

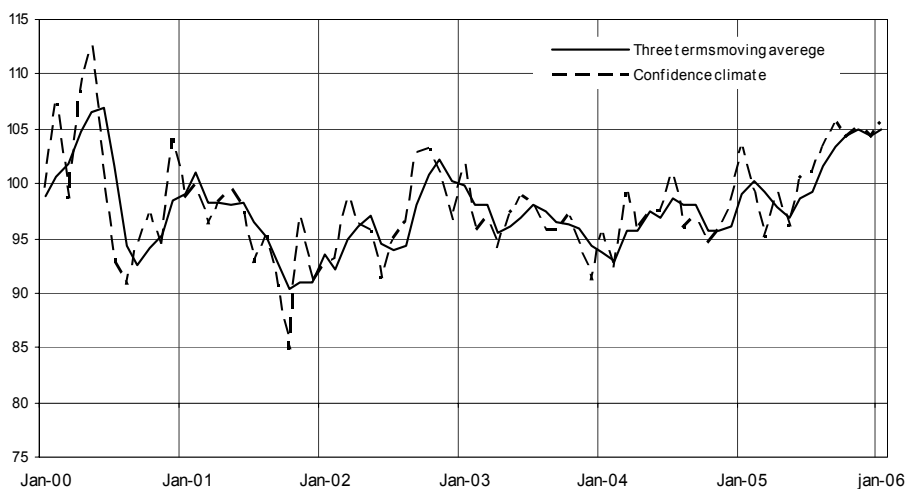


Date: February 28, 2006  
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## RECOVERY OF RETAIL TRADE FIRMS' CONFIDENCE IS BACK ON TRACK IN JANUARY

- The seasonally adjusted confidence index of retail trade firms recovered in January, rising to 105.5 from 104.1 in the previous month. Respondents positively appraised current business activity and the level of inventories, while they held negative expectations on future sales
- Among the series excluded from the definition of retail climate, respondents were strongly optimistic with respect to labour market developments, but they appeared somewhat cautious about expectations on the volume of future orders. As for prices, inflationary pressures seemed to be increasing, mainly regarding future selling prices
- The recovery in confidence was not reflected in both types of retail distribution. The seasonally adjusted index, in fact, declined from 107.8 to 103.4 for large distribution, while it rose from 103.9 to 108.4 for traditional retail trade

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



**Data on February shall be released on March 29, 2006.**

*The next ISAE surveys are scheduled as follows:*

**March 1, 2006:** ISAE Survey on Construction (reference period: January 2006)

**March 6, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: February 2006)

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

According to the ISAE survey, carried out on a panel of about 1,000 firms operating in the traditional and large retail distribution, the confidence indicator recorded a rebound in January, following a drop in December. The overall seasonally adjusted index bounced back from 104.1 to 105.5, coming close to its November level. The improvement was mainly driven by an increase in the balance of the assessments on current business activity and by a new fall in the level of inventories. In contrast, expectations on future sales continued to worsen.

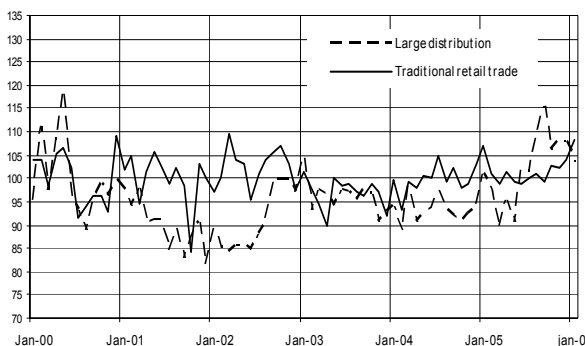
With regard to the variables excluded from the definition of the retail climate, respondents were strongly optimistic with respect to labour market developments, while they seemed somewhat cautious regarding expectations on future orders. As for prices, inflationary pressures were seemingly increasing in January for suppliers' prices, but pressures were considered to have picked up mainly for selling prices. The breakdown of data by type of retail trade showed that the improvement in confidence did not characterize both distribution channels. The indicator confirmed an increase for traditional retail trade (to 108.4 from 103.9 in December), while it posted a worsening for "modern" distribution (to 103.4 from 107.8).

## Situation in the reference month (January 2006)

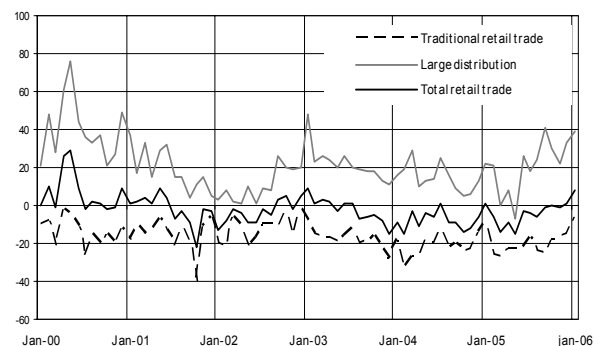
In January, the assessment on current retail business activity markedly improved. The seasonally adjusted balance of the variable increased from 1 to 8, reaching its highest level since January 2003. Moreover, surveyed firms reported further de-stocking, reducing the related balance (which is not affected by seasonal factors) from 3 to 1. The seasonally adjusted balance of the assessments on suppliers' prices continued to increase (from 24 to 28) with respect to the previous survey.

According to the breakdown by type of retail distribution, both large retailers and traditional ones expressed greater satisfaction with business activity. The seasonally adjusted balance of this variable actually recovered from -15, in December, to -6 and from 33 to 39, respectively. Whereas the assessment on the level of both orders and prices showed conflicting signals. The seasonally adjusted balance of the former variable recovered from -2 to 0 for large distribution, underlying the higher proportion of firms that viewed an increase in inventories, whereas it fell from 5 to 2 for traditional distribution. With regard to the latter variable, the balance dropped for traditional distribution (from 25 to 22), but rebounded for "modern" distribution (from 18 to 33).

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



**Assessments on the business trend**  
(seasonally adjusted data)



**Outlook for the months ahead**

In January, retail traders surveyed by ISAE further worsened their expectations on future sales. The related seasonally adjusted balance actually declined (from 8 to 2), confirming the trend which had started in December. Furthermore, a slight apprehension was betrayed by expectations on the volume of orders. The related seasonally adjusted balance in fact slipped from -2 to -3. In seeming conflict, the respondents expressed strong optimism about expectations on job developments. The related seasonally adjusted balance bounced from 5, in December, to 16. Finally, with regard to the prospects on changes in selling prices, the January Survey pointed to a sharp increase in inflationary pressures (the raw balance of the variable soared from -2 to 8).

According to the type of retail trade, “modern” retailers claimed to be definitely pessimistic about expectations on future sales, while traditional retailers seemed only slightly worried. For large distribution the seasonally adjusted balance of the variable dropped from 44 to 25, and for traditional trade it barely edged down from -13 to -14. The data breakdown showed instead conflicting views regarding expectations on the future volume of both orders and employment. The seasonally adjusted balance of orders, in fact, decreased from 28 to 25 for “modern” distribution, but recovered from -27 to -23 for traditional retail trade. That of employment markedly increased for large distribution, swelling from 27 to 52, while it abated for traditional trade, decreasing from -6 to -8.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Sept.	105,6	-1	18	7
Oct.	104,2	0	14	9
Nov.	105,1	-1	19	10
Dec.	104,1	1	8	3
Jan	105,5	8	2	1

**Forecasts on employment (seasonally adjusted data)**

