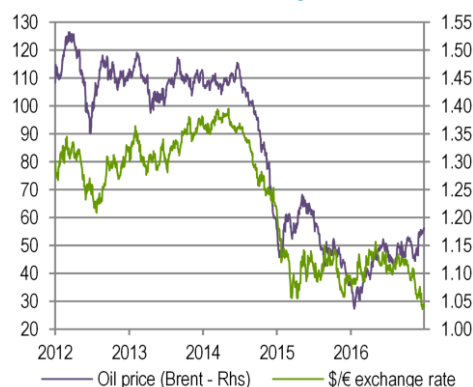
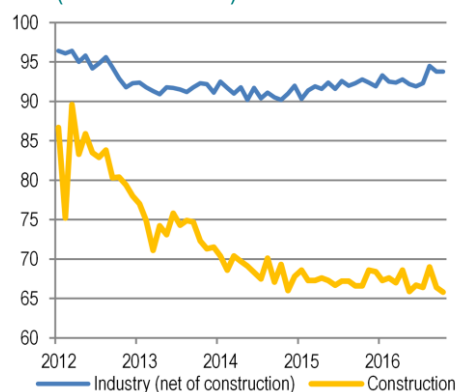


### 1. Oil price and exchange rate



The international outlook continues to be characterized by the solid growth of the US economy, the decline in international trade and the rise in oil price. In Italy, positive signals are confirmed: new orders are increasing and the consumers assessments indicate a widespread improvement. The leading indicator of the Italian economy turns positive supporting the extension of growth over next months.

### 2. Production indexes (base 2010=100)



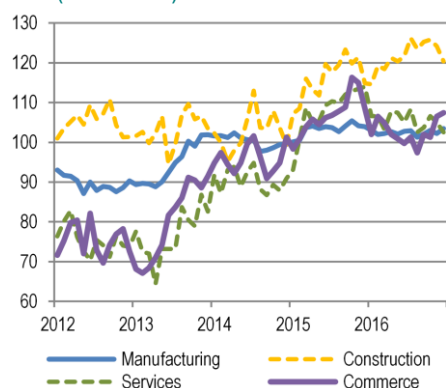
### The international environment

The growth of the US continues at a rapid pace. The last estimate of GDP for the third quarter of 2016, registered an upward annualized quarterly change (+3.5% from +3.2%), following the increase of 1.4% recorded in the second quarter. The expansion phase is expected to continue in the coming months at a moderate pace: in November the leading indicator remained stable compared to the previous month, reaching the highest levels since the beginning of year. In the same month non-farm payroll employment registered a growth rate of 178,000 units, up from the previous month while the unemployment rate improved respect to the previous month (4.6% from 4.9%). Consumer confidence grows significantly in December due to the positive opinions on the medium-term prospects.

In the euro area the phase of moderate growth is expected to continue in the next months. Industrial production fell down in October by 0.1% as a result of the decline in production of non-durable consumer goods and intermediate goods. The positive trend in the labor market has been confirmed in Q3 (+0.2% with respect to the previous quarter). Leading indicators supports the extension of moderate growth. The Eurocoin index increased in November for the sixth consecutive month, reaching its highest level since March. Consumer confidence rose in December significantly positively affected by the optimism about the future families' economic situation.

In November, Euro-US exchange rate marked a further depreciation reaching an average of 1.06 (compared to the average of 1.08 in the previous month). In the same month the price of Brent has risen (\$55.2 per barrel, Figure 1) affected by the agreement on the cut of production. In October the Central Plan Bureau data showed a decline of world trade in volume amounted to -1.1%. as a result of negative change both for advanced and emerging economies.

### 3. Business confidence indicators (2010=100)

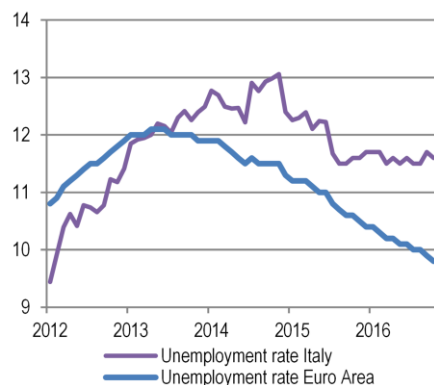


### Businesses

In October, industrial production (excluding construction) marked a null change from the previous month (Figure 2). In particular, there have been positive changes in energy (+2.1%), capital goods (+0.5%) and intermediate goods (+0.1%); however, consumer goods have registered a decline (-0.9%). On average for the last three months August-October, the production increased by 1.6% from the previous quarter.

