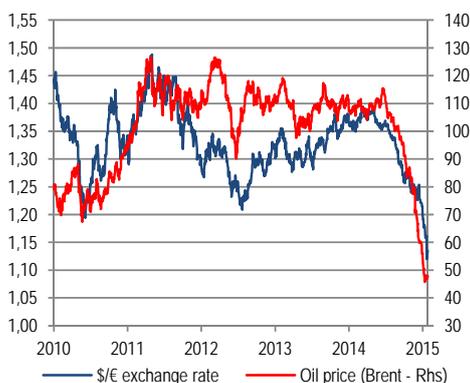


### 1. Oil price and exchange rate



Source: Thomson Datastream

In January, economic activity in Italy has reflected moderate improvement in domestic demand. Production, new orders of investment goods and consumer sentiment have shown a small increase. Families' disposable income increased in Q3 as reflected in positive saving rates. Labour market conditions remain tight, with high unemployment. Istat leading indicator turned positive in November, anticipating a strengthening of economic activity in the first part of 2015.

### The international environment

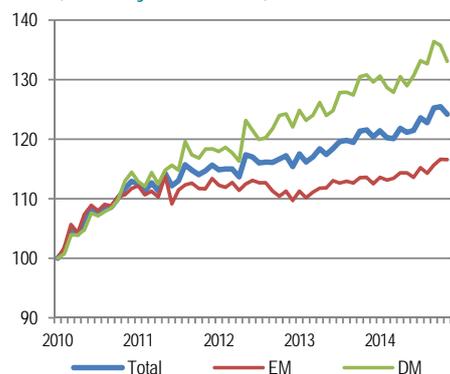
International business cycle continues to be characterized by the US dynamism amid signs of a slowdown in emerging economies. According to preliminary estimate, US GDP grew by 2.6% in Q4 2014 (seasonally adjusted annual rate), mainly driven by private consumption (4.3 saar) recovered together with favourable labour market conditions. This trend is expected to continue in 2015 also supported by a still accommodative monetary policy.

In the euro area, short term outlook is expected to benefit from the acceleration of the euro depreciation (-5.2% compared to the December average Figure 1), supported also by the Expanded Asset Purchases Programme (EAPP) recently announced by the ECB). Consumer confidence for the area as a whole improved in January, increasing substantially compared to December. The business climate improved slightly, since the more optimistic views about expected production was only partially counterbalanced by lower assessments on the current level of orders and stocks of finished products. According to Euro Zone .Economic outlook, GDP in the euro area is expected to increase by 0.3 in Q1 2015.

In January, the Brent price fell at the same pace as in December (-21%, versus -21.6% in December). For the next months the price is expected to remain low, providing an additional contribution to growth in advanced countries.

In November, world trade growth (Figure 2) in volume registered a new contraction (-1% compared to October) driven by the sharp fall in emerging economies, both in terms of imports (-2.5%) and exports (-1.4%).

### 2. International trade - volume (January 2009=100)



Source: CPB

### 3. Production indices (base 2010 = 100)



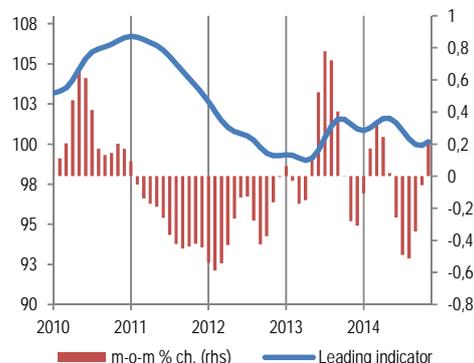
Source: Istat

### The economic situation in Italy

#### Production in different sectors

Industrial activity (net of construction) has moderately increased in November (+0.3% m-o-m), benefiting from the positive development in the major industrial groupings but energy (Figure 3). This evolution is expected to mitigate the drop over Q4 2014. The share of expanding industrial sectors increased again, remain below the 50%. Overall, in 2014, production activity is expected to decrease for the third consecutive year (slightly less than -1%). Production activity continued to suffer from the weakness of domestic demand. Sales in internal market declined in November (-1.2%, after two consecutive increases) while foreign market sales improved. In Q4, the Euro depreciation fostered the exports to non-EU countries (+1.8%).

#### 4. Leading indicator (2005=100)



Source: Istat

Construction sector activity recorded a sharp decline in November (-4.5% m-o-m), balancing the previous month increase. Building permits, a leading indicator for the sector, has shown a pause in the deceleration and real estate sales rose in Q3 (+3.7% y-o-y). For the first time in two years, prices of new housing increased in Q3 (+0.7% q-o-q).

In January 2015, business confidence improved markedly. Significant increases affected both the construction (driven by expectations on employment levels) and the market services climate (due to the rise in expectations about the demand conditions and the general situation of the economy). By contrast, the confidence index was flat in the manufacturing and contracted in retail sector.

Over the first nine months of 2014, Italian investments decreased by one percent per quarter. Construction and machinery and equipment were the main drivers of the slowdown, while intellectual products remained stable over the period.

Looking at recent Industrial production indicators, referred to October and November 2014, they showed an improvement in the production of capital goods. Furthermore, industrial production and orders increased significantly compared to the same periods of the previous year in the following sectors: Manufacture of metal forming machinery and machine tools, Manufacture of other special-purpose machinery and Manufacture of motor vehicles. A further boost to the investment is expected from the European Investment Plan and the Italian Investment Compact.

In November 2014 the composite leading indicator of the Italian economy (Figure 4) showed a positive variation for the first time since March, thus anticipating a possible recovery in economic activity in Q1 2015.

#### Household and Labour market

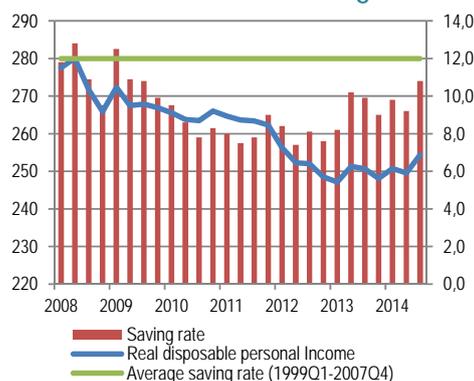
In Q3 real disposable personal income picked up markedly (+1.9% q-o-q) while expenditure stood still (Figure 5). As a consequence, the saving rate increased by 1.6 percentage points to 10.8%. In the second half of 2014. In January confidence marks a relevant increase.

Labor Force survey for Q4 provided mixed signals. Employment increased in December 2014, after the reductions in both October and November, moving back to the September values (Figure 6). In the same month, the level of unemployed persons significantly decreased (-3.2% m-o-m, corresponding to -109 thousand units), almost offsetting the rise registered in October; the unemployment rate fell below 13% after the November hike. Employment expectations formulated by the entrepreneurs for the next three months marked an improvement in all the main sectors.

#### Prices

In December 2014, consumer price inflation confirmed the trend emerged during the summer, with annual growth rates at historically low levels. Headline inflation stood at zero, due to the drop in more volatile components (-5.3% and -0.6% for energy and unprocessed food price) and a subdued increase (0.6%) in core inflation (Figure 9). In addition to the sharp fall in commodity prices, the flattening of the inflation rate close to zero (0.2% on average in 2014) reflects the weakness of economic cycle that has led to a generalized price moderation at early stages of the price chain. On the basis of recent developments in international raw materials prices and in the absence of substantial improvements in domestic demand and in the labor market, inflation is expected to remain weak in the first part of 2015.

#### 5. Families' income and saving



Source: Istat

#### 6. Employment and Unemployment



Source: Istat