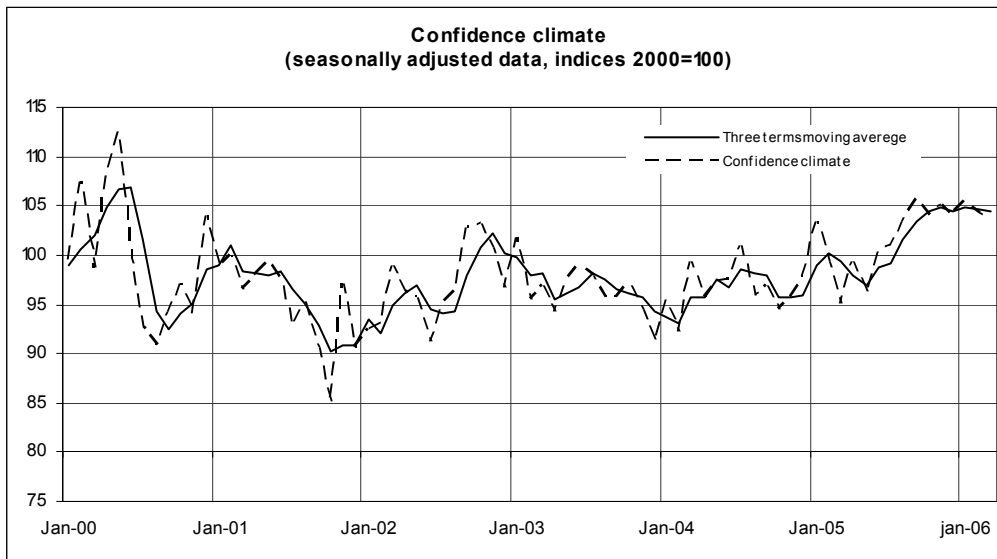


RETAIL TRADE FIRMS' CONFIDENCE WEAKENS IN MARCH

- The seasonally adjusted confidence indicator of retail trade firms decreased from 104.3 in February to 103.7. Negative assessments on the level of current sales and on inventories continued to prevail, while firms confirmed their favourable expectations on future business activity
- Nonetheless, respondents became moderately optimistic with respect to the outlook for orders, but they did not change their expectations on the level of employment. Inflationary pressures seemed to be easing, mainly with regard to future selling prices of large retail distribution, between which the percentage of firms that expected virtual stability for selling prices in the following months increased substantially
- According to the breakdown by type of retail distribution, the seasonally adjusted index remained virtually stable for traditional retail trade (edging down to 102.1 from 102.2 in February), whereas it worsened for “modern” distribution (to 104.1 from 107.1)



Data on April shall be released on May 29, 2006

The next ISAE surveys are scheduled as follows:

May 5, 2006: ISAE International Comparison of Consumer and Business Surveys (reference period: April)

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 synthetic indicator slipped in March to 103.7 from 104.3 in February. This moderate worsening, which by the way was already apparent in last month results, reflected once more the larger share of negative assessments on both current business activity and on the level of inventories. Expectations on the volume of future sales continued to be favourable as in the previous month.

With regard to the variables excluded from the definition of retail climate, respondents became moderately optimistic about the volume of future orders, while they maintained their expectations on employment unchanged. As for prices, inflationary pressures seemed in general to be easing, mainly regarding future selling prices.

The breakdown of data by type of retail trade showed that the confidence indicator remained stable with respect to traditional distribution (at 102.1, compared to 102.2 in February), while it worsened for “modern” distribution (from 107.1 to 104.1).

