



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



Reference period: Fourth Quarter 2008

released on February 12, 2009

The global recession resulted in a sharp worsening of business confidence in the Euro Area, in Italy and in the Milan Area.

In the fourth quarter of 2008 the confidence of the manufacturing sector fell 15 points in the whole Euro Area, plunging to its minimum level since the beginning of the 1990s. The drop was widespread, affecting all main European countries. The index decreased from 82 to 72 in Italy, also in this case below the minimum value of the 1992-93 crisis, and from 81 to 64 in the Milan Area. Even the confidence of the business services sectors strongly declined, plunging to its lowest level since the first quarter of 2003 both in Italy and in the Milan Area.

With reference to the index variables of the manufacturing sector's confidence, assessments of orders fell sharply, stocks grew and, in consequence, expectations of production went down. To some extent on the contrary, in Italy, the decrease of orders coincided with an overall continuing stability of stocks from the 3rd quarter of 2008, and with a less dramatic reduction of short-term expectations of production.

In the business services sector, the entrepreneurs were very pessimistic regarding the expectations about orders and the economic situation. In Italy, contrary to what happened in the Milan Area, the assessment of employment remained almost the same. As a consequence, the confidence index slumped to an historically low level since the first quarter of 2003 both in Italy and in the Milan Area.

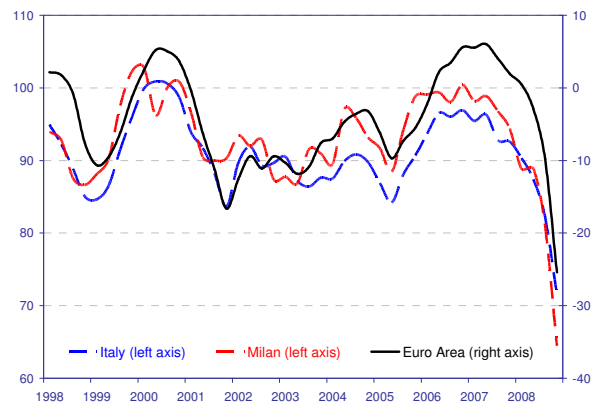
The next survey, related to the First Quarter of 2009, shall be released on May 2009.

Manufacturing sector

- Confidence Climate¹**

Manufacturing confidence slumped in the fourth quarter of 2008: in the whole Euro Area the index fell to -25 from -10, plunging to its minimum level since the beginning of the 1990s. The drop spread to all the main European economies: the index went down from -8 to -27 in Germany, from -12 to -30 in France and from 82 to 72 in Italy. Also in the Milan Area confidence registered a sharp decrease: the relative index fell to 64 from 81.

Confidence Climate – Manufacturing Sector



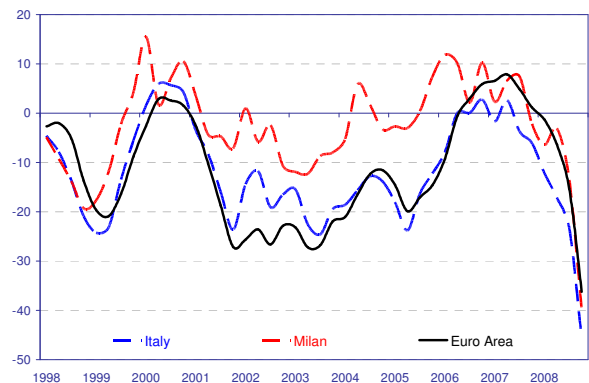
Confidence climate (seasonally adjusted data)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	0	2	2	90	89
second quarter 2008	-3	1	-4	87	89
third quarter 2008	-10	-8	-12	82	81
fourth quarter 2008	-25	-27	-30	72	64

ASSESSMENTS:

- Assessment of Orders**

In the Euro Area, in the main European countries and in the Milan Area entrepreneurs' assessments of current demand reduced strongly, and the relative balances plummeted to their lowest level from the beginning of the 1990s.

Orders Assessment - Manufacturing Sector



Orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	-1	4	0	-12	-6
second quarter 2008	-6	1	-7	-17	-3
third quarter 2008	-15	-9	-17	-23	-14
fourth quarter 2008	-36	-30	-41	-46	-40

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 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.

