

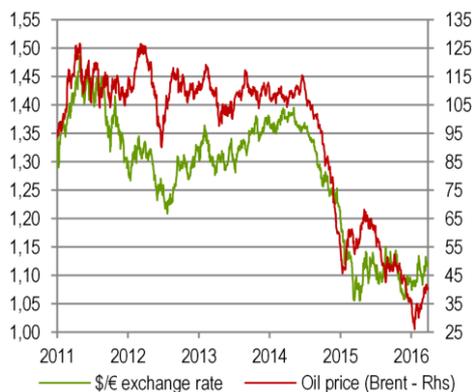
### 1. International trade

(volume, January 2010=100)



Source: Central Plan Bureau

### 2. Oil price and exchange rate



Source: Thomson Reuters

### 3. Production indexes

(2010=100)



Source: Istat

The current situation of the Italian economy shows elements of uncertainty on the supply side. On the demand side the steady growth of consumption is accompanied by a slight recovery in investment. In this context the composite leading indicator for Italian economy stays positive, suggesting the continuation of the slight growth also for the first quarter in 2016.

#### The international environment

In the United States, the appreciation of the dollar and the slowdown in international demand have penalised production.

The U.S. GDP grew in the last quarter of 2015 by +1.4% y-o-y (revised from +1% of the previous release). Industrial production in the manufacturing sector registered a +0.2% increase in February compared to the previous month. The indicator for the total production decreased by -0.5% m-o-m.

The main factor for the continuation of the expansion phase will be the positive outlook for consumption: the Conference Board household confidence indicator has increased in March following the decrease registered in February. Disposable income has continued to increase at steadily (+0.3% m-o-m as the previous two months). The labor market provides solidity signals: in March the unemployment rate slightly increased (+5% compared to the previous 4.9%) and nonfarm employment has registered a growth of 215 thousand units at a reduced pace compared to the previous month but above expectations.

In the Euro Area the most recent economic signals seem to confirm a moderately positive trend. In March, the economic sentiment indicator (ESI) decreased for the third consecutive month as a result of stability in the industrial sector, deteriorating situation for services sector and marked decline in consumer confidence.

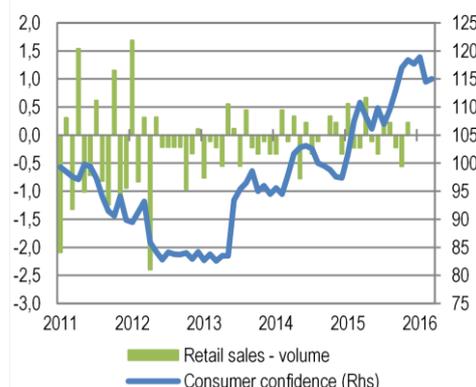
On the other hand, industrial production increased in January by +2,1% m-o-m. In January 2016 CPB data show a slowdown of world trade volumes (-0.4% m-o-m, Figure 1). In March, on average, the Euro-US exchange rate has been quite stable compared to February, although the expectations of possible increase in interest rates lead the weakening of the US dollar exchange rate. For this reason, in March the Brent price increased at \$40 per barrel (+18% m-o-m, Figure 2).

#### The economic situation in Italy

##### Businesses

In the most recent months the manufacturing sector showed uncertainty signals. In January 2016 industrial production index increased by 1.9% (Figure 3), compared to the previous month, but the growth rate of the average of the last three months compared to the previous three months was more limited (+0.2%).

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



Source: Istat

Turnover indices seem to confirm this situation: in January 2016 the seasonally adjusted turnover index increased by +1.0% compared to the previous month (+1.2% in domestic market and +0.4% in non-domestic market). In January, exports decreased by -2.2% m-o-m as a result of contraction in non EU countries. Instead, imports net of energy increased both on a monthly and quarterly basis, compared to the previous periods (respectively, +1.3% and 0.8%).

For construction sector the index of production decreased by 1.5% in January 2016 compared with the previous month, despite the percentage change of the average of the quarter November 2015 - January 2016 being +1.9%, with respect to the previous quarter. The results support the trend reversals for construction sector: following the increase in real estate sales in third quarter of 2015, investments increased in fourth quarter of 2015 with a slowdown in the house prices (-0.9% in Q4 compared to -2.2% in Q3) and better expectation for orders in construction.

#### 5. Employment and unemployment (% and million)



Source: Istat

#### Households and labour market

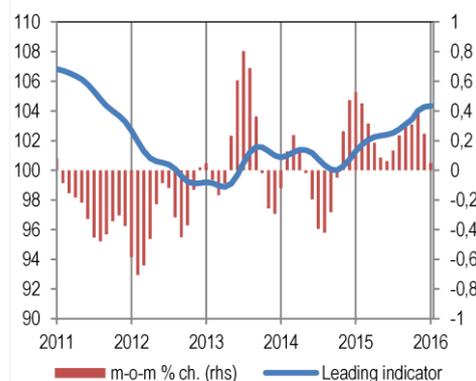
In the fourth quarter 2015 household purchasing power suffered a slowdown as a result of decrease in disposable income. In January 2016 the volume of retail sales remained unchanged in spite of a third consecutive decrease in the y-o-y growth rate (-1.6%).