Situation in the reference month (March 2006)

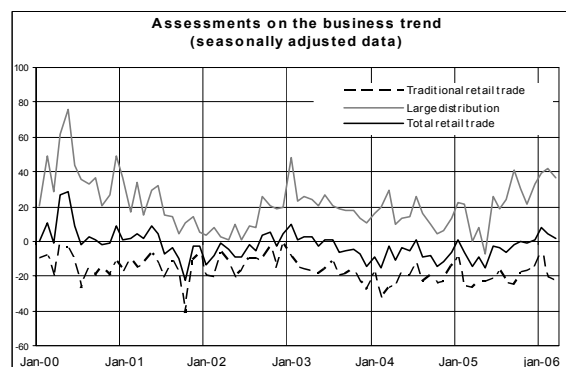
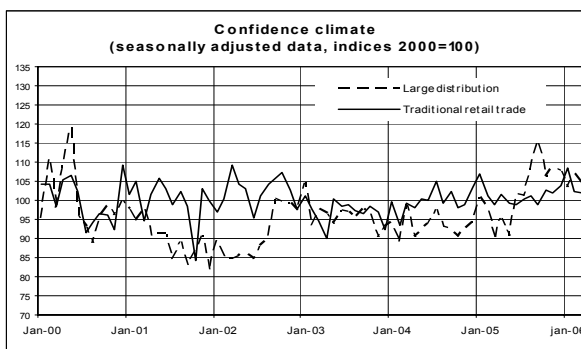
In March, the assessment on current retail business activity worsened for the second month running, and the seasonally adjusted balance of the variable further decreased, moving from 5 (in February) to 1. Furthermore, also in March surveyed firms considered stocks to have built-up: the related balance (which is not affected by seasonal factors) increased from 3 to 6.

Finally, after three month of improvement, the balance of the assessments on suppliers’ prices started declining once more with respect to the previous survey: the seasonally adjusted indicator actually fell from 33 to 27.

According to the breakdown by type of retail distribution, consistently with what was experienced by the sector as a whole, the seasonally adjusted balances of current business activity and of the volume of inventories deteriorated for both distribution channels. In particular, for large distribution the balance of the former variable fell from 42, in February, to 37, and that for the latter increased from 0 to 5. At the same time, for traditional distribution the corresponding balances declined from -21 to -23 and rose from 5 to 7, respectively. With regard to suppliers’ prices, instead, surveyed firms showed contrasting views. The seasonally adjusted balance of the variable actually decreased from 48 to 32 for “modern” distribution, while it increased from 27 to 28 for traditional distribution.

Outlook for the months ahead

In March, retail traders gave a rather positive evaluation of short term prospects for the volume of future sales and orders. The seasonally adjusted balances of these variables improved from 4 to 9 and from -1 to 2, respectively. As for the employment level, in March, expectations of surveyed firms did not register significant changes and the seasonally adjusted balance of the variable remained steady at 17. Finally, on the whole, firms’ price setting intentions pointed to



a sharp slowdown in inflationary pressures, and the raw index of the variable plunged from 18 to 5.

A breakdown of the data by type of retail trade showed that the respondents in traditional distribution were more optimistic. In this sector, operators actually anticipated a recovery in both business activity and the volume of orders and employment. The seasonally adjusted balances of the variables improved, respectively, from -11 (in February) to -8, from -21 to -16, and from -4 to -3. Traders for “modern” distribution, instead, were more cautious: while expecting a rise in the volume of orders, they projected stability for the volume of sales and a sharp decline for the level of employment over the following three months. The seasonally adjusted balance increased from 30 to 33 for the first variable, remained unchanged at 34 for the second, and finally declined from 60 to 51 for the third. With regard to selling prices, the related raw balance slipped from 11 to 10 for traditional distribution, but plunged from 30 to -2 for large distribution. The sharp fall for “modern” distribution was explained by the fact that in March, the percentage of large retail traders that considered keeping selling prices unchanged in the following three months increased with respect to the previous survey.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Nov. 2006	105,0	-1	19	10
Dec. 2005	104,1	0	8	3
Jan. 2006	105,5	8	2	1
Feb. 2006	104,3	5	4	3
Mar. 2006	103,7	1	9	6

