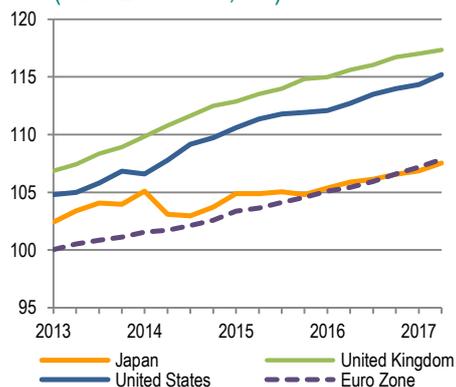
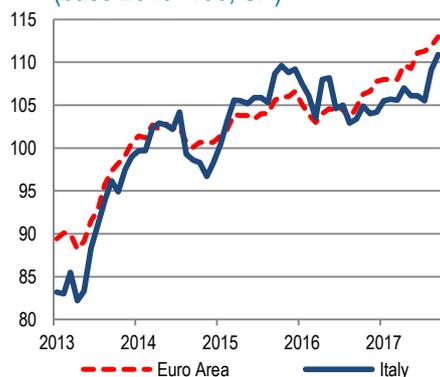


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



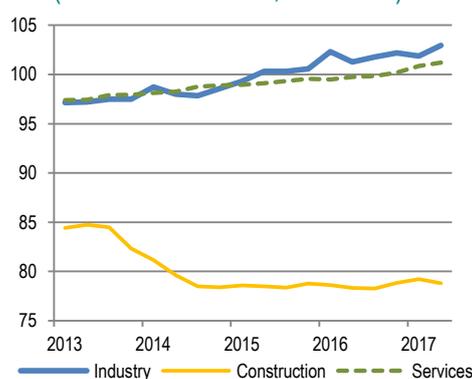
Source: Oecd

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



Source: Dg Ecfm

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



Source: Istat

In a favorable international environment, Italian economic growth remains robust supported by manufacturing sector and investments. Labor market improves driven by young workers and women. The leading indicator keeps increasing strengthening the short-term outlook.

The international environment

The international economic environment remains favourable. In the second quarter, the US economy accelerates: GDP rose by 0.8% compared to +0.3% in the previous quarter (Figure 1). US economic growth is driven by household consumption expenditure and fixed (non-residential) investments that counterbalance the negative contribution of residential investment. In August, the number of non-farm payroll workers grew by 156,000, slightly slower than in the previous month. The US economy is expected to continue to grow at a sustained pace: in August the Conference Board leading indicator rose for the third consecutive month (+0.4%).

The economic growth in the Euro area strengthened: in the second quarter GDP accelerated compared to the previous quarter (+0.6% compared to +0.5% in Q1), driven by Netherlands (+1.5%), Spain (+0.9%) and Germany (+0.6%). Household final consumption and gross fixed investment contributed by +0.3 and +0.2 percentage points respectively. In particular, fixed investment accelerated compared to the first quarter (from -0.3% to +0.9% q-o-q). The contribution of foreign demand was slightly positive. The unemployment rate in August was +9.1%, remaining stable with respect to the previous month, but showing a stronger improvement over the same period of the previous year. Leading and coincident economic indicators support the robust expansion of the Euro area. In September, the Economic Sentiment Indicator confirmed the positive trend: the confidence climate is growing in constructions and manufacturing, driven in particular by the positive expectations about future production, and remaining constant in services. Consumer confidence remains broadly unchanged for the third month (Figure 2). In the same month, the euro-Coin indicator increased sharply, driven by the positive industry dynamics and more generally by greater market optimism, only partially counterbalanced by the negative effects of the euro appreciation.

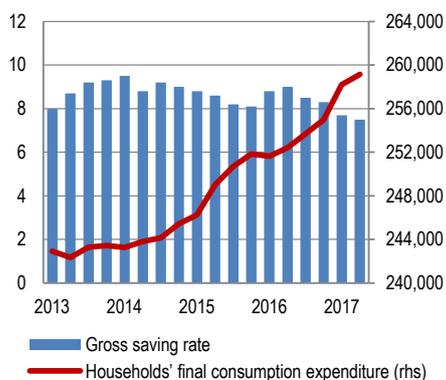
In September, the Euro-dollar exchange rate showed a further appreciating trend; Brent's stock prices continued to increase (+6.9% m-o-m), reaching on average \$55.5 per barrel (\$51.9 in August). In July, CPB data showed a slight decrease in world trade volume (-0.4% m-o-m). This reduction is due to a slightly positive trend in advanced economies (+0.1%) and a decrease in trade for emerging economies (-1.0%).

