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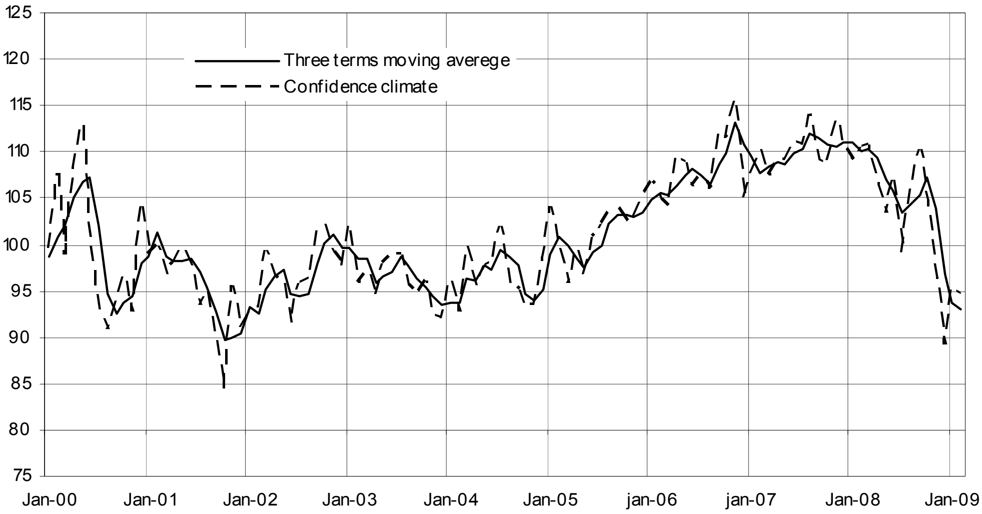
IN FEBRUARY ITALIAN RETAILERS' CONFIDENCE STARTS TO DECLINE ONCE MORE

- **Following the recovery posted in the previous month, in February the retailers' seasonally adjusted confidence indicator slipped from 95.3 to 94.7**
- **On the whole, firms gave a negative appraisal of current business activity and became more concerned about the future trend in sales. However, inventories continued to diminish**
- **Among the variables excluded from the definition of retail climate, respondents were pessimistic about the future volume of orders, but expected a rise in employment**
- **Regarding the price trend, retailers perceived a slowdown in current inflation and most of them also forecast a deceleration for the months ahead**
- **Looking at both distribution channels, confidence tumbled in traditional distribution, but increased instead in "modern" trade. The seasonally adjusted indicator actually fell from 108.7 to 95.1, nearing its November value, in the former sector, while it rose from 83.8 to 95.0 in the latter one**

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



Data on March shall be released on March 27, 2009

The next ISAE surveys are scheduled as follows:
March 10: *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 small and large retail distribution, showed that in February Italian retailers' confidence marginally worsened over the previous month. The seasonally adjusted indicator actually slipped from 95.3 (in January) to 94.7. Overall, the opinions on the current trend in sales became more unfavourable and slight concerns emerged once more regarding expectations on future business activity. However, inventories continued to decline.

Among the variables excluded from the definition of retail climate, notwithstanding negative expectations on the future level of orders, prospects for labour market developments were optimistic. As for the price trend, both current and future inflation were considered to be easing further.

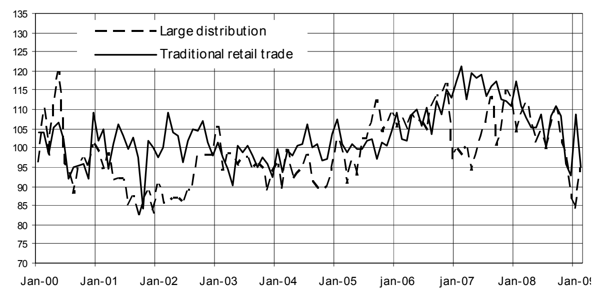
The seasonally adjusted confidence indicator showed strikingly different pictures at sector level. The index markedly dropped in traditional distribution (to 95.1 from 108.7 in January), but, on the contrary, recovered in "modern" trade (from 83.8 to 95.0).

