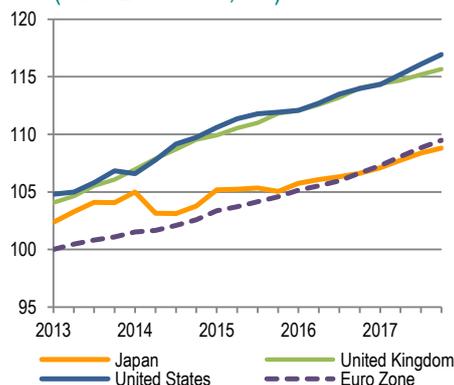
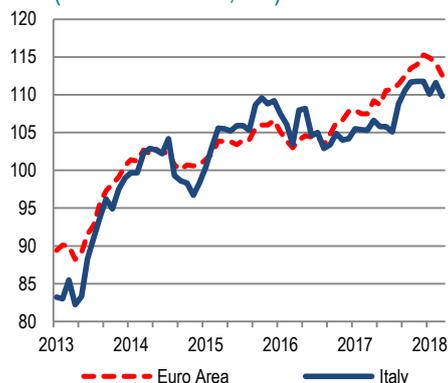


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



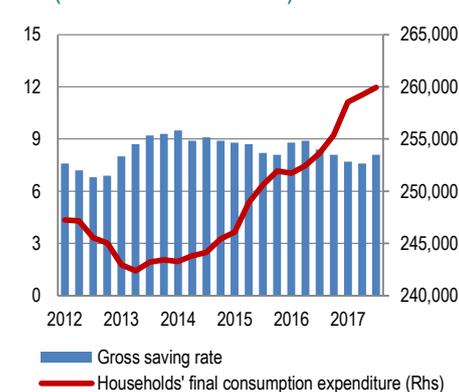
Source: Oecd

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



Source: Dg Ecfm

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



Source: Istat

The US and the euro area are growing at a similar pace. In Italy, household final consumption and purchasing power show a positive trend and the process of capital accumulation is strengthening. The labor market is characterized by growing female employment and by a significant increase in permanent employees both contributing to the reduction of unemployment rate. Household's confidence remains high, but manufacturing firm's expectations is slowing down. The leading indicator is stable at high levels showing a slight deceleration.

The international outlook

In the fourth quarter, US GDP slightly decelerated (+0.7% compared to +0.8% in Q3, Figure 1). GDP growth was driven by the positive contribution of the demand components slightly counterbalanced by the negative contribution of change in inventories. In February, the non-farm payroll increased by 313 thousands, accelerating compared to the previous month. The unemployment rate remained stable at 4.1% the same level registered in the last four months. The economic indicators provide discordant results about the evolution of the US economy. In February the Conference Board leading indicator increased further and, in March, consumer confidence decreased driven by the worsening of expectations about the future economic situation.

In the euro area, the positive phase is strengthening: in Q4 GDP showed an increase of +0.6%. The unemployment rate improved in February (8.5%). The leading and coincident indicators of business cycle provide mixed signals. In March, the Economic Sentiment Indicator (ESI) decreased markedly (Figure 2), with a worsening of the confidence climate for all sectors except for the construction. Consumer's confidence remained unchanged. In March, the Euro-Coin indicator fell for the first time since May 2017 driven by the slowdown in manufacturing activity.

In March, the euro-dollar exchange rate decreased (-0.2% with respect to +1.3% in February). Brent's prices recovered in February (+2.0%), reaching on average \$66.7 per barrel (down from 65.3 in February).

In January, CPB data show an upsurge of world trade (+0.9%), as a result of a deceleration of volume trade for advanced countries (-0.3%) and a marked upswing for emerging economies (+3.3%) driven by a positive performance of Asian countries. The introduction of tariffs on steel and aluminium by the United States, and on food products by China are expected to have negative impact on world trade in the next months.

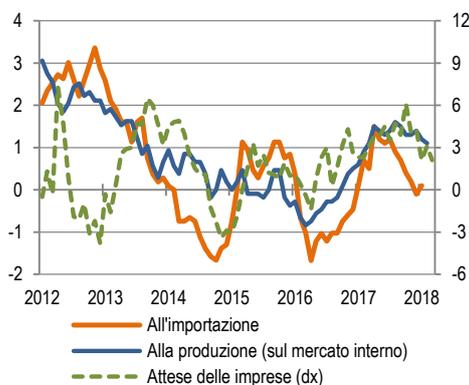
The economic situation in Italy

Businesses

In January, the industrial production index fell (-1.9% compared to December), in all industrial sectors but in non-durable consumer goods.

