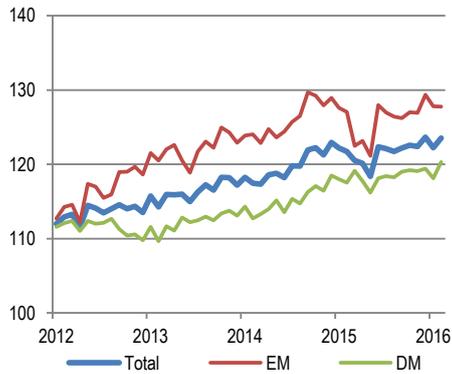


1. International trade

(volume, January 2010=100)



Source: Central Plan Bureau

In a European context characterized by a significant GDP growth in Q1, Italian economy shows positive signals: industrial production improvement, permanent employment consolidation, unemployment reduction and increased household purchasing power. However the confidence climate evolution stays uncertain and composite leading indicator for Italian economy foresees a slowdown in the short-term period.

The international environment

In China the economy shows a levelling off of growth rates (GDP grew by 6.7% in Q1 compared to the same quarter of previous year) supported by incentives for investments. In the first quarter of 2016 the U.S. GDP increased by 0.1% q-o-q continuing the downturn started in previous quarter (q-o-q growth rates were +0.5% and +0.3%, respectively, in the third and fourth quarter of 2015). Household real disposable income and consumption increased, respectively, by 0.3% and 0.1% but the slowdown in world demand is penalising manufacturing activity. Industrial production registered a -0.6% in March compared to the previous month together with a decrease in production capacity (-0.5%). However labour market has not been affected with claims for unemployment staying at the lowest levels in the most recent years. The Conference Board household confidence indicator decreased in April following the increase recorded in March.

In the Euro Area, GDP preliminary estimate (released for the first time with a delay of 30 days from the reference quarter) registered a stronger increase than currently expected in Q1 (+0.6%) with an acceleration of growth respect to fourth quarter of 2015 (+0.3%). Industrial production decreased in February by 0.8% m-o-m even if the increase registered for the quarter December-February was strong (+0.6%) compared to the previous quarter. In March labour market showed positive signals with a decrease for unemployment rate (10.2%) registering the lowest level since August 2011. In April inflation stayed negative (-0.2%) supporting household purchasing power; the economic sentiment indicator (ESI) increased following three consecutive decreases for previous months as a result of improvements in confidence climate for services and construction sector.

In February 2016 CPB data showed an increase of world trade volumes (+1.1% m-o-m, Figure 1) as result of positive growth rates for advanced countries (+1.9%) and stagnation for emerging countries. In April 2016, on average, the Euro-US exchange rate increased by 2.2% compared to March. In April the Brent price increased at \$42.2 per barrel (+8.9% m-o-m, Figure 2).

2. Oil price and exchange rate



Source: Thomson Reuters

3. Production indexes

(2010=100)



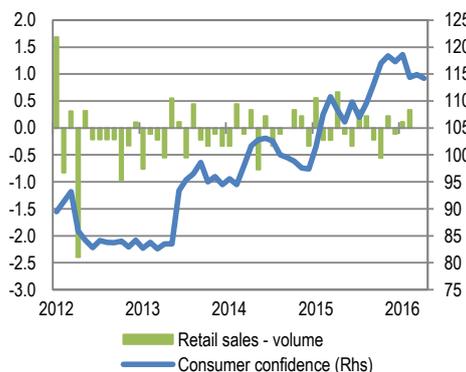
Source: Istat

The economic situation in Italy

Businesses

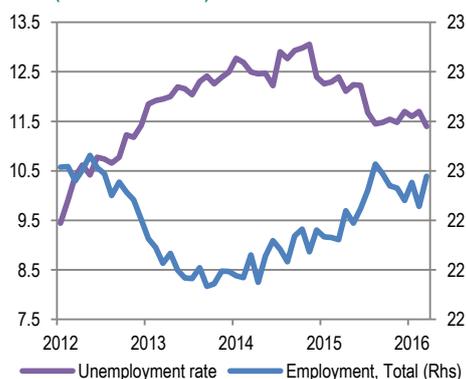
The manufacturing sector has been volatile in the most recent months. In January 2016 industrial production index (net construction) increased by 1.7% m-o-m followed by a decrease of 0.6% in February, but the growth rate of the average of the last three months compared to the previous three months has registered an increase (+0.3%, Figure 3).

