

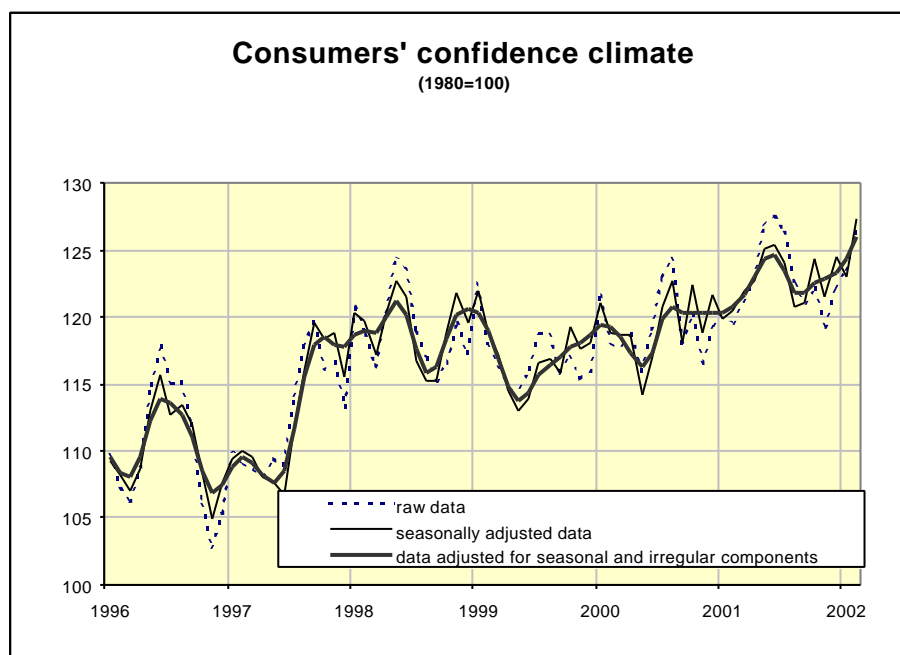


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**PRESS RELEASE**  
February 20, 2002  
**ISAE CONSUMER SURVEY**  
Reference month: February

- The February confidence climate of Italian consumers strongly improves, mainly mirroring their diffusely rosier evaluations on households' economic situations. Also expectations on the short-term evolution of the Italian economy are growing in a framework characterised by strongly decreasing inflationary expectations.
- An *ad hoc* survey carried out in February on the traditional ISAE sample of consumers points out that 66% of respondents feel the changeover effects on prices were moderate, while 12% deem there was a considerable impact; the changeover had no consequences on consumer prices for 21% of respondents.
- The trend to consider the changeover as the cause for the marked price rise seems to be particularly wide-spread in big towns, among citizens living in the Southern areas and in the islands and among the lowest income brackets. The most pessimistic opinions on the changeover coincide with the darkest assessments on the present economic situation and on personal economic situations.
- The annual survey on durables and on the introduction of ICT shows that the diffusion of stereo equipment and video-recorders has increased over the past year, while the number of dishwashers and second cars has been decreasing. The number of PCs and mobile telephones is growing as indeed is the share of households having access to the Internet.



## **I - ISAE CONSUMER SURVEY FOR ITALY**

*February 2002*

### **General results**

**The ISAE survey carried out in early-February on a sample of 2,000 consumers reveals a very strong improvement in the Italian consumers' confidence climate. The raw index rises to 126.4 (123.5 in January), the seasonally adjusted index jumps to 127.3 (123 in January) and the index adjusted for seasonal and irregular components grows to 126 (124.4 in January). Both the seasonally adjusted index and the one adjusted for seasonal and irregular components thus reach their highest figures since May 1990.** Consumers are particularly optimistic about their own economic situations: in particular, their present convenience to save and purchase durables is increasing. Also short-term prospects on the evolution of the Italian economic situation are improving. The current inflation dynamics is moderately recovering, though expectations on inflation for the next twelve months are strongly diminishing.

