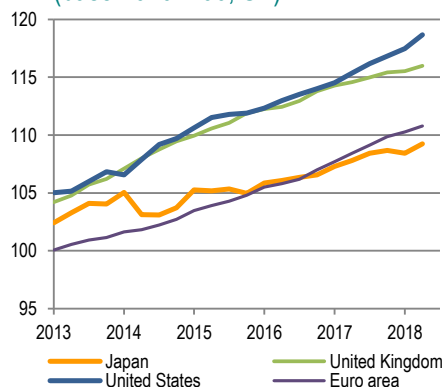
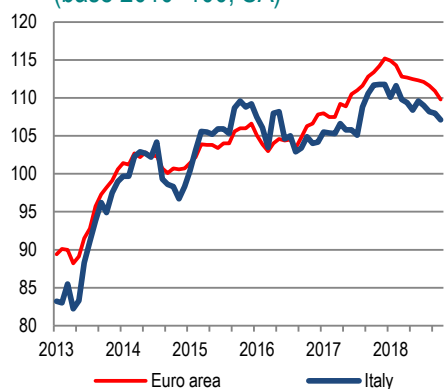


1. GDP Euro area, United States, Japan, United Kingdom (base 2010=100, SA)



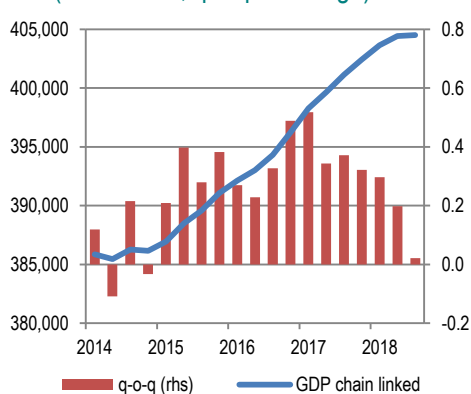
Source: Oecd

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



Source: Dg Ecfm

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



Source: Istat

US economy maintained robust growth while activity moderated in the Euro area. In Italy, after fourteen consecutive expansions, in the third quarter GDP remained unchanged over the previous quarter. This result was determined by both domestic demand and net exports null contributions. In the same period, despite a marginal deterioration in September, the employment rose and the unemployment rate decreased. In October, inflation showed an upward trend reducing the gap with the Euro area. In the same month, the leading indicator decreased further, suggesting that the economic activity will continue to moderate in the coming months.

The international environment

International economy expanded at a solid although decelerating pace. In the third quarter 2018, the US GDP “advance” release showed an increase of +0.9% q-o-q (+1.0% in Q2, Figure 1). This result is due to positive contributions from personal consumption expenditures, private inventory investment, and non-residential fixed investment that were partly offset by negative contributions from exports and residential fixed investment. In October, total nonfarm payroll employment increased by 250,000 and the unemployment rate remained unchanged at 3.7% of the previous month. The Conference Board leading indicator of September and the consumers’ confidence about the short-term perspective of October suggested univocally that the US economy will continue to grow in the last part of the year.

In the Euro area, according to preliminary estimate, in Q3 the GDP increased by +0.2% q-o-q in deceleration from the +0.4% recorded in the previous quarter. At country level the results were heterogeneous, France showed an acceleration of growth (+0.4% from +0.2% of Q2), while Spain GDP stabilised at +0.6%. In September, the Euro area unemployment remained 8.1% for the third month in a row. The more recent leading and coincident indicators provided heterogeneous signals for the area perspectives. In September, €-coin increased slightly mostly driven by gradually stronger price dynamics and in October, the Economic Sentiment Indicator (ESI) declined as effect of weaker confidence in industry, services and, particularly, retail trade (Figure 2).

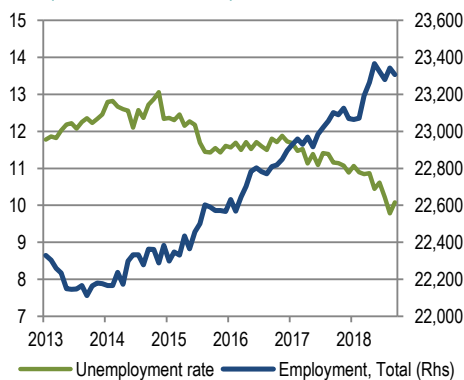
In October, the euro-dollar exchange rate depreciated slightly with respect to the previous month (-1.4% m-o-m). The Brent price increased further (+2.9% m-o-m) setting on average at 81.2 dollars per barrel. According to CPB latest data, in August, the volume of merchandise world trade increased by +0.2% (+1.5% in July) as result of stagnation in advanced countries, and slight acceleration in emerging markets. Overall, the cumulative growth in the first eight months of the year was +3.9%.

