



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



Reference period: First Quarter 2010

released on 13th May 2010

At the beginning of 2010, the recovery of confidence of the Italian manufacturing firms, included the Milan Area, continued.

In the business services sector confidence grew strongly among the Italian enterprises, while it reduced in the Milan Area.

More in detail, the climate confidence index of the manufacturing firms of the Euro Area, grew from -19 to -12, reaching its highest levels since the second quarter of 2008. Similarly, the indicator - index base = 100 - increased from 80 to 84 in Italy, also in this case reaching its maximum level since the first half of 2008. The same trend was confirmed in the Milan Area, where the index - always index base=100 - jumped from 91 to 96, coming back to the values of the third quarter of 2007. Both in the Euro Area and in our country, manufacturing firms registered a recovery in demand and the phase of inventories adjustment continued, with stocks under (in Italy and in the Milan Area) or near by (in the Euro Area) standard levels. In line with the better trend of orders and the low levels of stock, enterprises forecasted further increases in the production levels for the next three months.

Important signs of recovery were shown by the business services sector at national level, whereas the sector slowed down in the Milan Area. In Italy, the confidence index rose for the fourth consecutive quarter, jumped to 7 (from 1), on its maximum value since the second quarter of 2008. Firms were more optimistic about the current trend of orders and maintained the expectation of further recoveries for the next months; opinions on the Italian economy remained in general negative, but they were in mild increase compared to the last quarter value.

In the Milan Area, climate index dropped after the last quarters recovery and became negative, reducing to the values of the end of the 2007 (the index went from 16 to -1). Enterprises showed a decrease in all the assessments, except the employment, but they were more optimistic about the expectation for the next three months. Moreover, answers showed a worsening in short period expectation on the Italian economy.

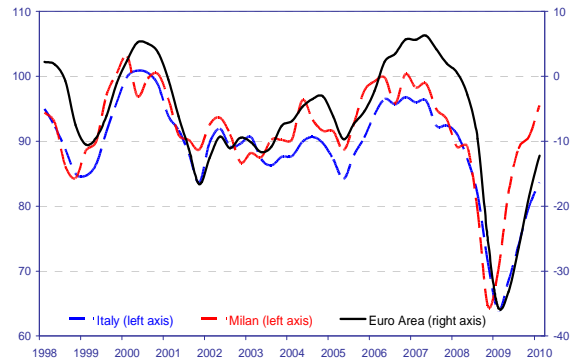
The next survey, related to the second Quarter of 2010, shall be released in July 2010.

Manufacturing sector

- Confidence Climate¹**

Manufacturing confidence continued to recover, growing from -19 to -12 in the Euro Area. The increase is spread and strong: the index went from -21 to -12 in Germany, from -17 to -14 in France and from 80 to 84 in Italy. Also in the Milan Area the index grew considerably from 91 to 96.

Confidence Climate – Manufacturing Sector



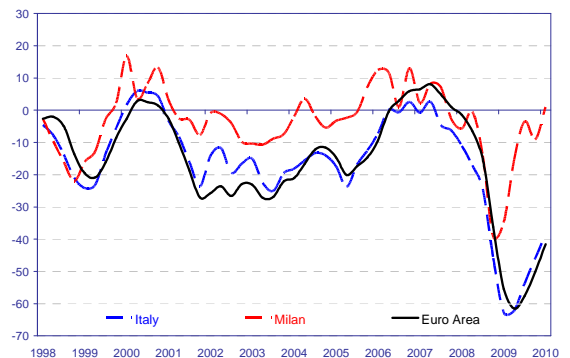
Confidence climate (seasonally adjusted data)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	-33	-39	-31	69	82
third quarter 2009	-26	-30	-26	74	89
fourth quarter 2009	-19	-21	-17	80	91
first quarter 2010	-12	-12	-14	84	96

ASSESSMENTS:

- Orders Assessment**

Improvement on orders assessments were widespread. The balances, historically low, rose largely both in the Euro Area and in the main economies, especially in France. In the Milan Area, after the drop of the last quarter, the balance showed a new substantial recover, coming back to positive values after nine quarters of negative ones.

Orders Assessment - Manufacturing Sector



Orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	-62	-62	-65	-62	-15
third quarter 2009	-58	-58	-61	-54	-3
fourth quarter 2009	-50	-50	-55	-46	-9
first quarter 2010	-42	-40	-48	-39	1

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.