Generally speaking, most respondents feel the changeover effects are modest. Indeed, the trend to consider the changeover as a cause for price increases seems to be particularly wide-spread in large cities and among citizens living in Southern areas and in the islands and among the lowest income brackets.

In February, the percentage of households declaring to possess some of the main durables (video-recorders, stereos) and to use the new information and communication technologies (personal computers, the Internet, mobile telephones) considerably increased compared to February 2001. Conversely, the share of those possessing a dishwasher and a second car is diminishing.

The positive results of the February ISAE Survey mark a reverse of trend compared to the situation emerging from the January European Commission Harmonised Survey, whereby the euro area confidence climate registered a modest contraction in early-2002, mainly due to a slight deterioration in the households' financial situation and to worse forecasts on next twelve months' economic trend and saving convenience. In the United States, the January households' confidence values increased, but indeed registered a contraction in February - according to the first anticipations of the Michigan University - mainly due to the stock market fears for the major firms' financial situations.

## **Overall situation**

In February, the consumers' opinions on the general economic situation continue to improve, particularly with regard to short-term prospects of the Italian economy. Compared to January, consumers express a slightly less pessimistic opinion on the economic situation of the past twelve months (the balance passing from -26 to -24), but their forecasts on the next twelve months are definitely rosier. The share of those expecting an improvement in their economic situation (32% of respondents) is larger than those forecasting a worsening (20% of respondents); the balance passes from 5 in January to 12 in February,

According to the ISAE sample, the February inflation dynamics slightly accelerates, while less respondents expect a price rise in the next twelve months. The share of those feeling prices rose "very much" or "rather" increases from the January figure of 48% to 52% in February, while the percentage of those expecting a larger price growth in the next twelve months falls from 27% in January to 14% in February. Those results are in keeping with the replies given by the ISAE respondents to a specific question meant to highlight the changeover effects on consumer prices. The price rise following upon the changeover is perceived as "moderate" by about two thirds of respondents and the share of those who perceived no major price increase (21% of the sample) is clearly larger than those who felt major increases (12% of the sample). Only 1% of respondents realised a price contraction due to the changeover or remain doubtful on its effects. Apparently, the changeover had a modest acceleration effect on the current inflation dynamics, and indeed it was smaller than the expected over the past few months on the basis of the ISAE respondents' forecasts. This phenomenon is leading consumers to review downwards their inflation forecasts for the next twelve months.

Forecasts on the labour market trend in the next twelve months are slightly less positive compared to the past survey: the share of those expecting a strong or at least moderate unemployment increase rises from 27% in January to 30% in February, while the share of those expecting an unemployment contraction falls from 25% in January to 23%.

## **Households' situation**

Turning to the households' situation, the consumers' current financial budget improves in February. Compared to January, an increase is observed in the number of households reporting to

save (from 37 to 40%) beyond their balance needs. Assessments on the households' economic situations remain stable, while expectations for the next twelve months markedly improve (the balance passing from 5 to 9). A vast majority of respondents (78%, as against 76% in January) do not expect substantial variations compared to 2001. The possibility to save in the next twelve months proves stable compared to the past survey; the share of those who feel that it is convenient to save now grows to 81% (75% in January). This goes alongside with a less unfavourable assessment on the convenience to purchase durables. Indeed, the share of those feeling it is an unfavourable period for purchases falls from 46% in January to 39%, while the percentage of those declaring their purchasing decisions are not influenced by the present situation rises..

Apparently, the financial situations' improvement and the rosier evaluations on the convenience to save and purchase durables are not mirrored by increased purchasing intentions: the share of those declaring they are not buying durables in the next twelve months rises from 53 in January to 56% in February and the share of households having no intention to spend for home maintenance rises from 73% to 75%. The percentage of respondents declaring their intentions to buy a car within the next two years falls from 19 to 17% of the sample.

