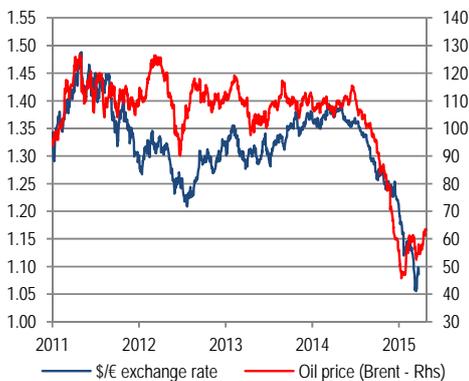
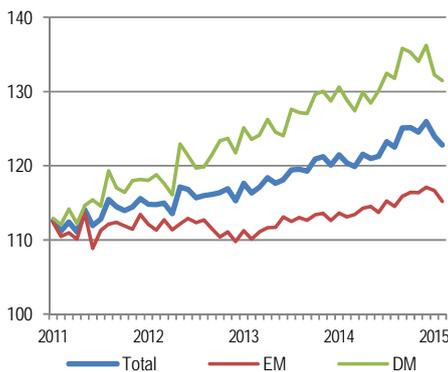


1. Oil price and exchange rate



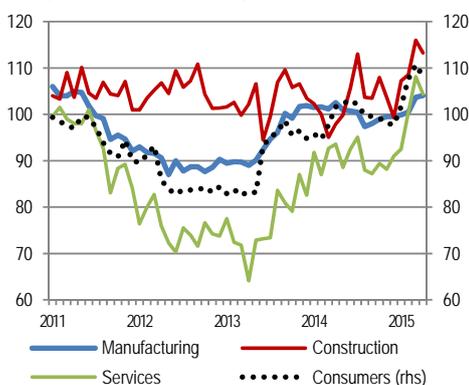
Source: Thomson Datastream

2. International trade (Volumes, January 2010=100)



Source: CPB

3. Business and consumer confidence (Indices 2010=100)



Source: Istat

Italian industrial production shows positive signals owed to the improved performance of the capital goods sector. As expected, the extra EU exports are strengthening backed by the euro exchange rate depreciation. These positive tendencies have not been transmitted yet to the labour market while the deflationary pressures are diminishing. Despite the April decline in the business climate, the composite leading indicator for the Italian economy was positive for the fourth time in a row.

The international environment

The IMF projections for 2015 show a World GDP growth of 3.5% (+3.4% in 2014). The output dynamics will reflect a pickup in advanced economies (+2.4% after 1.8% in 2014) and a weakness in some large emerging and oil producers countries (+4.3% after 4.6% in the previous year).

In the US, further signals of a slowdown in economic activity remain. GDP growth decelerated also in Q1 2015 (+0.2% q-o-q). In March, the manufacture production increased slightly (+0.1% m-o-m). The appreciation of the dollar continues to restrain exports of goods and services.

In the Eurozone, the recovery is gradually firming. However, in April, after three months of positive signals, the Economic Sentiment Indicator has rested. The improvement of confidence climate in the services was offset by the substantial stability in the industry and by the worsening of the consumer sentiment. In February, the industrial production increased by 1.1% with respect to January. It has been the highest variation since April 2014. Retail sales stabilized (-0.2% m-o-m), following the substantial increases in the previous four months.

The depreciation of the exchange rate has supported the rise of exports in the extra Eu markets (2.8% m-o-m), while the increase of imported goods prices has eased the deflationary pressures. In April, the euro dollar exchange rate depreciated by 0.8% with respect to March (Figure 1). The Brent price showed an increase reaching in April on average 59.4 dollars a barrel (+5% with respect to March). World trade contracted again in February (-0.9% m-o-m, Figure 2): compared to the 2014 level, the average increase in January-February 2015 was moderate (+0.6%).

The economic situation in Italy

The firms

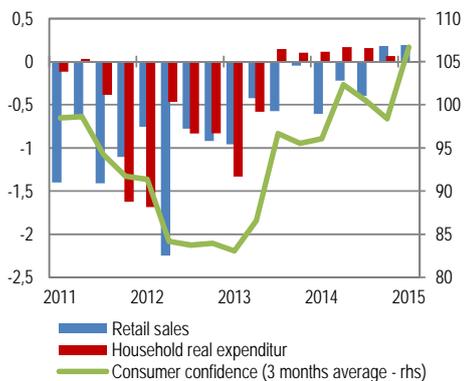
In February, the production activity evolved heterogeneously across the sectors: the industry increased while the construction sector declined again.