The consumer confidence indicator after the marked slowdown in February, increased marginally in March 2016 (Figure 4).

In February, the unemployment rate increased by 0.1%. Employment decreased by 97 thousand units (Figure 5), following the decrease in both temporary (-1.0%) and permanent (-0.6%) employees. Self-employed increased by 0.3%. In March, however, employment expectations for firms showed an improvement in terms of manufacturing and retail trade, meanwhile are stable for construction and services sectors.

According to collective agreements, wages per employee showed a deceleration in February 2016 (+0.8% y-o-y).

#### 6. Leading indicator (index and % change)



Source: Istat

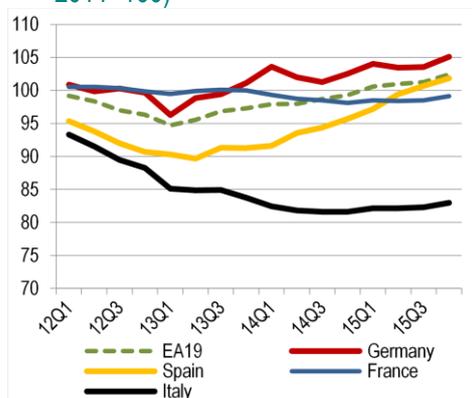
#### Prices

In March, the increase in energy prices, together with seasonal increase in some items, caused a slowdown in the decrease of the Italian inflation rate. The yearly NIC growth rate is equal to -0.2% y-o-y. Core inflation showed an increase to 0.6% (it was 0.5% in February).

#### The Outlook

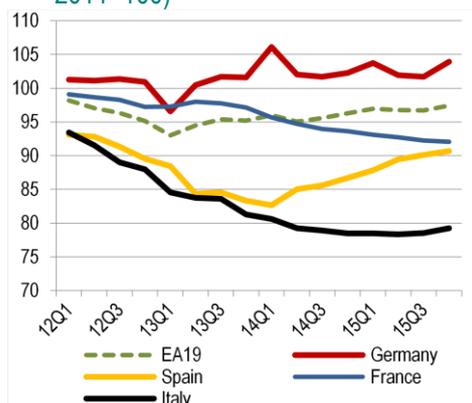
In the first months of 2016, business surveys confirmed the weakness on the supply side registered at the end of 2015. From the demand side, despite a situation of uncertainty in world trade, a stable positive trend is registered for the consumption together with an increase in investment. The composite leading indicator of Italian economy showed an increase albeit at a slower pace (Figure 6), suggesting a recovery of economic activities for the first quarter of 2016 as well.

**7. Total investments**  
(seasonally and calendar adjusted data, 2011=100)



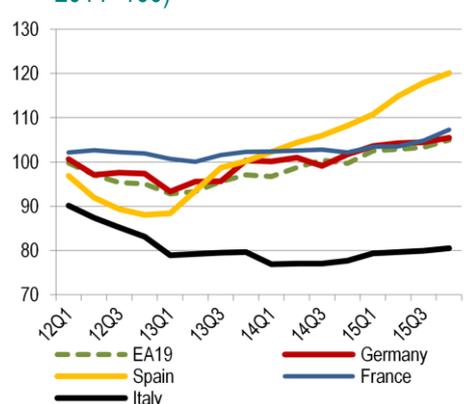
Source: Istat

**8. Investments in construction**  
(seasonally and calendar adjusted data, 2011=100)



Source: Istat

**9. Investments in machinery, equipment**  
(seasonally and calendar adjusted data, 2011=100)



Source: Istat

**Monthly focus**

**Sluggish recovery of investments**

In the last months of 2015, the process of capital accumulation has registered a recovery phase, with a heterogeneity among European countries. This is mainly due to a stronger demand, to a recovery in profit margins for companies and to an improvement in financial conditions in the Euro area.

In the fourth quarter of 2015 total investments in Germany registered an increase by 1.5% q-o-q, above European average (+1.3%). The increase has been smaller for Spain (+1.2%), France (+0.7%) and Italy (+0.6%) (Figure 7).

The contraction of investments in Italy showed a steep decline in the crisis period compared to the other European countries. Indicating as 100 the average of investments for each European country in 2011, the value for Italy at the end of 2015 was 85.

The decrease in investments has been similar both for construction and machinery and equipment. The decrease for investments in construction was equal to -20% compared to 2011, showing a cycle reversion only in the fourth quarter of 2015, while for Spain recovery has started in 2014 (Figure 8). The difference is even more marked for investments in machinery and equipment (Figure 9).

A recovery in the Italian economy is strongly correlated to a recovery in investments. The q-o-q growth rates for the fourth quarter of 2015 for investments of non-financial firms has been +1%.

Moreover, in the fourth quarter of 2015 the risk of insufficient demand according to entrepreneurs has reduced. These conditions, together with recent government measures, i.e. the Stability Law and the improved financial conditions and support to infrastructure investments in the Juncker plan, support the expectations for an increase in capital accumulation.