



Isae-Assolombarda Quarterly Survey on the Manufacturing and Business Services Sectors



Reference period: Second Quarter 2009

released on July 28, 2009

After the drop registered at the end of 2008 and in the first months of 2009, in the second quarter of 2009 business confidence showed early signs of recovery in the Euro Area; in fact, mildly positive indications came from all the main country of the area. The recovery consolidated and strengthened in the Milan Area, where it began one quarter earlier than in Italy: confidence increased for the second consecutive quarter, but it remained on historically extremely low levels.

More specifically, the confidence of the manufacturing sector grew in the Euro Area from -36 to -33, remaining however on historically very low levels; similarly, in the Italian average the index rose from 64 to 68, staying however below the levels of the end of 2008. In the Milan Area confidence index rose from 70 to 82, reaching a value higher than in the third quarter 2008.

Manufacturing firms seemed to have completed the adjustment of stocks to the new demand level both in the whole Euro Area and in Italy: stocks fell under normal levels after the strong increase of the last months and forecasts on production grew slightly. Nevertheless, assessments on demand remained very weak: they reduced again in the whole Euro Area, while they stabilized on low levels in Italy. In the Milan Area, both orders assessments and production expectations improved considerably and stocks continued to reduce, dropping to lower value than the normal ones.

Even the business services sectors registered signs of recovery both at the national level and in the Milan Area. In Italy confidence index rose after the drop of the last three quarters and registered a value higher than at the end of 2008. Firms were more optimistic about current orders and expectations on demand, but they were more cautious about employment forecasts. In the Milan Area the confidence climate index grew to the value of the third quarter of 2008, after five consecutive quarters of reduction. In particular, current orders increased, but demand forecasts for the short-term worsened again.

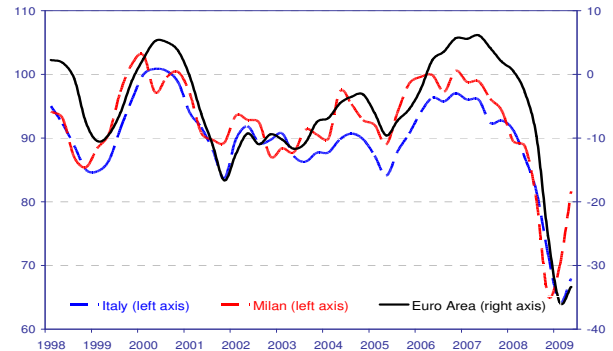
The next survey, related to the Third Quarter of 2009, shall be released in November 2009.

Manufacturing sector

Confidence Climate¹

In the second quarter of 2009 manufacturing confidence increased in the Euro Area after 7 consecutive quarters of drop, even if it remained on historically low levels: the index grew from -36 to -33 in the whole Euro Area, with a slight recovery in Germany (from -40 to -39) and a stronger increase in France (from -37 to -32) and in Italy (from 64 to 68). In the Milan Area the indicator grew also in the second quarter from 70 to 82.

Confidence Climate – Manufacturing Sector



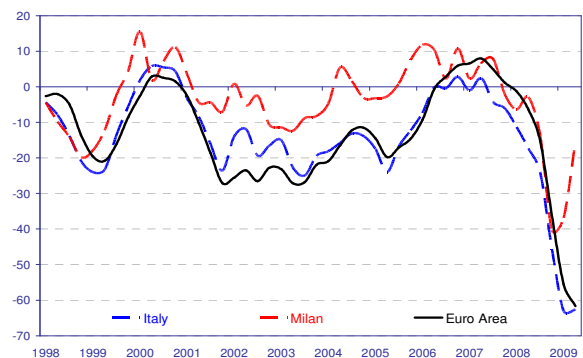
Confidence climate (seasonally adjusted data)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	-10	-8	-12	82	80
fourth quarter 2008	-25	-27	-30	72	65
first quarter 2009	-36	-40	-37	64	70
second quarter 2009	-33	-39	-32	68	82

ASSESSMENTS:

Orders Assessment

In the Euro Area and in the main European countries entrepreneurs' assessments on current demand remained weak: orders continues to reduce in Germany and France, while in Italy they stabilized on low levels. On the contrary, in the Milan Area orders recovered strongly, after the milder increase of the beginning of 2009.

