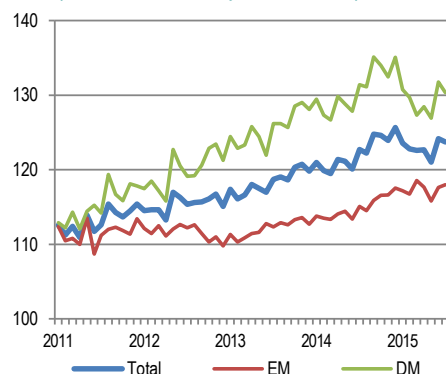


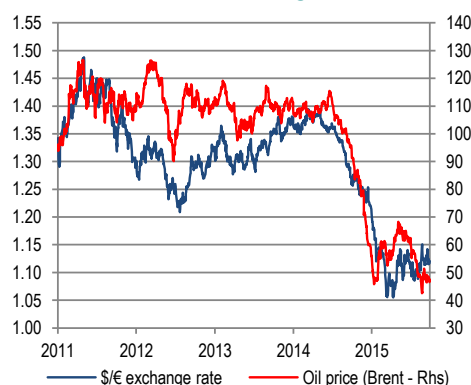
1. International trade

(volume, January 2010=100)



Source: Central Plan Bureau

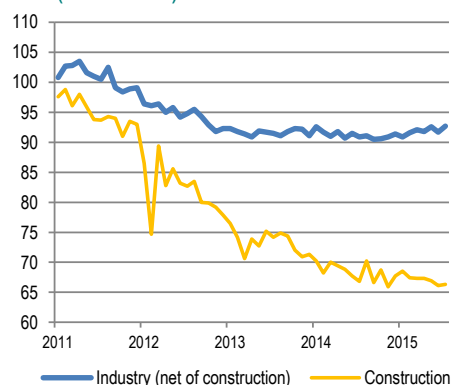
2. Oil price and exchange rate



Source: Bce, Thomson Reuters

3. Production indexes

(2010=100)



Source: Istat

The Italian economy remains on a positive pattern: manufacturing and services sectors are recovering as well as consumption and the labour market. Prices grow still at moderate pace. The leading indicator of the Italian economy recorded a new positive result. The outlook is affected by the slowdown of international trade.

The international environment

In the US, GDP growth in Q2 was revised further upwards (from 3.7% to 3.9% on annual base). The leading indicators signal an ongoing recovery, albeit at a relatively moderate pace. The Conference Board Consumer Confidence Index, which increased in August, improved moderately in September, fueled by consumers' more positive assessment of current economic conditions. But the expectations about the short-term outlook remained relatively flat, signaling no accelerations in the forthcoming months. Industrial production in the manufacturing sector decreased in August (-0.5% m-o-m, after +0.9% in July) while total nonfarm payroll employment increased by 142,000 in September. Consumer spending (+0.4% m-o-m in August in real term) was fueled by a positive dynamic of disposable income in the same month(+0.4% m-o-m).

In the euro area, the business cycle in Q2 has been heterogeneous among the major economies: more positive in Spain (+1% q-o-q) less dynamic in Germany (+0.4%) and Italy (+0.3 %) and stagnant in France. In September, the economic sentiment indicator for the euro area (ESI) increased markedly, driven by the improvement in industry and services; the consumer confidence remained broadly unchanged. The marginal decrease of the €-coin index in September (but with a still at a very high level) appears otherwise consistent with a further moderate expansion in the forthcoming months

The slowdown in the Emerging economies is associated with the deceleration of the volume of world trade goods. CPB (Central Plan Bureau) data declined in July (-0.4% m-o-m), after the rebound (+2.6% m-o-m) in June; the carryover (+0.8%) supports a rate of growth for 2015 much lower than previously forecasted (Figure 1).

In September the Brent price remained permanently below 50\$ per barrel; on average, it was almost stable with respect to the August average (48\$ per barrel). In August and September, the euro-dollar exchange rate reversed its trend; after the appreciation experienced during the turmoil in the equity markets: average prices went back to the levels prevailing in June (1.12 dollars per euro, Figure 2).

The economic situation in Italy

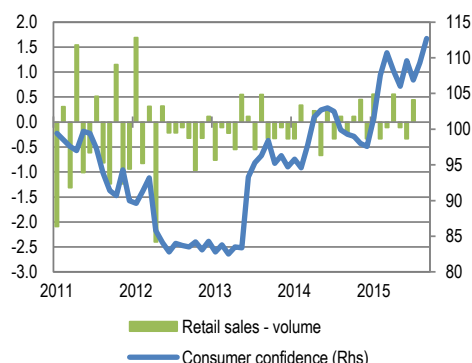
Businesses

In July the industrial production increased further (1.1% compared to the previous month). The positive trend of the manufacturing sector is supported by the turnover, measured at current prices. In the period from May to July the industrial turnover grew by 1.4%, driven by an increase of sales stronger on the domestic market (+1.7%) than on the foreign market (+1%).

The first seven months of the year were characterized by a marked buoyancy of the foreign trade, with increases in imports substantially coherent in value (+4.7% y-o-y) with the exports (+5.2%). However in July, both imports and exports declined compared to the previous month (-3.7% and -0.4% respectively). Difficulties in trade with extra EU country were confirmed in August, when both exports and imports contracted (-8.1% and -3.2 % respectively, m-o-m).