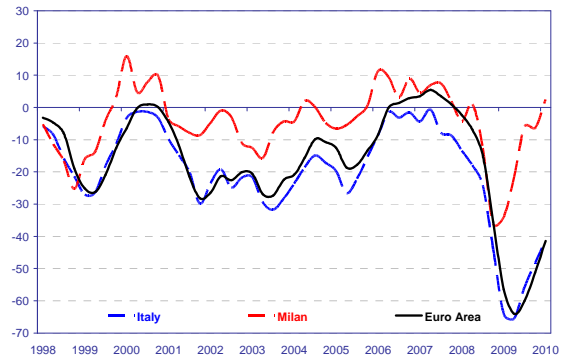
In spite of statistical differences, historical series are homogenous and comparable.

Foreign Orders Assessment

Foreign orders continued to improve also in the first quarter of 2010, though the balances stayed very negative in every considered country except the Milan Area, which showed values higher than zero.

The increase was spread to all territories, but particularly strong in Germany. In Milan the index, stationary in the last quarter, rose to the level of the end of 2007.

Foreign Orders Assessment– Manufacturing Sector

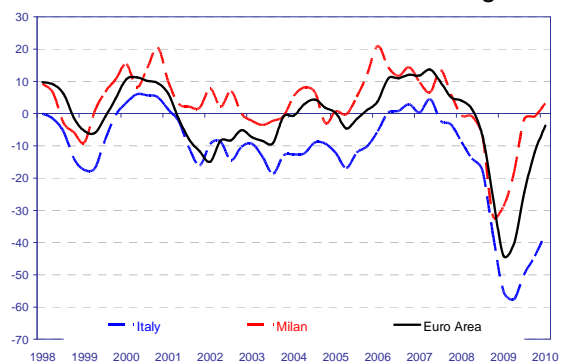


foreign orders (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	-64	-62	-72	-66	-21
third quarter 2009	-60	-60	-70	-56	-6
fourth quarter 2009	-51	-52	-56	-48	-6
first quarter 2010	-41	-39	-48	-41	2

Production Assessment

In the Euro Area, the recovery of orders assessments was followed to a rise in production; the balance shot up in France and in Germany and a little bit less in Italy. Also in the Milan Area the balance grew and became positive after eight consecutive quarters.

Production Assessment - Manufacturing sector

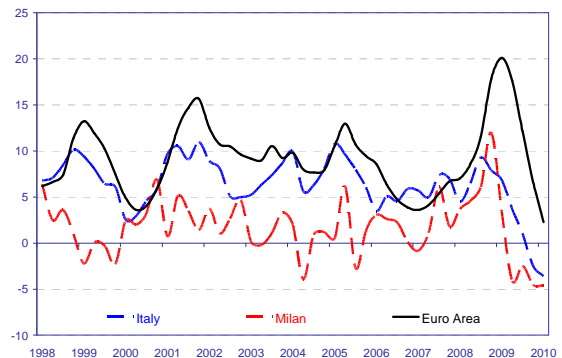


Production (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	-40	-37	-38	-58	-18
third quarter 2009	-25	-16	-19	-50	-2
fourth quarter 2009	-12	-2	-5	-44	-1
first quarter 2010	-4	5	8	-37	3

Inventories

Stock continued to drop: the reduction was deeper in the whole Euro Area and in particular in France and Germany, while the decrease was slighter in Italy. Also in the Milan Area stock continued to fall and the relative balance stayed on the historical minimum, widely under the normal level.

Inventories - Manufacturing Sector



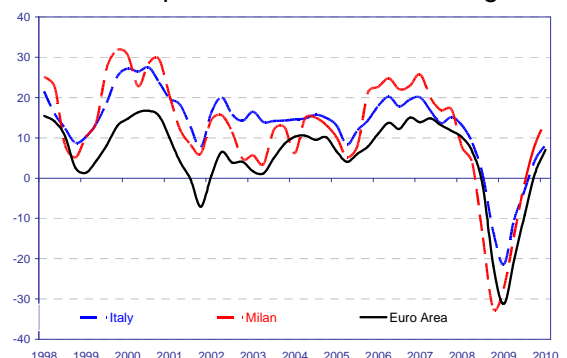
Inventories (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	18	28	10	4	-4
third quarter 2009	12	21	6	1	-2
fourth quarter 2009	7	14	-1	-2	-5
first quarter 2010	2	8	-6	-4	-5

SHORT-TERM EXPECTATIONS:

Production Expectations

Compared to the values of orders and stocks assessments, the recovery of forecast production seemed stronger. Risen optimism in expectation was showed by a great jump both in the Euro Area and in the single economies (Milan Area included), except for France.

