

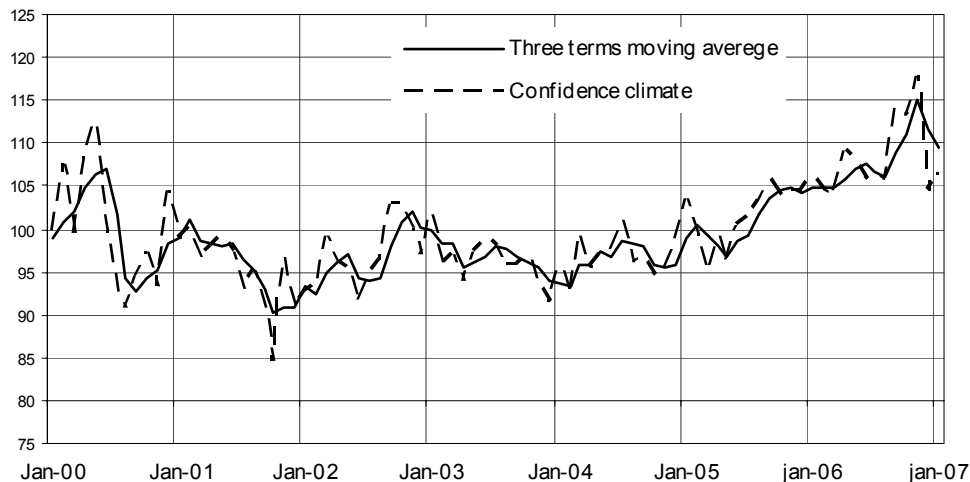


Date: **January 30, 2007**
TEL.: **06/444821**

IN JANUARY RETAIL TRADE FIRMS' CONFIDENCE STARTS TO INCREASE AGAIN

- After the sharp drop recorded in December, the seasonally adjusted confidence indicator edged up in February, moving from 104.4 (in December) to 106.6. The assessments on current business conditions improved and inventories diminished. Expectations on the volume of future sales, instead, continued to worsen
- Among the series excluded from the definition of retail climate, expectations on the volume of orders and employment showed renewed optimism. In addition, firms believed that current inflation was slightly accelerating, but showed the intention of keeping their selling prices stable in the following three months
- The improvement in confidence was evenly spread across both distribution channels. The seasonally adjusted index actually increased from 112.4 to 116.8 for traditional retail trade and from 97.3 to 98.3 for “modern” distribution

Confidence climate
(seasonally adjusted data, indices 2000=100)



Data on February shall be released on February 27, 2007

The next ISAE surveys are scheduled as follows:

February 7, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: January)*

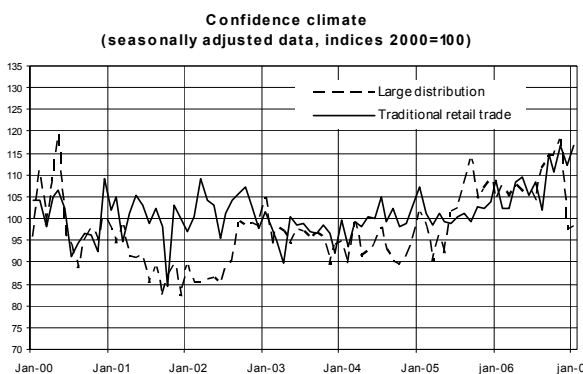
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between January 1 and January 19 on a panel of about 1,000 firms operating in the traditional and large retail distribution, pointed in January to some moderate signs of recovery for Italian retailers' confidence. Following the sharp drop posted in the previous month, the seasonally adjusted confidence indicator resumed its upward path, moving from 104.4 (in December) to 106.6 and coming close to the value recorded last July. In particular, the opinions on the current sales trend improved and inventories diminished. Expectations on future developments in business activity remained, instead, pessimistic.