Orders Assessment - Manufacturing Sector



Orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	-15	-9	-17	-24	-14
fourth quarter 2008	-36	-30	-41	-46	-40
first quarter 2009	-56	-54	-59	-63	-37
second quarter 2009	-62	-62	-65	-63	-15

¹ The manufacturing confidence indicator is the arithmetic average of the seasonally adjusted data on production expectations, order books and stocks of finished products (with inverted sign).

Data referring to the Euro Area, Germany and France are seasonally adjusted using the Dainties method. The European Commission performs the Euro Area aggregation using gross value added at constant prices.

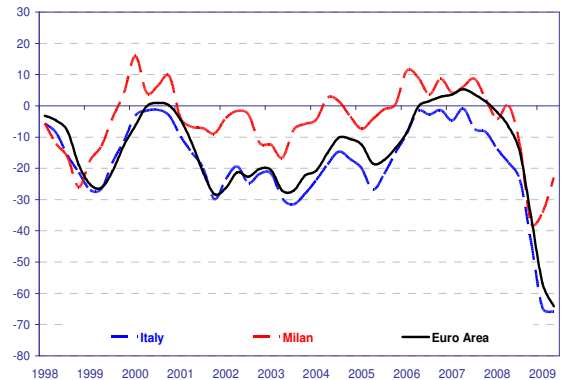
Data referring to Italy and the Milan Area are seasonally adjusted by ISAE and Assolombarda using the Tramo-Seats method and the index base is 2000=100.

In spite of statistical differences, historical series are homogenous and comparable.

Foreign Orders Assessment

The weakness of orders in the Euro Area reflected the crisis of the world economy, which determine another fall in foreign demand. On the contrary, in the Milan Area foreign orders rose also in the current quarter, even if the relative balance remained extremely negative.

Foreign Orders Assessment– Manufacturing Sector

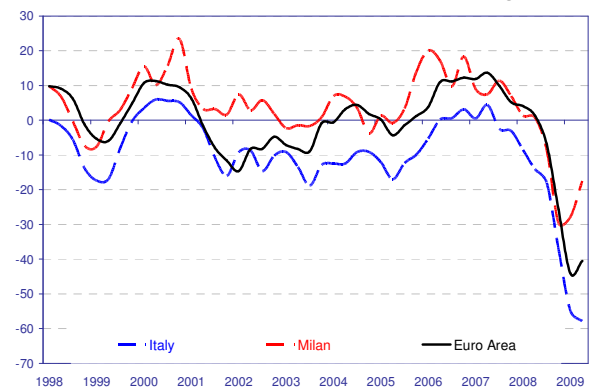


foreign orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	-15	-7	-19	-24	-13
fourth quarter 2008	-36	-30	-44	-44	-38
first quarter 2009	-57	-51	-68	-65	-34
second quarter 2009	-64	-62	-73	-66	-23

Production Assessment

In the Euro Area production levels registered some first sign of recovery with respect to their historically minimum levels of the previous quarter. In fact, the balance increased in Germany and France, while it slid further in Italy. In the Milan Area production soared also in the second quarter, confirming the turnaround of the first quarter of 2009.

Production Assessment - Manufacturing sector

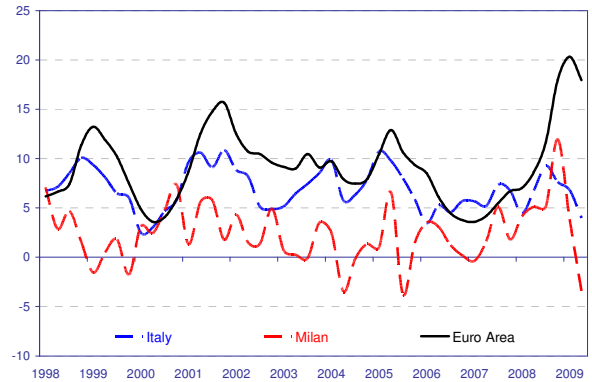


Production (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	-7	-8	0	-18	-9
fourth quarter 2008	-26	-28	-18	-37	-30
first quarter 2009	-44	-45	-44	-55	-28
second quarter 2009	-41	-37	-39	-58	-17

