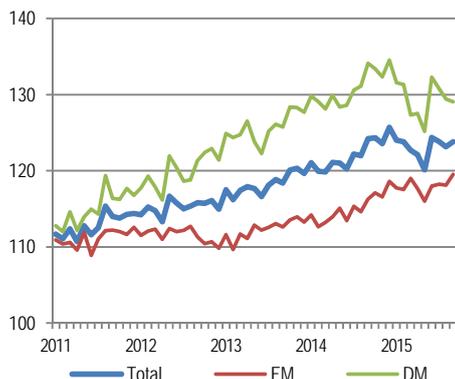


1. International trade

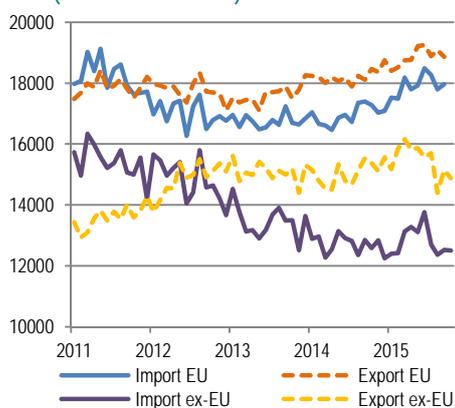
(volume, January 2010=100)



Source: Central Plan Bureau

2. International trade in goods

(millions of euros)



Source: Istat

3. Business confidence

(2010=100)



Source: Istat

The Italian economy recovered at a slow pace in the third quarter and it is expected to continue on the same path until the end of the year.

The recovery has been driven by an increase of households consumption and by an improvement of the labour market that counterbalanced the decrease of gross fixed capital formation and the slowdown of the exports.

The international environment

In the third quarter, most of the advanced economies experienced a slowdown of the business cycle.

In the United States, the GDP dynamics slowed down slightly in the third quarter (+0.5% versus 1% in Q2). The appreciation of the US exchange rate affected negatively the exports of goods (-2.8% quarter on quarter) and at the same time imports continued to decrease (-2.0%). The Conference Board leading indicator, however supports the expectation of a moderate economic expansion until the end of the year.

The less supportive external environment affected the Euro Area as well, experiencing a slowdown of the economic activity. Output increased only by +0.3% quarter on quarter following a rise of +0.5% and +0.4% in Q1 and Q2 respectively. The economic sentiment indicator decreased over the last month driven by the expectation of a deterioration of the production activity. On the other hand, the consumer confidence indicator increased, supported by the improvement of the labor market conditions.

In September, the CPB data showed an increase of the volume of trade by +0.5% m-o-m, it was -0.6% in August. The carryover supports an annual rate of change of 1.0% in 2015 (Figure 1).

Over the last month, the Euro-Dollar exchange rate depreciated, driven by the expectations of an increase of Fed interest rates before the end of the year. The Brent price first fell at 42 \$ per barrel, and then reached 44 \$ per barrel at the end of November (-7.8% the average monthly decrease).

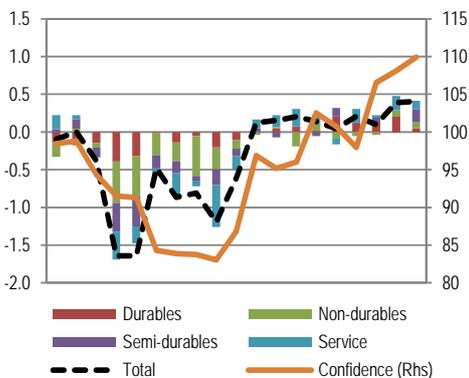
The economic situation in Italy

Businesses

In the third quarter, the recovery of the production activity slowed down. GDP increased by 0.2% quarter over quarter driven by domestic demand (net of inventories) and inventories, while foreign demand accounted for a negative growth contribution. The domestic demand benefited from the increase of total consumption (+0.4% q-o-q) that counterbalanced the reduction of gross fixed capital formation (-0.4% q-o-q).