Both the capital goods (+1.1%) and the energy sectors (+3.6%) contributed to the acceleration of the industrial activity (+0.6% m-o-m). In the manufacturing sector, however, the evolution was stationary in the consumption goods while it decelerated slightly in the intermediate goods (-0.4%). In February, the industrial turnover in value (+0.4% m-o-m) was strengthened by the increase in sales towards foreign markets (+0.6% after the sharp fall in January), while the performance of the domestic market was less dynamic (+0.2%).

The Italian exports remained constant in the first two months of 2015 as a combined effect of a decrease in the EU markets (-1.2%) and a sharp increase in extra EU markets (3% q-o-q in Q1).

In April, short term prospects provided by business surveys for the manufacturing sector remain stable (Figure 3).

4. Consumption, retail sales and consumer confidence



Source: Istat

In the same period, also the business climate showed a substantial stability (+0.4 points with respect to March), owing to slight improvements on demand conditions. The recent trend in the services sector is characterized as well by a good dynamics of the retail sales.

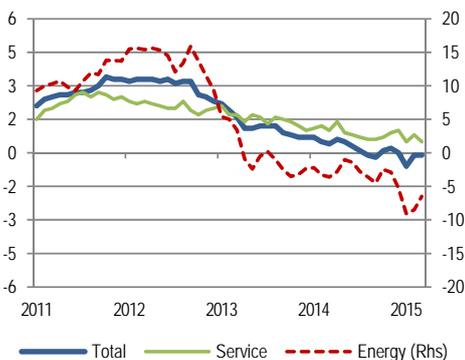
Households

In the last quarter of 2014, consumption continued the recovery started in mid-2013 (Figure 4). Households' expenditure increased by 0.1% (in real terms) with respect to the previous quarter. The overall change in 2014 was 0.3%. Given the flat dynamics of real disposable income, the increase in the private expenditure was financed by saving, whose rate decreased by 0.3 pp on average in 2014.

The moderate increase in consumption is confirmed by the evolution of more recent indicators. In particular, retail sales, despite the m-o-m decrease in February, continued the moderate recovery observed in the recent past: in the first quarter of 2015, the carryover of deflated sales was positive and equal to 0.2%.

In April, consumer confidence showed a downward correction (to 108.2 from 110.7). All the components decreased: the reduction was strong in the economic and future climates, while the contraction in the personal and current climates was mild. Despite the April reduction, the index is still at the highest level since July 2002.

5. Prices



Source: Istat

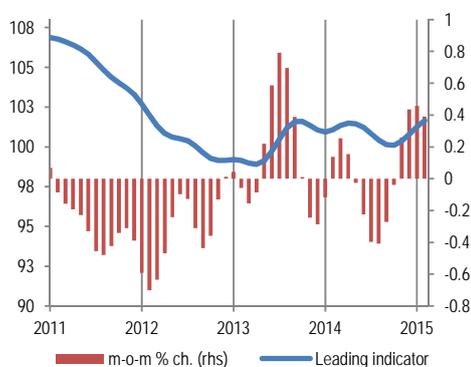
The labour market

The development of Italian labor market did not improve significantly. In Q1, according to the Labor Force figures (seasonally adjusted), employment declined by 0.2% compared to the previous quarter. Unemployment rate declined by 0.2 percentage points with respect to the previous quarter, reaching 12.8% in Q1. In April, entrepreneurs' short term prospects on employment trends have improved in the manufacturing sector, remained stable in construction and decreased in services.

Prices

According to the flash estimate, in April inflation stood at zero (Figure 5). Downward pressures came from energy related items, especially due to the lagged effects of past decline in oil prices. Looking ahead, inflation will turn positive, but close to zero. The survey-based inflation expectations for manufacturing and households, indicate subdued development in prices, although the share expecting a rise is increasing. At the beginning of the year, deflationary scenario is similar in Italy and in Eurozone, but in the Euro area the fall has been deeper. Italian core inflation stays below the Euro area average since mid of last year, with a historically lowest gap. The development reflects an inflation in services in Italy lower than in the Euro area average, while for non-energy industrial goods inflation remains higher than the area euro average.

6. Leading indicator (Index 2005=100)



Source: Istat

The Outlook

In the short term, the macroeconomic scenario is going to remain stable. In April, the IESI composite index remains on higher levels than those of the previous two years. The composite leading indicator of the Italian economy shows positive values for the fourth month in a row, supporting the expectations of a recovery in economic activity in the first half of 2015 (Figure 6).