. In March, the expectations of employers on employment trends for the next three months show an overall improvement in all sectors except construction.

Prices

In March, the trend in consumer prices slowed down after the increases in the first two months of the year. According to the preliminary estimates, the consumer prices for the entire community index (NIC) was 1.4%, two tenths of percentage point less than in February. The harmonized index (HICP) recorded a slightly lower rate (+1.3%) still far from the value indicated by European central Bank objective. Inflation continued to be mainly driven by increases in energy and food prices. Increases in commodity prices, together with the depreciation of the euro against the dollar, led to a recovery in prices of imported consumer goods (Figure 5). Similarly growth of producer prices on the domestic market for goods intended for consumption strengthened (+0.9% in February from a low of -0.8% in March 2016). The expectations for prices increase of manufacturing enterprises that produce goods for final consumption appear conditioned by the future economic developments. Consumer expectations indicate prospects of higher inflation.

The Outlook

In March, the index of consumer confidence rose following improvements in the economic and future climate. The composite index of business confidence improved in all economic sectors with the exception of the construction recording a small reduction of employment expectations. The positive outlook for the coming months is confirmed by the leading indicator which recorded a positive rate of growth, although less intense than the previous month (Figure 6).