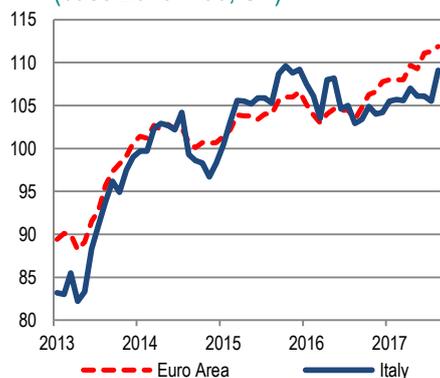
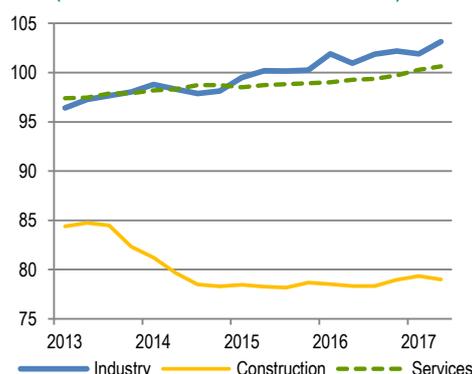


### 1. Economic Sentiment Indicator (base 2010=100, SA)



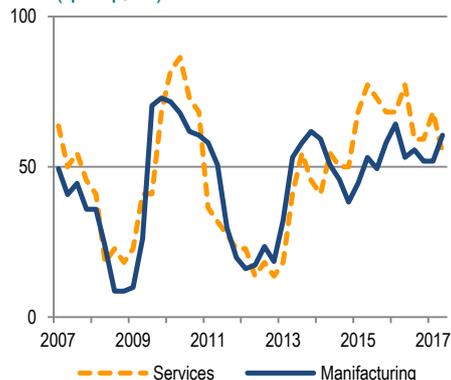
Source: Dg Ecfm

### 2. Value added by sector (chain linked volume, 2010=100)



Source: Istat

### 3. Diffusion indexes : manufacturing and services sectors (q-o-q, %)



Source: Istat

The international outlook is characterized by increasing growth in the US and in the Euro Area. The Italian economy is accelerating driven by the widespread improvement in economic sectors and rising employment. The leading indicator keeps a positive pace increasing with respect to previous months.

#### The international outlook

In the second quarter, the US economy accelerated. According to the second estimate, GDP increased by 0.8% q-o-q (+0.3% in Q1), supported by household consumption expenditure, fixed and non-residential investment, net exports and inventories partly offset by the negative contribution of private residential fixed investment.

In July, non-farm payroll workers increased by 209,000 units, slightly decelerating compared to the previous month. At the same time, the unemployment rate slowed down at 4.3% (4.4% in the previous month). The US economy is expected to continue to grow at a similar pace: according to the Conference Board, the leading indicator in July kept a positive trend. Consumer confidence, already increased in July, improved further in August, driven by positive judgments about current situation.

Economic growth in the Euro Area continues to consolidate. The revision of the preliminary estimate of GDP in the second quarter confirmed its acceleration (+0.6% q-o-q compared to +0.5% in Q1), driven by an expansion in Spain (+0.9%) and Austria (+0.8%).

Leading and coincident economic indicators remain stable. The Economic Sentiment Indicator (ESI) for the Euro Area increased slightly in August (Figure 1): in the businesses sector, the confidence climate improved in manufacturing and in services sector. The consumers climate increased too. In the same month, the Euro-Coin indicator grew remarkably for the third consecutive month due to the consolidation of the industrial cycle and greater business optimism, only partially offset by the effect of the euro's appreciation.

In August, the Euro-dollar exchange rate remained stable (+2.5% m-o-m), reaching a peak of 1.2 during the last days of month. In the same period, the Brent price continued to increase (+5.6%), reaching an average of \$51.9 per barrel.

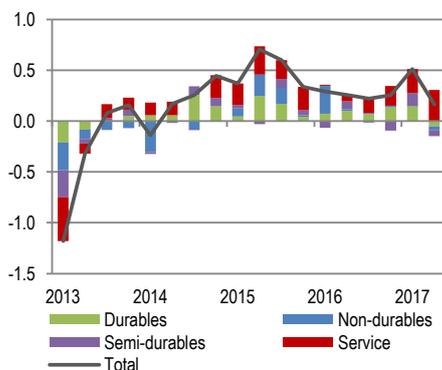
According to Central Plan Bureau data, in June world trade rose by 0.5% m-o-m after an increase of 1,9% in May, driven by a positive change in volume for emerging economies (+1.8%) and a deceleration of advanced countries (-0.3%).

