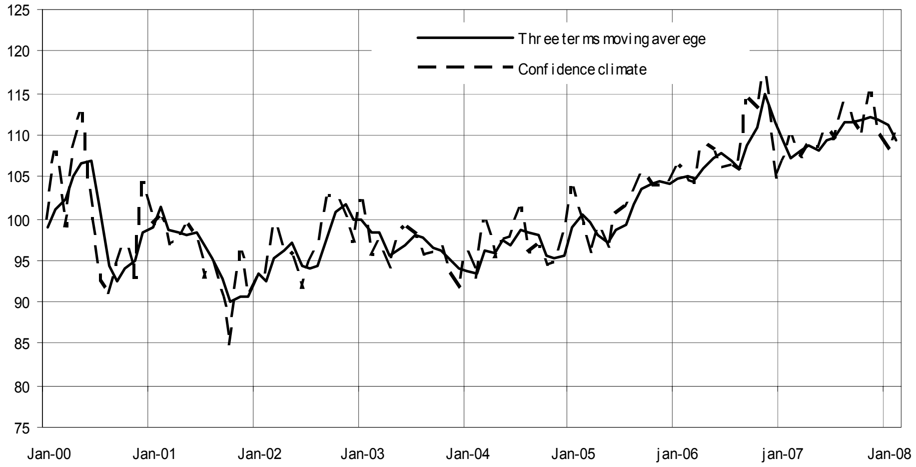
ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482229

Date: **March 27, 2008**
TEL.: **06/444821**

IN MARCH, ITALIAN RETAILERS' CONFIDENCE REMAINS VIRTUALLY STABLE

- **The seasonally adjusted confidence indicator came in at 110.7, remaining virtually stable with respect to the previous month (110.4)**
- **Opinions on the current volume of sales started to improve once more and inventories diminished. However, expectation for the future volume of business activity worsened**
- **With regard to the series excluded from the definition of retail climate, respondents became cautiously optimistic about the future level of orders and employment**
- **Lastly, inflationary pressures accelerated, with reference to both the current trend (which remained at the highest level since the year 2000) and future developments (matching, in this case, the peak recorded in 2003)**
- **The splitting out of data by distribution channel showed that confidence improved in large retail trade (to 112 from 109.2 in February), but continued to worsen in traditional distribution (to 107.9 from 110.9)**

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



Data on April shall be released on April 29, 2008

The next ISAE surveys are scheduled as follows:
April 8, 2008: *ISAE International Comparison of Consumer and Business Surveys (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 March 1 and March 19 on a panel of about 1,000 firms operating in small and large retail distribution, showed that the Italian retailers' confidence climate remained virtually stable in March. The overall seasonally adjusted indicator came in at 110.7 (compared to 110.4 in February). In particular, respondents recorded an improvement in their opinions on the current volume of business activity and, at the same time, reported a de-stocking of inventories. Expectations on the future volume of sales worsened instead.

With regard to the variables excluded from the definition of retail climate, respondents became cautiously optimistic about the future level of both orders and employment. Moreover, supplier and selling price inflation accelerated further.

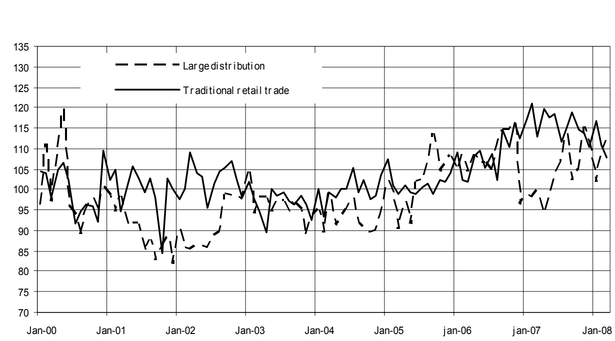
The splitting out of data by distribution channel showed diverging trends: the seasonally adjusted confidence indicator continued to improve in large retail trade (to 112 from 109.2 in February), but worsened instead in traditional distribution (to 107.8 from 110.9).

Situation in the reference month (March 2008)

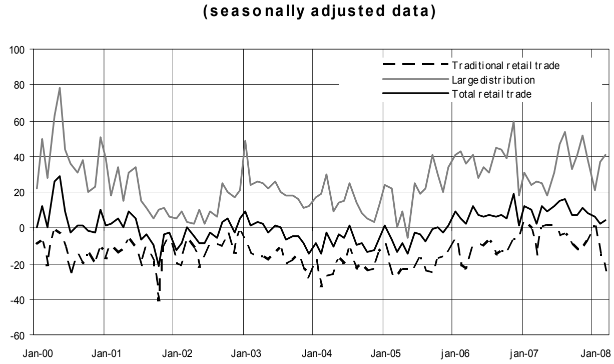
In March, opinions on the current trend in business activity started to improve once more. The seasonally adjusted balance of the variable rose from 2 to 4. Consistently, surveyed firms also indicated a moderate de-stocking of inventories (the related balance, which is not affected by seasonal factors, actually declined from 5 to 3). Lastly, with regard to current inflation, the share of respondents considering a rise in supplier prices continued to increase. The seasonally adjusted balance of the variable rose from 53 to 55, nearing again the record high posted in October 2000.

The sorting out of data by distribution channel showed that only the outcome for the respondents' opinions on the trend in sales was different between sectors. The related seasonally adjusted balance posted a sharp deterioration for traditional retail trade (moving from -15 to -24), but, on the contrary, improved markedly for "modern" distribution (to 41, from 37 in February). In contrast, respondents gave homogenous assessments on the level of inventories and supplier prices. The seasonally adjusted balance of the former variable slipped from 5 to 4 in traditional retail trade, and from 4 to 3 for "modern" distribution. The same indicator for the latter variable increased from 48 to 50 for small distribution (reaching the highest level since April 2002) and from 61 to 67 for large retail trade (in this case, hitting even its 1995 peak).

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



Assessments on the business trend
(seasonally adjusted data)



Outlook for the months ahead

In March, surveyed firms were in general less optimistic about expectations for the volume of sales, whereas they became cautiously confident about future orders and employment. In detail, the seasonally adjusted balance of the former variable worsened from 26 to 24, the one for orders improved from 2 to 3, and, lastly, the balance for employment increased from 17 to 18. With regard to the trend in future selling prices, most surveyed traders continued to expect higher inflation: the raw balance of the variable increased from 42 to 43, thus hitting the highest level since January 2003.

The breakdown of data by distribution channel showed mixed results. The seasonally adjusted balance for the volume of sales continued to grow in large distribution (from 51 to 55), but remained however stable in small retail trade (at 5, its February level). The balance for employment extended its downward path in "modern" distribution (moving from 56 to 43), whereas it recovered in traditional retail trade (from -1 to 3). Lastly, the balance for the volume of orders started to rise again in "modern" distribution (to 41 from 27 in February), while it worsened instead in traditional trade (from -16 to -20). Finally, selling price inflation sent contrasting signals as well: the (raw) balance of the variable actually rose from 56 to 65 (the highest showing since January 2003) in large distribution, but declined from 34 to 29 in traditional retail trade.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
October	110,0	8	25	10
November	115,3	11	41	14
December	109,9	8	26	12
January	108,3	6	16	4
February	110,4	2	26	5
March	110,7	4	24	3

Forecasts on business trend (seasonally adjusted data)