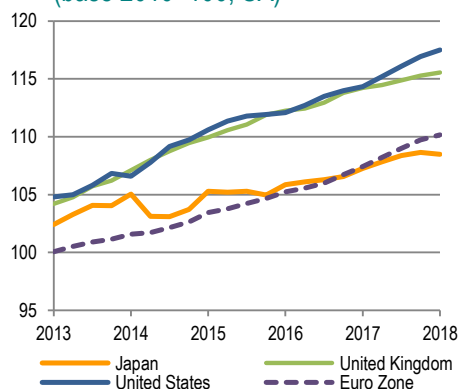


### 1. GDP Eurozone, United States, Japan, United Kingdom

(base 2010=100, SA)



Source: Oecd

### 2. Economic Sentiment Indicator

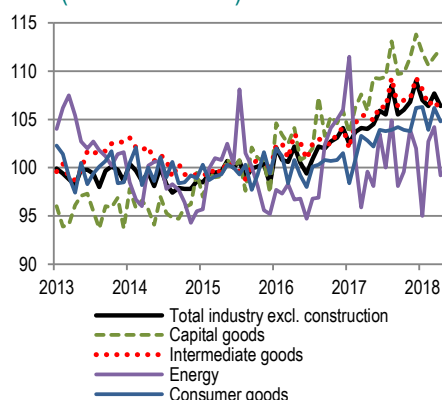
(base 2010=100, SA)



Source: Dg Ecfm

### 3. Production indexes

(base 2015=100)



Source: Istat

Economic growth in the euro area is slowing down while unemployment is improving. In Italy, the weak industrial cycle continues to hold back the indicator, in particular industrial new orders and exports. The labor market is strengthening. Inflation is recovering, but remaining below the price levels of the euro area. The leading indicator is decreasing further, suggesting a deceleration of the economic activity for the coming months.

### The international environment

In the first quarter, US GDP slightly decelerated (+0.5% compared to +0.7% in Q4 2017, Figure 1). The increase in real GDP reflects the positive contributions from non-residential fixed investment and consumption expenditures, that were only partly offset by the negative contributions from residential fixed investment, net exports and private inventories. Labour market indicators improved. The evolution of the US economy is expected to continue at a positive pace: in May the Conference Board leading indicator increased further while, in June, the consumer confidence worsened driven by the expectations about the future situation.

In the Euro area, GDP increased in the first quarter (+0.4%). The rate of growth is driven by the domestic demand components: final consumption and investments both provide a positive contribution. The positive trend of the labour market continues. In May, the unemployment rate fell further (8.4%, one tenth lower than the previous month). The leading and coincident indicators of the business cycle provide mixed signals. In June, the Economic Sentiment Indicator (ESI) was broadly unchanged in the euro area for the third consecutive month, registering a marginal decrease of 0.2 points (Figure 2). The sentiment is determined by a stable or incrementally higher confidence in industry, services and retail trade that counterbalanced the lower confidence of consumer and of the construction sector. ESI improved in Italy and France, remained stable in Spain, while it worsened in the Netherlands and, to a lesser extent in Germany. In June the Euro-Coin went down to 0.48, the lowest level since November 2016. It was affected by greater caution of both households and firms and by the weak industrial cycle influenced by the slowdown in global trade.

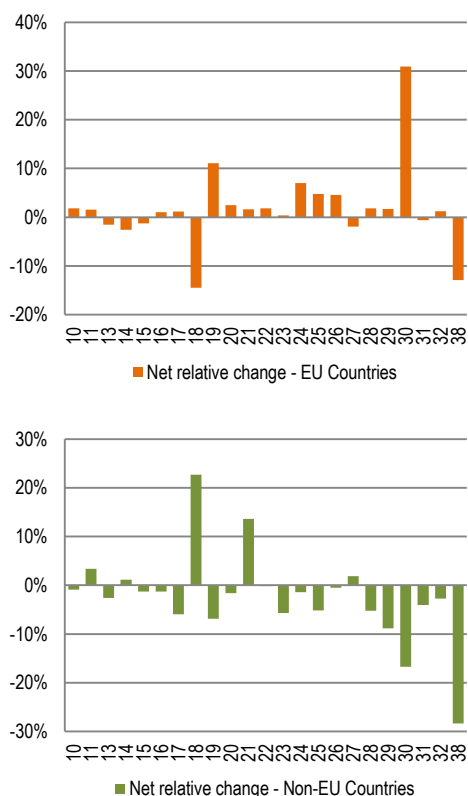
In June, the euro-dollar exchange rate declined further (-1.2% m-o-m). The Brent price slowed down (-3.3%) being on average at 74.3 dollars per barrel, influenced by the deceleration of the demand from China and the rest of Asia. The CPB data suggest that the volume of world trade increased by 0.7% in April, driven by a slight decrease of volume trade for advanced countries (-0.1%), and a notable deceleration for emerging economies (+1.7%).