#### The economic situation in Italy

##### Businesses

In the second quarter of 2017, gross domestic product, adjusted for calendar and seasonal effects, increased by 0.4% compared to the previous quarter, recording the highest growth rate over the last six years (+1.5% on annual basis). Domestic demand excluding inventories contributed positively by 0.3 percentage points to GDP growth; inventories registered a slight positive contribution by 0.1 pp. while net foreign demand provided a null contribution, with similar increases in both imports of goods and services (+0.7% q-o-q) and exports (+0.6%).

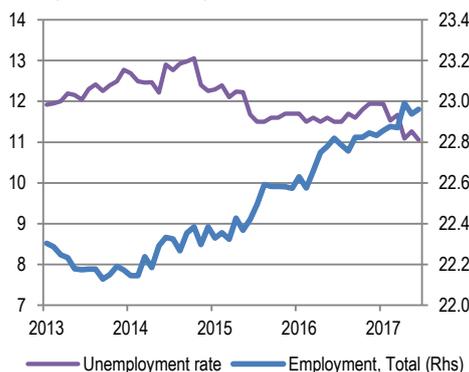
#### 4. Households' consumption expenditure (m-o-m % change and index)



Source: Istat

On the demand side, final consumption increased by 0.2% and gross fixed capital formation by 0.7% following the positive trend started in the third quarter of 2014. Investments growth has been driven by the higher expenditure in machinery, equipment and other products (+0.6%) and transport equipment (+8.2%), while investment in construction kept negative rates of growth (-0.4%). In the second quarter of 2017 value added in manufacturing rose by 0.9% marking a recovery over the first quarter (-0.5% q-o-q, Figure 2). Construction value added decreased by 0.4% while services sector increased by 0.4%. Growth in services was driven by the increase in real estate activities and professional and administration activities (both +0.6%); financial and insurance activities kept a positive trend (+0.4%) while wholesale, retail trade and transportation increased to a lesser extent (+0.2%). The information and communication sector, instead, slowdown (-0.1%). Growth in manufacturing and services was distributed across all sectors, as summarized by the Diffusion Index, indicating the percentage of economic activity groups in expansion over the full set of series considered. In the second quarter, the index for manufacturing grew remarkably (60% of the groups were in expansion, Figure 3); for services the index was more than 50% as well even though in deceleration compared to the previous quarter.

#### 5. Employment and unemployment (million and %)



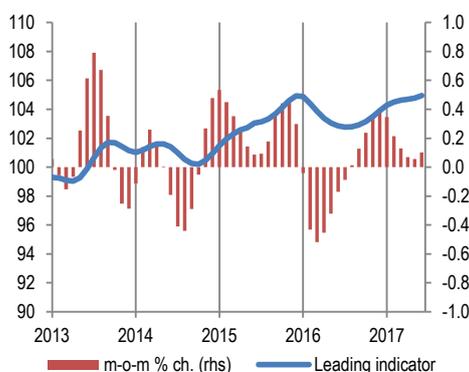
Source: Istat

#### Households and labour market

In the second quarter of 2017, final consumption continued to grow, albeit with a lower intensity than in the previous quarter (+0.2% from +0.5%): the increase in households consumption (+0.2%) was offset by the decline in public government (-0.1%). Among the components of household expenditure, in the same period, durable goods declined (-0.6% q-o-q) after a period of prolonged increase, while services consolidated (+0.6%, Figure 4).

In July, the number of persons employed (Figure 5) increased further reaching 23,063 thousand units (+0.3% compared to June, 59 thousands) driven exclusively by the male component (+0.6%, 86 thousands) as female employment decreased by 0.3% (-28 thousand units). The unemployment rate rose by 11.3% (+0.2 percentage points from the previous month), due to the decrease of inactive aged 15-64 years, (-0.9%, -115 thousands). The increase in job seekers involved all age groups and to a greater extent the male component.

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



Source: Istat

#### Prices

After three months of slowdown, in August inflation was slightly upward: according to the preliminary estimate, the Consumer Price Index (NIC) rose by 1.2% on annual basis, a tenth of a point more than July. Core inflation remained moderate (+1.0%). In Q2 GDP deflator increased by +0.3% y-o-y. According to National Accounting data, in the same period the trend in manufacturing output prices was more limited than that of variable unit costs. However, the annual contraction of unit profit margins has been attenuated, showing a recovery over the previous quarter.

#### The Outlook

In August, the consumer confidence index grew remarkably driven by the improvement of all components and by the decline of unemployment expectations. The business confidence index increased too, albeit with heterogeneous signals between the economic sectors. Business confidence improved in manufacturing and services; construction and retail trade confidence deteriorated. The leading indicator remains positive marking an improvement over the previous month (Figure 6).