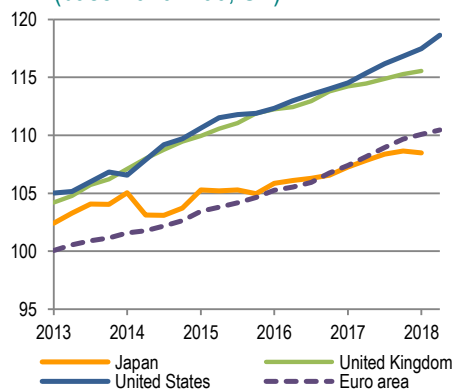
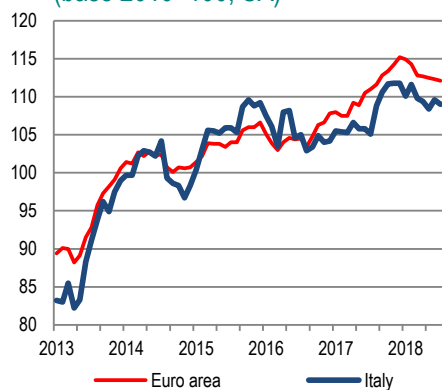


1. GDP Euro area, United States, Japan, United Kingdom (base 2010=100, SA)



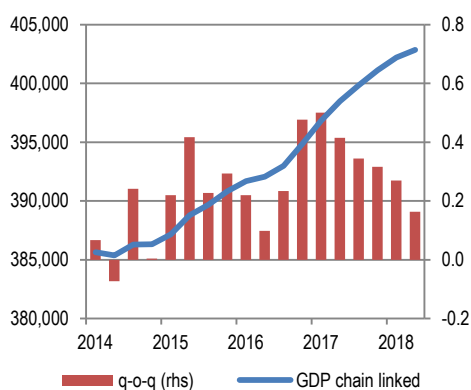
Source: Oecd

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



Source: Dg Ecfm

3. Italian GDP (Thousands, q-o-q % change)



Source: Istat

US economy is strengthening, while the euro area is suffering an economic downturn. In the second quarter economic growth in Italy slowed down as result of a negative contribution of net foreign demand. Employment slowed down in June, but annual growth remained positive. Inflation showed an upward trend reducing the gap with respect to Euro area. The leading indicator is decreasing further, suggesting a deceleration of the economic activity for the coming months.

The international environment

In the second quarter 2018 according to the preliminary estimate, US GDP increased by +1.0% (+0.5% Q1 2018, Figure 1). The increase in real GDP reflected positive contributions from non-residential fixed investment, consumption expenditures and net exports. The positive performance of labour market indicators sustained household purchasing power (+1.0% in Q2). US economy is expected to continue to grow in the second half of 2018: in June the Conference Board leading indicator increased and, in July, the consumer confidence improved marginally driven by consumers' assessment of current situation.

The euro area in the second quarter: GDP slightly decelerated (+0.3% q-o-q from +0.4% in Q1). The deceleration affected the main European countries such as Spain (+0.6%), Italy (+0.2%) and France (+0.2%). In June the euro area unemployment rate was stable in June (8.3% m-o-m). The leading and coincident indicators of business cycle provide signals of stability. In July, the Economic Sentiment Indicator (ESI) was substantially unchanged for the fourth consecutive month, (Figure 2) as a result of a decrease in industry, construction and retail trade confidence and an increase in the services sector. Confidence among consumers remained broadly stable. In July Euro-coin remained on the same level of the previous month.

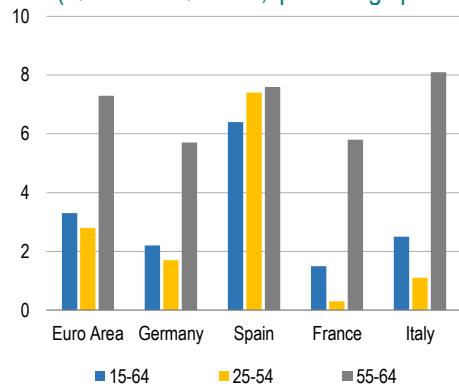
In July, the euro-dollar exchange rate showed a further decline (-4.6% compared to June). The Brent price remained substantially unchanged (+0.3%) setting on average at 74.3 dollars per barrel. World trade continues to grow even though the introduction of tariffs on imports by the US administration risks triggering trade restrictions involving majors trading partners. According to e CPB data in May the volume of world trade increased 0.4%, driven by a slight decrease of volume trade for advanced countries (-0.3%), and a notable acceleration for emerging economies (+1.4%).

