

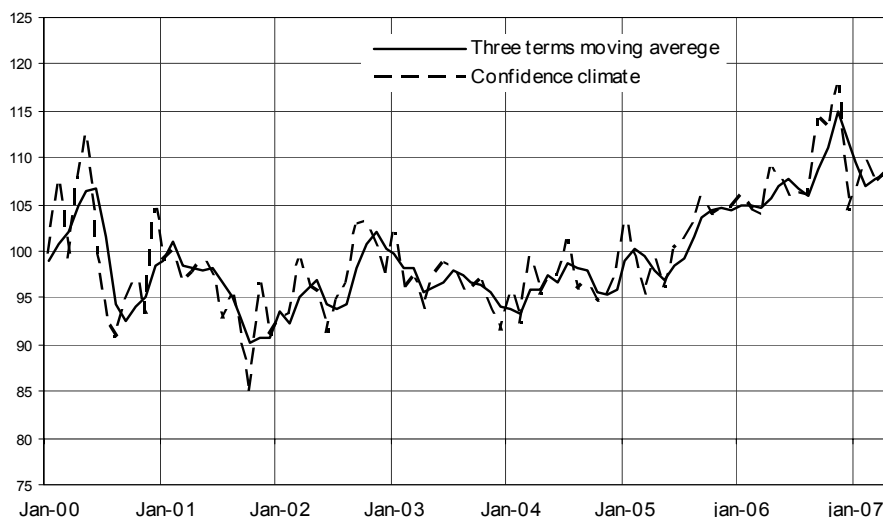


Date: May 2, 2007
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IN APRIL RETAIL TRADE FIRMS' CONFIDENCE RESUMES ITS UPWARD PATH

- The seasonally adjusted overall confidence indicator increased from 107.2 to 108.9, reverting to the level recorded in April 2006. In a situation characterized by a sharp build-up of inventories, the opinions of surveyed firms on both current and future sales improved once more
- Among the series excluded from the definition of retail climate, expectations on the volume of future orders and employment staged strong optimism. As for prices, inflation eased especially with regard to the trend in future selling prices
- The improvement in confidence did not distinguish both distribution channels. The seasonally adjusted index actually rose from 112.9 to 119.7 for traditional retail trade, while it worsened, instead, from 100 to 94.3 for "modern" distribution

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



Data on May shall be released on May 29, 2007

The next ISAE surveys are scheduled as follows:

May 8, 2007: 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

The ISAE survey, carried out between April 1 and April 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that in April Italian retailers' confidence started to rise anew. The seasonally adjusted overall indicator actually increased from 107.2 (in March) to 108.9, rebounding to the level posted in April 2006. In a situation characterized by a sharp build-up of inventories, the opinions on current and, to a lesser extent, future business activity started to improve once more.

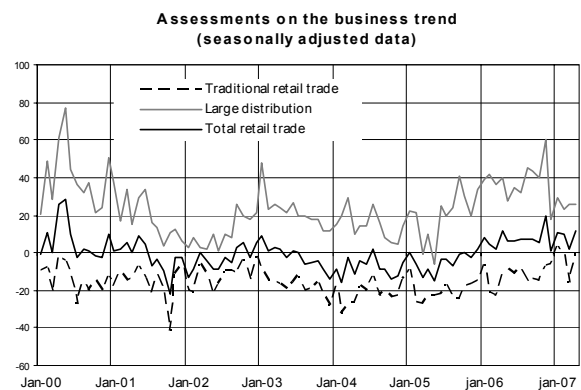
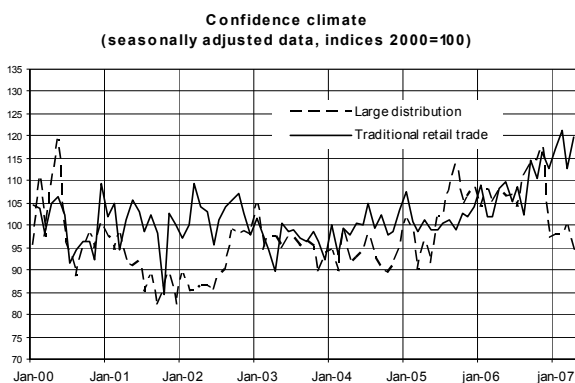
The analysis of the variables excluded from the definition of confidence pointed to decidedly positive expectations on the future volume of both orders and employment. As for the price trend, firms stated they perceived a moderate easing of inflationary pressures for suppliers' prices and at the same time declared they expected a lower increase in selling prices.

Considering the breakdown of data by type of retail distribution, traditional retail firms sent decidedly positive signals: the related seasonally adjusted confidence index increased from 112.9 (in March) to 119.7. In contrast, large distribution firms expressed negative indications: the same overall indicator declined from 100 to 94.3.

Situation in the reference month (April 2007)

In April, surveyed firms strongly improved their appraisal of current business activity. The seasonally adjusted balance of the variable rose from 2 (in March) to 12. However, at the same time, firms indicated also a sharp restocking of inventories. The related balance (which is not affected by seasonal factors) actually surged from 7 to 16. With regard to the opinions on the current suppliers' price trend, the seasonally adjusted balance of the variable decreased slightly (to 37 from 38 in March), though still remaining at a historical high level.

The breakdown of survey results by type of retail distribution showed that the clear preponderance of favourable opinions on current business activity recorded for the overall sector mainly reflected the view of traditional distribution operators. The seasonally adjusted balance of the variable actually rose from 25 to 26 for large distribution, while it recovered from -16 to 0 for traditional retail trade. On the contrary, the rise in the level of inventories which characterized both distribution channels, mainly distinguished large retail operators. The seasonally adjusted balance of the variable actually rose from 7 to 11 for traditional retail trade, but surged from 8 to 24 for "modern" distribution. Lastly, with regard to current inflation, the opinions weren't homogeneous across distribution channels. The related seasonally adjusted balances actually rose from 35 to 37 for traditional retail trade, but remained steady at 39 for large distribution.



Outlook for the months ahead

In April, respondents further confirmed the optimism shown during the March survey, stating a sharp improvement in expectations for all surveyed variables. The seasonally adjusted balances actually increased from 19 to 23 for the future volume of sales and from 7 to 18 for the future volume of orders, and, lastly, from 4 to 13 (the level posted last November) for the labour market. With regard to expected changes in future selling prices, the survey showed a marked easing in inflationary pressures: the raw balance for the variable actually lowered from 23 to 12.

The breakdown of data by type of retail distribution showed that large retail trade operators were decidedly optimistic about the future volume of orders, though they expected a decline in sales. The seasonally adjusted balance actually increased from 25 to 48 for the former variable, but declined from 34 to 30 for the latter one. A large majority of operators in “modern” distribution also expected a rise in the volume of employment. The related seasonally adjusted balance rose from 11 to 29. Lastly, also traditional distribution sent positive signals: operators anticipated a rise in the volume of future sales (the seasonally adjusted balance of the variable rose from 13 to 18) and a recovery in the volume of future orders (to 0, compared to -3 in March). For the second month in a row, forecasts for the level of employment remained steady (at 0). Finally with regard to prospects for inflation, a decline in selling prices was expected by operators in both distribution channels, but above all by those in large distribution. The raw balance of the variable actually declined from 21 to 15 in traditional retail trade, but plunged from 25 to 8 in “modern” distribution.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Nov	117,8	19	34	7
Dec.	104,4	1	17	12
Jan.	106,5	11	10	9
Feb.	109,8	10	19	6
Mar.	107,2	2	19	7
Apr	108,9	12	23	16

