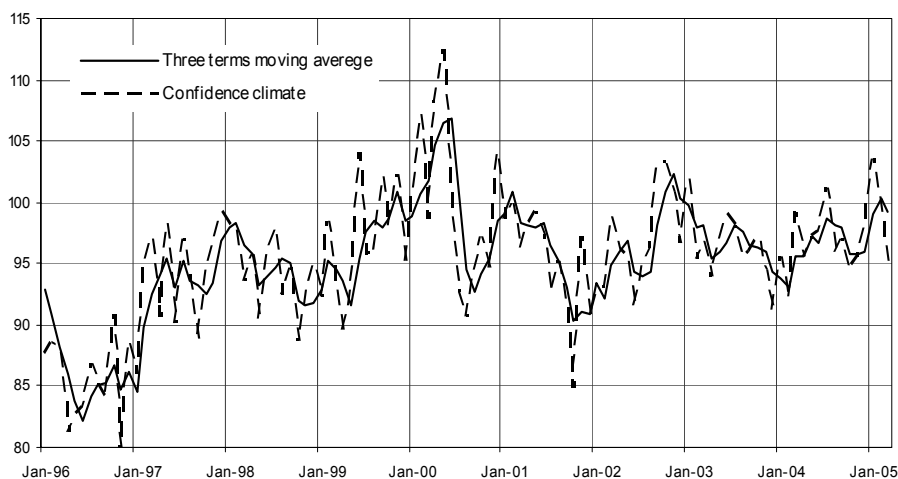




## THE TRADE OPERATORS' CONFIDENCE CONTINUES TO FALL, PARTICULARLY IN LARGE DISTRIBUTION

- The seasonally adjusted confidence indicator decreases in March from 99.2 to 95.1, thus falling below the average figures of the fourth quarter of 2004. The worsening is due to strongly decreasing assessments on the business trend and – to a lesser extent – to deteriorated expectations on the future selling evolution, while inventories remain stable
- Among non confidence-building variables, definitely unfavourable signals come from short-term forecasts on the future order-book volume, while labour market expectations are slightly improving
- Assessments on the current price dynamics signal a strong acceleration, while expectations on the future selling price trend are stable for the third month in a row
- Looking at data broken down by kind of distribution, the confidence worsening – common to both kinds of trade - is particularly evident in large distribution. Indeed, the seasonally adjusted indicator falls from 101 to 98.8 in traditional retail trade, and from 97.3 to 88.8 in large distribution

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



Data on April shall be diffused on **May 26, 2005**.

Next ISAE Surveys are scheduled as follows:

**April 28, 2005:** ISAE Monthly Survey on Manufacturing and Extractive Firms (Reference month: April)

**May 3, 2005:** Comparative Business Surveys for Italy, Germany and France (Reference months: April)

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

## General results<sup>1</sup>

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 confidence indicator of trade operators falls again in March, passing from 99.2 to 95.1, thus decreasing below the average figures of the fourth quarter of 2004. The worsening is due to strongly deteriorating assessments on the business trend and – to a lesser extent – to deteriorated expectations on the future selling evolution, while inventories remain stable.

Among non confidence-building variables, definitely unfavourable signals come from short-term forecasts on the future order-book volume, while labour market expectations are slightly improving. Assessments on the current price dynamics signal a strong acceleration, while expectations on the future selling price trend are stable for the third month in a row.

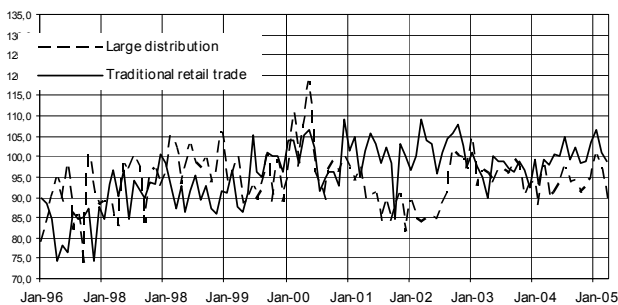
Looking at data broken down by kind of distribution, the confidence worsening – common to both kinds of trade – is particularly evident in large distribution. Indeed, the seasonally adjusted indicator falls from 101 to 98.8 in traditional retail trade, and from 97.3 to 88.8 in large distribution (thus losing about 8 percentage points).

