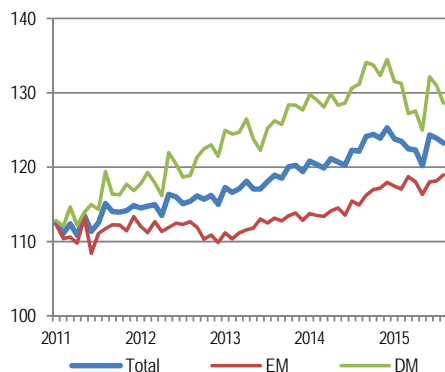


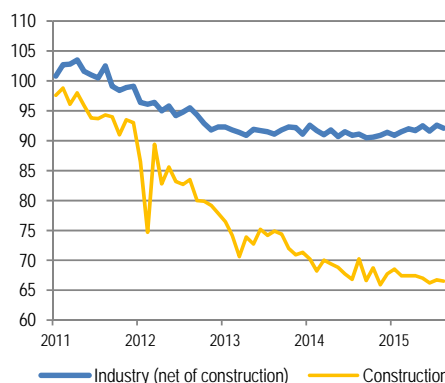
1. International trade

(volume, January 2010=100)



Source: Central Plan Bureau

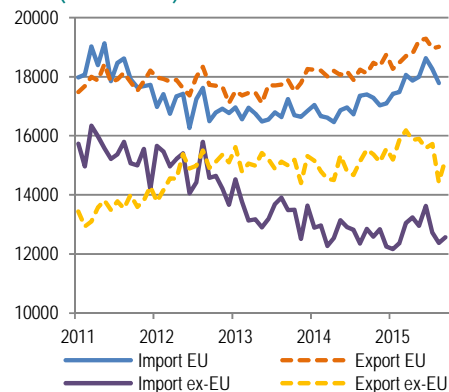
2. Production indexes



Source: Istat

3. Industries turnover

(2010=100)



Source: Istat

The slowdown in world trade started to affect the Italian trade balance. But the Italian economy continues to recover driven by domestic demand and labor market. The leading indicator increased further supporting the expectation of a prolonged recovery of the Italian economic growth.

The international environment

In the third quarter, the Chinese economy grew at a slower pace for the first time since 2009, with the GDP showing an annual rate of growth lower than 7%.

The Chinese exports decreased by -3.7% on an annual basis while the imports fell by -20.4%. The Chinese outlook associated with the expected increase of US interest rates and the slowdown of raw material prices, strongly influenced the performance of the emerging economies.

In the United States, GDP increased by 0.4% (cyclical rate of change) in the third quarter (it was 1% in Q2). Households' consumption has been the main driver of GDP growth, while gross fixed capital formation and inventories provided a negative contribution to economic growth. The Conference Board leading indicator supports the hypothesis of a moderate but constant economic expansion until the end of the year.

The cyclical recovery in the Euro Area is expected to continue but at a moderate pace. In October, the Economic sentiment indicator remained stable while the *€Coin* index decreased again corroborating the forecast of a light slowdown of the GDP by the end of the year. The risks to the growth outlook remain on the downside, reflecting in particular the heightened uncertainties related to the German economic outlook.

The slowdown of the emerging economies is affecting the world trade patterns. In August, the CPB data show a decline of the volume of trade (-0.5% m-o-m) driven by a reduction of the trade flows of the emerging Asian economies (-2.4% and -1.2% exports and imports respectively) and of Latin America (-7% and -6.5%). The carryover supports an annual rate of change of 0.8% in 2015 (Figure 1).

Over the last month, the Euro-Dollar exchange rate has been highly volatile: it appreciated by 1.14 in the first two weeks of October and it depreciated in the second part of the month (1.10 at the end of October). The Brent price increased at 52 \$ per barrel and then decreased at 48 \$ per barrel at the end of October, thus increasing on average less than 2% compared to September.

The economic situation in Italy

Businesses

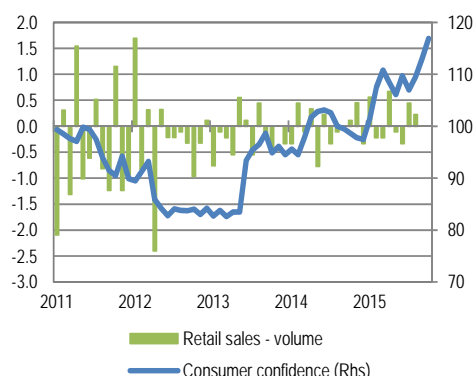
In August, production activity and foreign trade showed a setback.

