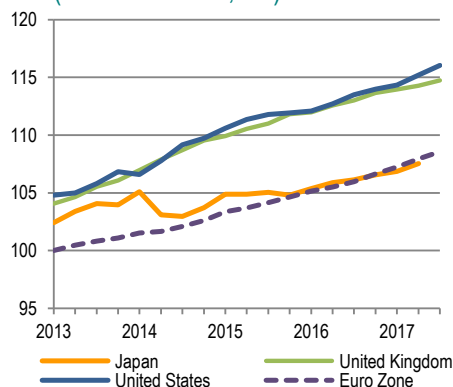
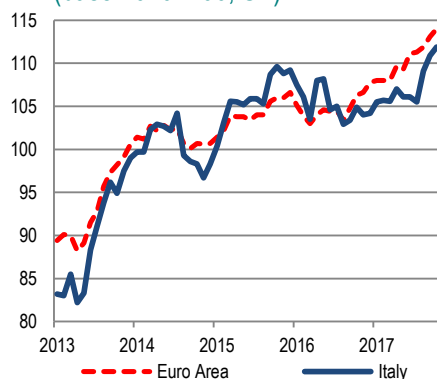


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



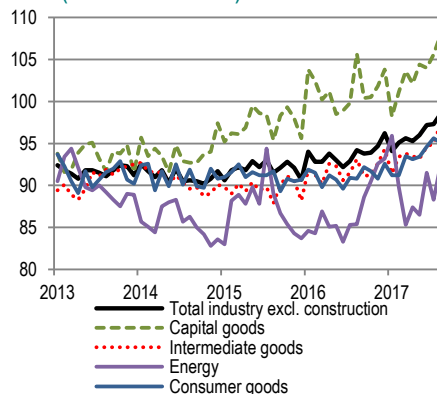
Source: Oecd

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



Source: Dg Ecfm

3. Production indexes (base 2010=100)



Source: Istat

International economic growth continues to strengthen accompanied by an expansion of world trade. In Italy, the recovery is strengthening in manufacturing and labor markets, while inflation keeps slowing down. The leading indicator increases significantly corroborating the strengthening of economic growth.

The international environment

International economic growth continues to strengthen. In the third quarter, US GDP experienced a slight deceleration (+0.7% q-o-q compared to +0.8% in Q2), according to the preliminary estimate (Figure 1). Growth was driven by the positive contributions of the demand components.

In October, the number of non-farm payroll increased markedly by 261,000 units, following the deceleration recorded in the previous month. The unemployment rate improved to 4.1% (down from 4.2% in September). The evolution of the US economy is expected to continue at moderate pace in the latter part of the year: in September the Conference Board leading indicator registered a slight decrease (-0.2%) after the positive trend of the previous two months. The Consumer confidence index which improved marginally in September, increased again in October.

In the euro area, the positive phase continues to consolidate, albeit with a slight deceleration of GDP in Q3 (+0.6%, according to the preliminary estimate compared to +0.7% in Q2). In September the unemployment rate decreased at 8.9%.

Leading and coincident indicators of business cycle continue to provide positive signals. In October, the Economic Sentiment Indicator (ESI) increased further, continuing the upward trend started in the fall 2016 (Figure 2). The confidence climate is improving across all economic sectors and consumer confidence has risen for the third consecutive month. In October, the euro-Coin leading indicator remained stable following the increase in the previous four months.

In the same period, the euro-dollar exchange rate slowed down (-1.3%) interrupting the appreciation started at the beginning of 2017. Brent's prices kept rising, though with a lower intensity compared to the summer (+3.8%), reaching \$ 57.6 a barrel (from 55.5 in September).

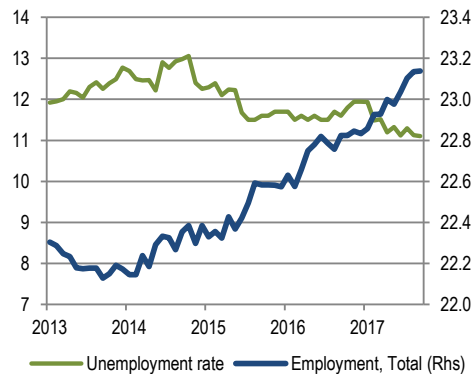
In August, according to CPB data, the volume of world trade increased by +1.2%, following the decrease registered in the previous month (-0.1%). This increase is driven by the trade flows both in advanced economies (+1.1%) and in emerging economies (+1.4%). Overall, world trade grew in the first eight months of the year as compared to the same period of the previous year (+3.7%).