### **The changeover in the consumers' opinions**

According to the *ad hoc* Consumer Survey carried out by ISAE in February, the large majority of respondents (87%) think the changeover had a marginal influence on the inflation rate. At the same time, households reduced their expectations on inflation, after six months when expectations systematically proved over the actual data. Both results are in keeping with the ISAE evaluations and forecasts quoted in the Quarterly Report of January 2002. It is significant that consumers expressed no particular concern for inflation the very day after the strong price rises registered in January in agricultural products and in some administered-price services. Had those disturbing factors not emerged, the respondents' evaluations might have been even rosier.

Psychological components seem to impact the households' assessments. Beyond the available official data, consumers seem to have been influenced mainly by some negative experiences made while purchasing large-consumption goods and services, such as fresh food products and some public services which registered diffused and large price increases at the beginning of the year, but which however represent only part of the overall spending basket. As indicated in the latest ISAE Quarterly Report, the changeover might have had relevant effects on the price structure rather than on the general inflation trend. In particular, the ISAE survey shows that the lowest income brackets

- for which large-consumption goods have a larger-than-average weight - are those who perceived most the changeover impact. In any case, the February fall in expectations on inflation shows that most consumers were expecting a changeover effect on prices larger than the one actually experienced and reported by the ISAE survey. The psychological element seems to influence particularly those who indicated a heavy changeover effect on inflation. Indeed, in the face of a generalised improvement in the households' confidence climate, the darkest opinions on the economic trend come from those who signalled a strong changeover impact on prices. A possible overestimate of the changeover effect seems to be associated to concerns for the present and future inflation rates which also drastically decreased in February. The percentage of those complaining diffused price rises due to the changeover ranges from 50% among consumers perceiving an inflation acceleration to 5% among consumers perceiving a price slowdown or fall in 2001. In turn, the most pessimistic evaluations on price trends in the next months seem to come from consumers overestimating the price rises due to the changeover.

The evaluation of the changeover effect seems to systematically differ according to the professional category and to the education and income levels. Generally speaking, well-informed consumers with good jobs belonging to the highest income brackets seemed to be less concerned. If self-employed and professional workers tend to minimise the changeover impact on prices, considering it null in 30% of cases, farmers and unskilled workers deem it is responsible for the strong and diffused price rises in 21 and 17% of cases respectively. In turn, almost 30% of graduates excludes there were inflationary effects as against 18% of respondents with a junior high school diploma. A peak of 20% of workers earning less than 2 million liras per month think the changeover caused the price rises, while all other categories remain below the average. This result, apart from signalling a higher sensitivity to inflation on the part of poorer workers, might also indicate that price rises mainly concerned basic and cheap goods which typically belong to the basket of medium/low-income households. Indeed, those same goods were hit by the price rise of food products and public services and this might have caused confusion in the households' assessments.

The territorial breakdown of replies reveals the changeover caused price rises slightly larger than the average in the South, in the islands and in big towns, maybe because of a generalised upward adjustment of prices which originally were smaller than elsewhere. This would confirm that the main changeover effect was simply anticipating the order-book review and the adjustments suggested by the market which, in other conditions, would take place in the next few months.

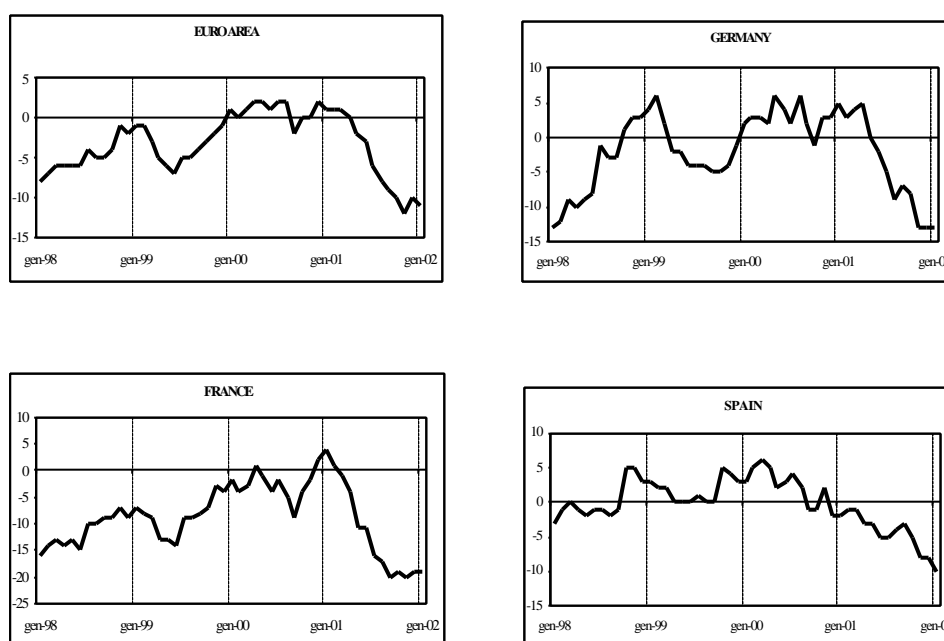
## **Possession of durables and utilisation of information and communication technologies**

