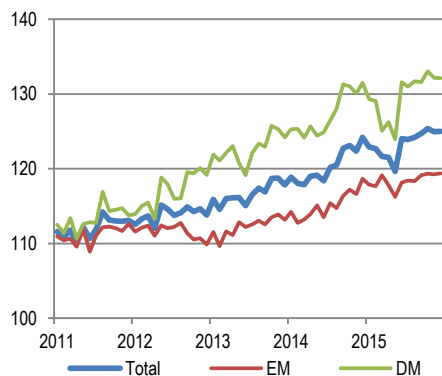


1. International trade

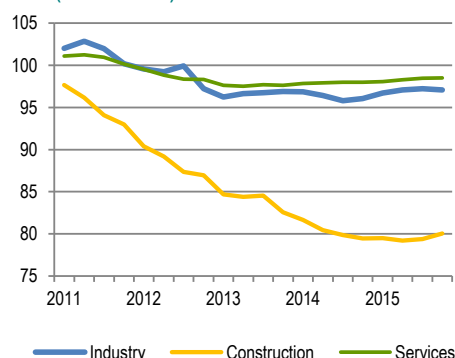
(volume, January 2010=100)



Source: Central Plan Bureau

2. Value added by sectors

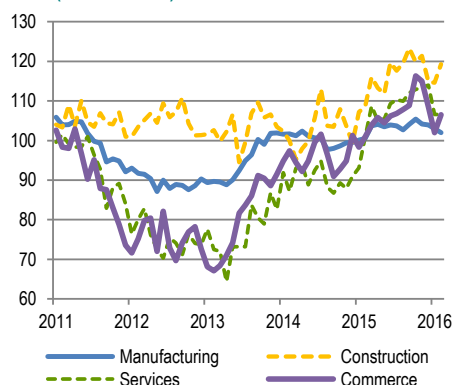
(2010=100)



Source: Istat

3. Business confidence indicator

(2010=100)



Source: Istat

The Italian economy is expected to grow at a moderate pace in the first quarter of 2016. Services and constructions are recovering slightly while manufacturing is on a less favorable dynamic trend. Most recent data support an increase of employment and a price decrease.

The international environment

The joint effect of the slowdown of the Chinese and emerging market economies together with the instability in the financial markets weakened the global economic recovery at the end of 2015.

The U.S. GDP grew in the last quarter of 2015 by +1% y-o-y (revised from +0.7% of the previous release). Industrial production increased, in January, by +0.9% m-o-m. The improvement of labor market dynamics (the unemployment rate remained stable at 4.9%) and the increase of disposable income (+0.4% m-o-m) fostered households' expenditure (+0.4% m-o-m, after +0.2% m-o-m of December).

The GDP in the Euro Area grew by +0.3% (q-o-q) in the last quarter of 2015. In February, the economic sentiment indicator decreased signaling a deterioration of consumer confidence. The rate of unemployment decreased at 10.3% in January, the lowest since August 2011.

In the fourth quarter of 2015, CPB data show a slowdown of world trade volumes (+1.5% in Q4 compared to +2.6% in Q3, Figure 1). In February the Euro-US exchange rate has been highly volatile: it appreciated by 2.1%, (1.11 US dollars per Euro). The Brent price increased at \$33.5 per barrel.

The economic situation in Italy

Businesses

In the fourth quarter of 2015, the Italian GDP (calendar and seasonally adjusted) increased by +0.1% q-o-q and by +1% y-o-y.

Households' consumption and gross fixed capital formation provided a positive contribution to GDP growth increasing by +0.3% q-o-q and by +0.8% q-o-q respectively. Exports grew by 1.3% q-o-q and imports by +1.0% q-o-q.

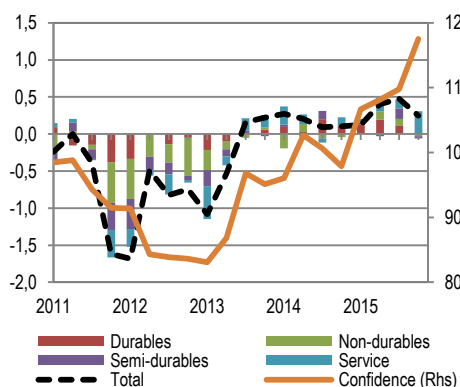
Industrial activity slowed down marginally in the last quarter of 2015 (-0.1%, Figure 2). Data for extra-UE exports and the business confidence index confirm that this tendency is taking place also in the first months of 2016 (Figure 3).

Services and construction sectors showed a positive but moderate dynamics.



4. Households' consumption

expenditure and consumer confidence (m-o-m % change and index)



Households and labour market

The slight increase of final consumption in the last quarter of 2015 (+0.3% q-o-q) indicates a small slowdown compared to the third quarter (+0.4% q-o-q). Households' consumption expenditure and non-profit institutions serving households increased respectively by +0.3% q-o-q and +0.6% q-o-q (+0.5% q-o-q, +0.2% q-o-q in the previous quarter).

In 2015, final consumption expenditure increased by 0.8% y-o-y providing a contribution to GDP growth of 0.5%.

The consumer confidence indicator slowed down by four points in February, but the index remains above its long run average (Figure 4).

In January, the rate of employment increased by 0.3 (+70 thousands units, (Figure 5), driven by the employees (+0.4% m-o-m). The rate of unemployment remains stable at 11.5%.

Prices

In February, the Italian inflation rate was negative. The yearly rate of growth of NIC decreased by 0.3% y-o-y. The deflationary trend is driven by energy and unprocessed food prices. The core inflation slowed down significantly reaching 0.5% (it was 0.8% in January). Prices of imported consumer goods increased by 0.8% in December. On the other hand, production costs kept slowing down, driven by raw material prices and labor costs.

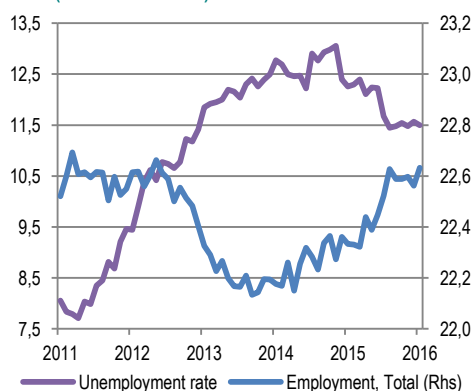
The Outlook

According to the ISTAT short term forecasting model, GDP is expected to increase by +0.1% in the first quarter with a confidence interval of -0.1% and +0.3% (Figure 6). Domestic demand is expected to be the main driver of GDP growth. Contribution of exports is projected to decline while investments will remain stable.

According to this scenario, the carry-over for 2016 is 0.4%.

5. Employment and unemployment

(% and million)



6. GDP forecast

(y-o-y % change)

