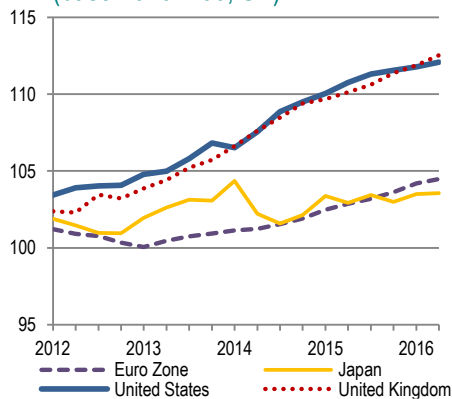
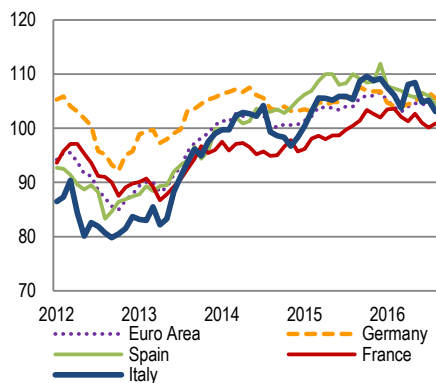


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



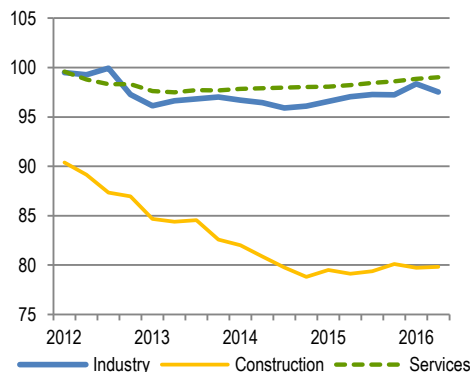
Source: Oecd

2. Economic Sentiment Indicator (base 2010=100, SA)



Source: Dg Ecfm

3. Value added by sector (chain linked volume, 2010=100)



Source: Istat

The US economy keeps growing at increasing rates while the euro area countries are experiencing a slowdown in the second quarter. GDP growth in the Italian economy decelerated further in Q2, driven both by the negative contribution of the domestic demand and by the slowdown of the industrial production from the supply side. The leading indicator of the economy remains negative in July, suggesting that the Italian economy will remain weak in the coming months.

The international environment

US GDP estimates for the second quarter of 2016 have been revised downward (from 1.2% to 1.1% annualized, Figure 1). Household's expenditure and exports provided a positive growth contribution, while gross fixed capital formation and inventories provided a strong negative contribution. The US economy is expected to grow at a moderate pace: in July, the Conference Board leading indicator further increased (+0.4%) mainly driven by the manufacturing sector. In the same month, non-farm payroll employment increased by 255 thousand units while in August it was less than expected (+155 thousands). The Consumer Confidence Index increased over the last month after a slight reduction in July.

In the second quarter the final estimate of GDP for the main euro area economies confirmed the slowdown, supporting a downward revision of expected economic growth. In Germany, GDP increased by +0.4% (from +0.7% in Q1) in Q2, while in France GDP reported a zero growth rate Q2 (+0.7% in Q1). The UK GDP instead accelerated increasing by 0.6% compared to the +0.4% for Q1.

In the euro area, the industrial production showed a marked decline in Q2 (-0.4%), too. In July the unemployment rate remained stable (+10.1%). The business cycle leading indicators support the hypothesis of a slowdown in the coming months. In August, the economic sentiment indicator decreased as a result of a deterioration in the confidence both in industry and services (Figure 2).

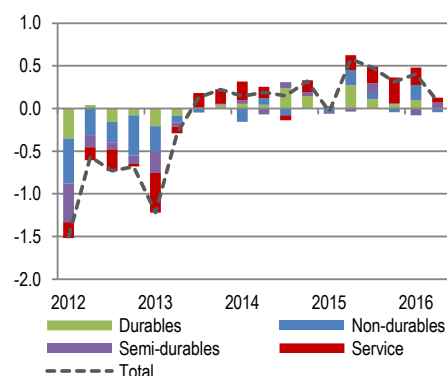
The Brexit contributed to increase the level of economic and political uncertainty in the short term thus influencing the prolonged devaluation of the British Pound to US Dollar and Euro exchange rates. In August, the Euro-US exchange rate appreciated (+1.3% q-o-q) averaging to 1.12 (from 1.11 in July). The Brent price, suffered a further decline, after the recovery of the recent months reaching an average of \$ 46.71 per barrel, thus decreasing by -1.3%. According to the data of the Central Plan Bureau, world trade volume decreased in the second quarter both in the advanced economies (-0.7) and in emerging countries (-0.8%).

