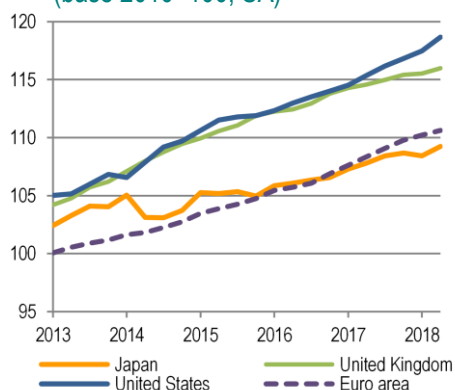
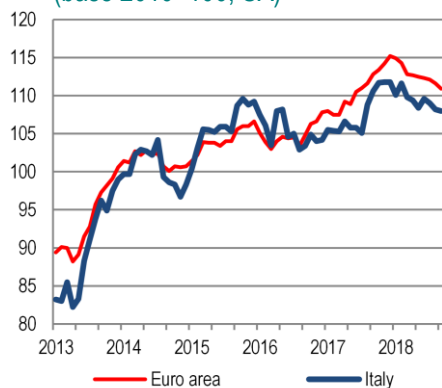


1. GDP Eurozone, United States, Japan, United Kingdom (base 2010=100, SA)



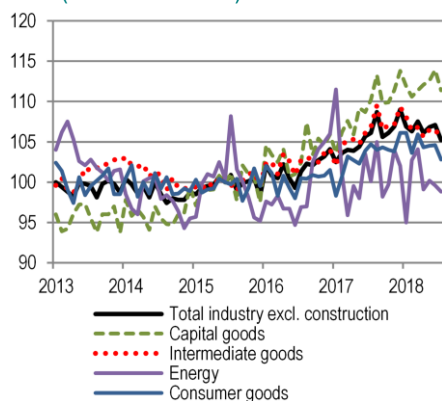
Source: Oecd

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



Source: Dg Ecfm

3. Production indexes (base 2015=100)



Source: Istat

The US economy is growing faster than the euro area. The Italian economy is experiencing a slowing down of industrial production, but an increase in exports. The labor market is recovering with the rate of unemployment confirming a decreasing trend. Inflation is slowing down remaining below the euro area average. The leading indicator is declining slightly suggesting a moderate pace for the next months.

The international outlook

International economy grew at a solid pace. In the second quarter 2018 US GDP increased by +1.0% (+0.5% Q1 2018, Figure 1). The increase in real GDP reflected positive contributions from consumption expenditures, net exports and non-residential fixed investment.

Total nonfarm payroll employment increased by 201,000 in August, and the unemployment rate was unchanged at 3.9 percent. The US economy is expected to continue to grow in the second half of 2018: in August the Conference Board leading indicator increased further and, in September, Consumers' assessment of future conditions remains extremely favorable, bolstered by a strong economy and robust job recovery.

The euro area increases at a moderate pace in the second quarter. In Q2, GDP grew at the same rate as in Q1 (+0.4% Q2), driven by the positive contribution of households expenditures and gross fixed investments. In August, the euro area unemployment rate improved (8.1% m-o-m) reaching the lowest rate recorded since November 2008. The leading and coincident indicators of the business cycle provide signals of uncertainty. In September, the Economic Sentiment Indicator (ESI) decreased slightly (Figure 2) as a result of lower confidence levels in the industry sector and among consumers. In September €-coin slightly increased following seven months of decline or stagnation.

In September, the euro-dollar exchange rate slightly appreciated compared to August (+1.1% m-o-m). The Brent price accelerated (+9.4% m-o-m) being on average at 78.9 dollars per barrel. According to the CPB data, volume of world trade increased 1.1% in July as a result of a slight decrease of trade for advanced countries (-0.5% counterbalanced by a marked acceleration for emerging economies (+3.4%).