### The economic situation in Italy

#### Businesses

In April, the industrial production index decreased (-1.2% m-o-m, Figure 3). The decline involved all industrial sectors excluding capital goods (+0.7% compared to the previous month). The change over the quarter February-April is still negative in all main groups with the exception of energy. The figures for industrial turnover and new orders are slowing down too. In April, industrial turnover increased moderately (+0.3% compared to the previous month) as a results of an increase of sales in foreign market (+1.2%) and a decrease in domestic market (-0.2%).

#### 4. Export vs EU and non-EU Countries (y-o-y % change)



- Legend:
- |                       |                           |
|-----------------------|---------------------------|
| 10 Food Products      | 23 Other mineral          |
| 11 Beverages          | 24 Basic Metals           |
| 13 Textiles           | 25 Fabricated metal prod. |
| 14 Wearing Apparel    | 26 Computer/electronics   |
| 15 Leather            | 27 Electrical equip.      |
| 16 Wood               | 28 Machinery              |
| 17 Paper              | 29 Motor Vehicles         |
| 18 Printing and rec.. | 30 Other transport equip  |
| 19 Coke               | 31 Furniture              |
| 20 Chemicals Prod.    | 32 Other Manufactured     |
| 21 Pharmaceutical     | 38 Waste collection       |
| 22 Rubber, Plastic    |                           |

Source: Istat

In the quarter February-April, however, the turnover decreased (-0.6% compared to the previous quarter). In the same period, industrial new orders slowed down significantly (-2.9%) in particular those from domestic market (-3.7%). The most recent figures of foreign trade confirm conflicting trends of trade towards EU and non-EU markets. In April, exports increased slightly (+0.1% m-o-m), as a synthesis of higher sales in the EU markets (+0.9%) and lower sales in the extra-EU area (-0.9%). In May, exports to non-EU countries decreased faster (-3.0%) than imports (-0.8%). Applying a shift-share analysis to the trend change in the first quarter of 2018, it can be noticed that the sectoral performance of exports is significantly different between EU and non-EU markets. The number of sectors with exports growing faster than the national average, is higher in the EU markets than in the non-EU countries (Figure 4).

In April 2018, the output of construction increased by 2.5% (m-o-m). In the first quarter of 2018, the investments recovery of non-financial companies came to an end (-2.6% q-o-q); the gross investment rate of non-financial corporations (defined as gross fixed capital formation divided by gross value added) decreased by 0.7 percentage points compared to the previous quarter, but maintaining higher values compared to the end of 2016.

#### Households and labour market

In the first quarter, household consumption expenditures increased (+0.8%), strongly accelerating compared to the previous quarter, while gross disposable income increased moderately (+0.2% q-o-q). As a result, the gross saving rate of households was reduced (0.5 percentage points compared to the previous quarter) by 7.6%. Disposable income in real term decreased (-0.2%) too. Retail trade exhibit a moderate pace: over the quarter March-May, sales in volume decelerated (-0.2% compared to the previous quarter). Improvements in the labor market are spreading out. The increase of employment rate continued in May (+0.2% m-o-m) driven by the recovery in the male component (+0.3%) and the steady increase in the female component (+0.2% m-o-m).

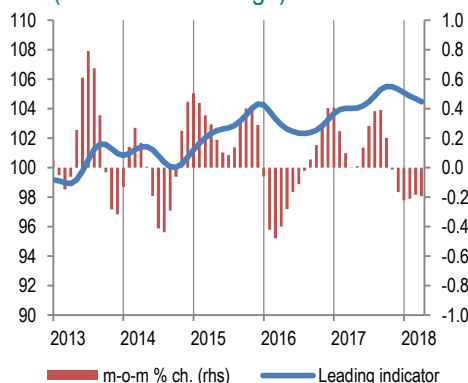
#### Prices

Inflation is recovering. The consumer price index (NIC) sharply accelerated in June 1.4% y-o-y (+0.5% and +1.0% in April and May respectively), the highest level since May 2017. The increase mainly reflects the direct and indirect effects of higher energy prices due to both the recent increase of oil prices and the depreciation of the euro exchange rate. In addition, price of food showed an upward trend. The pressures coming from cost factors remain, on the contrary, moderate, as indicated by tight recovery of core inflation (+0.6% y-o-y excluding energy and food, only one tenth more than in May). Short-term expectations of manufacturing companies exhibit some caution.

#### The Outlook

In June, consumer confidence recorded a significant increase, supported by the economic component, at the highest levels since the beginning of the year. Unemployment expectations improved. In the same month the composite business confidence index increased moderately. Manufacturing firms' climate is deteriorating reaching the minimum level as occurred in the first months of 2017. The leading indicator is further reduced, suggesting a deceleration of the economic activity for the coming months (Figure 5).

#### 5. Leading indicator (index and % change)



Source: Istat