In February, ISAE carried out an annual survey on the possession of some durables (stereos, video-recorders, dishwashers, cars) and on the utilisation of new information and communication technologies (personal computers, mobile telephones and the Internet). Compared to February 2001, in 2002 a growth is observed in the share of households possessing, among the main durables, a stereo (70% compared to 65% in 2001) and a video-recorder (74% compared to 70% in 2001). Conversely, the diffusion of dishwashers (from 44 to 42%) and of the second car (from 38 to 36%) is decreasing. The larger diffusion of stereos and video-recorders concerns the whole country, with peaks in the North-eastern and Central area of Italy, where the highest figures are observed (to 75 and 77% respectively). Also the contraction in the dishwasher diffusion (from 44 to 42% of households at national level) seems homogeneous throughout the territory, with the exception of North-eastern regions, where an increase emerged (from 48 to 51 % of respondents). With regard to cars, 88% of respondents signal to possess at least one (it was 87% in 2001); the percentage equals 90% in North-eastern and Central Italy and 85% in Southern Italy. Indeed, the share of households reporting to possess one car only increases (from 49 to 52%), while the number of consumers having more than one car is diminishing (from 38 to 36% of respondents). That trend is diffused all over the country: 54% of the sample in Southern Italy declare to have one car only and merely 31% report to have more than one. With regard to the utilisation of goods and services connected to information and communication technologies, the diffusion of personal computers and mobile telephones strongly increases and indeed homogeneously throughout the country, as does the number of households with access to the Internet. 45% of households declare to use a PC (40% in 2001), 75% of respondents possess a mobile telephone (72% in 2001). The maximum diffusion lies in Central Italy (were 52% and 80% of households possess a PC and a mobile telephone respectively), and the minimum diffusion is to be found in Southern Italy and in the islands (where only 38 and 71% of households declare to possess a PC and a mobile telephone respectively). In February 2002, 33% of households had access to the Internet (29% in 2001), which is almost five times the 1999 figure (7%). The maximum diffusion lies in Northern-eastern and central regions (38% of households), the minimum diffusion in Southern areas (26 of respondents).

## II - THE EUROPEAN COMMISSION CONSUMER SURVEY<sup>1</sup> AND AMERICAN CONSUMER SURVEYS

*January and first anticipations for February 2002*

In January, the consumers' average confidence climate registered a modest contraction in the euro area, while it grew in the United States. According to the preliminary data of the Michigan University, a confidence deterioration is observed in the United States in February, mainly due to tensions on the stock markets linked to the uncertain financial situations of major firms.