Inventories

After the strong growth in the last quarters, stocks dropped in the Euro Area: the reduction is deeper in France, in Italy and in the Milan Area, where the relative balance plunged under the normal level. On the contrary, in Germany stocks continued to grow from the high levels of the first quarter of 2009.

Inventories - Manufacturing Sector



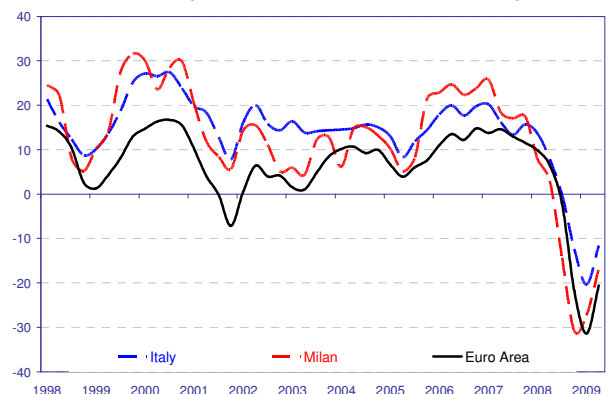
Inventories (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	12	10	16	9	5
fourth quarter 2008	18	20	23	8	12
first quarter 2008	20	26	23	7	4
second quarter 2009	18	28	10	4	-4

SHORT-TERM EXPECTATIONS:

Production Expectations

In line with the adjustments of stocks, production forecasts showed first signs of recovery; this improvement is spread to all European main countries and also to Italy and to the Milan Area.

Production Expectations - Manufacturing Sector

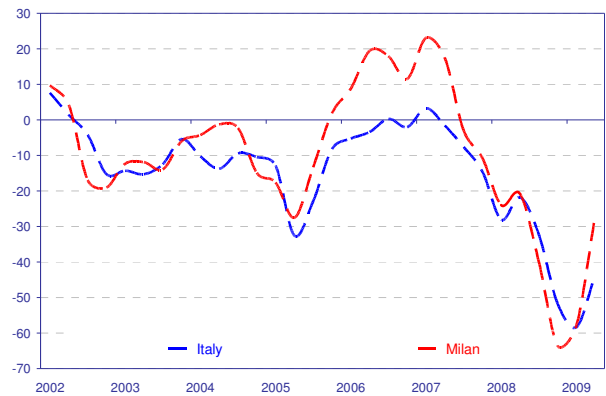


Production expectation (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
third quarter 2008	-2	-6	-2	0	-14
fourth quarter 2008	-22	-29	-25	-12	-31
first quarter 2008	-31	-40	-30	-20	-27
second quarter 2009	-21	-27	-19	-12	-17

- Expectations Regarding the Economic Situation²**

As a consequence, Italian firms were less pessimist about the general economic situation for the next months. In Italy the balance grew of 14 points from its historically lowest value registered in the first quarter of 2009, but it remained under the levels of the end of 2008. Also Milan Area entrepreneurs' opinions are less pessimistic: the relative balance increased of 31 points, but it continued to be very negative.

Economic Situation Expectations - Manufacturing Sector



Expectation on the economic situation (seasonally adjusted balances)	Italy	Milan
third quarter 2008	-32	-40
fourth quarter 2008	-52	-64
first quarter 2008	-58	-58
second quarter 2009	-44	-27

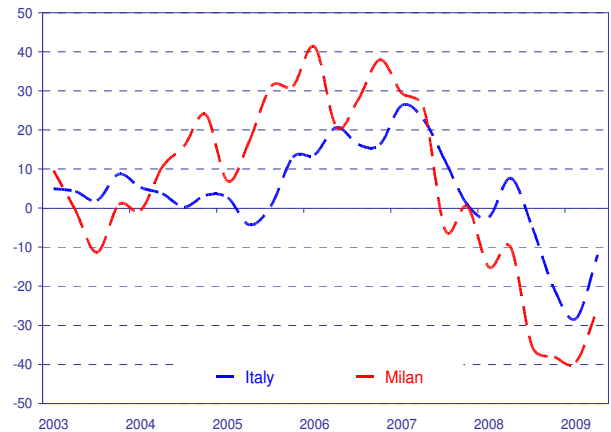
² The variable is not collected at the European level.

