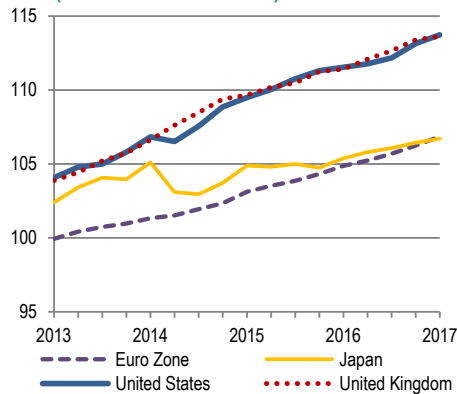


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



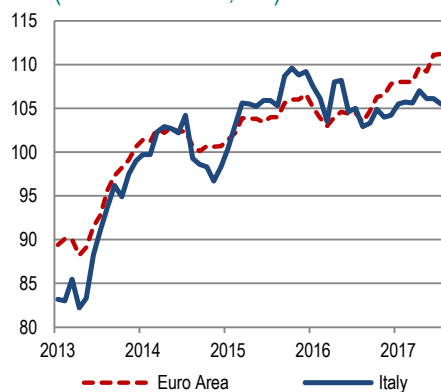
Source: Oecd

In a context of world trade expansion, the US and European economies grow at the same pace in the second quarter. The Italian economy benefits from the strengthening of the industry sector and of the labor market dynamics. Consumer and business confidence is improving. The leading indicator keeps a positive trend.

The international environment

In the second quarter, the US economy accelerated. GDP increased by + 0.6% q-o-q (+0.3% in the first quarter), supported by household consumption expenditure, fixed and non-residential investment and net exports; while inventories, provided a negative contribution (Figure 1). In June, non-farm payroll workers grew by 222,000 units, accelerating compared to the previous month. At the same time, the unemployment rate remained at the lowest levels as in the previous month (4.4%). The US economy is expected to continue to grow at moderate pace: according to the Conference Board, the leading indicator in June kept a positive trend. In the same period, consumer confidence increased with positive judgments both about current situation and medium-term economic outlooks.

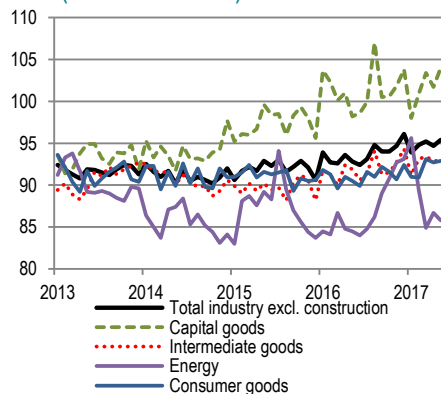
2. Economic Sentiment Indicator (base 2010=100, SA)



Source: Dg Ecfm

Economic growth in the Euro Area continues to consolidate. The preliminary estimate of GDP in the second quarter accelerated (+0.6% q-o-q compared to +0.5% in Q1), driven by an improvement in Spain (+0.9%) and Austria (+0.8%). Labour market dynamics remains positive: in June the unemployment rate declined further (9.1% compared with 9.2% in May). Leading and coincident economic indicators show signs of stability. In July the economic sentiment indicator rose slightly compared to the previous month: in the businesses sector, the confidence climate remains stable in manufacturing but increases in services; on the other hand, there is a slight deterioration of the consumers climate (Figure 2). In the same period, the Euro-Coin indicator showed a moderate increase due to a positive dynamic in the manufacturing sector, only partially offset by the negative effects of long-term bond yields growth and the appreciation of the euro against the dollar.

3. Production indexes (base 2010=100)



Source: Istat

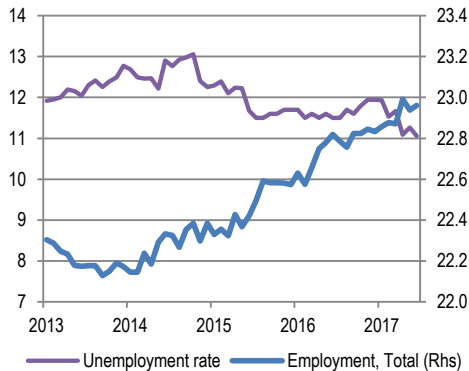
In July, the Euro-dollar exchange rate continued to upturn (+2.5% m-o-m), consolidating the appreciation started at the beginning of the year. In the same month, the Brent price increased (+3.3%), reaching an average of \$ 49.2 per barrel. Higher prices are associated with a reduction in the oil stocks in the United States and Europe. According to Central Plan Bureau data, in May world trade sharply increased (+2%) driven by a positive change in volume both for advanced economies (+2.4%) and emerging countries (+1.5%).