According to the European Commission Consumer Survey, the consumers' confidence climate in the euro area registered a slight deterioration in January, decreasing from -10 in December to -11. This figure mirrors less favourable evaluations on the households' financial situations and darker forecasts on the economic trend for the next twelve months and on saving. Indeed, expectations on the medium-term unemployment rate evolution became stable. A considerable deterioration was witnessed in the opinions on the convenience to purchase durables (the balance passing from -5 to -15), which is however not due to concerns on price dynamics following upon the changeover. Among the major countries, the confidence climate in Germany remains at -13, while a more widespread pessimism is observed on the convenience to purchase durables (the balance falling from -6 to -14). Similarly, the confidence remains stable in France (the balance being -19, as in the previous

<sup>1</sup> Since September 2001, the European Commission computes its confidence climate on different series compared to the past. For more details, see the Methodological Note.

month); forecasts on the future unemployment trend are indeed more pessimistic. Most European countries registered negative variations in their index, while confidence improved in Ireland, The Netherlands, Austria and Finland.

In the United States, the Conference Board indicator rose from 94.6 in December to 97.3 in January. The result mirrors the households' more optimistic opinions on the future economic prospects of the country and, in particular, on the labour market trend. In January, also the Michigan University households' confidence climate indicator had a rise, reaching the level of 93 (88.8 in December). According to the first anticipations of the Michigan University, the American consumers' confidence fell in February down to 90.9. According to analysts, the contraction is mainly due to the increased uncertainty on the stock markets following upon the Enron financial disaster and the fears for the financial situations of some major firms.

*The full text of Isae Survey is available on the website [www.isae.it](http://www.isae.it)*

**Data referring to March 2002 shall be diffused on March 20, 2002.**

**Next ISAE survey concerns manufacturing firms (January and February) and is scheduled on February 27, 2002.**

### Consumers' confidence climate (1980=100)

MONTH	DATA SERIES		
	Raw data	Seasonally adjusted data	Data adjusted for seasonal and irregular components
Jan. 96	109.7	109.3	109.6
Feb. 96	107.2	108.2	108.4
Mar. 96	106.1	107.0	108.0
Apr. 96	108.8	108.7	109.6
May 96	114.8	113.0	112.3
June 96	117.9	115.7	113.8
July 96	115.0	112.7	113.5
Aug. 96	115.2	113.4	112.7
Sept. 96	112.0	111.9	111.1
Oct. 96	106.0	108.4	108.5
Nov. 96	102.7	104.9	106.8
Dec. 96	105.3	107.6	107.4
Jan. 97	109.9	109.5	108.9
Feb. 97	109.0	110.0	109.5
Mar. 97	108.6	109.5	109.1
Apr. 97	108.1	108.0	108.2
May 97	109.4	107.6	107.6
June 97	108.9	106.7	108.5
July 97	114.1	111.8	111.6
Aug. 97	117.8	116.0	115.5
Sept. 97	119.7	119.6	118.0
Oct. 97	116.1	118.4	118.5
Nov. 97	116.7	118.9	117.9
Dec. 97	113.2	115.5	117.7
Jan. 98	120.8	120.3	118.7
Feb. 98	118.7	119.7	118.9
Mar. 98	116.3	117.1	118.8
Apr. 98	120.3	120.3	120.0
May 98	124.5	122.7	121.3
June 98	123.7	121.6	120.2
July 98	118.9	116.7	117.6
Aug. 98	117.0	115.2	115.8
Sept. 98	115.2	115.2	116.3
Oct. 98	116.6	118.8	118.4
Nov. 98	119.7	121.9	120.1
Dec. 98	117.2	119.5	120.5
Jan. 99	122.6	122.0	120.3