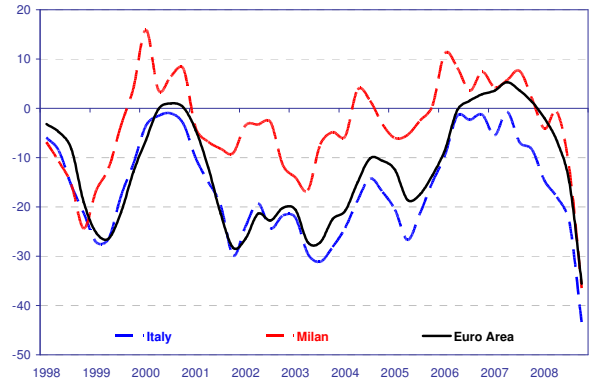
Data referring to Italy and the Milan Area are seasonally adjusted by ISAE and Assolombarda using the Tramo-Seats method and the index base is 2000=100.

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

Assessment of Foreign Orders

The drop in total orders reflected an extremely negative performance of foreign demand, affecting all main countries.

Foreign Orders Assessment– Manufacturing Sector

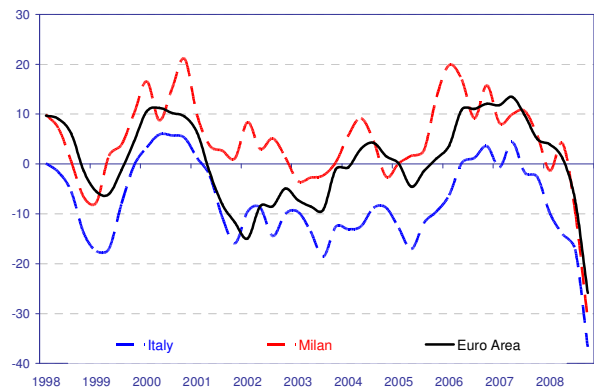


foreign orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	-2	4	-1	-15	-4
second quarter 2008	-7	1	-4	-18	-1
third quarter 2008	-15	-7	-19	-23	-12
fourth quarter 2008	-36	-30	-44	-44	-36

Production Assessment

The deterioration of demand came with a steep reduction of industrial production in all the territories.

Production Assessment - Manufacturing sector

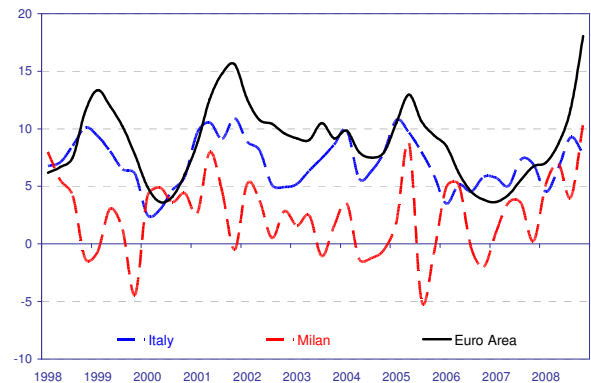


Production (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	4	4	14	-10	-1
second quarter 2008	1	4	9	-14	4
third quarter 2008	-7	-8	0	-17	-9
fourth quarter 2008	-26	-28	-18	-37	-31

Inventories

Stocks data seem not to suggest any inversion of the current negative trend: inventories continued to grow in the whole Euro Area, in Germany, in France and in the Milan Area. On the contrary, stocks decreased a bit in Italy with respect to the previous quarter.

Inventories - Manufacturing Sector



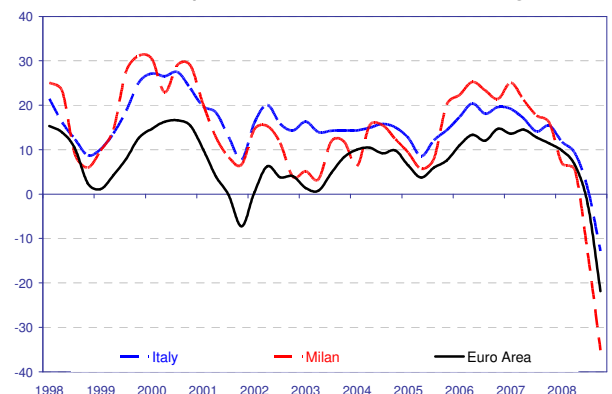
Inventories (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	7	6	10	5	5
second quarter 2008	9	6	15	7	7
third quarter 2008	12	10	16	9	4
fourth quarter 2008	18	20	23	8	11

SHORT-TERM EXPECTATIONS:

Production Expectations

In line with orders and stocks, manufacturing firms expected further reductions of production activity in the upcoming months. The decrease of production forecasts was stronger in Germany, France and the Milan Area than in Italy.

