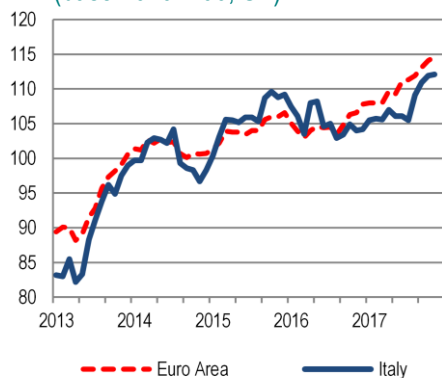
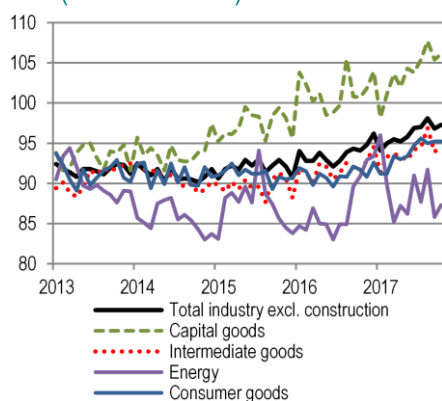


1. Economic Sentiment Indicator (base 2010=100, SA)



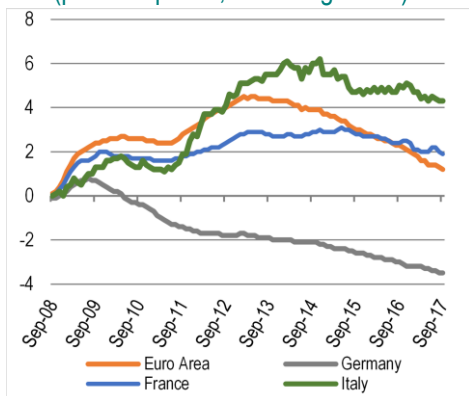
Source: Dg Ecfm

2. Production indexes (base 2010=100)



Source: Istat

3. Unemployment rate (percent. points, base Aug. 2008)



Source: Eurostat

International economic activity is strengthening accompanied by a recovery in oil prices. In Italy the manufacturing sector is reinforcing the economic recovery showing positive trends both in production and exports. The rate of unemployment is slowing down. The leading indicator improves in a context characterized by high levels of confidence among consumers and businesses.

The international environment

International economic growth is strengthening. In the third quarter, US GDP increased by +0.8% q-o-q (compared to +0.7% in Q2, Figure 1) driven by the positive contributions of the demand components.

In November, the number of non-farm payroll increased markedly by 228,000 units, following the positive result of the previous month. The unemployment rate remains stable at 4.1%. The evolution of the US economy is expected to continue at moderate pace in the next months: in November the Conference Board leading indicator increased slightly (+0.4%) following the positive trend of the last three months. However in December, the consumer confidence deteriorated beyond expectations.

In the euro area, the positive phase continues to consolidate, albeit with a slight deceleration of GDP in Q3 (+0.6% compared to +0.7% in Q2). Final consumption of households, investments and inventories provide a positive growth contribution while net exports accounts only for a small contribution.

Business cycle leading and coincident indicators provide positive signals. Consumers' confidence improved slightly in December, as reported in the preliminary estimate. The economic outlook is also supported by the ECB that will maintain a moderately expansive monetary policy in 2018.

In the same period, the euro-dollar exchange rate increased slightly (+0.6%), following the appreciation trend started at the beginning of 2017. Brent prices are rising (+1.2%), reaching \$63.4 per barrel (from 62.6 in November).

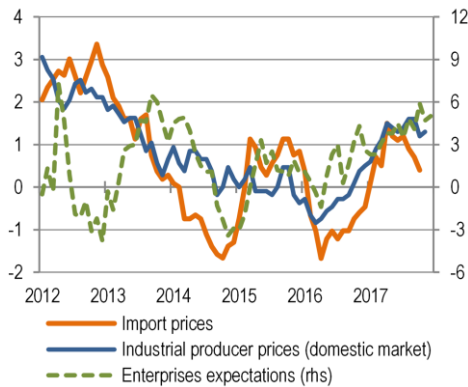
In October, according to the Central Plan Bureau world trade decelerated (-1.2% m-o-m), as consequence of a decline in trade volume for emerging economies (-2.4%), driven by the negative performance of Asian countries, and a slower deceleration of advanced economies (-0.3%). Overall, world trade grew in the first ten months of the year as compared to the same period of the previous year (+4.0%).