Production Expectations - Manufacturing Sector

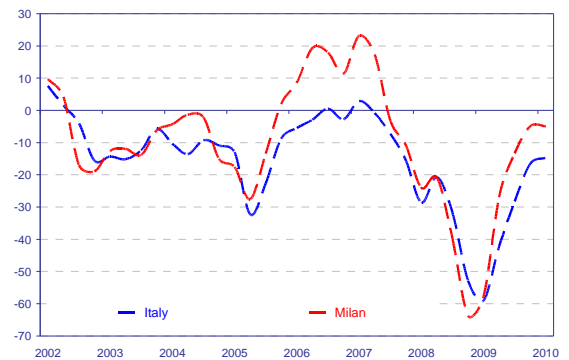


Production expectation (seasonally adjusted balances)	Euro Area	Germany	France	Italy	Milan
second quarter 2009	-20	-27	-19	-10	-14
third quarter 2009	-9	-12	-11	-3	-1
fourth quarter 2009	1	2	2	4	8
first quarter 2010	7	11	2	8	14

- Expectations Regarding the Economic Situation²**

Opinion regarding the economic situation improved at the national level, but the growth is milder than in the previous period: the balance grew from -17 to -15, the same level of the last quarter of 2007. Whereas, In the Milan Area the balance stayed on the same level of the last quarter.

Economic Situation Expectations - Manufacturing Sector



Expectation on the economic situation (seasonally adjusted balances)	Italy	Milan
second quarter 2009	-42	-27
third quarter 2009	-28	-13
fourth quarter 2009	-17	-5
first quarter 2010	-15	-5

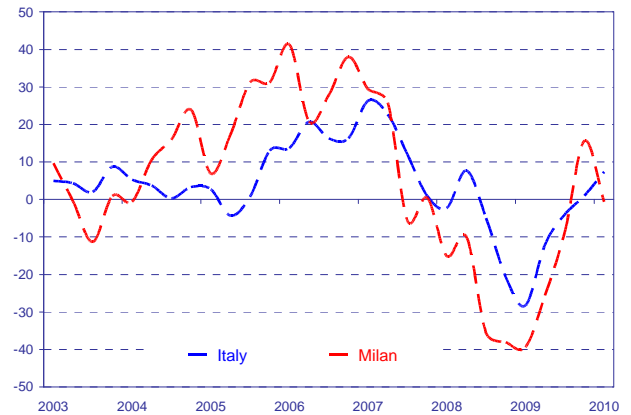
² The variable is not collected at the European level.

BUSINESS SERVICES³

- Confidence Climate⁴**

In Italy, the business services sectors confidence recovered: the index moved from 1 to 7, near the level of the second quarter of 2008. Whilst, in the Milan Area the index worsened and returned negative, but it remained on the value of the last quarter of 2007 (it decreased from 16 to -1).

Confidence Climate – Business Services



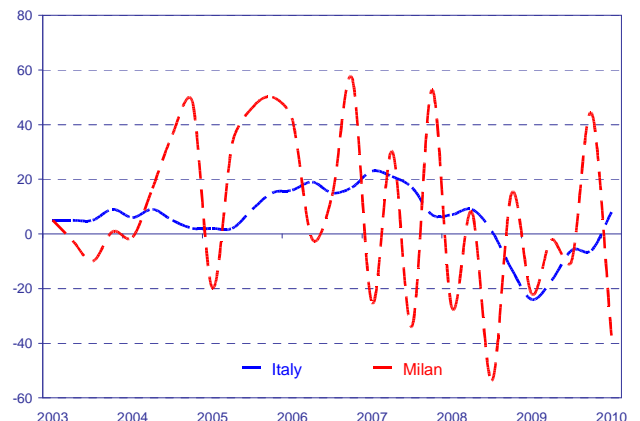
Confidence Climate	Italy (seasonally adjusted data)	Milan (raw data)
second quarter 2009	-12	-26
third quarter 2009	-4	-9
fourth quarter 2009	1	16
first quarter 2010	7	-1

ASSESSMENTS:

- Orders Assessment**

At the national level, the balance of the assessment on orders showed an important improvement, growing from -6 to 8. On the contrary, in the Milan Area the balance returned negative, after the positive jump of the previous quarter.

Orders Assessment - Business Services



Orders	Italy (seasonally adjusted balances)	Milan (raw balances)
second quarter 2009	-17	-2
third quarter 2009	-6	-10
fourth quarter 2009	-6	44
first quarter 2010	8	-38

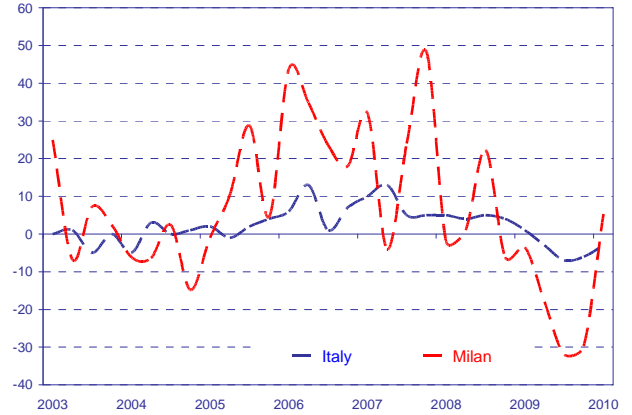
³ The sector includes: information technology, engineering, marketing and advertising, administrative and executive consulting.