BUSINESS SERVICES³

- Confidence Climate⁴**

In line with the manufacturing sector, also in the Business Services Sectors the confidence improved from the low level of the first quarter of 2009 both in Italy and in the Milan Area. However, the index continued to stand on lower values than in the second part of 2008.

Confidence Climate – Business Services



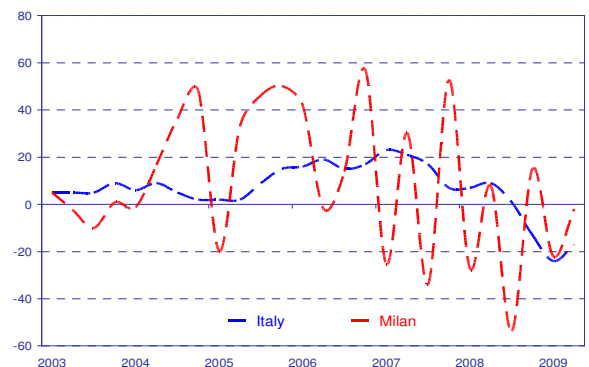
Confidence Climate	Italy (seasonally adjusted data)	Milan (raw data)
third quarter 2008	-5,0	-35,6
fourth quarter 2008	-20,7	-38,1
first quarter 2009	-28,3	-39,4
second quarter 2009	-12,0	-25,6

ASSESSMENTS:

- Orders Assessment**

At the national level and in the Milan Area, orders assessments were less negative than in the first part of the year. In particular, the Milan firms showed a more considerable increase.

Orders Assessment - Business Services



Orders	Italy (seasonally adjusted balances)	Milan (raw balances)
third quarter 2008	1	-54
fourth quarter 2008	-13	15
first quarter 2009	-24	-22
second quarter 2009	-17	-2

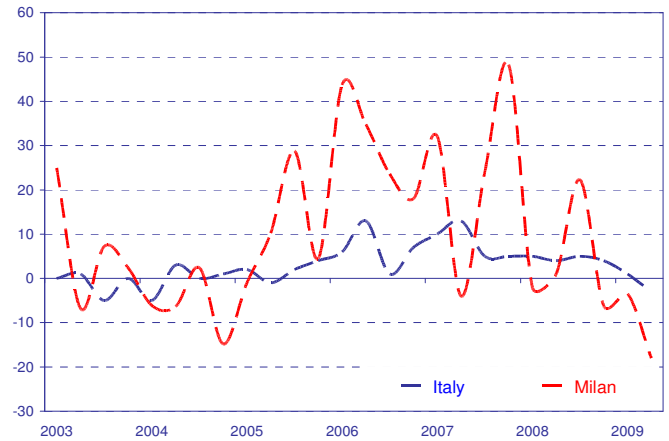
³ The sector includes: information technology, engineering, marketing and advertising, administrative and executive consulting.

⁴ The confidence climate is the arithmetic average with the balances of the following variables: assessment and expectation of orders, expectation about the economic situation.

- Employment Assessment**

The assessments on employment worsened both in Italy and in the Milan Area. In particular, in Italy employment decreased for the first time since the beginning of 2005.

