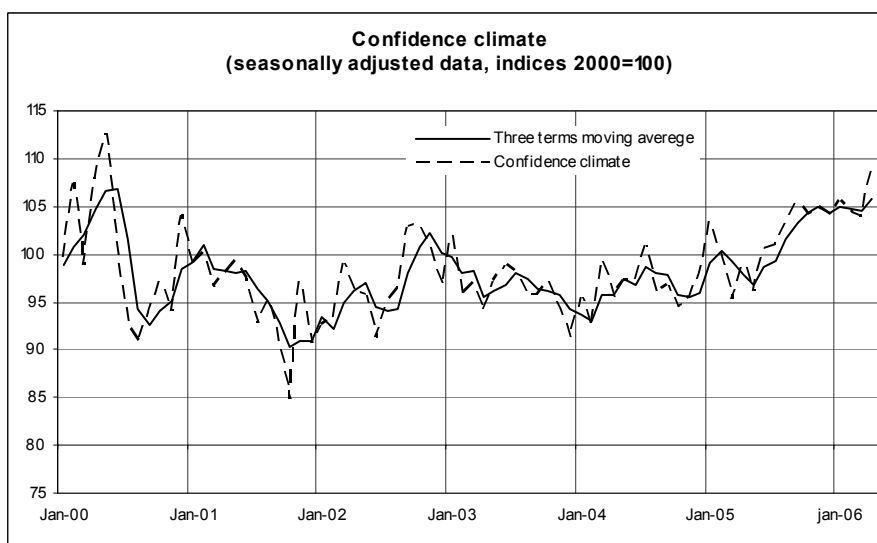




Date: May 29, 2006  
TEL.: 06/444821

## IN APRIL RETAIL TRADE FIRMS' CONFIDENCE SHOWS SIGNS OF STRONG IMPROVEMENT, MAINLY IN TRADITIONAL DISTRIBUTION

- The seasonally adjusted confidence indicator of retail trade firms grew from 103.9 in March to 109.2 in April, reaching the highest level since May 2000. A particularly robust expansion characterized the assessments on current business activity. Expectations on the future volume of sales also increased, and the level of inventories fell back
- With regard to the series excluded from the definition of retail climate, respondents became more optimistic about expectations on the volume of orders, while they did not change their prospects on the level of future employment. As for prices, current inflation was considered unchanged, whereas expectations of a rise in selling diminished
- According to the breakdown by type of retail distribution, the improvement in confidence, although extended to both distribution channels, was particularly significant for traditional distribution. For the latter, in fact, the seasonally adjusted index attained the best result since March 2002, rising from 102.2 to 108.8. For "modern" distribution the index increased from 104.1 to 106.6



**Data on May shall be released on June 28, 2006**

*The next ISAE surveys are scheduled as follows:*

**May 30, 2006:** ISAE Monthly Survey on Construction (reference period: April)

**June 8, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: May)

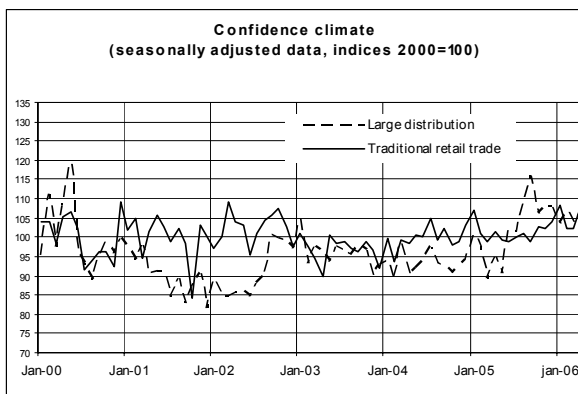
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site [www.isae.it](http://www.isae.it))

## 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 sharply improved in May, rising from 103.9 (in March) to 109.2, the highest level since May 2000. A particularly robust expansion characterized the assessments on current business activity. Expectations on the future volume of sales also bettered and, finally, the level of inventories fell back.