The economic situation in Italy

Businesses

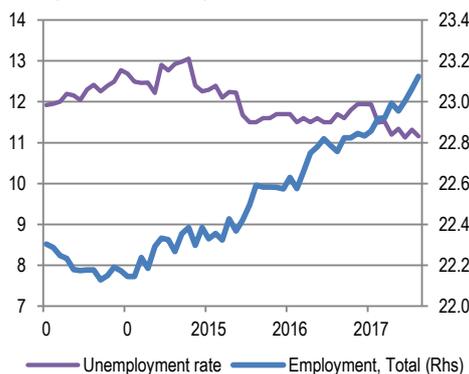
According to the revised Quarterly National Accounts GDP grew by +0.3% in the second quarter. Domestic demand contributed by 0.3 percentage points to GDP growth (+0.1 household consumption and +0.2 gross fixed capital formation, respectively). The change in inventories provided a positive contribution of 0.4 percentage points, while net foreign demand provided a negative contribution (-0.3 percentage points). On the demand side, domestic consumption grew at a slower pace compared to the previous quarter (+0.2% q-o-q in Q2, +0.6% in Q1).

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



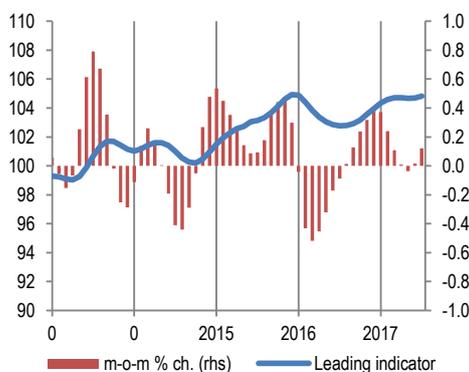
Source: Istat

5. Employment and unemployment (million and %)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

Gross fixed capital formation increased by 0.9%, following the contraction in the first quarter (-2.0%). Investment recovery was driven by machinery, equipment and other products (+0.9%, after -5.1% Q1) and to a greater extent, by transport (+8.9%). Construction investments instead decreased by -0.4%. In Q2, manufacturing value added experienced an upturn (+0.8%), recovering from the first quarter (-0.5%, Figure 3).

In July, the industrial production index increased moderately (+0.1% m-o-m): all main industrial groups improved with the exception of energy (-3.6%); instrumental goods recorded the highest increase (+1.6%). Over the quarter from May to July new orders increased (+2.1% q-o-q), supported by a robust growth for domestic market (+3.2%) compared to foreign market (+0.5%). In August foreign trade in non-EU markets grew markedly, with a stronger growth in exports (+4.0% m-o-m) than imports (+2.5%). In July the production in the construction sector increased slightly (+0.1% m-o-m), following the marked downturn in previous month.

Households and labour market

In the second quarter, gross disposable income increased by 0.2% q-o-q, with a deceleration compared to the previous two quarters (Figure 4). Final consumption expenditures slowed down by 0.4%, and consequently the gross saving rate of consumer households further decreased (7.5% in Q2). Gross disposable income of consumer households in real terms remained unchanged compared to the previous quarter; since Q2 2016, it has been no longer improving mainly due to the rise in inflation that has eroded the moderate expansion of nominal income.

The labour market continues to improve (Figure 5). In August, there was a further increase in employment (+0.2% m-o-m). On an annual basis, the rise in employment is 1.6%, corresponding to 375,000 units, of which 167,000 refer to under 35 years old. The employment rate rose to 58.2% (+0.1% m-o-m) with an increase for all age classes but for 35-49 age group. The increase in the number of workers is entirely attributable to the female component (+0.5%). Temporary employees increased markedly (+1.6%) while permanent workers remained stable. The unemployment rate fell by a tenth of a point (+11.2% m-o-m). Positive signals also emerge from the labor demand side: in Q2, job vacancy rate was +0.1 (percentage points change), both in services and in industry.

Prices

According to the preliminary estimates, in September inflation rate was +1.1% (+1.2% in August). The price dynamic reflected heterogeneous trends among the most volatile components: the downturn in energy prices (+3.4% from 4.5% in August) was partially offset by the increase of prices of unprocessed food (+2.2%, from +0.7% in August). By contrast, core inflation maintains a moderate pace. In comparison with the EU countries, the inflation gap has slightly expanded (+1.5% and +1.3% y-o-y in the euro area and in Italy respectively), reflecting a slowdown of the Italian energy prices.

The Outlook

Expectations for the coming months appear to be favourable: in September, the consumer confidence index enhanced significantly driven by improvements in the expectations about the Italian economic situation and unemployment. The composite index of business confidence (IESI) also improved, with the exception of services. The positive outlook for economic activity in the next months is confirmed by the leading indicator showing a further positive trend albeit a slowdown compared to the previous months (Figure 6).