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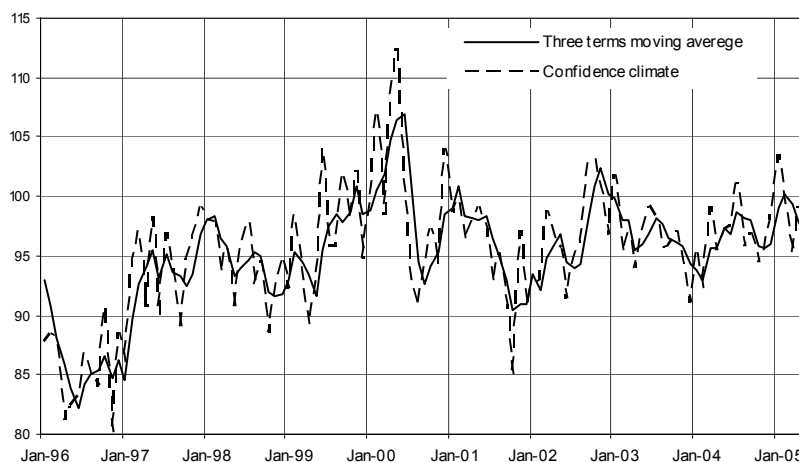
Date: **June 30, 2005**  
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## TRADE OPERATORS' CONFIDENCE FALLS IN MAY

- **The seasonally adjusted confidence indicator decreases from 99.1 in April to 96 in May: indeed, assessments on the current business trend further worsen and inventories grow. Firms expect a rosier sale evolution in the next few months**
- **Among non confidence-building variables, a further improvement is observed in short-term expectations on the labour market and on the order-book volume, while assessments on the current price dynamics point to a new acceleration, though respondents declare they wish to reduce selling prices in the next quarter**
- **The confidence weakening affects both kinds of distribution, but it is larger in large distribution: indeed, the seasonally adjusted indicator falls from 101.4 to 99.1 in traditional retail trade and from 94.4 to 90 in “modern” distribution**

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



*Data on June shall be diffused on **July 27, 2005.***

Next ISAE Surveys are scheduled as follows:

**July 4, 2005:** *Comparative Business Surveys for Italy, Germany and France (Reference months: June)*

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

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 decreases from 99.1 in April to 96 in May: indeed, assessments on the current business trend further worsen and inventories grow again, while rosier indications come from the future sale evolution.

Among non confidence-building variables, a further improvement is observed in short-term expectations on the labour market and on the order-book volume. With reference to prices, assessments on inflation point to a new acceleration of the current price dynamics, though respondents declare for the second month in a row they wish to reduce selling prices in the next quarter.

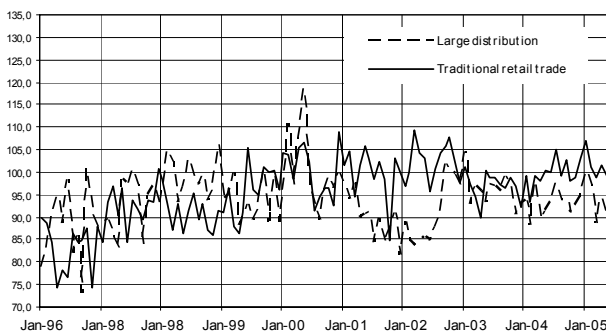
Looking at single sectors, the confidence worsening affects both kinds of distribution, but it is larger in modern distribution: indeed, the seasonally adjusted indicator falls from 101.4 to 99.1 in traditional retail trade and from 94.4 to 90 in “modern” distribution.

## Situation in the reference month (May 2005)

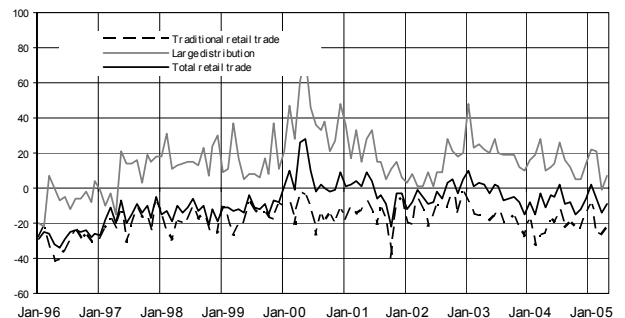
May assessments on the current business trend considerably worsen, as signalled by the ISAE Survey: indeed, the seasonally adjusted balance diminishes from -9 to -15, which is close to the troughs since October 2004. The sale contraction goes alongside with growing inventories, as their balance (needing no seasonal adjustment) rises again from 1 to 7. Firms also signal a producer price growth, as the seasonally adjusted balance increases from 21 (April) to 25 (May).

Breaking down data by kind of distribution, the current business trend is strongly negative for large distribution operators, while it remains stable for traditional retailers. The seasonally adjusted balance of this variable falls from 7 to -9 in the former case and remains at -23 in the latter case. Homogeneous indications come from assessments on inventories (the seasonally adjusted balance increasing from 4 to 9 in large distribution and from 1 to 6 in traditional retail trade) and on producer prices (the seasonally adjusted balance jumping from 8 to 17 in modern distribution and growing from 28 to 30 in traditional trade).

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



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



## Forecasts for next months

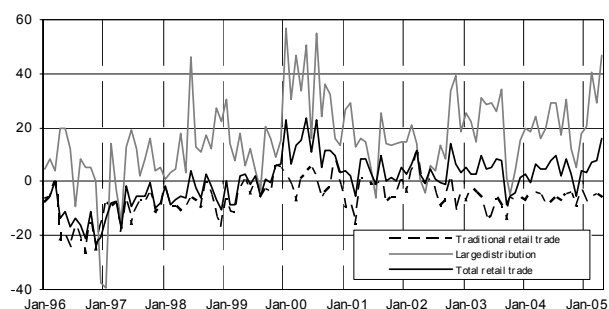
The future balances of sales, order books and labour market should become rosier. Indeed, the balance of sales grows from 1 to 4, the one referring to order books slightly recovers from -4 to -3 and the balance of the labour market evolution rises from 16 in April to 19 in May. With regard to prices, in spite of producer price rises, respondents expect a selling price contraction and the (raw) balance of selling prices falls from 9 to 3.

Breaking down data by kind of distribution, the entrepreneurs' expectations are rosier in large distribution: indeed, in keeping with the outcomes referring to trade as a whole, in this area both the sale volume and the future order-book and employment situations are improving (the seasonally adjusted balances passing from 28, 28 and 47 to 33, 39 and 53 respectively). Besides, operators expect a selling price reduction for the third month in a row: indeed, the (raw) balance of the variable becomes negative again for the first time since July 2004 and continues to decrease (from 1 to -5). All in all, traditional retailers' expectations seem less rosy, as they express some concerns on their future sale and order-book trends (the seasonally adjusted balances passing from -16 and -24 to -17 and -25 respectively) and expect a selling price contraction (the raw balance going from 14 to 8). The only favourable signal comes from employment, as the seasonally adjusted balance slightly improves from -6 to -5.

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

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
January	103.5	2	6	5
February	99.2	-6	1	4
March	95.1	-14	-2	4
April	99.1	-9	1	1
May	96.0	-15	4	7

## Forecasts on employment (seasonally adjusted data)



## Forecasts on business trend (seasonally adjusted data)