4. Consumer confidence and retail sales (m-o-m % change and index)



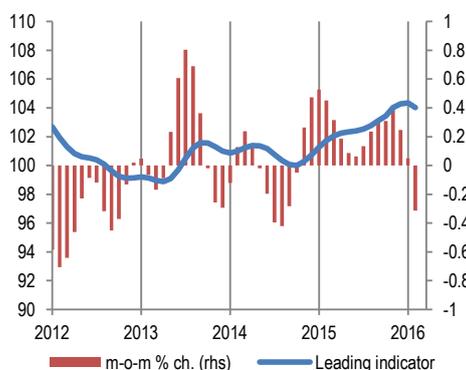
Source: Istat

5. Employment and unemployment (% and million)



Source: Istat

6. Leading indicator (index and % change)



Source: Istat

Turnover indices show a similar pattern: in January and February 2016 the seasonally adjusted turnover index increased, respectively, by 0.9% and 0.1% compared to the previous month. The average of the last three months decreased by 1.0%: energy sector declined by 10.4% and capital goods by 1.0%. New orders showed a better performance registering an increase of 0.7% driven by the domestic market (+1.6%).

In February, exports increased by 2.5% m-o-m after the decrease in January with the highest growth rates for durable consumer goods and capital goods (respectively +3.6% and +3.2%). Imports increased by 0.6% compared to the previous month. The uncertainty in the emerging countries led to a contraction in trade in non EU countries: in March imports decreased by 2.0% and exports by 0.3%.

For construction sector the situation carries on to be positive. In February the index of production increased by 0.3% m-o-m and the percentage change of the average of the quarter December 2015-February 2016 was +0.6%, with respect to the previous quarter. In April the confidence climate for the sector continued to improve and real estate sales in the fourth quarter of 2015 increased by 9.1% (on average in 2015 the increase has been +5.2%).

Households and labour market

In February 2016 the retail trade index increased by 0.3% with respect to January both in values and volume. The volume of sales for food goods increased by 0.8% and non-food goods by 0.2%. Positive signals have been registered for provision of credit to households: in 2015, mortgage-secured loans increased by 23.0% over the previous year. The consumer confidence indicator decreased marginally in April 2016 (Figure 4).

In March, employment increased following the decrease in February (Figure 5): in Q1 employment was almost stable compared to the fourth quarter of 2015 (+0.1% as a result of an increase of 17.000 units). In particular it has been registered a decrease in temporary employees (-2.1%, -52.000 units) and an increase in permanent employees (+0.5%, +72.000 units). The unemployment rate decreased to 11.4% at lowest level since November 2012 (Figure 5).

Prices

In April 2016, according to preliminary estimates, the Italian consumer price index for the whole nation (NIC) declined by 0.4% with respect to April 2015 for the third consecutive month (the lowest level since January 2015). The larger decline is mainly due to the decrease of prices of energy products (-7.4%) while the decline for unprocessed food has been more moderate (-0.5%). Excluding energy and unprocessed food, core inflation was +0.5%. In February 2016 the decline of import price started as well for consumer goods (-0.6% y-o-y). This pattern was registered also for the industrial producer price index: in March the decline of consumer goods sold in domestic market was equal to -0.8%.

The Outlook

In the first months of 2016, the composite confidence climate follows an up and down pattern. In April a stronger increase was registered for services and construction sector compared to a moderate one for manufacturing; by contrast confidence climate for retail trade decreased. The composite leading indicator of Italian economy has come to a halt suggesting a slowdown of economic activities in the short term (Figure 6).