The economic situation in Italy

Businesses

In Italy, over the quarter from March to May, the industrial production index increased (+0.2% q-o-q), supported by a robust growth recorded in May (+0.7% m-o-m, Figure 3). Durable consumer goods and capital goods showed the highest growth rates (+3.8% and +2.1% q-o-q, respectively). Industrial turnover index reinforces the positive dynamic in manufacturing sector. The growth rate for the average of the last three months compared to the previous three months was +0.9% (+0.9% in domestic market and +0.7% in non-domestic market).

4. Employment and unemployment (million and %)



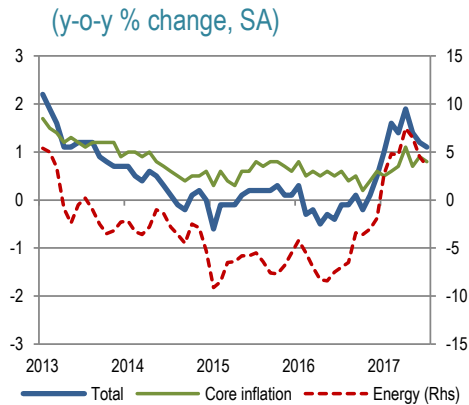
Source: Istat

In the same period, industrial new orders slowed down (-1.0% compared to the previous quarter), with a worst performance in the domestic market (-1.2%) than in the foreign market (-0.8%).

Foreign trade is characterized by a positive dynamics for both flows: in the quarter from March to May both exports (+2.0%) and imports (+1.5) increased. The positive performance of exports affected mainly the EU countries (+2.5%) than the non-EU area (+1.5%). By contrast in June, both trade flows with non-EU countries slowed down.

The construction sector improved moderately. Data on building permits, which usually anticipate the dynamic of production, increased as for the number of dwellings in new buildings since the second quarter of 2016 with an acceleration in Q4 (+18.9% compared with the same periods of 2015, in useful floor area). Instead non-residential buildings decreased (-4.3% y-o-y percentage change in useful floor area). Construction production is not recovering yet.. In the period January-May 2017 the calendar adjusted index of production in the construction sector decreased by 0.3% compared to the same period of 2016.

5. Prices (y-o-y % change, SA)



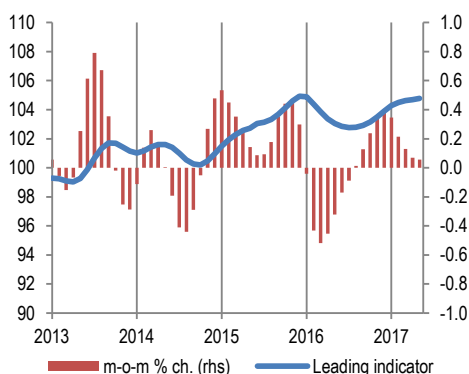
Source: Istat

Households and labour market

In the second quarter, the retail trade in volume decreased (-0.2%) compared to the previous quarter, reflecting the contraction of both non-food goods (-0.3%) and food goods (-0.2%).

In June, the labor market resumed after the break in May. Employment increased by 0.1% compared to May (+23 thousands, Figure 4), resulting in a positive growth rate in Q2 (+0.3% compared to the previous quarter, +64 thousands). In Q2, the number of employees increased (+0.9%), both permanent (+0.3%, +42 thousands) and to a greater extent, temporary employees (+4.3%, +109 thousand), together with the contraction in self-employed workers (-1.6%, -87 thousands). The increase in the number of persons employed refers mainly to women (+0.4%) and, to a lesser extent, men (+0.2%). Unemployment rate in June improved (11.1% after 11.3% in May), both for men and women, and it has been equally distributed among all age classes. Expectations about employment for the coming months remain optimistic, in particular for manufacturing and construction firms. Compared with June 2016 the hourly index increased by 0.3 per cent while the per employee rose by 0.4 per cent.

6. Leading indicator (index and % change)



Source: Istat

Prices

In July, inflation rate continued to slowdown. According to the preliminary estimate, the Consumer Price Index (NIC) has marked an annual increase (+1.1%, Figure 5). The deceleration is driven by a slowdown in energy products and transport and communication services. In June the core inflation decelerated (+0.8% m-o-m from +0.9% in June) in presence of a slight rise in prices of other non-energy industrial goods. Price dynamics slowdown also affected Eurozone countries, but with different intensity compared to the Italian economy.

The Outlook

In July the consumer confidence climate index rose moderately and the composite index of the businesses confidence decreased. For consumers the current and future climate recover. The improvement in the composite index of firms is referred to all sectors of the economy except for the market services. The favourable orientation of the economic activity for the next months is confirmed by the leading indicator (Figure 6).