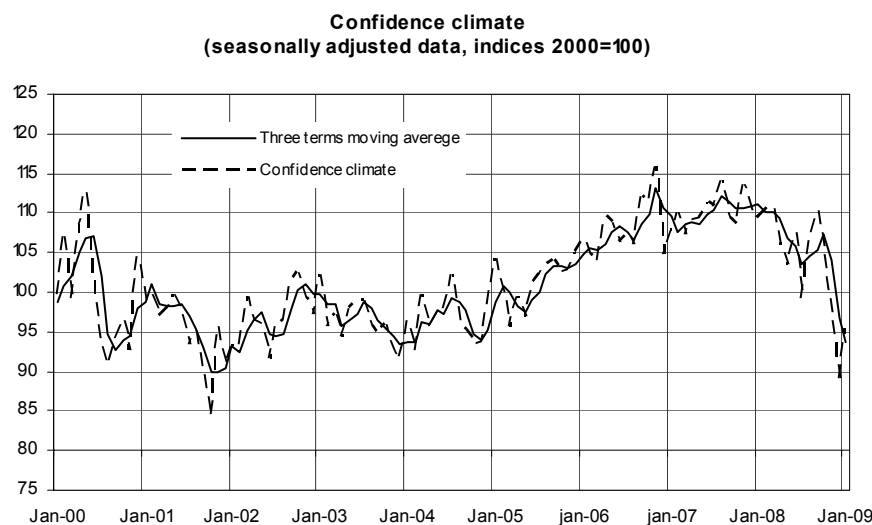




Date: **January 30, 2009**  
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## ITALIAN RETAILERS' CONFIDENCE RECOVERS IN JANUARY

- In line with the findings of the consumer survey, in January retailers' confidence resumed its upward path, moving from 88.7 to 95.5, but confirming a historical low value
- Firms overall gave less negative assessments on current business activity and revised slightly up their expectations for the future volume of sales. Lastly, inventories further diminished
- Among the variables excluded from the definition of retail climate, employment prospects turned positive and also expectations for the future volume of orders recuperated, following the sharp fall recorded in the previous survey
- However, regarding the price trend, retailers indicated a new acceleration of both current and future inflation
- Looking at both distribution channels, confidence recovered in traditional distribution, but continued to worsen in "modern" trade. The seasonally adjusted indicator actually increased from 93 to 108.9 in traditional distribution, jumping back close to its October 2008 value, while it declined instead from 86.9 to 83.7 in large retail trade



**Data on February shall be released on February 27, 2009**

*The next ISAE surveys are scheduled as follows:*

**February 11, 2009:** *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](http://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 small and large retail distribution, showed that in January the negative trend in retailers' confidence, which started in the third quarter of 2008, underwent a setback. The seasonally adjusted indicator, though remaining at a record low (it came in at a minimum last reached in November 2004), actually rose from 88.7 to 95.5. Recovery mainly distinguished the opinions on the current trend in sales, while cautious optimism emerged for expectations on future business activity. Finally, inventories continued to decline.

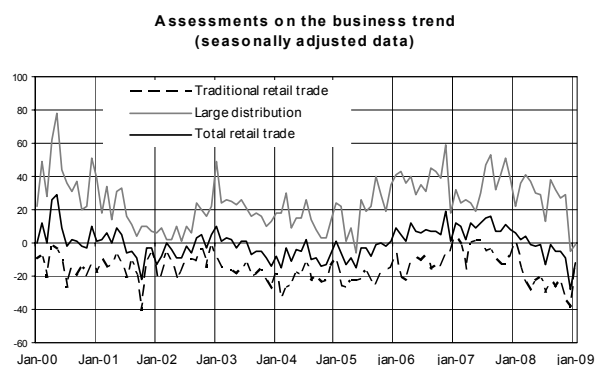
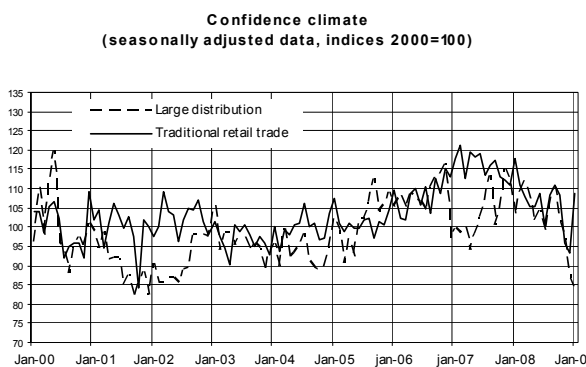
Among the variables excluded from the definition of retail climate, after three months, expectations on the future level of orders started to improve once more. Also prospects for future labour market developments were more positive. As for the price trend, assessments indicated however a resumption of both current and future inflation.