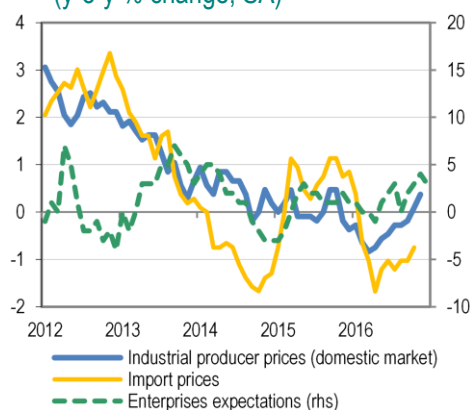


## 4. Unemployment rate: Italy and Euro Area (% change)



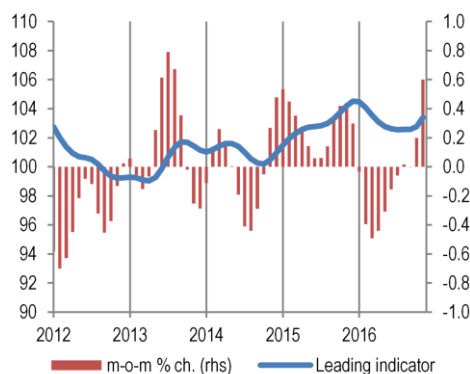
Source: Istat, Eurostat

## 5. Industrial producer prices: final consumer goods (y-o-y % change, SA)



Source: Istat

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



Source: Istat

Positive signals are confirmed by the industrial turnover index. On average from August to October, total turnover index grew by +2.3% compared to the previous quarter (+2.1% domestic market; +2.6% non-market); in particular it recorded a marked increase in capital goods (+5.1%).

In October external trade increased for imports (+2.7% m-o-m) and were stationary for exports. In November, foreign trade flows with non-EU countries expanded with a more marked increase in exports (+3.4%) than in imports (+1.4%). In December there was a rise in the confidence index in manufacturing as a result of an improvement in both the assessments on order books and on production expectations (Figure 3).

Negative signals came from construction sector. After the sharp drop recorded in September, in October 2016 the seasonally adjusted index of production in construction decreased by 0.9% compared with the previous month. The confidence index in construction also declined with a deterioration in both the opinions on orders and the employment expectations.

In October the retail trade index increased by 1.2% m-o-m. Food goods and non-food goods expanded with the same intensity. In the service sector, assessments and expectations on order books worsened while expectations on general economic situation improved.

### Labour market

In the third quarter, the labor input, measured by the full time equivalent employment, was stable with a marked decrease in construction (-1.9%) and in agriculture (-0.4%) offset by the growth in manufacturing (+0.3%) and services (+0.1%). The decline in employment in Q3 was due to the self-employment contraction (-1.5%) compared to a growth of employees (+0.4%). In October, the unemployment rate stood at 11.6%, above the average of the Euro area (9.8%, seasonally adjusted data, Figure 4). In particular, people seeking job increased (+4.9% y-o-y) and simultaneously decreased the potential labor force, namely the number of the inactive people closer to the labor market (-5.7%). In December, the entrepreneurs expectations on employment trends, sign an improvement in the manufacturing industry and a decrease in the main sectors (services, trade and construction).

### Prices

In the recent months the recovery in oil prices and the depreciation of the euro-US exchange rate have led to a turnaround in price trends. In October the producer price index for consumption goods decreased by 0.7% (y-o-y); the fall turns out in attenuation compared to a minimum of last April (-1.7%, Figure 5).

Positive signals were also recorded in industrial producer prices of foods and textile, that have been increasing in the last months. Despite the weakness in consumer demand, in Q3 the manufacturing sector registered a relative widening of profit margins. At the end of 2016 the business expectation about prices shows a slight recovery.

### The Outlook

In the manufacturing sector there was an increase in new orders in October (+0.9% m-o-m) and an improvement in confidence in December. Consumer's confidence highlighted an improvement in December.

The leading indicator shows a recovery, provided positive indications on the development of economic activity in the next months (Figure 6).