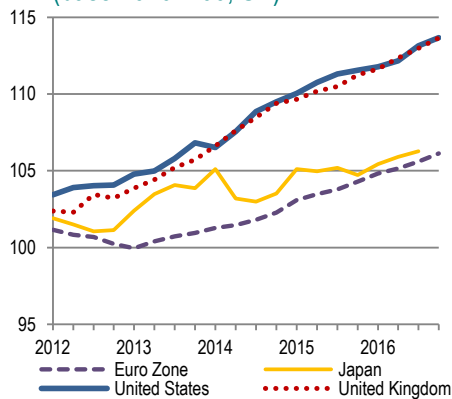
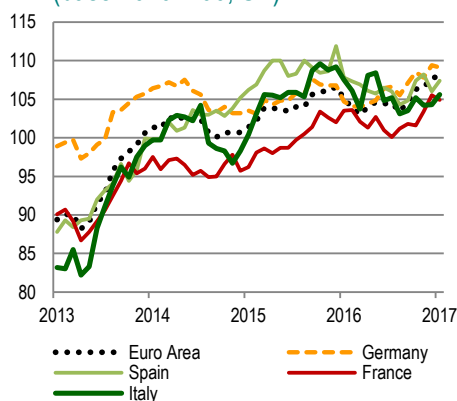


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



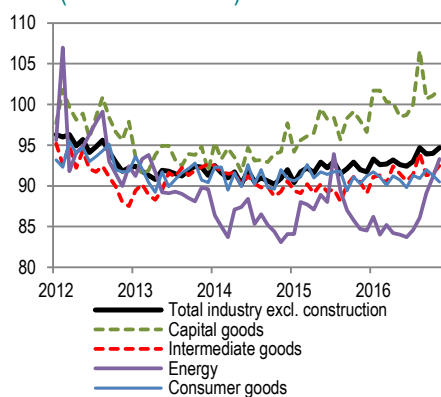
Source: Oecd

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



Source: Dg Ecfm

3. Production indexes (base 2010=100)



Source: Istat

The US economy is growing at slower rates than expected while the euro area continues to recover at a moderate pace. In Italy, production activity in manufacturing is recovering together with household consumption and investment expenditure. The leading indicator suggests that economic growth will continue at a current pace.

The international environment

The US economy is growing at slower rates at the end of 2016. GDP preliminary estimate for the fourth quarter increased by +1.9% on yearly basis, but slowing down compared to the change in T3 (+3.5%, Figure 1). Domestic demand contributed positively to GDP growth while net exports provided a negative contribution. In 2016, employment increased moderately compared to 2015 (2.2 million in 2016 versus 2.7 million in 2015). The US economy is expected to continue to grow at a moderate pace: in December the leading indicator registered a slight increase. According to the Conference Board indicator, in January, consumer confidence deteriorated compared to the previous month, driven by negative expectations for the short-term economic prospects.

The euro area continues to grow at a moderate pace: in the fourth quarter of 2016, the preliminary estimate indicates a slight improvement in GDP growth (+0.5% compared to +0.4% in Q3), generating an increase of +1.7% on a yearly basis. In December 2016, the rate of unemployment slowed down to 9.6% (m-o-m), the lowest rate since 2009. Coincident and leading business cycle indicators confirm an optimistic outlook. In January, the Economic Sentiment Indicator (Figure 2) remained stable because the improved industrial confidence has been offset by a deterioration in sales and construction. Consumer confidence is unchanged. The Eurocoin indicator increased boosted by the positive results for manufacturing.

In January, the Euro-US exchange rate appreciated slightly compared to the last quarter of 2016, reaching 1.06 on the average. The Brent price was +3.9% m-o-m, reaching \$54.6 per barrel. Announcements of US economic policy on possible easing of sanctions towards Russia might have a dampening effect on crude oil prices, outlining a moderate trend for 2017.

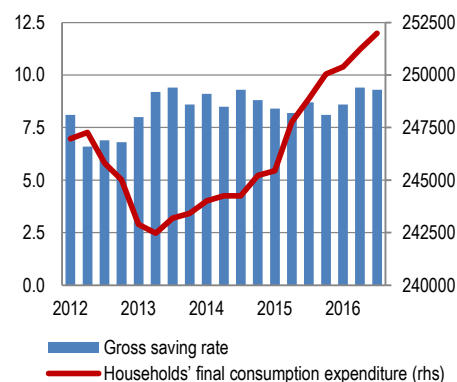
In November 2016, according to the data of the Central Plan Bureau world trade increased by +2.8% substantially driven by trade in emerging countries (+4.8%) stronger than in the advanced economies (+1.3%).

