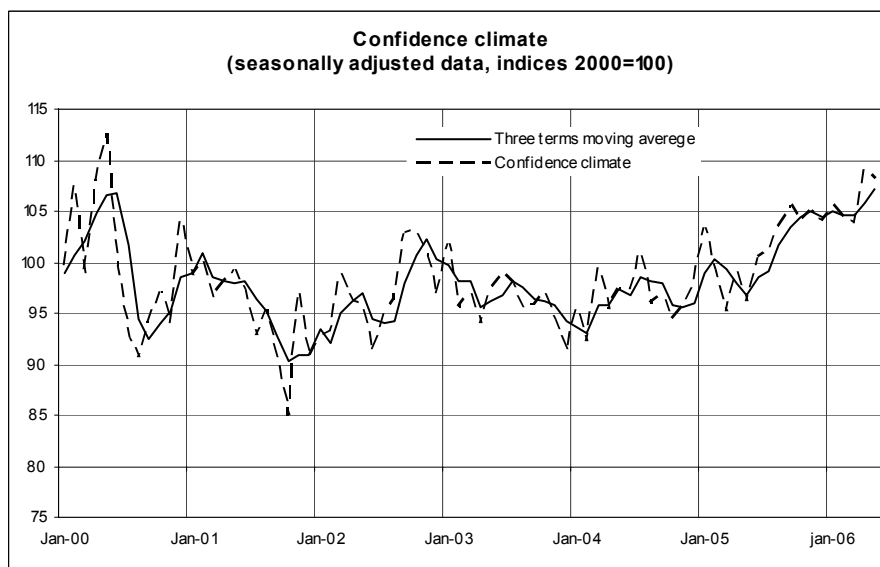


FOLLOWING THE STRONG IMPROVEMENT OF THE PREVIOUS MONTH, RETAIL TRADE FIRMS' CONFIDENCE EDGES DOWN IN MAY

- The seasonally adjusted confidence indicator of retail trade firms declined in May from 109.2 to 108.1, remaining however at its highest level since May 2000. Particularly, compared to the previous month, respondents gave a less favourable assessments on current business trend. Expectations on the future volume of sales remained unchanged, and the level of inventories declined
- With regard to the series excluded from the definition of retail climate, respondents became less optimistic about expectations on the volume of orders, while they marginally improved their prospects on employment
- As for prices, current inflation was considered to be slowing down, whereas retail traders anticipated a rise in future inflation
- According to the breakdown by type of retail distribution, a mixed picture emerged: the indicator declined slightly for “modern” distribution (to 105.9 from 106.7 in April), while it extended its upward path for traditional retail trade (rising to 109.8 from 108.8 in April)



Data on June shall be released on July 27, 2006

The next ISAE surveys are scheduled as follows:

July 6, 2006: *ISAE International Comparison of Consumer and Business Surveys (reference period: June)*

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 confidence indicator eased in May to 108.1 (from 109.2 in April), remaining however at its highest level since May 2000. Compared to the previous month, respondents worsened their assessments on current business trend. Expectations on the future volume of sales held steady, and inventories further edged down.

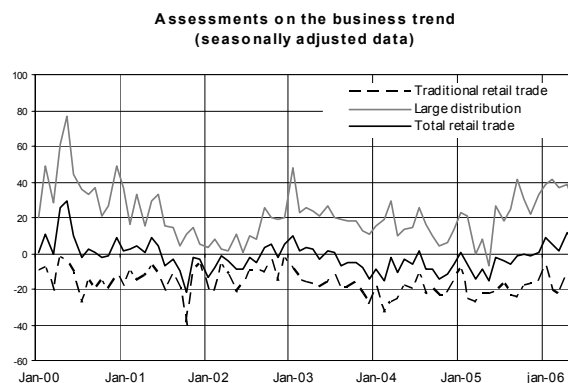
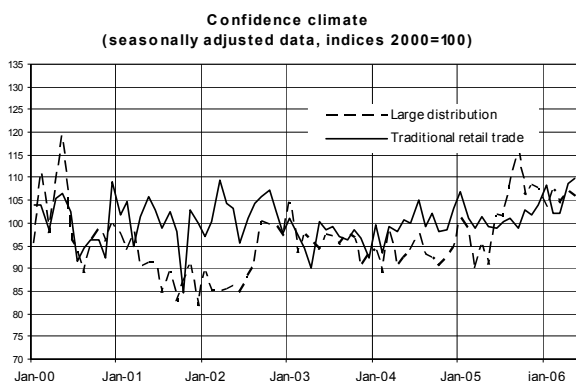
With regard to the variables excluded from the definition of confidence, expectations on the volume of orders worsened, while those regarding labour marked developments continued to improve moderately. As for prices, firms judged that current inflation was slowing down, stating at the same time that they wanted to lift selling prices slightly in the next three months.

