

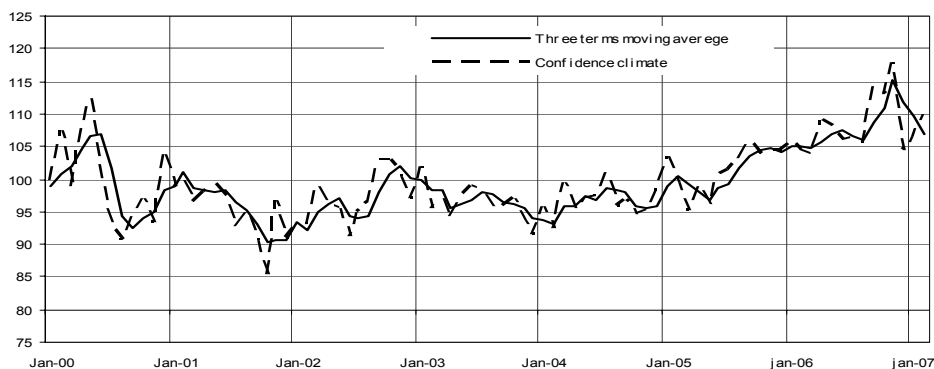


Date: February 27, 2007
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IN FEBRUARY RETAIL TRADE FIRMS' CONFIDENCE EXTENDS ITS UPWARD PATH

- The seasonally adjusted overall confidence indicator increased to 109.8 (from 106.7 in January) backed by optimism about future developments in sales and by de-stocking of inventories
- Among the series excluded from the definition of retail climate, expectations on the volume of orders were positive again. By contrast, traders became rather worried about labour market developments
- As for prices, firms confirmed the increase in current inflationary pressures, showing at the same time the intention of raising their selling prices in the following three months
- The improvement in confidence was not evenly spread across distribution channels. The seasonally adjusted index actually increased from 117 to 121.2 for traditional retail trade and remained instead practically unchanged for "modern" distribution (moving from 98.1 to 97.9)

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



Data on March shall be released on March 28, 2007

The next ISAE surveys are scheduled as follows:

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

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 February 1 and February 19 on a panel of about 1,000 firms operating in the traditional and large retail distribution, showed in February a further increase in Italian retailers' confidence. The seasonally adjusted indicator actually rose from 106.7 (in January) to 109.8. Surveyed firms' expectations for the future volume of sales were especially favourable, and inventories diminished.

With reference to the variables excluded from the definition of confidence, expectations on the future volume of orders remained optimistic, whereas those regarding the level of employment resumed a downward path. As for price developments, current inflationary pressures seemed to increase further and new tensions emerged also with regard to expectations on future selling prices.

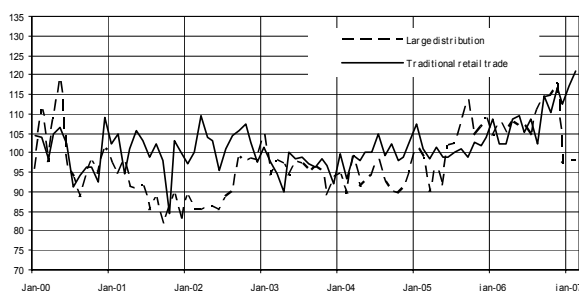
As for the breakdown of data by type of retail distribution, the opinions of traditional retail traders showed a significant improvement in confidence over the previous month: the related seasonally adjusted overall index actually increased from 117 to 121.2. Instead, for large distribution the same indicator remained practically unchanged, slipping from 98.1 to 97.9.

Situation in the reference month (February 2007)

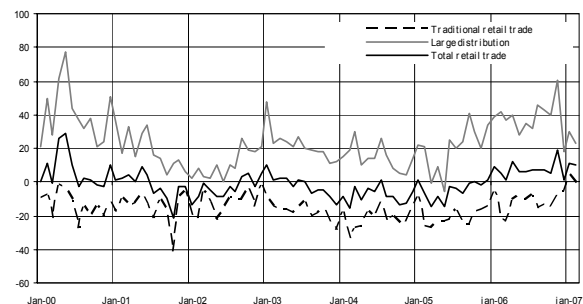
In February, surveyed firms gave a slightly less confident appraisal of current business activity: the seasonally adjusted balance of the variable inched down from 11 (in January) to 10. Furthermore, stocks were considered to have moderately diminished for the second month running. The related balance (which is not affected by seasonal factors) declined from 9 to 6. With regard to the opinions on the current suppliers' price trend, the seasonally adjusted balance of the variable continued to increase also in February, moving from 32 to 34.

The breakdown of survey results by type of retail distribution indicated that operators in both distribution channels considered a decline in current business activity. The seasonally adjusted balance of the variable actually diminished from 30 to 23 for "modern" distribution and from 4 to -1 for traditional retail trade. Inventories and suppliers' prices sent instead contrasting signals. The seasonally adjusted balance of the former variable edged up slightly for traditional retail trade (to 5 from 4 in January), but lowered for "modern" distribution (to 8 from 15). As for the current inflation trend, the related seasonally adjusted balance rose for traditional retail trade (to 29 from 25 in January) and remained unchanged for large distribution (at 42).

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



Assessments on the business trend
(seasonally adjusted data)



Outlook for the months ahead

In February, expectations of retail traders surveyed by ISAE were decidedly more optimistic with regard to the future trend in the volume of sales and orders. The seasonally adjusted balance increased from 10 to 18 for the former variable and from 3 to 6 for the latter one. By and large, pessimistic expectations characterized, instead, the level of employment: the seasonally adjusted balance of the variable started to decline once more, shrinking from 6 to 2. Lastly, with regard to future selling prices, surveyed traders expected higher inflationary pressures: the raw balance actually increased from 20 to 22.

The breakdown of the data by type of retail distribution showed that in February large retail firms were decidedly more optimistic about all surveyed variables, which posted an increase in their seasonally adjusted balances. Above all, they gave a particularly favourable appraisal of the future volume of sales, for which the balance bounced up from 0 (in January) to 17. Finally, with regard to the future volume of orders and employment, the related balances recovered from -14 to -3 and from -2 to 2, respectively. Operators in large distribution appeared, instead, less optimistic. They actually expected a drop for the following three months in both sales and orders, as well as employment. The seasonally adjusted balances of the variables declined, in the order, from 30 to 28, from 25 to 18 and from 19 to 13. To conclude, also the trend in selling prices sent contrasting signals: the raw balance of the variable diminished for large distribution (to 24 from 26 in January), but increased for traditional retail trade (to 21 from 16).

Confidence climate and balances of the indexbuilding series (seasonally adjusted data)

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
October	113.1	6	36	10
November	117.9	19	34	7
December	104.4	1	17	12
January	106.7	11	10	9
February	109.8	10	18	6

Forecasts on business trend (seasonally adjusted data)