Production Expectations - Manufacturing Sector

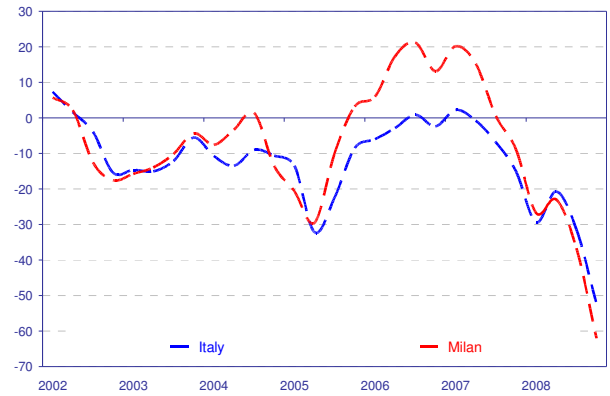


Production expectation (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
first quarter 2008	10	9	15	12	7
second quarter 2008	7	6	10	9	5
third quarter 2008	-2	-6	-2	1	-13
fourth quarter 2008	-22	-29	-25	-13	-35

- Expectations about the Economic Situation²**

In the fourth quarter of 2008 entrepreneurs' opinions on the Italian economic situation were more pessimistic: the balance plunged to its historically-low level.

Economic Situation Expectations -
Manufacturing Sector



Expectation on the economic situation (seasonally adjusted balances)	Italy	Milan
first quarter 2008	-29	-27
second quarter 2008	-21	-23
third quarter 2008	-31	-37
fourth quarter 2008	-52	-62

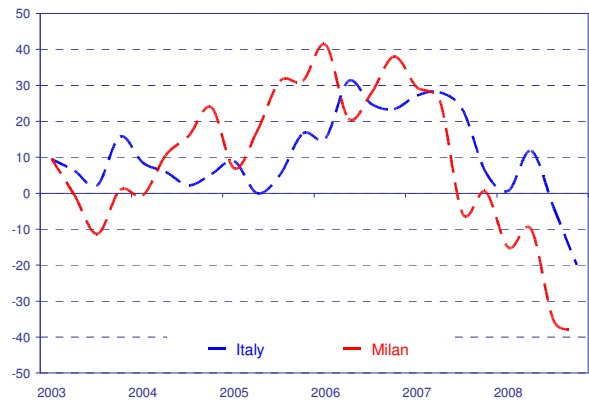
² The variable is not collected at the European level.

BUSINESS SERVICES³

- Confidence Climate⁴**

In the fourth quarter of 2008 confidence dropped both in Italy and in the Milan Area to its lowest level in history since the first quarter of 2003.

Confidence Climate – Business Services



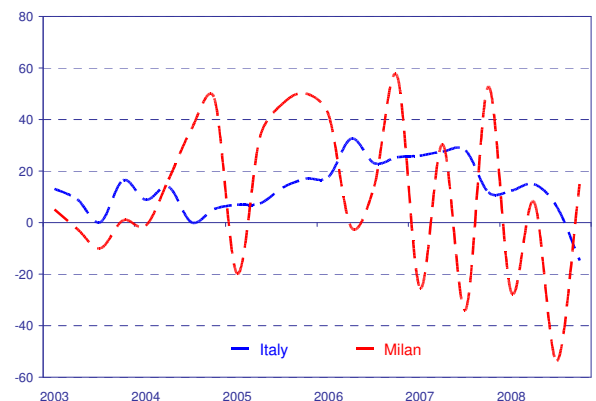
Confidence Climate (raw data)	Italy	Milan
first quarter 2008	0,7	-15,1
second quarter 2008	11,8	-10,0
third quarter 2008	-4,2	-35,6
fourth quarter 2008	-20,0	-38,1

ASSESSMENTS:

- Assessment of Orders**

The assessments of orders deteriorated again at a national level and became negative for the first time in the history of the survey; while in the Milan Area they showed an improvement.

Orders Assessment - Business Services



Orders (raw balances)	Italy	Milan
first quarter 2008	12	-27
second quarter 2008	15	8
third quarter 2008	6	-54
fourth quarter 2008	-15	15

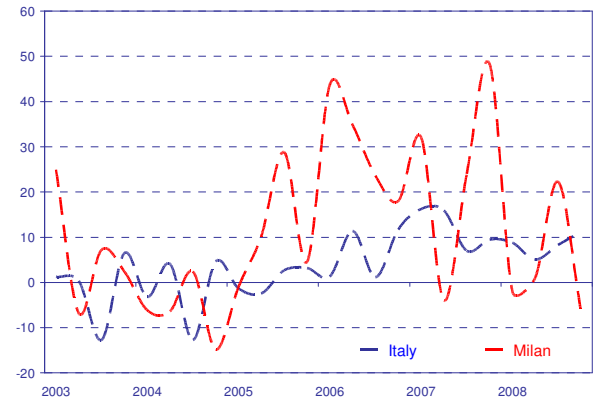
³ The sector includes: information technology, engineering, marketing and advertising, administrative and executive advice.