The confidence indicator improved further for traditional distribution, but decreased, albeit moderately, for “modern” distribution. The seasonally adjusted index, in fact, moved from 108.8 to 109.8 in the former case, and from 106.7 to 105.9 in the latter one.

Situation in the reference month (May 2006)

In May, the assessments on current retail business trend worsened. The seasonally adjusted balance of the variable, which had strongly improved in the previous month, declined from 12 to 7. According to the surveyed firms, de-stocking nevertheless continued: the related balance, which is not affected by seasonal factors, actually decreased from 3 to 1. Finally, compared to the previous survey, the assessments on suppliers’ prices started to decline once more, falling back to the level posted last March, on a seasonally adjusted basis. The related balance lowered from 30 to 27.

The views that emerged were not homogeneous across distribution channels. The seasonally adjusted balance for the assessments on current business trend posted a sharp fall for large distribution (to 27 from 39 in April), while it recovered for traditional distribution (to -9 from -11). In line with the developments recorded for current retail sales, inventories declined for traditional retail trade (the seasonally adjusted balance of the variable lowered to 1 from 5 in April), whereas they remained unchanged for “modern” distribution (at 2). Finally, suppliers’ prices also sent contrasting signals: the seasonally adjusted balance of the variable declined in fact from 40 to 23 for large distribution, rising instead from 28 to 31 for the traditional one.



Outlook for the months ahead

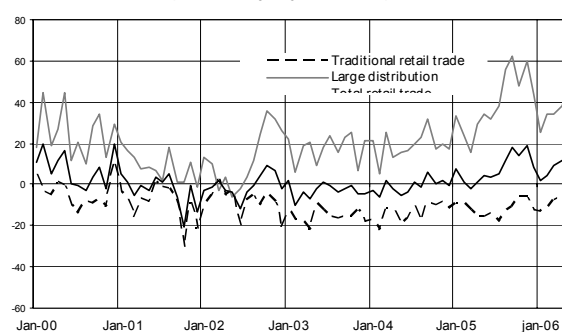
In May, retail traders did not change their short term expectations for the volume of future sales, but they gave a less confident appraisal of the expected volume of future orders. The seasonally adjusted balance of the former variable remained stable at 12, while the balance for the latter variable declined from 8 (in April) to 4. On the whole, retail traders improved their expectations on the employment trend: the seasonally adjusted balance of the variable, in fact, edged up, moving from 17 to 18. Finally, with regard to selling prices, retail traders anticipated a rise in inflationary pressures, and the raw balance of the variable increased from 4 to 6.

The breakdown of the data by type of retail distribution painted once more a mixed picture. Expectations on the future volume of both sales and orders improved for large distribution, and, in contrast, worsened for traditional retail trade. The related seasonally adjusted balances of the variables actually increased from 38 to 46 and from 39 to 42, respectively, for the former distribution channel, while they declined from -5 to -8 and from -12 to -16 for the latter one. As for the labour market, the seasonally adjusted balance of the variable lowered from 43 to 39 in “modern” distribution, while it recovered, moving from -2 to 0, in the traditional one. To conclude, the intentions of surveyed retail traders regarding selling prices were also divergent. The raw balance of the variable declined for traditional retail trade (from 7 to 5), while it recovered for “modern” distribution (rising from -1 to 7).

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

| Month | Confidence climate | Business trend (assessments) | Business trend (forecasts) | Inventories |
|-------|--------------------|------------------------------|----------------------------|-------------|
| Jan. | 105,6 | 9 | 2 | 1 |
| Feb. | 104,4 | 5 | 4 | 3 |
| Mar. | 103,9 | 2 | 9 | 6 |
| Apr. | 109,2 | 12 | 12 | 3 |
| May. | 108,1 | 7 | 12 | 1 |

Forecasts on business trend (seasonally adjusted data)



Forecasts on employment (seasonally adjusted data)

