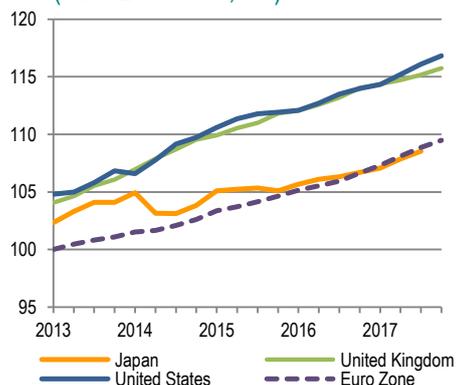
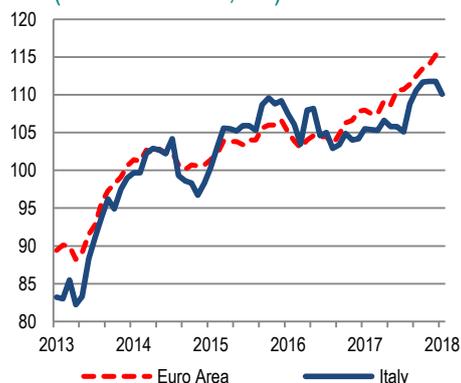


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



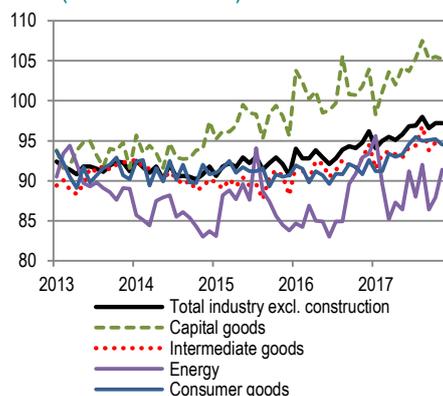
Source: Oecd

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



Source: Dg Ecfm

3. Production indexes (base 2010=100)



Source: Istat

Italian exports keep increasing with a positive trend following world trade expansion. However, manufacturing production is slowing down. Households' purchasing power is increasing and the saving rate is strengthening. Inflation remains modest. The leading indicator is still high but slowing down slightly compared to the previous months, suggesting a moderate pace of economic growth.

The international environment

In the fourth quarter, the preliminary estimate of US GDP slightly decelerated (+0.6% compared to +0.8% in Q3, Figure 1). GDP growth was driven by the positive contribution of the demand components. The change in inventories, on the other hand, had a negative contribution. Overall, the growth rate for 2017 is 2.3% in strong acceleration compared to 2016. In December, the non-farm payroll increased by 148 thousands, slowing down compared to the previous month. The unemployment rate remained stable at 4.1% as in the two previous months. The evolution of the US economy is expected to continue at a positive pace in the first part of 2018: in December the leading indicator delivered by the Conference Board, showed a further increase ; in January, consumer confidence improved driven by, the expectations about the future economic situation.

In the euro area, the positive phase is strengthening. Preliminary estimates of GDP show an increase of +0.6% in Q4. The rate of unemployment rate was 8.7% in December. The leading and coincident indicators of business cycle provide conflicting signals. In January, the Economic Sentiment Indicator (ESI) decreased slightly (Figure 2). On the other hand, the business confidence is improving in the construction sector while it is stationary in industry and decreasing in services. In the same month, the consumer confidence increased markedly. In January, the Euro-Coin indicator increased further.

The ECB recalibrated the instruments of monetary policy, while maintaining conditions for an expansionary monetary policy, still necessary to foster inflation to 2% (+1.3% euro area inflation in January). In the same period, the euro-dollar exchange rate recorded a further increase (+3.1%).

Brent's prices kept rising in January (+7.0%), reaching on average \$68.9 per barrel (up from 63.4 December).

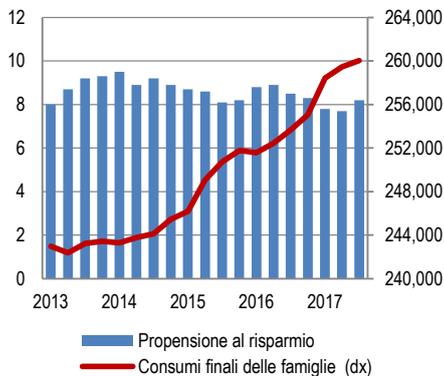
In November, CPB data show an upswing of world trade (+ 2.4%), as a result of a positive trend of volume trade both for advanced countries (+0.9%) and emerging economies (+4.5%) driven by the good performance of the Asian countries. Overall, world trade shows a positive dynamics over the first eleven months of the year (+4.4%).