Situation in the reference month (February 2009)

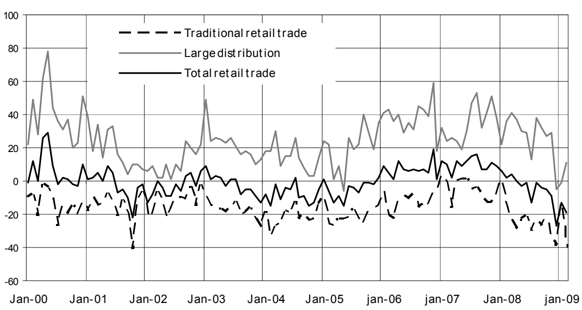
In February, retailers' opinions on the current volume of sales started to worsen. The seasonally adjusted balance of the variable diminished from -13 to -19. Inventories declined instead for the third straight month. The related seasonally adjusted balance (which is not affected by seasonal factors) dropped from 9 to 4. Lastly, compared to the previous survey, respondents considered a new slowdown in current inflation. The seasonally adjusted balance of the variable decreased from 38 to 36.

The breakdown of data by distribution channel painted a totally mixed picture. In detail, traditional retail traders gave in general a negative opinion on current business activity, whereas "modern" distribution ones were optimistic. For the former the balance of the variable tumbled from -13 to -40, back to its October 2001 low, while for the latter it recovered from -1 to 11. Respondents in traditional trade mainly considered inventories to be increasing, while those in large distribution reported on the whole a decline. The seasonally adjusted balance of the variable went up from 1 to 2 for the former sector and plunged from 23 to 9 for the latter one. Lastly, with regard to supplier prices, traditional retail traders perceived a decrease, while those in "modern" distribution reported a rise. The related seasonally adjusted balance moved from 28 to 27 in the former sector and from 43 to 47 in the later one.

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



Assessments on the business trend
(seasonally adjusted data)



Outlook for the months ahead

In February, expectations for the future volume of both business activity and orders gave unfavourable indications. The seasonally adjusted balance for the former variable edged down from 2 to 1 and the one for the latter variable worsened from -11 to -15. However, firms stated they were more optimistic about labour market developments (the seasonally adjusted balance rose from 1 to 3). Finally, with regard to future selling prices, most surveyed traders expected a new slowdown in inflationary pressures. The related seasonally adjusted balance thus diminished from 15 to 2.

The breakdown of data by distribution channel showed that also expectations on the whole were again non-homogeneous. Prospects for the future volume of sales, which mirrored traders' ex post opinions on the variable's current trend, were negative in traditional distribution but positive, instead, in "modern" trade. The seasonally adjusted balance of the variable actually worsened from -7 to -14 (the lowest level since September 2005) in the former case and improved from 17 to 32 in the latter one. In seeming contradiction with what one would have expected, prospects for the future volume of orders deteriorated in large retail trade and improved instead in traditional distribution. The related seasonally adjusted balance actually diminished (from 17 to 8) in the first case, but slightly recovered (from -33 to -32) in the second one. Lastly, also expectations on the future volume of employment were contradictory. Traders in large distribution were more optimistic. The seasonally adjusted balance recuperated from 2 to 22 following the sharp drop posted in the last two months. Their colleagues in traditional trade were instead more pessimistic. The related balance dropped from 1 to -2. The only exception to these patchy results were selling prices, which were forecast to sharply diminish according to operators in both distribution channels. The seasonally adjusted balance of the variable actually fell from 14 to 8 in traditional distribution and from 16 to -7 in "modern" trade, a low last reached in December 2005.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
September	110,3	-4	29	1
October	104,9	-5	20	7
November	96,5	-9	11	19
December	89,1	-27	0	12
Juanuary	95,3	-13	2	9
February	94,7	-19	1	4

Forecasts on business trend
(seasonally adjusted data)