The economic situation in Italy

Businesses

In the second quarter of 2016 the Italian GDP recorded a setback. In Q2 GDP, seasonally and calendar adjusted, remained unchanged with respect to the first quarter. The rate of growth with respect to the second quarter of 2015 was 0.8%, smaller than the 1% registered in the first quarter.

4. Households' consumption expenditure (m-o-m % change and index)

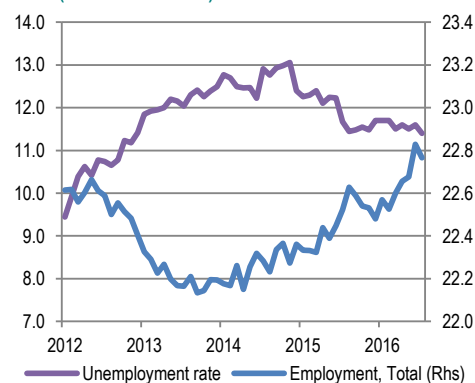


Source: Istat

Net exports provided a positive contribution to GDP growth (+0.2 percentage points): imports increased by 1.5% and exports by 1.9%. The contribution of investment and final consumption expenditure was null. The dynamics of domestic demand has been characterized by the stability of national final consumption and by the slowdown of gross fixed investments (-0.3%), mainly driven by a decrease in machinery, equipment and other products (-0.8%). Investments in construction remained stable while the means of transport marked a positive change (+1.4%).

The strong decrease of the value added (-0.8% q-o-q) confirms weakness of the manufacturing sector (Figure 3). In August, business confidence dropped in the manufacturing sector. In Q2 construction value added marked a positive change (+0.1%) after the sharp fall recorded in the previous quarter (-0.5% compared to the fourth quarter of 2015). The services sector recorded a slightly positive quarterly change (+0.2%) as for the five previous quarters with different trends at the intra-sectorial level: financial and insurance activities marked the largest decline (-0.6%); professional and support activities showed significant increases (+0.5%) as those in the sector of trade, transport and accommodation (+0.4%) and real estate activities (+0.4%).

5. Employment and unemployment (million and %)

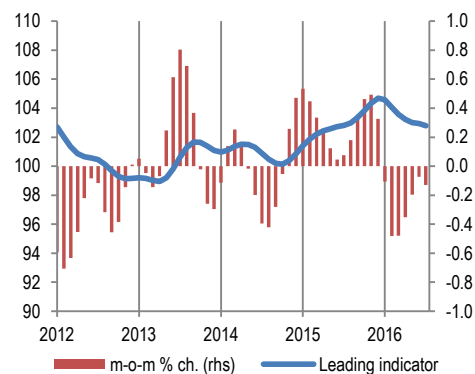


Source: Istat

Households and labour market

National final consumption stalled in the second quarter of 2016. The resident household final consumption expenditures recorded a modest increase (+0.1% q-o-q, Figure 4). Government expenditure, however, showed a negative change (-0.3%). In August, consumer confidence reported a new contraction, more than 9 points below than the peak recorded in January. In July, the dynamics of the labor market showed a setback. The total number of employed decreased by about 63,000 units (-0.3%) after four consecutive months of growth. Nevertheless in the period May-July the employment increased by +0.7%. The total unemployed decreased resulting in a drop in the unemployment rate to 11.4% (-0.1 percentage points, Figure 5). The prolonged unfavorable period for individuals in the age group of 15-24 is supported by the data: their unemployment rate increased for the third consecutive month, reaching 39.2% in July. Wages remained substantially stable compared to June.

6. Leading indicator (index and % change)



Source: Istat

Prices

The deflationary phase continued in August. According to the preliminary estimate, the index for the whole nation remained negative (-0.1% y-o-y), confirming a negative annual change for the seventh consecutive month, although close to zero (-0.1% as in July). The overall rate of inflation continues to be strongly influenced by the trend in energy prices still falling even if at a slower pace (-6.5%, from -7.0% in July). The overall Italian price trend remained lower with respect to the Euro area inflation as a result of the weaker economic outlook. The scenario for the coming months is not expected to lead to significant recoveries of price dynamics.

The Outlook

The economic sentiment indicator (Iesi) has been revised downward in August, reaching a level smaller than 100 for the first time since February 2015. The diffusion indices of economic growth of the manufacturing and services sectors are remained still higher than 50% of growing sectors, although the share decreased compared to the previous quarters. The leading indicator for the Italian economy remained negative in July, suggesting that Italian economy will remain weak in the coming months (Figure 6).