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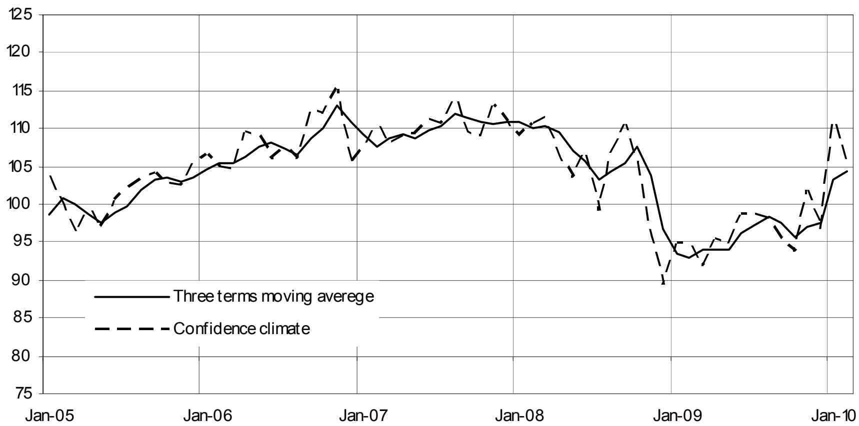
# ITALIAN RETAILERS' CONFIDENCE FALLS IN FEBRUARY, PARTICULARLY IN LARGE DISTRIBUTION

- **After the big leap forward posted last month, in February the seasonally adjusted overall confidence indicator lowered from 111.2 to 105, remaining however nearly eight points above its fourth quarter 2009 average**
- **Compared to the previous survey, respondents were more concerned about the current and future trend in sales. Also inventories were considered to have built up markedly**
- **Among the variables excluded from the definition of retail climate, new tensions emerged for the future volume of orders. Surveyed firms stated however they were more optimistic about the level of employment**
- **As for prices, respondents mainly viewed acceleration in current inflation, but expressed their intention to trim down selling prices over the following three months**
- **The breakdown of data showed that confidence worsened in both distribution channels, but mostly in traditional retail trade. The seasonally adjusted indicator actually diminished from 105.3 to 103.8 in "modern" distribution and slumped from 119.0 to 106.1 in traditional trade**

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




**Data on March shall be released on March 25, 2010**

*The next ISAE surveys are scheduled as follows:*
**March 24, 2010**: *ISAE Monthly Consumer Survey (reference period: March)*

**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 1,000 firms operating in small and large retail distribution, indicated that in February Italian retailers' confidence deteriorated, following the sharp rebound posted in January. The seasonally adjusted indicator actually lowered from 111.2 to 105, remaining however above its fourth quarter 2009 average. Deterioration mainly stemmed from the widely spread more unfavourable opinions on the trend in both current and future sales. At the same time, inventories were considered to have built up.

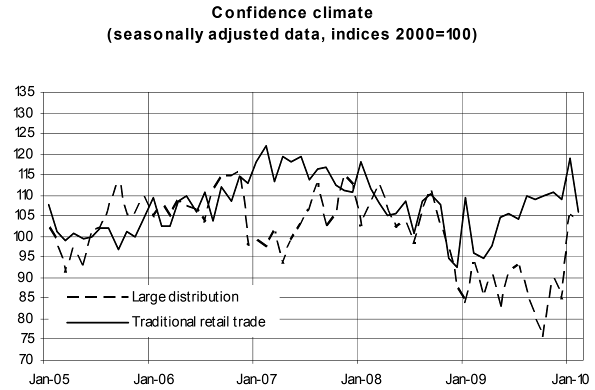
As for the variables excluded from the definition of retail climate, surveyed firms were more positive about the prospects for employment, but more concerned about the future volume of orders. With regard to the trend in prices, respondents viewed acceleration in current inflation, but expressed however their intention to trim down selling prices over the following three months.