The analysis of the variables excluded from the definition of confidence gave seemingly contradictory results with respect to this last trend: in effect expectations on the future volume of both orders and employment were more optimistic. As for prices, firms believed that suppliers' inflationary pressures continued to increase marginally, but at the same time stated the intention of maintaining their selling prices unchanged in the following three months.

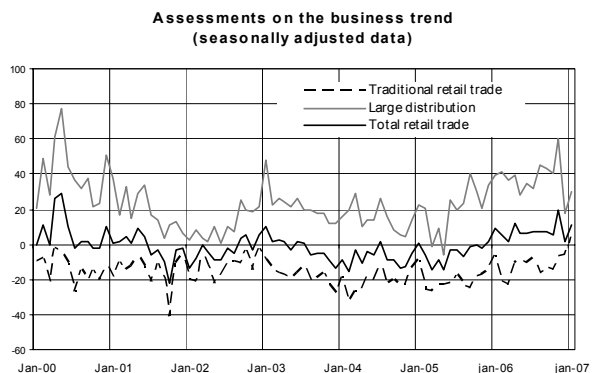
The improvement in the seasonally adjusted confidence climate characterized both distribution channels. The indicator increased from 97.3 (in December) to 98.3 for large distribution and from 112.4 to 116.8 for traditional retail trade.



Situation in the reference month (January 2007)

In January, surveyed firms gave a decidedly more confident appraisal of current business activity: the seasonally adjusted balance of the variable actually increased from 1 (in December) to 11. Moreover, stocks were considered to have moderately diminished. The related balance (which is not affected by seasonal factors) declined from 12 to 9. With regard to the opinions on the current suppliers' price trend, the seasonally adjusted balance of the variable started to increase once more, moving from 30 to 32.

The breakdown of the survey results by type of retail distribution indicated that operators in both distribution channels considered a strong improvement in current business activity. The seasonally adjusted balance of the variable actually recovered from -6 (in December) to 4 for traditional distribution, and shot up from 18 to 30 for "modern" distribution. Both inventories and suppliers' prices sent instead contrasting signals. The seasonally adjusted balance of the former variable actually decreased from 17 to 4 for traditional retail trade, but grew from 2 to 16 for "modern" distribution. As for the current inflation trend, instead, the related seasonally adjusted balance lowered from 28 to 25 for traditional retail trade, but surged from 29 to 42 for large distribution.



Outlook for the months ahead

In January, along with by and large sharply negative expectations for future business activity, prospects for the future volume of both orders and employment posted a recovery. The seasonally adjusted balance for the future volume of sales declined from 17 (in December) to 10, whereas the balance related to expectations for orders and employment improved from 1 to 3 and from 1 to 6, respectively. As for the future trend in selling prices, surveyed traders forecast virtual stability: the raw balance of the variable remained unchanged at 20.

The breakdown of the data by type of retail distribution showed that large retail firms were the more optimistic ones: the seasonally adjusted balance for the future volume of both sales and employment as well as orders actually improved with respect to December (in the order, to 30 from 25, to 20 from 15 and to 25 from 13). Operators in traditional distribution were instead less confident. They actually expected a sharp drop in sales for the following three months and a moderate decline in the volume of future orders. The seasonally adjusted balance of the former variable nose-dived from 12 (in December) to 0, whereas that of the latter variable notched down from -13 to -14. Positive indications came only from employment: the related seasonally adjusted balance moderately recovered, moving from -5 to -2. Lastly, with regard to the trend in selling prices, the raw balance of the variable remained stable at 26 for large distribution and slipped from 17 to 16 for traditional retail trade.

Confidence climate and balances of the index-building series (seasonally adjusted data)

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
August.	105,8	7	8	4
Septemberr	114,2	7	32	4
October	113,1	6	36	10
November	117,8	19	33	7
December	104,4	1	17	12
January	106,6	11	10	9

Forecasts on business trend (seasonally adjusted data)