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.

- Assessment of Employment**

At a national level, in line with the expectation of the previous quarter and in spite of the unfavourable trend of orders, employment slightly improved. On the contrary, in the Milan Area employment slumped to its lowest level in history.

Employment Assessment - Business Services



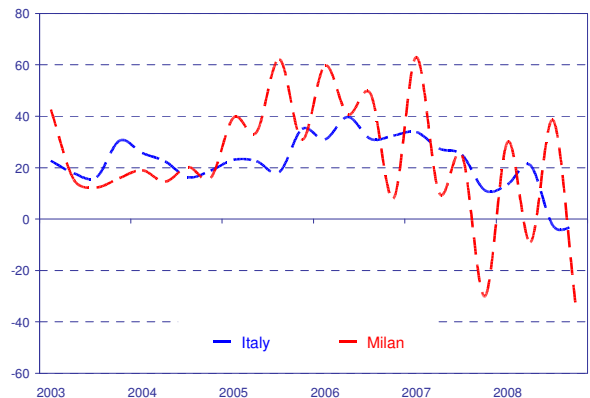
Employment (raw balances)	Italy	Milan
first quarter 2008	9	-2
second quarter 2008	5	1
third quarter 2008	8	22
fourth quarter 2008	11	-24

SHORT-TERM EXPECTATIONS:

- Expectations of Orders**

The expectations of orders remained stable on negative values at a national level; while in the Milan Area, after the high rise in the previous quarter, they became negative again reaching an historically low value.

Orders Expectations - Business Services

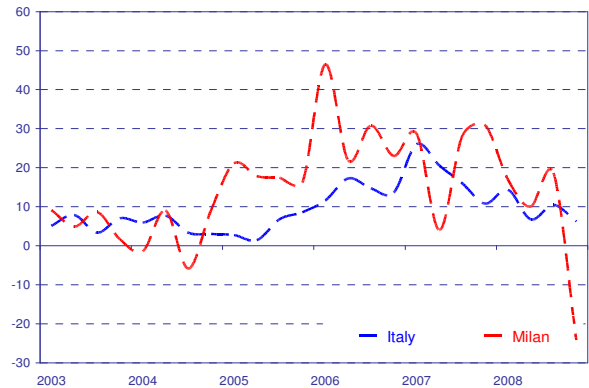


Expectation on Orders (raw balances)	Italy	Milan
first quarter 2008	14	30
second quarter 2008	21	-9
third quarter 2008	-3	38
fourth quarter 2008	-2	-35

- Expectations of Employment**

The expectations of employment, after the rise in the third quarter, went down again both at a national level and in the Milan Area.

Employment Expectations - Business Services

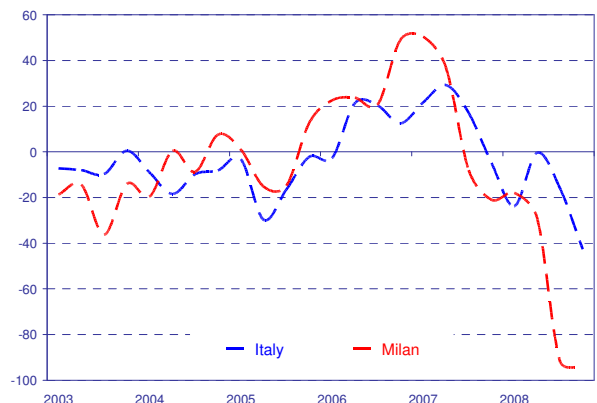


Expectations on Employment (raw balances)	Italy	Milan
first quarter 2008	14	17
second quarter 2008	7	10
third quarter 2008	10	19
fourth quarter 2008	6	-24

- Expectations about the Economic Situation**

In line with the trend of the manufacturing sector, business services entrepreneurs were very pessimistic about the economic situation both in Italy and in the Milan area.

Economic Situation Expectations – Business Services



Expectations on the Economic Situation (raw balances)	Italy	Milan
first quarter 2008	-24	-18
second quarter 2008	0	-29
third quarter 2008	-16	-92
fourth quarter 2008	-43	-94

Report written by Maria Grazia De Maglie (Assolombarda), Patrizia Margani (ISAE) and Valeria Negri (Assolombarda), with the coordination of Marco Malgarini (ISAE) and Andrea Fioni (Assolombarda).