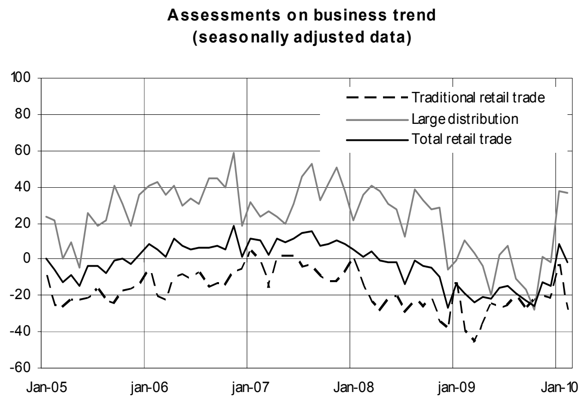
The breakdown of data by distribution channel showed that confidence worsened mostly in traditional retail trade. In particular, the seasonally adjusted indicator edged down from 105.3 (in January) to 103.8 in "modern" distribution, but slumped from 119.0 to 106.1 in traditional trade.

**Situation in the reference month (February 2010)**

In February, the opinions on the current trend in business activity started to worsen once more. The related seasonally adjusted balance declined from 8 to -1. This trend also caused a new restocking of inventories: the related seasonal adjusted balance actually recovered, moving up from -4 to 1. As for prices, retailers mostly considered acceleration in current inflation: the seasonally adjusted balance of the variable increased from 12 to 14.

The breakdown of survey results by distribution channel showed negative assessments on the trend in sales, especially among traders in traditional distribution. The seasonally adjusted balance of the variable actually fell from 38 to 36 in "modern" distribution, but plunged from -3 to -28 in traditional trade. As for inventories, in line with the previous results, the seasonally adjusted balance recovered from -5 to 1 in traditional trade and from -4 to 2 in large distribution. Finally, surveyed firms gave contrasting indications only for supplier prices. Particularly, the seasonally adjusted balance of the variable shrunk from 19 to 17 in traditional trade, but recovered instead from -1 to 12 in "modern" distribution.



## Outlook for the months ahead

In February, respondents' forecasts were unfavourable once more, mainly regarding the future volume of sales and orders. On the contrary, positive indications prevailed for employment. The seasonally adjusted balance worsened from 14 to 11 for sales, from -3 to -5 for orders, but recovered from -3 to 0 for the future volume of employment. Lastly, with regard to selling price inflation, most respondents expressed the intention to trim down their prices: the seasonally adjusted balance of the variable lowered (from 5 to -5), reaching the lowest level since December 2005.

The breakdown of data by distribution channel showed that large distribution traders still expected a rise in sales (the seasonally adjusted balance of the variable actually rose from 28 to 30), whereas retail traders predicted a decline (the balance moved from 4 to 1). Moreover, expectations for the future volume of both orders and employment were mixed. The seasonally adjusted balance of the former variable worsened from 16 to 11 in large distribution and remained unchanged at -18 in traditional trade, while the balance for the latter variable recovered from -3 to 12 in "modern" distribution and fell instead from 0 to -1 in small retail trade. The sole homogenous signal came from surveyed firms' expectations on the future trend in selling prices. The seasonally adjusted balance of the variable actually fell from 10 to 6 in traditional distribution and from -5 to -23 in "modern" trade.

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

| Month | Confidence climate | Business trend (assessments) | Business trend (forecasts) | Inventories |
|---|---|---|---|---|
| Sept. 2009 | 95,5 | -23 | 5 | 2 |
| Oct. 2009 | 93,7 | -26 | 6 | 5 |
| Nov. 2009 | 102,0 | -13 | 21 | 9 |
| Dec. 2009 | 96,9 | -15 | 7 | 8 |
| Jan. 2010 | 111,2 | 8 | 14 | -4 |
| Feb. 2010 | 105,0 | -1 | 11 | 1 |