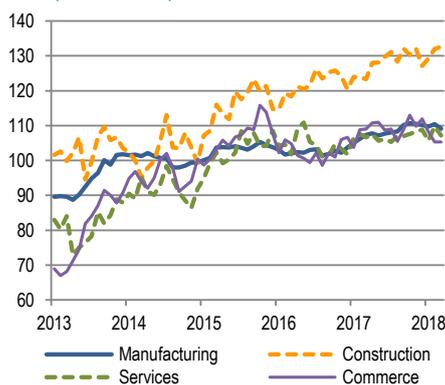
In the quarter November-January production increased (+1.0% compared to the previous quarter) in all the main industrial groups except energy. In the same quarter, industrial turnover increased (+2.1%) with a more positive contribution

4. Industrial producer prices final consumer goods (y-o-y % change, SA)



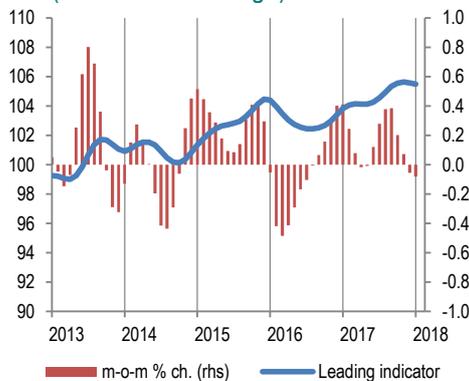
Source: Istat

5. Business confidence indicators (2010=100)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

of sales in domestic than in foreign markets (+2.3% and +1.8% respectively). In the same period, industrial new orders improved (+1.7%) mainly on foreign market (+2.0%).

The current expansionary phase of world trade continues to support the dynamics of trade flows. In the quarter November-January, both exports (+1.7%) and imports (+2.4%) increased, as opposed to the decline recorded in January.

The construction sector remained stable (-0.1%) in January after the upsurge shown in December (+2.4%): the seasonally adjusted construction index for the quarter November-January increased by 1.9% compared to the previous three months.

In the fourth quarter of 2017, gross fixed investments of non-financial companies increased by 4.3%. The investment rate, defined as the ratio between gross fixed investment and value added at base prices, increased by 0.8 percentage points compared to the previous quarter, up to 22%.

Households and labour market

In the fourth quarter, households consumption expenditures increased (+0.5%). Disposable income (+0.6%) increased faster than final consumption determining an upswing of households saving rate (+8.2%). Household's purchasing power improved as well (Figure 3). The main indicators of the labor market confirm the stable picture of the previous month. The number of employees is unchanged (+0.1% compared to January, -0.1% in the quarter December-February compared to the previous quarter), with a divergence between the marked recovery of permanent employees (+54 thousands) and the further reduction of self-employed (-39 thousands). The female component strengthens, affecting positively both employment and unemployment trends. Italian unemployment rate shows a slower pace with respect to Euro area rate of unemployment.

Prices

In March, the inflation rate has been on a positive trend: the consumer price index (NIC) increased by +0.9% back to the same levels of the quarter November-January. The core inflation remained stable increasing by 0.3 pp. with respect to the two previous months. The recovery of the core inflation is mainly drive by processed food and tobacco. In February, the industrial producer prices for final consumer goods slowed down (-1.1% y-o-y, Figure 4) as a result of the moderate pace of labor costs and the effects of the euro exchange rate appreciation that induced a downward pressure of imported industrial inputs.

Short-term expectations of manufacturing companies remains cautious while consumers' expectations show somewhat a moderate dynamic inflation in the longer period.

The Outlook

In March, the consumer confidence index recorded a buoyed increase. The improvement affects almost all components, with a sharp downsizing of unemployment expectations. In the same period, business confidence worsens with an increase only for construction firms (Figure 5). Both assessments on order books of manufacturing firms and those on stocks worsen. The leading indicator, although remaining at high levels, shows a slight decline suggesting that economic growth will continue at the current pace (Figure 6).