

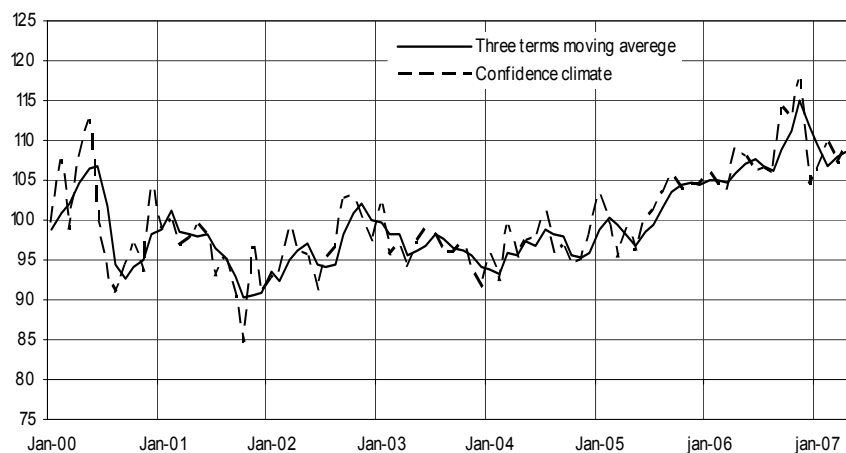


Date: May 29, 2007
TEL.: 06/444821

IN MAY RETAIL TRADE FIRMS' CONFIDENCE STABILIZES AT ITS PREVIOUS MONTH LEVEL

- The seasonally adjusted overall confidence indicator stayed at 108.3 (compared to 108.8 in April). However, the opinions of surveyed firms were less favourable, with respect to the previous month, about the trend in current and future sales, whereas inventories sharply diminished
- Among the series excluded from the definition of retail climate, expectations on the volume of future orders markedly deteriorated, and those on labour market developments started to weaken once more. As for prices, current inflation remained unchanged, whereas future inflation was forecast to ease even further
- The breakdown of data by distribution channel showed an improvement in confidence (from 94.4 to 97.2) for large distribution, but a worsening (from 119.6 to 117.4) for traditional retail trade

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



Data on June shall be released on June 27, 2007

The next ISAE surveys are scheduled as follows:

June 6, 2007: ISAE International Comparison of Consumer and Business Surveys (reference period: May)

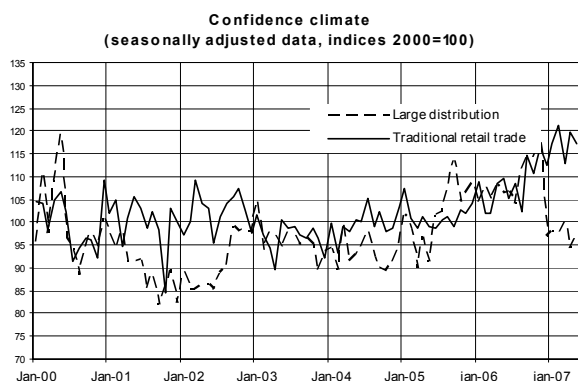
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between May 1 and May 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that in May Italian retailers' confidence remained virtually unchanged over the previous month. The seasonally adjusted overall indicator stayed at 108.3 (compared to 108.8 in April), nearing the level recorded in May 2006. Compared to the previous survey, respondents' opinions recorded a worsening in both current and future sales, summed, however, to significant de-stocking of inventories.

The analysis of the variables excluded from the definition of confidence pointed to a sharp deterioration in the prospects for the volume of future orders and to a reversal in the upward trend of expected labour market developments. As for the price trend, firms mostly perceived stability for suppliers' prices and a decline, instead, in selling prices.

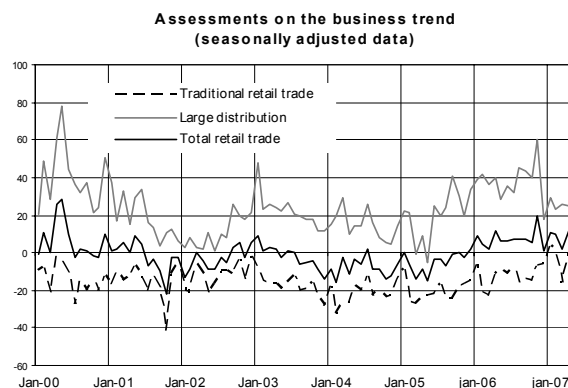
The breakdown of data by type of retail distribution gave contrasting indications: the seasonally adjusted confidence index actually improved for large distribution firms (to 97.2 from 94.4 in April), but, on the contrary, deteriorated for traditional retail trade (to 117.4 from 119.6).



Situation in the reference month (May 2007)

In May, opinions on current business activity started to worsen again. The seasonally adjusted balance of the variable actually declined from 12 (in April) to 9. At the same time, surveyed firms indicated a sharp de-stocking of inventories. The related balance (which is not affected by seasonal factors) halved, moving from 16 to 8. Lastly, with regard to the opinions on the suppliers' price trend, views of stability prevailed, and the seasonally adjusted balance of the variable remained at 37.

The breakdown of survey results by type of retail distribution showed diverging trends for respondents' opinions on both the trend for sales and for current suppliers' price inflation. The seasonally adjusted balance of the former variable actually declined for large distribution (from 25 to 17), but moderately bettered for traditional retail trade (to 1 from 0 in April). For the latter variable, on the contrary, the balance posted a strong rise for "modern" distribution (to 48 from 39 in April), but worsened for traditional trade (to 33 from 37). Indications were homogeneous only for inventories, with a decline in both sectors. However, the retrenchment was particularly sharp for large distribution. The seasonally adjusted balance of the variable actually edged down from 11 to 9 for traditional trade, but plunged from 24 to 7 for "modern" distribution.



Outlook for the months ahead

In May, in a situation characterized by marked and widespread pessimism about the volume of future orders, all expectations of surveyed firms started to worsen once more. In particular, the seasonally adjusted balance nose-dived for the expected volume of orders (from 18 to 3) and eased for future sales (from 23 to 17). The balance for employment prospects also edged down (from 13 to 10). With regard to expected changes in future selling prices, the survey confirmed a further easing in inflationary pressures: the raw balance of the variable continued to lower, moving from 12 to 10.

Developments in sector-level confidence indicators showed that the sharp pessimism which characterized both distribution channels mainly distinguished large retail operators. The seasonally adjusted balance of the variable actually decreased from 0 to -8 for traditional distribution, but plunged from 48 to 26 for “modern” distribution. As for the forecasts of the level of business activity and employment, the related seasonally adjusted balances showed diverging trends across distribution channels. The balance for the future volume of sales increased, though moderately, for large distribution (to 31 from 30 in April), but markedly worsened for traditional trade (to 9 from 18). The balance for the latter variable declined for large distribution (to 21 from 29 in April), remaining instead unchanged (at 0), for the third month running, for traditional retail trade.

Lastly, with regard to prospects for selling prices, the raw balance increased for “modern” distribution (from 8 to 12), but, on the contrary, diminished for traditional trade (from 15 to 8).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Dec.	104,4	1	17	12
Jan.	106,5	11	10	9
Feb.	109,8	10	19	6
Mar.	107,1	2	19	7
Apr.	108,8	12	23	16
May	108,3	9	17	8

Forecasts on business trend (seasonally adjusted data)