The economic situation in Italy

Businesses

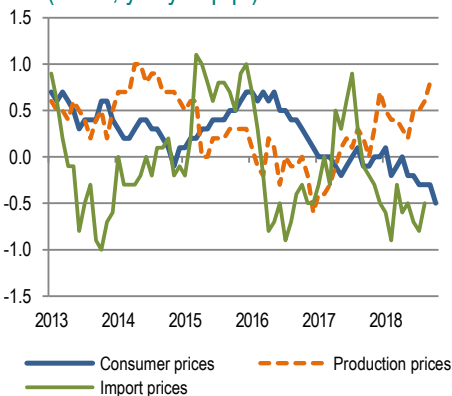
According to flash estimate, in the third quarter, after fourteen consecutive increases, Italian GDP remained unchanged (+0.0% q/q compared to +0.2% in Q2, Figure 3). This result is due to both domestic demand and net export null contributions.

4. Employment and unemployment (thousand and %)



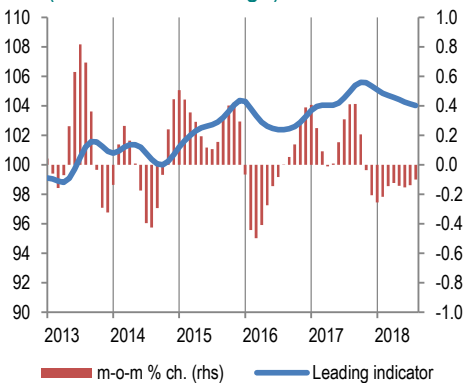
Source: Istat

5. Industrial producer prices excl. energy (HICP; y-o-y in p.p.)



Source: Istat, Eurostat

6. Leading indicator (index and % change)



Source: Istat

A deterioration in the manufacturing, confirmed weak industrial production figures in the period June-August (-0.2% q-o-q). Over the same quarter, foreign markets sales showed greater dynamism than those on domestic markets (respectively +1.6% and +0.2%), and the industrial new orders confirmed the different dynamic between domestic and foreign market (-0.7% and +2.4% respectively).

In September, exports towards non-EU countries fell sharply (-3.7% m-o-m), with effects on the third quarter figure (-0.6%). The decline in the exports values affected almost all major markets except for Switzerland and India. The dynamics observed confirmed the weak sales performance recorded since the beginning of the year, particularly in some extra UE markets (i.e. China, Japan, Russia, Turkey and OPEC countries). In the first seven months of the year, in these countries there was a reduction in sales volume, despite the increase in unit values, while opposite trends have been observed in the case of the United States. Among the European Union countries there was a rise in sales to France, Germany and Poland, reflecting increases in both unit values and volumes.

The construction sector improved its performance. After a slowdown recorded in the second half of 2017, in the first quarter of 2018 construction permits, which usually lead production dynamic, increased both for the number of dwellings (+7.6%) and the useful floor area (+9.8%). In the period June-August 2018, the production in construction index, confirming the positive trend, increased over the previous quarter (+1.7%).

Households and labour market

In September, the labor market recorded a slight worsening due to a decrease in employed people (-0.1% over the previous month, equal to -34 thousands) and an increase in the number of unemployed people (+3.2%, equal 81 thousands, Figure 4) which matched with a reduction of inactive people (-0.3%, equal to -43 thousands). In Q3, the labor market showed a slightly positive trend with an increase in the employment rate (+0.1 percentage points compared to the previous quarter) and a decrease in unemployment rate (-0.6 p.p.) which fell to 10%.

Prices

In October, inflation showed an upward trend. According to the preliminary estimate the consumer price index (NIC) increased by 1.6% y-o-y with a recovery of two percentage points compared to previous month (Figure 5). Inflation rate was affected by exogenous shocks, particularly by the sharp recovery of energy prices driven by higher oil prices. Core inflation (NIC excluding energy and unprocessed food) showed lower figure (+0.8% y-o-y), following the acceleration in price of services and the persistence of a moderate deflation of non-energy industrial goods. The price dynamics continue to fall below the euro area average (+2.2%).

The Outlook

In October, the consumer confidence slightly increased supported by improvements in the personal conditions and future expectations. In the same month the composite business confidence index showed a slight decline diffused to all economic sectors but construction. Manufacturing firms' confidence worsened. The leading indicator decreased further, suggesting that the economic activity will continue to moderate in the coming months (Figure 6).