The economic situation in Italy

Businesses

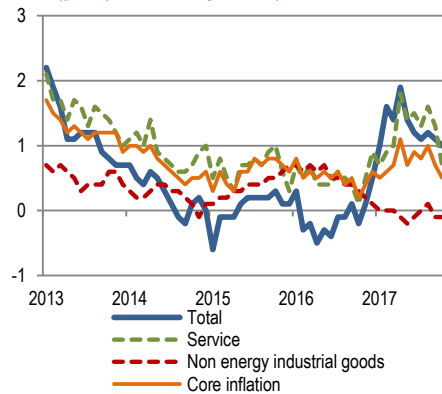
Growth in manufacturing sector remains robust. Over the quarter from June to August, the industrial production index increased (+2.2% q-o-q) supported by the strong growth recorded in August (+1.2% m-o-m). Capital goods (+2.3% q-o-q), intermediate goods (+2.2% q-o-q) and energy (+5.0% q-o-q) increased most (Figure 3).

4. Employment and unemployment (million and %)



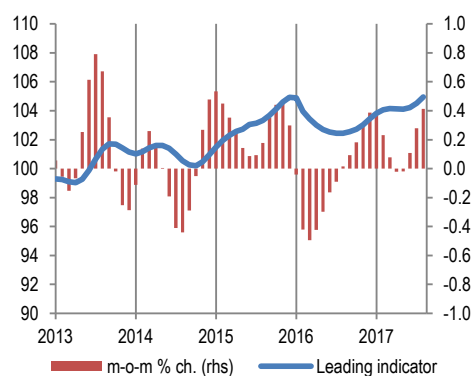
Source: Istat

5. Prices (y-o-y % change, SA)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

The consumer goods sector shows a positive dynamics (+1.9%) despite the slowdown in August (-0.5% m-o-m). Industrial turnover confirms the positive trend in the manufacturing sector: the growth rate for the average of the last three months compared to the previous three months was +0.9% (+0.7% in domestic market and +1.1% in non-domestic market). In August, industrial new orders rose significantly (+8.7% m-o-m) reflecting the strong increase in domestic market (+12.7% m-o-m) compared to non-domestic market (+3.3% m-o-m); over the quarter from June to August the growth is rather robust (+5.4% q-o-q).

Foreign trade in the period June-August declined slightly because of the slowdown of exports (-0.2% q-o-q) and the increase in imports (+0.9%). The negative performance of exports affected the non-EU area (-1.7%) while the EU area sales increased (+1.0%). However in September, exports to non-EU countries increased (+2.0% m-o-m), driven by energy sector sales (+12.7%) and capital goods (+5.6%). Imports decreased (-3.4%), due to the reduction in durable consumer goods purchases (-8.6%) and capital goods (-6.3%).

The stagnation of construction activity continues. In August, the seasonally adjusted index of production in construction sector increased by 1.8% with the average for the June to August quarter registering a decline (-0.4% q-o-q).

Households and labour market

In September, retail trade in volume increased (+0.9%) with similar intensity for food goods (+0.8%) and non-food (+0.9%). On average in the third quarter, the volume of sales slightly increased (+0.1%)

In September, employment growth remained stable (Figure 4). However, in the third quarter employment increased (+0.5%, +120 thousand compared to Q2) among both employees (+0.6%, +108 thousand), almost exclusively temporary (+ 3.8%, +103 thousand) and to a lesser extent among self-employed (+0.2%, +11 thousand). The employment rate increases compared to the previous three months for both males (+0.4 percentage points) and for females (+0.1 percentage points). In September the unemployment rate remained stable at 11.1% compared to August, with an increase for 15-24 years (+0.6 percentage points) and 25-34 years (+0.7 points percentages). Expectations about employment for the coming months remain optimistic for all sectors except construction.

In September, increases in wages were particularly low: both the index of contractual wages per employee and that of hourly wages recorded +0.6%. The increase in hourly wages was higher in the services sector (+0.9%) than in the industry (+0.5%).

Prices

Inflation rate is slowing down: in October, according to preliminary estimates, the Consumer Price Index (NIC) increased on a yearly bases (+1.0%, Figure 5) but decelerating with respect to September (a tenth of a point less). The slowdown is mainly driven by the downward pressure on some items of services. The core inflation declined further (+0.5% from +0.7% in September), returning to rates registered at the beginning of the year and below the overall index. The slowdown of the core inflation rate affected also the Eurozone countries but with a lower intensity (+0.9% the annual growth). Expectations for the coming months show somewhat a more dynamic inflation.

The Outlook

In October the Consumer Confidence Index rose slightly, continuing the positive trend started in May, even though consumer expectations about the country's economic situation have deteriorated and unemployment expectations are on the rise. The composite index of the business confidence climate has shown widespread improvements but not in the construction sector. The leading indicator shows a markedly positive change outlining the strengthening of the economic growth (Figure 6).