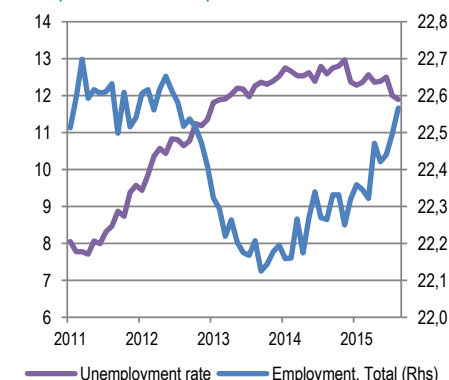


4. Consumer confidence and retail sales (m-o-m % change and index)



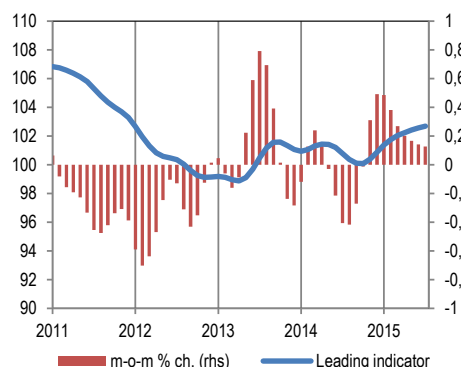
Source: Istat

5. Employment and unemployment (% and million)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

Growth expectations for the coming months remain positive. On average, in the three months May to July, the total orders grew by 3.5%, with a more marked increase in the domestic market. In September, the confidence of manufacturing enterprises rose again, recording the highest level over the recent months.

In the construction industry there are not clear evidences of an upturn (Figure 3). In July the index of production in construction showed a moderate increase (+0.3% m-o-m) after two consecutive drops, albeit the confidence climate rose in September. Retail trade increased in July (+0.4%, Figure 4) as a side effect of the upsurge of consumption in the first semester of 2015. In September, the business climate remained at an high level.

Households and labour market

In Q3 consumer surveys were on a positive trend. In September, the confidence index increased to 112,7; all sub-indexes increased, but the economic climate increase was rather high. Employment expectations registered a marked improvement as well.

The labour market has been stronger than previously estimated. From January to August employment expanded by 200,000 units (Figure 5). In Q2, hours worked per employee grew by +0.8%. In services, the number of hours also increased due to the increase in the number of employees (full-time). The improved performance of the industrial sector is also related with the reduction in the use of the Wage Guarantee Fund (Cassa Integrazione Guadagni) hours.

The evidence of an improvement in the labour market is supported by the unemployment rate, decreased to 11.9% in August. In the same month hourly wages were stable on a monthly base, and showed a 1.2% increase over the year.

Prices

In September, according to the preliminary estimates, inflation accelerated slightly. After being at 0.2% in June and August, the consumer price index (NIC) rose by 0.3% over the year. This dynamics reflected diverging trends for volatile items (energy and unprocessed food), and a subdued increase in the core inflation. The energy component gave the largest negative contribution to inflation (-7.6% y-o-y). Conversely, upward pressures came from unprocessed food. The recent depreciation of the euro and the signs of improvement in domestic demand are leading to a recovery in core inflation. Even without tension from domestic costs, the main components of underlying inflation have highlighted a rising trend: 0.5% and 0.9% respectively, the annual rate for non-energy industrial goods prices and for services.

In the upstream stages of the final distribution, price dynamics is confirmed to be negative or very low. The fall in the prices of imported industrial products has again deepened (-4.5% y-o-y in July) due to declines in energy item; for the consumption goods the annual rate remained subdued at 0.4%. For the industrial products sold on domestic market the annual rate of change (-3.6% in August) reflected deflationary pressure of foreign inputs. Consumption goods prices were stable after four negative months.

Looking ahead, the international conditions and contained pressures from domestic components of cost and demand exclude significant increases in inflation along the price chain. In September, companies producing consumer goods confirmed very cautious in price-setting decisions, waiting a stronger recoveries in domestic demand; among consumers, the share of those expecting rising prices decreased again in favor of expectation of stability.

The outlook

The economy recovery is projected to continue in the third quarter according to the information available. The leading indicator of the Italian economy increased again in July but at a slower pace (Figure 6).



7. Personal income and saving

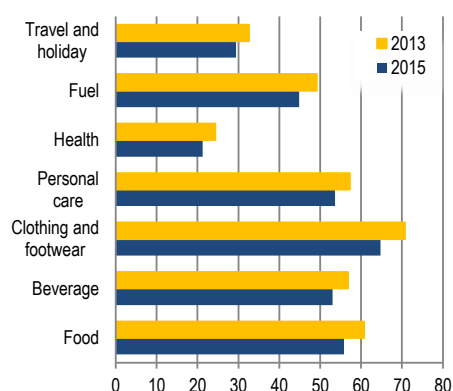
(Billions and %)



Source: Istat

8. Expenditure constraint by type

(first half 2013-2015, %)



Source: Istat

Monthly focus

Recovery of household's consumption

In the second quarter of 2015, households' consumption upsurged (+0.4% compared to Q1) recording the highest increase since the third quarter of 2010. The recovery has been driven by an increase in households' purchasing power (+0.2%) and by a reduction of the saving ratio (Figure 7). Over the first semester of 2015, households' purchasing power rose by 0.8%.

The upturn of consumption expenditure is supported by the reduction of the number of families adopting a strategy of expenditure restraint.

Since 2014, the purchasing behavior across the Italian regions recorded a significant recovery of the quantity and quality of purchased food. Most of the change has been observed in the Northern regions, followed by the Central area. The Southern regions instead continued to record an increase of consumer's spending constraints.

Non-food consumption followed a similar pattern as food consumer spending, particularly textile, fuel and health expenditures.

In the first semester of 2015, the recovery involved also the Central and the Southern regions of Italy (Figure 8). The improvement of households' consumption is expected to continue over the year.

In September, the consumer confidence indicator reached the highest level since March 2002.