## Situation in the reference month (March 2005)

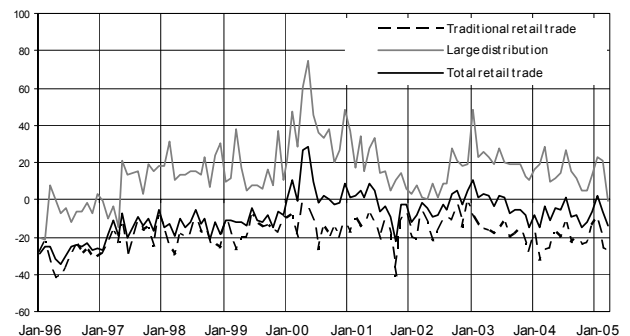
March assessments on the current business trend strongly deteriorate and the seasonally adjusted balance falls from -6 to -14. Definitely unfavourable indications come from evaluations on the current producer price dynamics, the seasonally adjusted balance of which rises from 22 to 31, which is close to the peaks ever reached since March 2004. Inventories – needing no seasonal adjustment – remain stable at 4.

Looking at data by type of distribution, the operators' assessments are particularly negative in "modern" distribution. The balance of evaluations on the current business trend shows slight contracts in traditional retail trade (from -26 to -27), alongside with a strong contraction in large distribution (from 21 to 0). Similarly, also the balance of producer prices is worsening with particular reference to large distribution: indeed, in large distribution, the balance jumps from 12 to 43, while in traditional retail trade it rises from 25 to 32. Finally, dishomogeneous information come from inventories: the balance remains unchanged (at 1) for the second month in a row in "modern" distribution, while it moderately worsens in traditional trade (from 5 to 7).

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



**Assessments on the business trend**  
(seasonally adjusted data)



<sup>1</sup> All data are seasonally adjusted, unless indicated otherwise.

**Forecasts for next months**

Similarly to what happens in assessments, the operators' short-term expectations on their future sale and order-book volumes are worsening in March. Indeed, the seasonally adjusted balance of the former variable deteriorates from 1 to -3, while the one of the latter variable falls from -5 to -10.

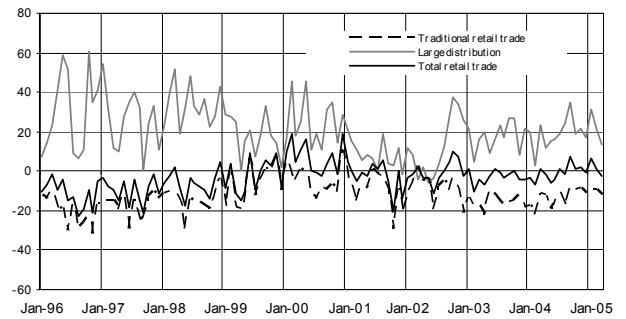
All in all, the operators' expectations on the employment dynamics are less pessimistic: the balance slightly increases from 7 (February) to 8 (March). Finally, with regard to the inflationary dynamics, stability prevails for the third month in a row and the raw balance of this variable equals 12.

Pessimism on future sales – which is common to both kinds of distribution – is however marked among large distributors. Indeed, its balance deteriorates from 21 in February to 13 in March in large distribution, while it goes from -10 to -12 in traditional retail trade. Also data referring to expectations on the future order-book volume are in keeping with those trends: indeed, the balance strongly decreases from 18 to 9 in large distribution and from -20 to -21 in traditional retail trade. Similarly to what happens with the future business and order-book trends, employment expectations of large distribution operators decrease from 40 to 28, while optimism emerges from traditional retailers' expectations, as the balance grows from -6 to -5. Finally, the raw balance of the selling price trend improves from 2 to 12 in large distribution and worsens from 12 to 18 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
November	95.6	-12	2	10
December	98.0	-6	-1	6
January	103.6	2	7	5
February	99.2	-6	1	4
March	95.1	-14	-3	4

**Forecasts on business trend**  
(seasonally adjusted data)



**Forecasts on employment**  
(seasonally adjusted data)