MONTH	DATA SERIES		
	Raw data	Seasonally adjusted data	Data adjusted for seasonal and irregular components
Feb. 99	117.9	118.9	119.0
Mar. 99	116.3	117.1	116.8
Apr. 99	114.6	114.5	114.8
May 99	114.7	112.9	113.8
June 99	116.0	113.9	114.3
July 99	118.8	116.5	115.7
Aug. 99	118.7	116.9	116.4
Sept. 99	115.8	115.9	117.0
Oct. 99	117.1	119.3	117.8
Nov. 99	115.4	117.6	118.1
Dec. 99	115.9	118.1	118.7
Jan. 00	121.7	121.1	119.4
Feb. 00	117.9	118.9	119.2
Mar. 00	117.9	118.7	118.5
Apr. 00	118.7	118.7	117.4
May 00	115.9	114.2	116.3
June 00	119.1	117.0	117.4
July 00	123.0	120.8	119.8
Aug. 00	124.5	122.7	120.7
Sept. 00	117.9	118.0	120.3
Oct. 00	120.2	122.4	120.3
Nov. 00	116.6	118.8	120.3
Dec. 00	119.4	121.6	120.4
Jan. 01	120.4	119.9	120.4
Feb. 01	119.5	120.5	120.7
Mar. 01	121.2	122.0	121.7
Apr. 01	122.8	122.7	123.0
May 01	126.9	125.1	124.3
June 01	127.6	125.4	124.6
July 01	126.4	124.1	123.4
Aug. 01	122.5	120.7	121.9
Sept. 01	121.0	121.2	121.9
Oct. 01	122.1	124.3	122.6
Nov. 01	119.2	121.6	122.9
Dec. 01	122.2	124.5	123.4
Jan. 02	123.5	123.0	124.4
Feb. 02	126.4	127.3	126.0

### General results of the survey on the changeover effects (% of total replies)

	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Total respondents	12	66	21	0	1	100

### Changeover evaluations, assessments and forecasts on the country's economic situation

Assessments on the past twelve months	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Much improved	9	55	36	0	0	100
Improved	6	68	25	1	0	100
Unchanged	9	64	26	0	1	100
Worsened	15	71	13	0	0	100
Much worsened	27	55	17	1	0	100
Don't know, no reply	17	67	17	0	0	100

Assessments on the past twelve months	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Much improved	11	50	39	0	0	100
Improved	8	68	23	1	0	100
Unchanged	11	68	21	0	0	100
Worsened	19	65	15	0	1	100
Much worsened	47	38	15	0	0	100
Don't know, no reply	4	62	35	0	0	100

### Changeover evaluations, assessments and forecasts on inflation

Assessments on the past twelve months' price trend	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Much improved	49	37	13	1	0	100
Improved	12	75	12	0	1	100
Unchanged	4	72	23	1	1	100
Worsened	5	46	49	1	0	100
Much worsened	0	33	67	0	0	100
Don't know, no reply	33	0	67	0	0	100

Assessments on the next twelve months' price trend	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Much improved	34	54	12	0	1	100
Improved	10	72	16	0	0	100
Unchanged	6	70	23	0	1	100
Worsened	8	63	28	1	0	100
Much worsened	10	66	21	3	0	100
Don't know, no reply	2	68	27	0	2	100

### Changeover evaluations and social-economic conditions

Professional category	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
Undefined	14	65	19	1	1	100
Manager/Professional	9	62	28	0	0	100
Farmer	21	63	16	0	0	100
Employee/Officer	8	69	22	0	0	100
Skilled worker	12	64	24	0	0	100
Unskilled worker	17	65	17	1	0	100

Education	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
University or equiv.	5	67	28	0	0	100
High School	8	69	22	0	0	100
Junior high school	14	67	18	1	1	100
Primary school	19	59	21	0	1	100
None	20	57	20	3	0	100

Actual income (net monthly millions of lire)	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
<= 2	21	60	18	1	1	100
2 - 4	9	68	23	0	0	100
>= 4	9	69	20	0	1	100

### Changeover evaluations and social-economic conditions

Geographical partition	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
North-west	14	63	21	1	1	100
North-east	8	68	24	0	0	100
Centre	10	68	21	0	1	100
South	13	67	19	0	1	100
Islands	17	64	18	1	0	100

Demographic bracket of municipality	Changeover effects					Total
	Large increase	Moderate increase	No increase	Decrease	Don't know	
<= 5,000	10	68	21	0	1	100
5,001 – 10,000	11	66	22	1	0	100
10,000 – 20,000	12	64	23	0	1	100
20,001 – 50,000	14	65	21	0	0	100
50,001 – 100,000	16	61	22	0	1	100
100,001 – 500,000	11	69	19	1	0	100
> 500,000	12	70	18	0	0	100