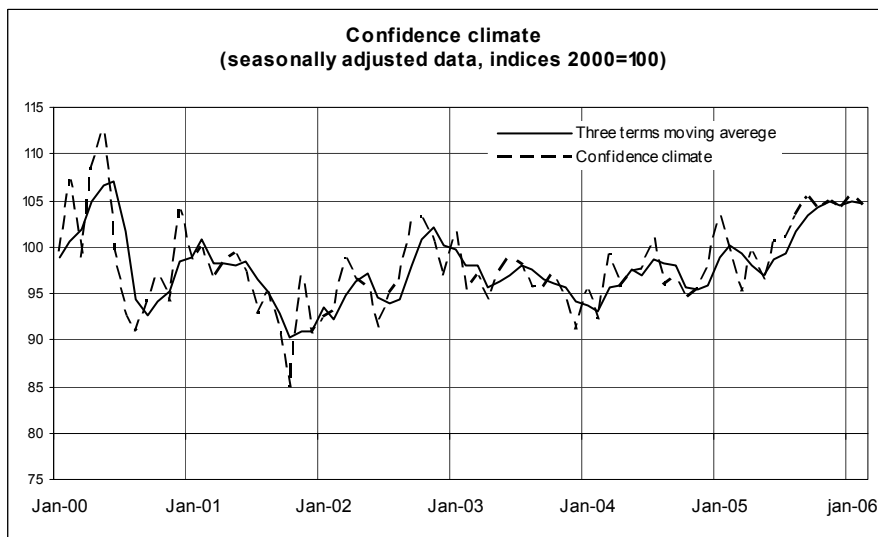




Date: **March 29, 2006**
TEL.: **06/444821**

IN FEBRUARY, RETAIL TRADE FIRMS' CONFIDENCE IS BACK ON A DOWNWARD TREND

- The seasonally adjusted confidence indicator of retail trade firms decreased in February from 105.5, in the previous month, to 104.4, though still remaining around the fourth quarter of 2005 average level. Compared to the previous survey, firms worsened their assessments on current sales and reported a rise in the level of inventories. Respondents, instead, gave a more favourable appraisal of future business activity
- Among the series excluded from the definition of retail climate, respondents were optimistic with respect to future developments in orders and employment. Moreover, expectations of inflationary pressures further increased
- According to the breakdown by type of retail distribution, deterioration in confidence was not widespread. The seasonally adjusted index worsened (from 108.3 to 102.2) for traditional retail trade, whereas it improved (from 103.5 to 107.1) for “modern” distribution



Data on March shall be released on April 28, 2006

The next ISAE surveys are scheduled as follows:

March 30, 2006: ISAE Survey on Construction (reference period: February 2006)

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

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 seasonally adjusted confidence indicator eased in February from 105.5 to 104.4, still remaining around the fourth quarter of 2005 average level. The worsening mainly reflected the larger share of negative assessments on both current business activity and the level of inventories. On the contrary, firms expressed more positive expectations on future sales.

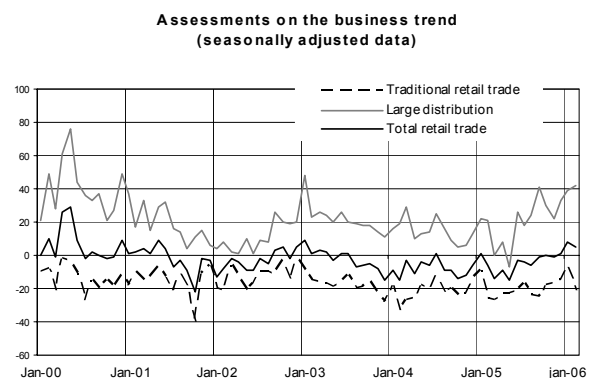
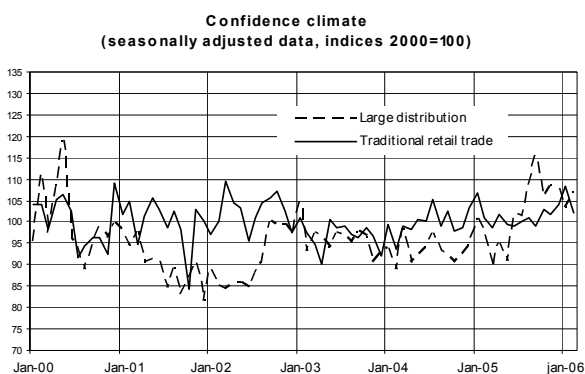
With regard to the variables excluded from the definition of retail climate, respondents were optimistic about labour market developments and the volume of future orders. Inflationary pressures were considered to have further increased with respect to the previous survey, mainly regarding future selling prices.

The breakdown of data by type of retail trade showed that even in February the worsening in confidence did not characterize both distribution channels. The indicator sharply deteriorated for traditional retail trade (moving to 102.2 from 108.3 in January), while it resumed an upward trend for “modern” distribution (moving to 107.1 from 103.5).

Situation in the reference month (February 2006)

In February, following the marked improvement posted the previous month, the assessments on current retail business activity started to worsen again. The seasonally adjusted balance of the variable decreased from 8, in January, to 5. Furthermore, surveyed firms considered stock build-up to have resumed: the related balance (which is not affected by seasonal factors) increased from 1 to 3. Finally, for the third month running, as in the previous survey the rise in the balance of the assessments on suppliers’ prices were confirmed: the seasonally adjusted indicator increased to 34 (from 29 in January).

According to the breakdown by type of retail distribution, only large retailers expressed greater satisfaction with current business activity: the seasonally adjusted balance of the variable increased from 39 to 42. Whereas traditional retailers gave a decisively negative appraisal of the volume of current sales: the seasonally adjusted balance worsened, in this case, from -6, in January, to -21. With regard to the level of inventories, the balance remained flat (at 0) for large distribution, while for traditional distribution it increased once more, reaching the reading of 5, the level posted in December. Finally, the assessments on suppliers’ prices were instead homogeneous among both sectors. Inflationary pressures were portrayed as rising by retailers in both distribution channels, but this development seemed to be a concern mainly for large retail traders. The seasonally adjusted balance of the variable increased from 22 to 27 for traditional retail trade, and from 33 to 48 for “modern” distribution.



Outlook for the months ahead

In February, retail traders gave a rather positive evaluation of prospects for the volume of orders, sales and, finally, for employment. The seasonally adjusted balances of these variables improved from 2 to 4, from -3 to -1 and from 16 to 17, respectively. Finally, with regard to changes in future selling prices, the survey confirmed once more a sharp rise in inflationary pressures, with the raw balance increasing from 8 to 18.

A breakdown by type of retail trade showed that the respondents in large distribution were particularly optimistic. For large retail trade operators, the seasonally adjusted balances of developments in future sales, orders and employment increased from 25 to 34, from 25 to 30 and from 54 to 61. For traditional retail traders, the equivalent balances recovered from 2 to 4, from -23 to -21 and finally from -8 to -4. Finally, surveyed traders' expectations were homogeneous among both channels of distribution with regard to the selling price trend. The related raw balance actually rebounded from 10 to 30 for large distribution and rose from 7 to 11 for the traditional one.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Oct.	104,1	0	14	9
Nov.	104,9	-1	18	10
Dec.	104,1	1	8	3
Jan	105,5	8	2	1
Feb	104,4	5	4	3