The economic situation in Italy

Businesses

In Italy, production in the manufacturing sector is slowing down: the index of industrial production is unchanged in November compared with the previous month. Taking the average values of September-November, shows that production decreased compared to the previous quarter (-0.2%, Figure 3). In the same period all the main industrial groupings recorded a decrease except durable consumer goods (+2.7% compared to the previous quarter).

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



Source: Istat

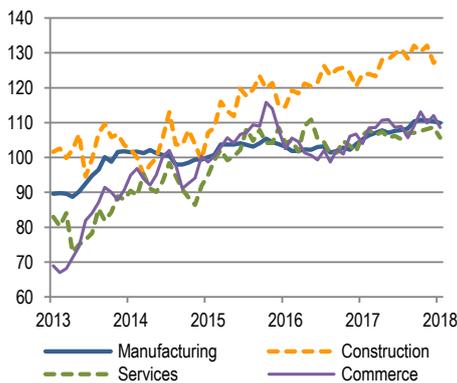
The industrial turnover increased on average in September-November (+1.3% m-o-m (+1.2% compared to the previous quarter) Sales on foreign markets (+2.5%) provided a higher contribution to quarterly growth than compared to sales on domestic market (+0.5%). In the same period industrial new orders slowed down (-0.1% compared to the previous quarter) with a reduction on the domestic market (-0.6%) compared to the foreign market (+0.8%).

Over the period September-November, foreign trade kept a positive trend driven by the exports (+2.9%), while the imports increased at a lower pace (+0.6%). Sales to the non-EU area (+4.6%) contributed positively to the favorable trend in exports and more than the sales to the EU area (+1.5%).

In 2017, trade with non-EU countries increased both exports (+8.2%) and imports (+10.8%).

The residential construction sector is improving. In the second quarter building permits, usually anticipating production dynamics, kept a positive trend both in terms of the number of dwellings in new residential buildings (+7.8%) and the useful floor area (+3.8%, Figure 4). The recovery of building permits is not yet reflected in the production output: in September-November the index of construction production slightly improved (+0.3%).

5. Business confidence indicators (base 2010=100)



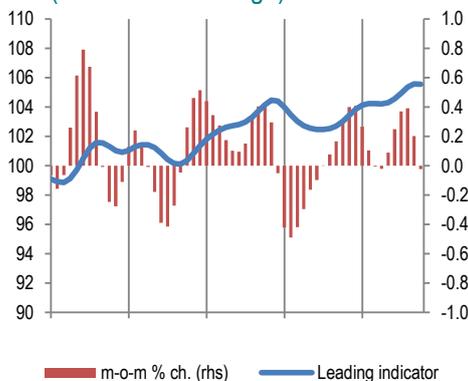
Source: Istat

Households and labour market

In Q3, households' consumption expenditure increased slightly (+0.2% q-o-q), slowing down compared to the two previous quarters. Gross disposable income of consumer households increased at a higher rate (+0.7% q-o-q) leading to an increase of the gross saving rate of consumer households reaching the level of 8.2 (Figure 4). Households purchasing power increased significantly in Q3 (+0.8%) compared to the 0.1% decrease of the implicit consumption deflator. In January, the judgments on current savings opportunities improved significantly.

In December the unemployment rate kept declining (10.8% one tenth less compared to November) accompanied by a reduction in the employment rate (58.2%) and by an increase of the inactivity rate (0.3 points compared to the previous month). The labor market outlook is characterized by the wage moderation: in 2017 both the index of contractual wages per employee and that of hourly wages increased by +0.6% y-o-y.

6. Leading indicator (index and % change)



Source: Istat

Prices

Inflation rate is modest in January: the consumer price index (NIC) increased by +0.8% on yearly basis, less than a tenth of a point compared to the previous month. The downward trend is driven by the most volatile items, energy goods and particularly unprocessed food. The core inflation increased for the first time since last August (+0.6% in January). The consumer prices trend over the next twelve months is expected to accelerate sharply. On the other hand, the price policy of manufacturing companies producing goods for final consumption remains cautious.

The Outlook

Consumer and business confidence registered a setback. Consumer confidence declined in January following the sharp increase of the previous month. The composite index of business confidence declined in services but for manufacturing firms remained at the levels of the previous months (Figure 5). The leading indicator is at high levels but showing a slight reduction compared to the previous months, suggesting a moderate pace of economic growth (Figure 6).