In the third quarter, industrial production and turnover remained substantially stable (close to a rate of change of 0.0% m-o-m) while the industrial orders (net of constructions) were more dynamic. Comparing the rate of change of the first eight months of the year with those of 2014, the industrial production increased by 0.8% (Figure 2), the turnover by 0.6% (Figure 3) and the orders by 0.4%.

The slowdown of the industrial activity was also reflected in the contraction of foreign trade (-3.6% export and -2.6% import -m-o-m in August).

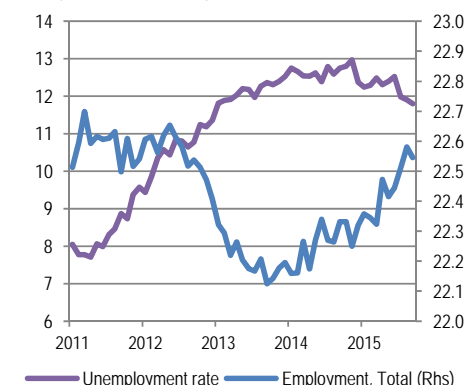


4. Consumer confidence and retail sales (m-o-m % change and index)



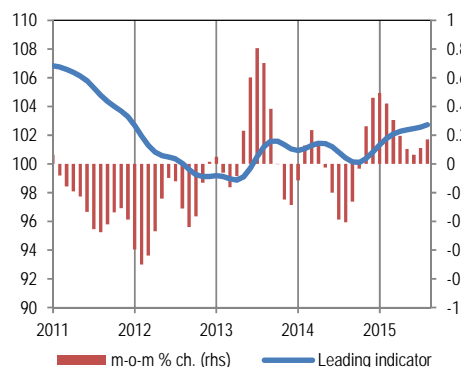
Source: Istat

5. Employment and unemployment (% and million)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

Despite the dynamism of the US demand, the slowdown in emerging economies continues to affect the export dynamics. However, extra-EU trade experienced a boost in September, more pronounced for export (+5.2% m-o-m) than for import (+1.5%).

In October, the confidence of manufacturing enterprises continued to accelerate driven by the expectations about the industrial production and orders. The construction industry remains stagnating. In August, the production indicator decreased slightly (-0.3% m-o-m) while the business confidence went back to the levels recorded in the first half of 2015.

Households and labour market

The underlying indicators of the households sector continue to recover. In August retail sales increased by 0.2% (m-o-m in real term); over the first eight months of the year they increased by 0.3% over the same period of 2014 (Figure 4).

Consumer confidence anticipates a positive trend for the rest of the year. In October the overall index increased to the highest level since March 2002 and the main four sub-components were on a positive path.

According to the most recent data, in September employment declined (-0.2% m-o-m). Although monthly data show an erratic short-term dynamics, the trend behind the monthly change remains positive (Figure 5). From January to September, the employment rate increased by six decimal points (to 56.5%). The decrease in September affected both the fixed-term contracts and the open end ones.

At the same time, the unemployment rate fell to 11.8%. The drop was associated with an increase of inactive people rather than with employees.

For the coming months, the expectations of the entrepreneurs about the employment continue to strengthen in the main sectors excluding services.

Prices

In October, consumer inflation recorded a slight increase and remained marginally positive. According to the preliminary estimates, the annual rate of NIC will be at 0.3%, after four months at 0.2%. The rise was driven mainly by the increases in unprocessed food prices, with little support from service items. Despite the recovery of the consumer demand, domestic price pressures remain subdued and core inflation was unchanged since September at 0.8%, a historically low rate. Among the main components of underlying inflation, services edged up slightly, while non-energy industrial goods inflation was stable. Prices along the supply chain confirm the widespread moderation in the economy. For the industrial products, import prices and producer prices for the domestic market continued to decline, affected by the fall in the energy component. In the last two months, inflation in imported consumer goods recorded an upward movement, even if at very low rates (0.8% in August). At the production level, non-food final consumption goods prices remained at the same level as the previous year. In the coming months, inflation is expected to stand slightly above zero.

Regarding inflation expectations, households continue to expect a very subdued inflation over the next twelve months, while among firms those expecting an increase in sales prices prevail.

The outlook

The economic recovery is expected to continue in the following months driven by the activity of manufacturing and services. The construction sector will remain stagnating. Trends of household consumption and labor market are expected to remain positive. The leading indicator of the Italian economy (Figure 6) recovered in August supporting a prolonged recovery of the Italian economy.