At sector level, the improvement in confidence did not characterize both distribution channels. While operators in traditional distribution were mostly optimistic, those in "modern" trade continued to give mainly negative indications. In particular, the seasonally adjusted indicator increased from 93 to 108.9 in traditional distribution, bouncing back to its October 2008 value, whereas the one for "modern" trade declined from 86.8 to 83.7, hitting a low unseen since December 2001.

## Situation in the reference month (January 2009)

In January, retailers' opinions on the current volume of sales bettered. The seasonally adjusted balance of the variable resumed its upward trend, recovering from -28 (in December) to -12. The result was in line with firms' opinions on the level of inventories. The related seasonally adjusted balance of the variable actually continued to decline, moving from 12 to 9. Finally, with regard to supplier prices, the share of respondents who believed that inflation had started to increase once more prevailed in January. The seasonally adjusted balance of the variable rose from 33 to 38, remaining however below the average recorded in the last six months.

The breakdown of data by distribution channel showed that opinions of both traditional and large retail traders were less pessimistic about the current trend in business activity, compared to the previous survey. The related seasonally adjusted balance, though remaining at historical low level, actually recovered from -5 to -1 in the former case and from -39 to -13 in the latter one. However, respondents' assessments on the level of inventories and on supplier price inflation showed divergent trends in the two sectors. In particular, in "modern" trade, the seasonally adjusted balance of these variables increased, moving from 11 to 23 and from 23 to 43, respectively. On the contrary, in traditional distribution the balance dropped from 12 to 1 for the former variable and from 32 to 28 for the latter one.



### Outlook for the months ahead

In January, also respondents' short-term forecasts seemed to confirm the recovery of confidence. In the following three months, improvement was expected for the volume of both sales and orders, as well as for employment. The related seasonally adjusted balances, though remaining all below their long term average, improved over the previous survey, moving from 0 to 2, -19 to -11 and from -3 to 1, respectively. With regard to future selling prices, traders expected overall a revival of inflationary pressures. The related seasonally adjusted balance increased from 12 to 15.

The breakdown of data by distribution channel showed that expectations were generally non-homogeneous. Overall, traditional retail traders were less pessimistic. They forecast an improvement in the volume of sales and orders, as well as employment. The seasonally adjusted balances of the variables recovered from -10 to -6, from -39 to -33, and from -4 to 1. Operators in "modern" trade, instead, forecast an improvement only for the future volume of orders (the related seasonally adjusted balance rose from 0 to 17), while, on the contrary, they expected deterioration in the trend in sales and employment. More in detail, the related seasonally adjusted balance dropped from 20 to 17, in the former case, and from 4 to 2 in the later one (reaching the lowest level since October 2003). Lastly, also selling price expectations were mixed. The related seasonally adjusted balance continued to decrease, for the third straight month, in large distribution (to 17, from 19 in December), but on the contrary started to rise again in traditional trade (to 15, from 7).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
August	106,6	-1	18	5
September	110,3	-5	29	1
October	105,0	-5	20	7
November	96,7	-9	11	19
December	88,7	-28	0	12
January	95,5	-12	2	9

Forecasts on business trend (seasonally adjusted data)