The economic situation in Italy

Businesses

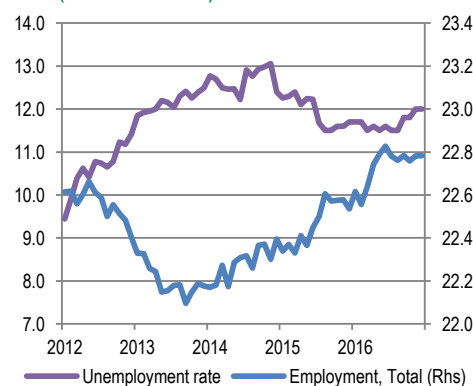
Manufacturing activity is recovering. The industrial production index increased by 0.9% in September-November, driven by the energy sector (+7.5%). On the other hand, durable consumer goods and capital goods slowed down (-1.0% and -0.6% respectively, Figure 3). In the same period, industrial turnover index increased by 0.2% compared to the previous three months, as a result of a slight negative change in domestic market (-0.1%) and an improvement of sales in foreign markets (+0.7%). At the same time, new orders decreased considerably (-2.3%), mainly affected by a contraction in non-domestic markets (-5.0%).

4. Gross saving rate and households' final consumption expenditure (million of euro and %)



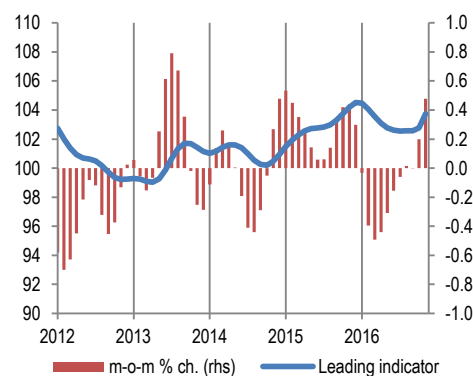
Source: Istat

5. Employment and unemployment (million and %)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

In November 2016, foreign trade recovered: exports increased by +2.2% m-o-m while imports grew at more modest pace (+1.7% m-o-m). In December, trade flows with non-EU countries upsurge. Purchases of energy and capital goods increased compared to the previous month (+14.4% and +8.2% respectively). In November, the seasonally adjusted index of production in construction grew by 2.0% on a monthly basis. Over the period September-November, the index fell significantly (-1.8%).

In the second quarter of 2016, for the first time in five years, data for useful floor area of new dwellings increased by +9.1%, while for the non-residential buildings decreased by -7.5%. In the third quarter of 2016, the House Price Index rose by 0.1% on a quarterly basis. In the same period the number of sales of residential dwellings increased by 17.4% y-o-y.

Households and labour market

In the third quarter of 2016, final consumption expenditure of households increased (+0.3% q-o-q) driven by gross disposable income. The gross saving rate was 9.3%, down by 0.1 percentage points (Figure 4). In Q4 2016 employment remained stable. Permanent employees decreased by -0.3% q-o-q, (-39 thousands). Temporary employees increased by +1% (+25 thousands) and self-employed workers by +0.2% (+8 thousands). In December, Istat released for the first time an analysis of the demographic effects on employment trend by age groups. The analysis shows that all age groups has a positive dynamics at the end of 2016. In particular, the 15-49 age group, net of demographic decline, turns out be positive (+76 thousands). The unemployment rate increased in the last quarter of 2016 from 11.8% (October) to 12% (November and December), as opposed to the euro area dynamics.

Prices

In January 2017, the Italian consumer price index (NIC) reinforced. After the small increase recorded in December (+0.5% y-o-y), the index increased by 0.9% (the highest since September 2013). Price dynamics has been driven mainly to the speed-up of prices of unprocessed food as effect of adverse climatic factors and the gradual recovery in energy prices. Excluding these two groups, prices are below the average of 2016 (+0.5%). Producer prices of industrial products for the domestic market are gradually increasing. The slight inflationary trend is expected to continue in the next months.

The Outlook

In January, the consumer confidence index decreased driven by economic and future components only partly offset by the improvement of the personal and current components. Business confidence increased in all the main sectors but retail trade. The leading indicator signals improvement in economic prospects for the coming months (Figure 6).