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

In the first quarter of 2010, the employment assessments indicated a further improvement, in particular in the Milan Area it returned positive after five negative quarters.

Employment Assessment - Business Services



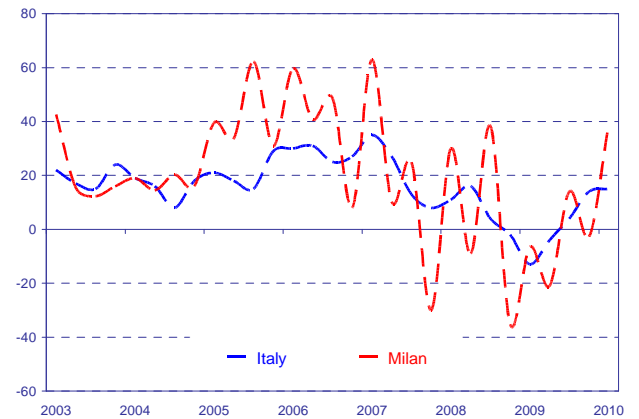
Employment	Italy (seasonally adjusted balances)	Milan (raw balances)
second quarter 2009	-3	-18
third quarter 2009	-7	-32
fourth quarter 2009	-6	-30
first quarter 2010	-3	5

SHORT-TERM EXPECTATIONS:

Orders Expectations

In Italy, the balance of the short-term orders expectations didn't show an important change. Whilst, in the Milan Area the expectations on orders improved and went over the end of 2007 level.

Orders Expectations - Business Services

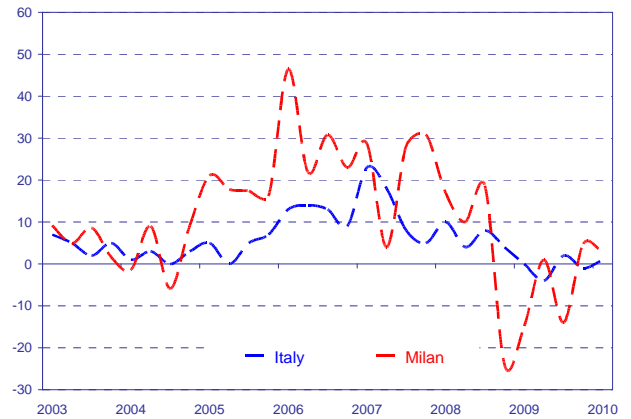


Expectation on Orders	Italy (seasonally adjusted balances)	Milan (raw balances)
second quarter 2009	-4	-21
third quarter 2009	4	14
fourth quarter 2009	14	-3
first quarter 2010	15	39

• **Employment Expectations**

In Italy, employment expectations improved and became positive. On the contrary, in the Milan Area the balance, already positive in the last quarter, slightly decreased.

Employment Expectations - Business Services

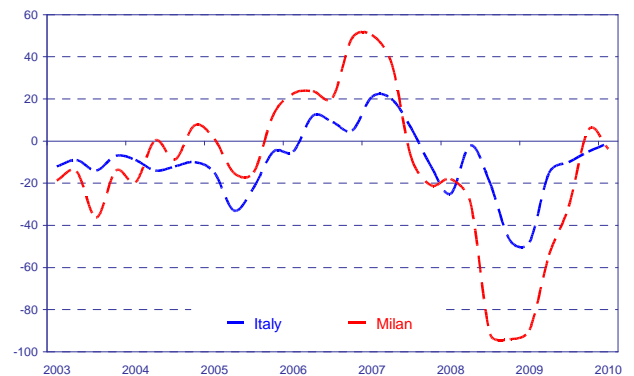


Expectations on Employment	Italy (seasonally adjusted balances)	Milan (raw balances)
second quarter 2009	-4	1
third quarter 2009	2	-14
fourth quarter 2009	-1	5
first quarter 2010	1	3

• **Expectations Regarding the Economic Situation**

In Italy, entrepreneurs expected an improvement in the economic situation: the balance continued to grow (from -5 to -1), gradually moving from the negative record of the beginning of the 2009. In the Milan Area, the balance worsened and returned negative, even if it remained on the values of the end of 2007.

Economic Situation Expectations – Business Services



Expectations on the Economic Situation	Italy (seasonally adjusted balances)	Milan (raw balances)
second quarter 2009	-15	-54
third quarter 2009	-10	-31
fourth quarter 2009	-5	5
first quarter 2010	-1	-4

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