Employment Assessment - Business Services



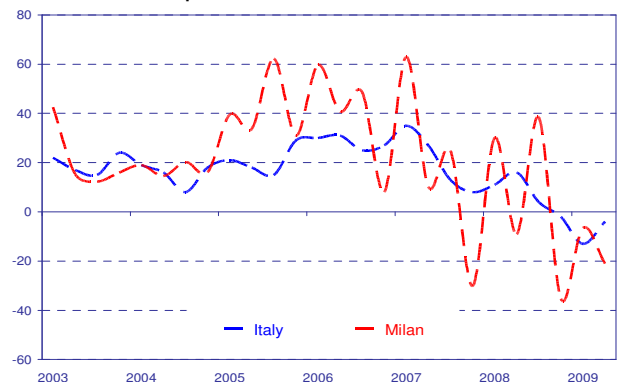
Employment	Italy (seasonally adjusted balances)	Milan (raw balances)
third quarter 2008	5	22
fourth quarter 2008	4	-24
first quarter 2009	1	-4
second quarter 2009	-3	-18

SHORT-TERM EXPECTATIONS:

- Orders Expectations**

Italian firms expected a recovery of orders in the next quarter, even if the balance registered a negative value. On the contrary, in the Milan Area forecasts worsened again, after the jump of the last period.

Orders Expectations - Business Services

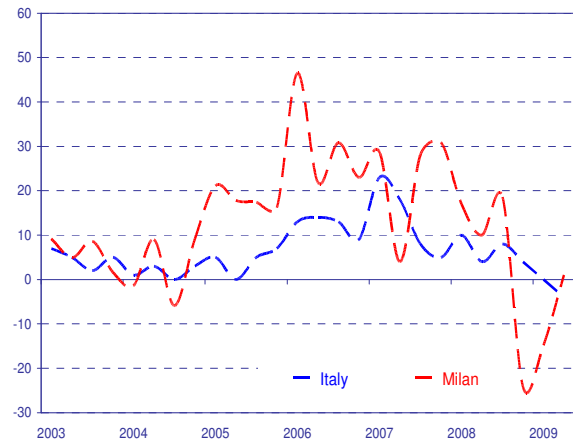


Expectation on Orders	Italy (seasonally adjusted balances)	Milan (raw balances)
third quarter 2008	4	38
fourth quarter 2008	-2	-35
first quarter 2009	-13	-7
second quarter 2009	-4	-21

• Employment Expectations

In Italy, also expectations on employment were negative: the balance decreased from 0 to -4 showing that the main part of entrepreneurs declared a reduction in employment levels. In the Milan Area, instead, employment forecasts were positive after two quarters of strong contraction.

Employment Expectations - Business Services

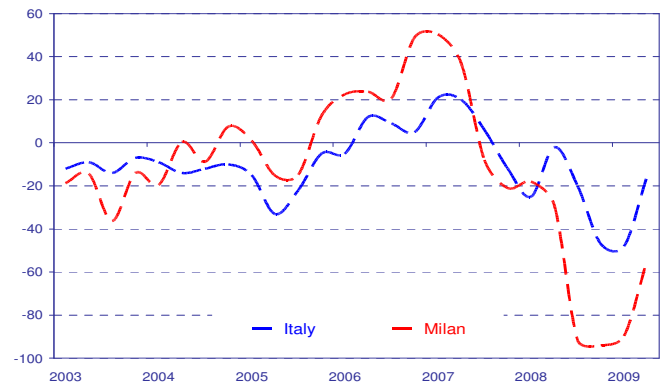


Expectations on Employment	Italy (seasonally adjusted balances)	Milan (raw balances)
third quarter 2008	8	19
fourth quarter 2008	4	-24
first quarter 2009	-0	-15
second quarter 2009	-4	1

• Expectations Regarding the Economic Situation

In line with the manufacturing sector, expectations regarding the economic situation in Italy and in the Milan Area recovered from the low level of the first months of the year. In term of balances, forecasts increase of more than 30 points, going over the value of the third quarter of 2008 in Italy and reaching the level of the second quarter of 2008 in the Milan Area.

Economic Situation Expectations – Business Services



Expectations on the Economic Situation	Italy (seasonally adjusted balances)	Milan (raw balances)
third quarter 2008	-20	-92
fourth quarter 2008	-47	-94
first quarter 2009	-48	-90
second quarter 2009	-15	-54

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