The economic situation in Italy

Businesses

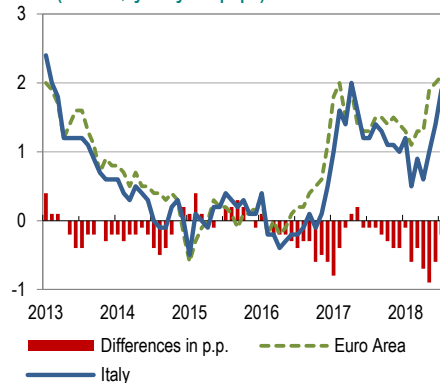
In the second quarter of 2018 Italian economy slowed down, as suggested in the previous months by the leading indicator. The GDP quarterly slightly decelerated (+0.2% compared to +0.3% Q1, Figure 3) sustained by the domestic demand, while the net foreign component provided a negative growth contribution. Value added in manufacturing and services sector both marked positive changes.

4. Employment growth rate in the main European countries (Q1 2014 - Q1 2018; percentage points)



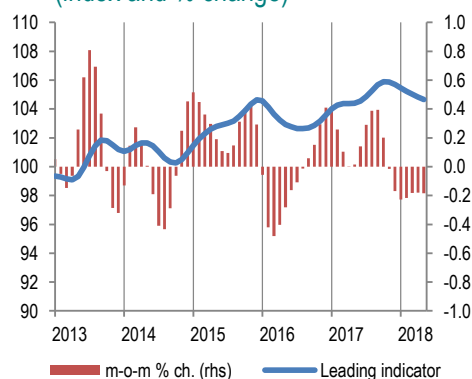
Source: Eurostat

5. Inflation rate (HICP; y-o-y in p.p.)



Source: Eurostat

6. Leading indicator (index and % change)



Source: Istat

The short-term monthly indicators suggests the moderate phase of Italian business cycle. Industrial production remained stable in the second quarter, despite the positive changes in May and June. In the same quarter the main industrial groupings showed negative change excluding capital goods (+1.6%). Over the quarter March-May, industrial turnover slightly increased (+0.4%). In the same period, industrial new orders recorded a negative change (-1.1%), despite the significant recovery registered in June by non-domestic market orders (+5.5% m-o-m). In April and May, exports showed a negative trend of trade towards EU and non-EU markets (-0.1% and -1.6% m-o-m, respectively). In June, the extra EU sales recovered (+7.9% m-o-m) contributing to the growth in Q2 (+1.7%).

Construction sector indicators showed heterogeneity in their performances with negative signals in the most recent months. Covering the year 2017 the building permits, that anticipates production dynamics, increased at strong rate both in terms of number of dwellings in new residential buildings (+11.3%) and useful floor area (+11.2%). The permits for new non-residential buildings increased significantly (+28.8%). The index of production in construction also provided negative signals: over the period March-May 2018, decreased compared to the previous three months (-2.2%). In the first quarter, house prices did not show clear signs of recovery (-0.1% q-o-q): prices of new dwellings fell (-1.3%) while those of existing dwellings slightly increased (+0.2%).

Households and labour market

Despite the decline recorded in June, over the quarter April-June 2018 employment rate improved (58.7%, 0.4 percentage points more than in the previous quarter). The growth over the quarter involved all people aged 25 and over. In the short term, Italian employment rate shows some differences broken down by age compared to the dynamics of the main European countries (Figure 4). Employment expectations keep moderate for the next months.

Prices

In July, inflation showed an upward trend. According to the preliminary estimate the consumer price index (NIC) increased by 1.5% y-o-y with a recovery of one percentage point compared to the minimum of April (0.5%, Figure 5). The price dynamics continue to fall below the euro area average (+2.1%). Inflation rate was affected by exogenous temporary shocks, in particular by the sharp recovery of energy prices as a result of higher oil prices. Core inflation (NIC excluding energy and unprocessed food) was slightly reduced (+0.7% y-o-y), following the deceleration in price of services and the persistence of a moderate deflation of non-energy industrial goods. Short-term expectations of manufacturing companies exhibit some caution for coming months.

The Outlook

In July, the consumer confidence slightly increased supported by an improvement in the personal and current climate. In the same month the composite business confidence index showed a slight decline with a worsening both in services and retail trade sector, while construction showed a positive sentiment. Manufacturing firms' climate remained unchanged. The leading indicator is declining further, suggesting a moderate pace for the next months (Figure 6).