The economic situation in Italy

Businesses

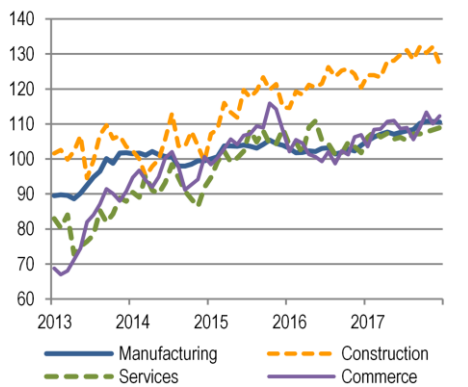
Growth in manufacturing sector remains positive. Over the quarter from August to October, the industrial production index increased (+0.8% q-o-q) supported by all sectors with the exception of energy, which was stationary. Capital goods and intermediate goods improved most (respectively +1.8% and +1.4%) followed by consumer goods (+0.5%, Figure 2)

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



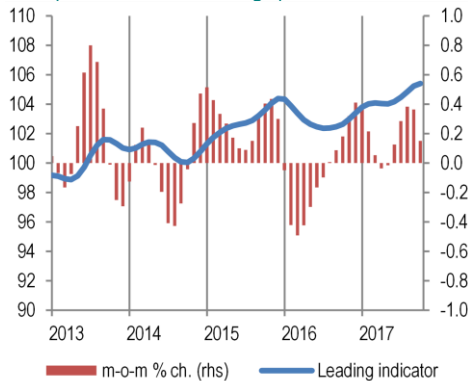
Source: Istat

5. Business confidence indicators (2010=100)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

Industrial turnover supports the positive trend in the manufacturing sector: the rate of growth for the average of the last three months as compared to the previous three months was +1.2% at current prices (+0.6% in domestic market and +2.3% in non-domestic market). In October, industrial new orders increased (+1.7% m-o-m) thus implying a strong rate of growth over the quarter from August to October (+2.4% q-o-q).

Foreign trade in the same quarter improved sharply driven by the upsurge of exports (+2.9% q-o-q) and to the smaller increase of imports (+1.1%). The positive performance of exports characterized both the non-EU area (+2.7%) and the EU area sales (+3.0%). In the first ten months of the year the trade balance recorded a surplus of 37.3 billion (+64.6 billion net of energy products) supported by the contribution of capital goods (+38.2 billion) and consumer goods (+22,5 billion).

The stagnation of construction activity continues. In October, the seasonally adjusted index of production in the construction sector increased by 0.4% with a rising average of the August to October quarter(+1.2% q-o-q).

Households and labour market

The dynamic of the labor market remains positive. In the third quarter, the employment rate increased (+0.2 points compared to the previous quarter) and in October the level of employment confirmed that of the previous month (58.1%).

The improvement of the employment rate follows the evolution of the euro area employment rate, but maintains the gap widened during the first months of 2013 (Figure 3). On the other hand, obstacles persist in reaching a pre-crisis rate of unemployment beyond the significant reduction recorded in mid-2015.

Prices

In October, imported inflation for industrial products kept moderate, with an annual growth rate of the index for the total market of +2.1%.

Producer prices for consumer goods continued to slow down (+0.4%, from +0.7% in September and +1.5% in April). Inflationary pressure remains limited also looking at the firms' expectation for producer prices over the next months (Figure 4).

The Outlook

In December, the consumer confidence climate rose again following the setback recorded the previous month; business, confidence is slowing down only in the building sector. In manufacturing, the improvement of judgments about orders, production and expectations on employment continued; as well as the use of industrial plants (Figure 5).

The leading indicator is improving even if at a slower pace than the previous two months, outlining the strengthening of the economic growth (Figure 6).