

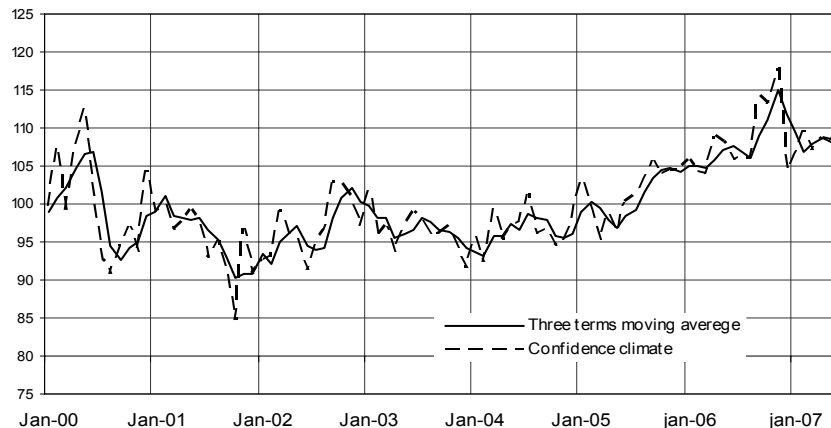


Date: **June 27, 2007**
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RETAIL TRADE FIRMS' CONFIDENCE INCREASES IN JUNE, ESPECIALLY IN LARGE DISTRIBUTION

- The seasonally adjusted overall confidence indicator rose in June to 110.7 (compared to 108.3 in May). With respect to the previous survey, inventories further diminished and the opinions on current business activity improved
- Among the series excluded from the definition of retail climate, expectations on labour market developments were cautiously optimistic, while anticipations on the volume of future orders remained unchanged. As for prices, both current and future inflation were considered to be easing
- The breakdown of data by distribution channel showed that positive indications mainly came from large retail trade firms (to 102.6 from 97.2), though a slight improvement also characterized traditional retail traders (to 118.8 from 117.4 in May)

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



Data on July shall be released on July 26, 2007

The next ISAE surveys are scheduled as follows:

July 5, 2007: ISAE International Comparison of Consumer and Business Surveys (reference period: June)

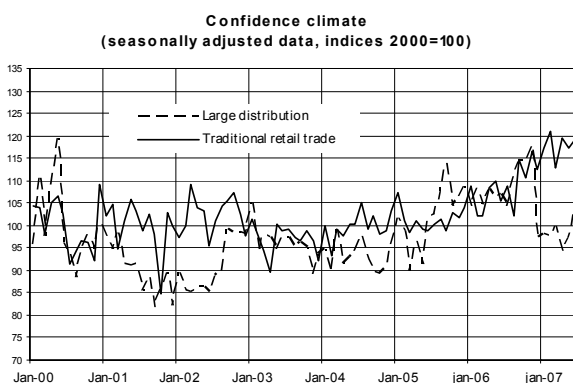
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between June 1 and June 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that in June Italian retailers' confidence started to increase once more. The seasonally adjusted overall indicator actually moved from 108.3 (in May) to 110.7. Compared to the previous month, inventories further diminished and the balance for current business activity moderately increased.

The analysis of the variables excluded from the definition of confidence pointed to a slight improvement in the prospects for labour market developments, while expectations on the future volume of orders remained unchanged. As for the price trend, both current and future inflationary pressures were considered to be easing compared to the previous survey.

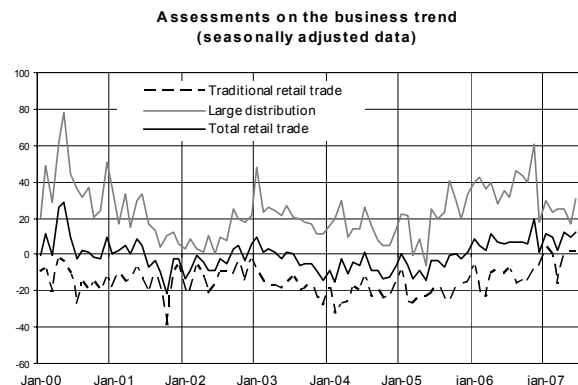
The breakdown of data by type of retail distribution showed that the improvement in confidence, though widespread across both distribution channels, was particularly sharp for large retail trade. The seasonally adjusted indicator actually rose from 117.4 to 118.8 for traditional distribution, but surged from 97.2 to 102.6 for "modern" retail trade.



Situation in the reference month (June 2007)

In June, opinions on current business activity started to improve once more. The seasonally adjusted balance rebounded from 9 to 12, reaching the value posted last April. Moreover, surveyed firms confirmed additional marked de-stocking of inventories. The related balance (which is not affected by seasonal factors) declined from 8 to 2. With regard to the trend in suppliers' prices, after two months of stability, the seasonally adjusted balance of the variable started to decline again, moving from 37 (in May) to 35.

The breakdown of survey results by type of retail distribution showed diverging trends for respondents' opinions on both current business activity and the trend for suppliers' prices. The seasonally adjusted balance of the former variable actually held steady at 1 for traditional distribution, but increased from 17 to 30 for "modern" distribution. For the latter variable, the balance rose from 33 to 36 for traditional retail trade, but declined from 48 to 35 for large distribution. Indications were homogeneous only for inventories, with a decline in both distribution channels. The further fall in the related seasonally adjusted balance was again particularly sharp for large distribution (after eight months, the balance reverted to negative territory, moving from 7 to -5) and more moderate for traditional retail trade (to 6 from 9 in May).



Outlook for the months ahead

In June, widespread pessimism revealed by the previous survey eased somewhat. Firms surveyed by ISAE, though continuing to state their concern about the trend in future sales (the seasonally adjusted balance of the variable declined from 17 to 15), however anticipated stability for the volume of orders (at 3) and growth for employment (to 11 from 10). With regard to selling prices, also in June the survey pointed to an easing of future inflationary pressures: the raw balance of the variable moved to 1 (from 10 in May), hitting the level recorded in December 2006.

Developments in sector-level confidence indicators showed that large retail traders were pessimistic about the future volume of both sales and, accordingly, orders. The seasonally adjusted balance of the former variable actually decreased from 31 to 25, while the one for the latter variable lowered from 26 to 21. However, in seeming contradiction with these results, operators in “modern” distribution stated they were optimistic about the future volume of employment, pushing the seasonally adjusted balance of the variable up from 21 to 26. Operators in traditional retail trade, though optimistic about the trend in sales (the seasonally adjusted balance inched up, moving from 9 to 10), expected a decline in the future volume of both orders and employment. The seasonally adjusted balance plunged from -8 to -13 for the former variable, and declined from 0 to -1 for the latter one.

Lastly, with regard to prospects for selling prices, indications were homogeneous: the raw balance actually declined from 12 to -6 for “modern” distribution and from 8 to 5 for traditional retail trade.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
January	106,5	11	10	9
February	109,8	10	18	6
March	107,1	2	19	7
April	108,8	12	23	16
May	108,3	9	17	8
June	110,7	12	15	2

Forecasts on business trend (seasonally adjusted data)