With regard to the variables excluded from the definition of confidence, expectations on the volume of orders improved, while those regarding labour marked developments stayed unchanged for the third month running. As for prices, firms judged that current inflation remained steady, stating at the same time that they wanted to trim selling prices in the next three months.

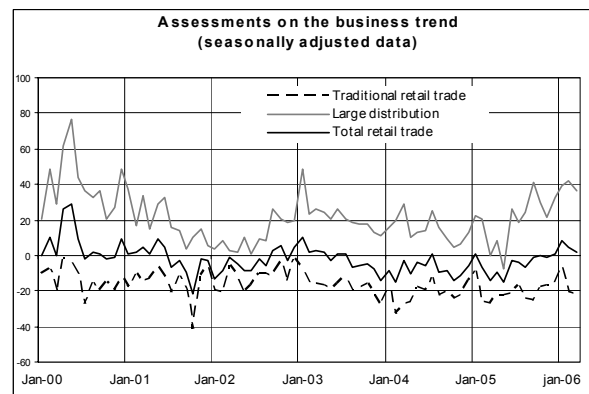
The breakdown of data by type of retail trade showed that the improvement in the confidence indicator, although extended to both distribution channels, was particularly significant for retail distribution. The seasonally adjusted indicator increased from 102.2 in March to 108.8 (the highest level since March 2002) for traditional distribution, and from 104.1 to 106.6 for “modern” distribution.



## Situation in the reference month (April 2006)

In April, the assessments on current retail business activity improved markedly and the seasonally adjusted balance of the variable, which had worsened in March, recovered from 2 to 12. In addition, de-stocking took place: the related balance, which is not affected from seasonal factors, decreased from 6 to 3, going back to its February level. Finally, compared to the previous survey, growth in the balance for the assessments on suppliers’ prices resumed its upward trend, moving from 28 to 31, on a seasonally adjusted basis.

The marked increase which characterized the overall retail sector was reflected in both distribution channels. Accordingly, current business activity was considered to be strongly recovering by traditional as well as “modern” distribution operators. More in detail, the related seasonally adjusted balance rose from -23 (in March) to -11 in the former case, and from 37 to 40 in the later case. In accordance with the developments recorded at the aggregate level, also de-stocking characterized both kinds of distribution. The seasonally adjusted balance of the variable declined from 7 to 5 in traditional distribution and from 5 to 3 in “modern” distribution. As for suppliers’ prices, surveyed firms showed instead contrasting views. The seasonally adjusted balance of the variable remained steady at 28 for traditional distribution, while it increased from 32 to 40 for large distribution.



## Outlook for the months ahead

In April, retail traders surveyed by ISAE further improved their short term expectations for the volume of both future sales and orders. The seasonally adjusted balances of these two variables rose from 9 to 12 and from 2 to 8, respectively. As for the employment trend, respondents instead kept their expectations unchanged for the third straight month, at 17 (on a seasonally adjusted basis). Finally, they reduced their expectations for selling prices, for which the raw balance slipped from 5 to 4.

The breakdown of the data by type of retail distribution showed that the improvement recorded for expectations on sales developments and on the volume of orders was experienced by both distribution channels, though it was particularly significant among large distribution operators. In fact, the seasonally adjusted balances of the two variables respectively improved from 34 to 37 and from 33 to 39 for large distribution, and recovered from -8 to -5 and from -16 to -12 for the traditional one. Respondents in the two sectors showed instead diverging expectations with regard to labour market and selling prices developments. For traditional distribution, in fact, the balance (seasonally adjusted) for the former variable recovered slightly, rising from -3 to -2, while the one (calculated on a raw basis) for the latter variable fell back from 10 to 7. For “modern” distribution, on the contrary, the first balance (also seasonally adjusted) decreased from 49 to 42, and the second (always calculated on a raw basis) recovered slightly, moving from -2 to -1.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Dec.	104,1	1	8	3
Jan.	105,6	9	2	1
Feb.	104,4	5	4	3
Mar.	103,9	2	9	6
Apr.	109,2	12	12	3