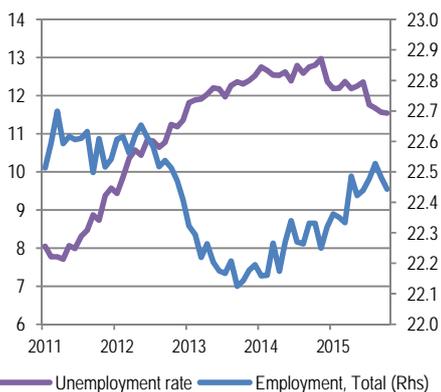
The negative contribution of the foreign demand stemmed from a contraction of the exports (-0.8% q-o-q) associated with an increase of the imports (+0.5%). In October, foreign trade statistics revealed a reduction of extra-EU trade, complemented by an increase of non-energy imports (Figure 2).

4. Households expenditure and confidence (contributions and index, 2010=100)



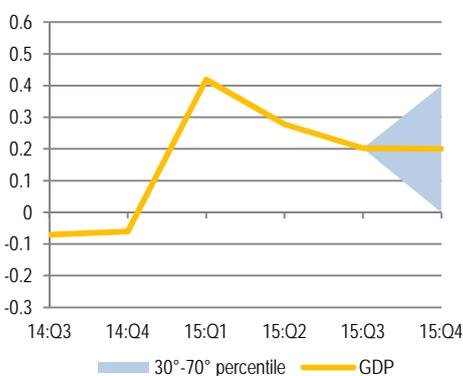
Source: Istat

5. Employment and unemployment (% and million)



Source: Istat

6. GDP and forecast for Q4 2015



Source: Istat

The confidence of manufacturing enterprises (Figure 3) remains weak driven by the expectations about the industrial production and orders. The construction industry remains stagnating.

In the third quarter, value added decreased slightly (-0.1% quarter over quarter) mostly driven by the slowdown in the services sector. Business confidence indicators reveal a small improvement.

Households and labour market

In the third quarter, the trend of total consumption has strengthened (+0.4% quarter over quarter) driven by residential households consumption expenditure.

This recovery was mainly bolstered by purchases of semi-durable goods (+1.8% q-o-q, Figure 4) together with a reduction of durables (+0.6% versus +2.7% in the previous quarter) and a stable non-durable goods and services (+0.3% and +0.2%, respectively).

In November, the consumer confidence supported the hypothesis of a recovery in the next months. According to the most recent data, in October employment declined (-0.2% m-o-m, Figure 5). The unemployment rate remained stable at 11.5%.

For the coming months, the expectations of the entrepreneurs about the employment continue to strengthen in the main sectors excluding construction.

Prices

The slight increase of inflation observed over the past few months slowed in November. NIC rose at an annual rate of growth of +0.1% with an underlying monthly rate of 0.3%. The weak dynamics of NIC has been driven by services, and mainly by tourism. Net of the more volatile components, inflation reached +0.6%. Prices of non-energy industrial goods increased slightly (+0.6% on a monthly basis), driven by the dynamics of internal market prices and imports.

The latter component, in turn, has been affected by the euro depreciation. Inflation expectations of firms and households corroborate the hypothesis of a moderate inflation dynamics. Pricing policies supporting firms producing consumption goods remain cautious. Nevertheless, inflation expectations remain positive.

The outlook

The economic recovery is expected to continue in the following months. In the fourth quarter of 2015, Italian GDP is expected to grow by 0.2% quarter over quarter (the confidence interval ranges from 0% to 0.4%, Figure 6). Domestic consumption will be the main driver of growth that will affect positively the imports. Capital accumulation is expected to remain weak. The forecast is based on quarterly seasonally adjusted and adjusted data by working days, it supports a GDP growth of 0.7% in 2015.