The economic situation in Italy

Businesses

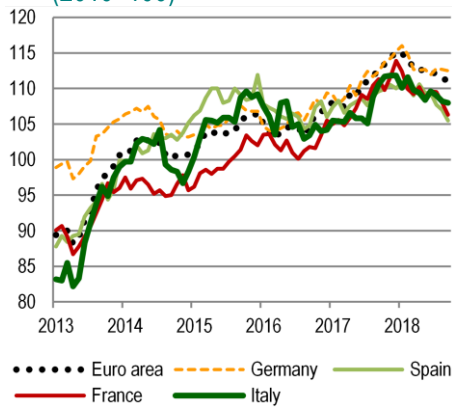
In July, the industrial production index fell sharply (-1.8% m-o-m) in all industrial sectors. However, the percentage change of the average of the last three months with respect to the previous three months was -0.2% (Figure 3). Over the quarter May-July, industrial new orders increased (+1.1% compared to the previous quarter) despite the strong decline recorded both in June and July (-1.5% and -2.3% respectively). In the same period, the domestic component recorded a sharper increase compared to the non-domestic market (+1.3% and 0.8% respectively).

4. Employment and unemployment (thousand and %)



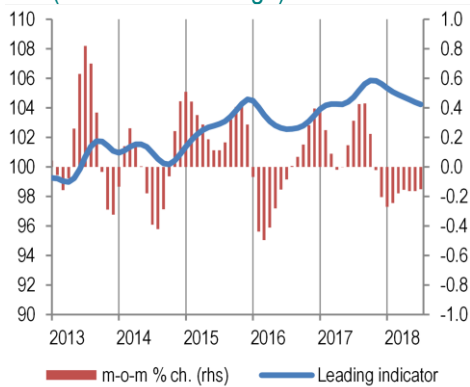
Source: Istat

5. Business confidence indicators (2010=100)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

In August exports to non-Eu countries increased by +3% m-o-m, among all industrial main groupings. In the first seven months of the year, Italian exports to non-EU countries increased by +2.3%, while to the euro area by +4,0%. German exports instead increased by a smaller extent (+2.8%).

In August, the Italian exports increased (5.6%) more than the average of the area (+5.5%), and only slightly less than Germany (+5.8%). Overall, exports grew by 4.2% in the same period.

The construction sector recovered. Over the quarter May-July, production increased by +1.7%. In the second quarter of 2018 the house price index (IPAB), measuring the evolution of market prices of all residential properties that are purchased by households both for residential purposes and investment, increased by +0.8% q-o-q. This improvement was driven by an increase both in new house prices (+1.7%) and, to a lesser extent, in price of existing dwellings (+0.7%). After the fall in the first quarter, the investments recovered. In the second quarter, gross fixed investments of non-financial companies recorded an upward rate (+2.6% q-o-q). Gross investment rate (defined as gross fixed capital formation divided by gross value added) was 21.9% in the second quarter of 2018, raising by 0.5 percentage points compared to the previous quarter.

Households and labour market

In Q2, the acceleration of disposable income in both nominal and real terms (+1.3% and +1.2% respectively) was affected by the increasing salaries for the new public contracts. However, the robust increase of purchasing power did not lead to an upswing in consumption, at least in the short term. On the other hand, gross saving rate increased significantly (8.6% q-o-q).

In August the employment rate was 59%. The increase in employment is distributed among the age groups over 25 years and affects both women and men. The number of employees (+0.5% m-o-m) strengthened, driven by the temporary component (+1.5%), but was also supported by the permanent employment (+0.3%). Even if there was a slight increase in inactive people (+0.1% m-o-m), the employment growth was reflected in a sharp decline in the unemployment rate, which was at 9.7% thus reducing the distance with the euro area average (Figure 4).

Prices

Since last April, inflation has slowed down for the first time. According to the revised data in September the consumer price index (NIC) increased by +1.5% y-o-y (+1.6% in August). Meanwhile, core inflation inched up to 0.8% from July's 0.7%. The price dynamics continue to remain lower than the euro area average (+2.1%). Inflation rate was essentially affected by the deceleration in energy and food prices. In recent months the recovery of intermediate goods prices has been recorded (+2.5% in August the annual growth rate).

Short-term expectations of consumers exhibit some caution for coming months while among manufacturing companies the share of those expecting a more strong dynamic than the current one has increased,.

The Outlook

In September, consumer confidence increased compared to the previous month. In the same month, business confidence suffered a slight worsening, affected by the negative performance of the construction companies (Figure 5). Among manufacturing firms judgments on production expectations remain positive and those on orders are less negative than the previous month. The leading indicator is going down slightly suggesting a moderate pace for the next months (Figure 6).