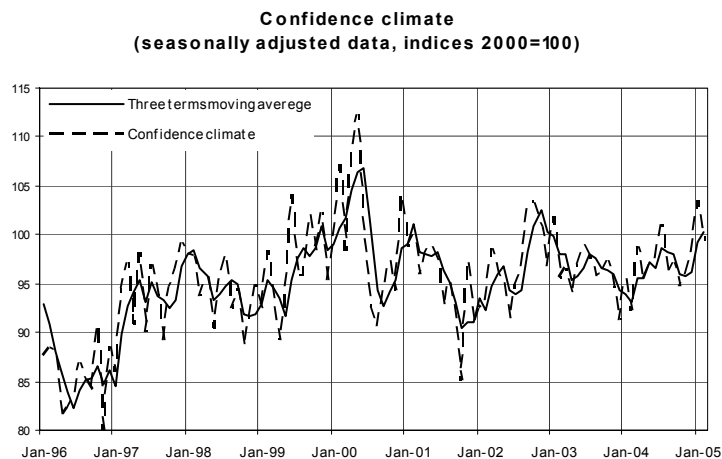




Date: March 30, 2005
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TRADE OPERATORS' CONFIDENCE FALLS AGAIN IN FEBRUARY

- The seasonally adjusted confidence indicator decreases in February from 103.6 to 99.4, thus remaining above the average figures of the fourth quarter of the 2004. In particular, the worsening is due to decreasing assessments and expectations on the business trend, while the level of inventories is getting slightly thinner
- Among non confidence-building variables, unfavourable signals come from short-term forecasts on the future order-book volume, while labour market expectations show signals of optimism. The current inflationary tensions are slightly decreasing, while operators express their intentions to leave selling prices unchanged in the next few months
- Looking at data broken down by kind of distribution, the confidence indicator worsening – common to both kinds of trade - is particularly evident in traditional retail trade. Indeed, the seasonally adjusted indicator falls from 100.9 to 97.5 in “modern” distribution and from 106.9 to 101.0 in traditional retail trade



Data on March shall be diffused on **April 27, 2005**.

Next ISAE Surveys are scheduled as follows:

April 5, 2005: *Comparative Business Surveys for Italy, Germany and France (Reference months: March)*

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

General results

According to the ISAE Monthly Survey carried out on a panel of about 1,000 firms operating in traditional retail trade and in large distribution, the seasonally adjusted confidence indicator of trade operators falls again in February after three rises in a row. Indeed, the confidence climate decreases from 103.6 to 99.4, thus remaining above the average figures of the fourth quarter of the 2004. The worsening is due, in particular, to decreasing assessments on the current business trend, and also the future volume of sales is definitely diminishing, while the level of inventories is getting slightly thinner.

Among non confidence-building variables, unfavourable signals come from short-term forecasts on the future order-book volume, while labour market expectations show signals of optimism. The current producer price dynamics is slightly decelerating compared to the previous Survey, while the (raw) balance of expectations on the future selling price trend remains stable for the second month in a row.

Looking at data broken down by kind of distribution, the confidence indicator worsening – common to both kinds of trade - is particularly evident in traditional retail trade. Indeed, the seasonally adjusted indicator falls from 100.9 to 97.5 in large distribution and from 106.9 to 101.0 in traditional retail trade.

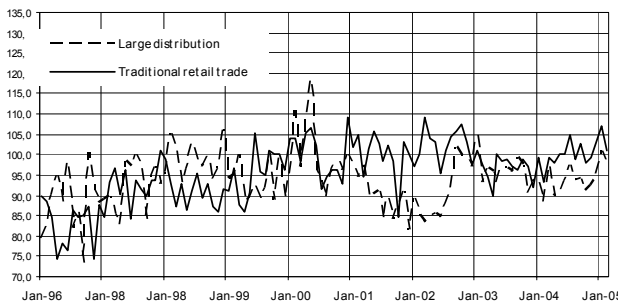
Situation in the reference month (February 2005)

In February, assessments on the current business trend worsen and the seasonally adjusted balance falls from 2 to -6 (close to the December 2004 figure). Conversely, favourable indications come from inventories and from assessments on the current producer price trend. Indeed, the seasonally adjusted balances of both variables slightly decrease, passing from 5 to 4 the first and from 21 to 20 the second.

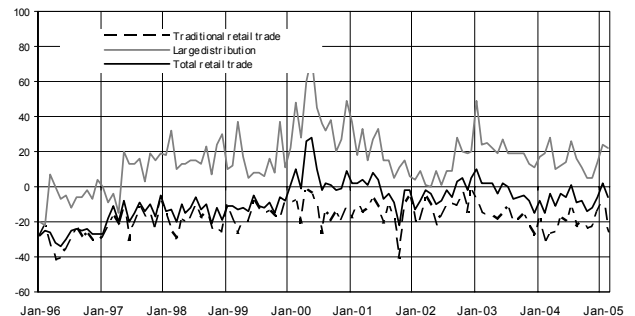
Looking at data by type of distribution, operators in both kinds of trade express negative evaluations on their current business trends. However, the worsening is limited in large distribution, where the balance falls from 24 to 22, after the strong improvement registered in January. Conversely, the entrepreneurs' opinions in traditional retail trade definitely worsen (the balance deteriorating from -9 to -26).

Oposing signals come from inventories and from producer prices: indeed, for both variables the operators' assessments in large distribution are stable at 1 and 12 respectively, while evaluations of traditional retailers slightly worsen, passing from 7 to 5 with regard to the former variable and from 25 to 24 referring to the second.

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



Assessments on the business trend
(seasonally adjusted data)



Forecasts for the next months

In February, similarly to what happens for assessments, also the operators' short-term expectations on their future sales and order books are worsening. Indeed, compared to the previous Survey, the seasonally adjusted balance of the former variable deteriorates from 7 to 1, while the one of the latter variable falls from -1 to -5 (seasonally adjusted data). All in all, the operators' expectations on the employment and inflation dynamics are less pessimistic. With reference to the labour market expectations, the seasonally adjusted balance increases from 3 (January) to 7 (February), while the (raw) balance of expectations on the future price trend remains stable at 12 for the second month in a row.

Pessimism on future sales – which is common to both kinds of distribution – is however marked among large distributors. Indeed, its seasonally adjusted balance – after the strong improvement observed in January – deteriorates from 32 to 21, while it only passes from -9 to -10 in traditional retail trade. Also data referring to expectations on the future order-book volume are in keeping with those trends: indeed, the seasonally adjusted balance of that variable strongly decreases from 33 to 18 in large distribution and rises from -25 to -20 in traditional retail trade. Unlike what happens with the future business and order-book trends, employment expectations of large distribution operators are definitely rosier (the seasonally adjusted balance doubling from 20 to 40), and traditional retailers' expectations are slightly rosier, as their seasonally adjusted balance grows from -7 to -6. Finally, the raw balance of the selling price trend remains stable at 12 for the second month in a row in both kinds of distribution.

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

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
October	94.7	-14	1	9
November	95.8	-12	2	10
December	98.1	-6	0	6
January	103.6	2	7	5
February	99.4	-6	1	4

Forecasts on the number of employed for the next quarter (seasonally adjusted data)

Month	Overall Trade	Large Distribution	Traditional Retail Trade
October	3	12	-4
November	-5	5	-9
December	4	17	-3
January	3	20	-7
February	7	40	-6

Forecasts on business trend (seasonally adjusted data)

