

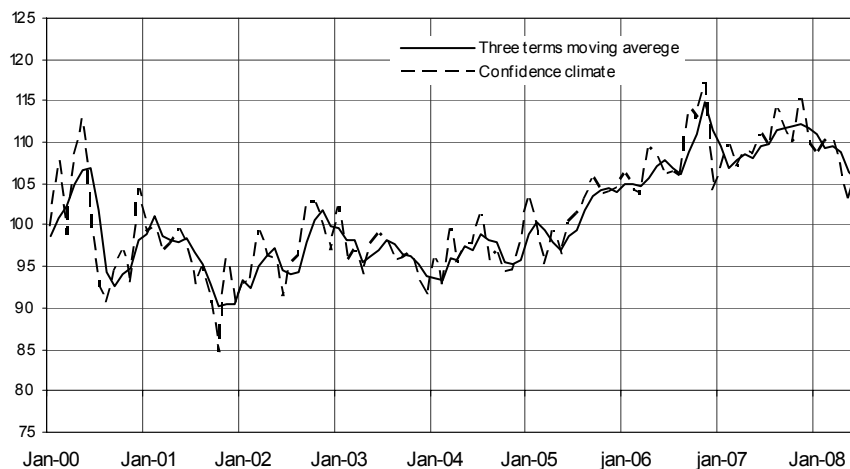


Date: **June 27, 2008**
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IN JUNE ITALIAN RETAILERS' CONFIDENCE RESUMES ITS UPWARD PATH

- The overall seasonally adjusted confidence index increased in June from 102.9 to 107.3
- The improvement was essentially backed by more favourable expectations for future sales. Also the volume of business activity and of inventories sent positive indications
- Among the variables excluded from the definition of retail climate, surveyed entrepreneurs confirmed their pessimism about employment prospects, and showed renewed concerns about orders
- As for prices, respondents perceived a slight increase in current inflationary pressures, but expected a marked acceleration in the following three months
- The improvement in confidence was homogenous across both distribution channels. The seasonally adjusted index actually rose from 105 to 108.1 in traditional distribution and from 101.4 to 104.7 in “modern” retail trade

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



Data on July shall be released on July 25, 2008

The next ISAE surveys are scheduled as follows:

July 3, 2008: 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 small and large retail distribution, showed that in June Italian retailers' confidence started to increase once more. After the decline recorded in the previous months, the overall seasonally adjusted indicator actually rose from 102.9 (in May) to 107.3. Compared to the previous survey, the largest improvement characterized expectations for the future trend in sales, but also opinions on current business activity bettered. Lastly, inventories were considered to have diminished.

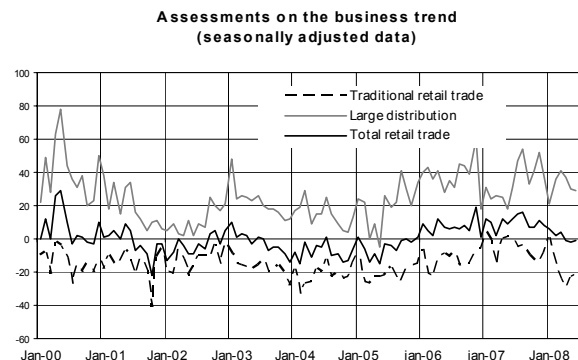
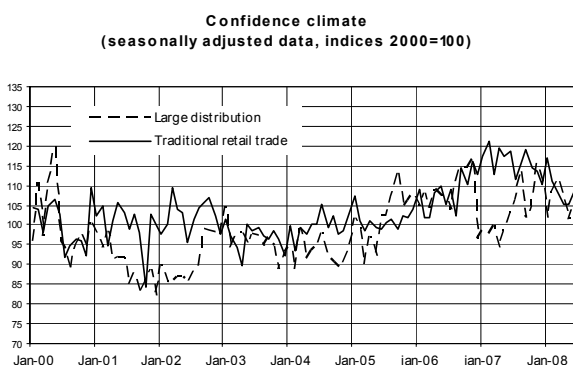
Among the variables excluded from the definition of retail climate, pessimism continued to distinguish expectations for the future volume of employment. New signs of concern came also from the volume of orders. Lastly, with regard to the price trend, traders perceived a moderate increase in current inflationary pressures, but they forecast a strong acceleration in the following quarter.

The improvement in overall retailers' confidence was homogeneous across both distribution channels. The seasonally adjusted indicator actually increased from 105 (in May) to 108.1 in traditional distribution and from 101.4 to 104.7 in "modern" retail trade.

Situation in the reference month (June 2008)

In June, opinions on the present trend in business activity bettered slightly. The seasonally adjusted balance of the variable returned to the level recorded last April (-1). Also the balance for inventories retraced its April surge, lowering in May from 11 to 9. Lastly, with regard to supplier price developments, the seasonally adjusted balance of the variable increased for the second month running, moving from 50 to 52.

The sorting out of data by distribution channel showed that respondents' opinions continued to be mixed. In particular, the seasonally adjusted balance of the trend in sales recovered from -23 to -21 for traditional distribution, but slipped from 30 to 29 for "modern" retail trade. The balance for inventories declined from 11 to 5 in the former sector, but, in contrast, increased from 11 to 14 in the latter one. Lastly, the balance for suppliers' prices increased for traditional distribution (from 43 in May to 48), whereas it remained unchanged for large retail trade (at 58).



Outlook for the months ahead

In June, overall, surveyed firms made very optimistic forecasts for future business activity. After the fall recorded in the previous month, the seasonally adjusted balance of the variable started to rise again, moving from 15 to 24. Instead, expectations for the future level of employment continued to deteriorate for the third straight month (the seasonally adjusted balance declined from 13 to 6). Lastly, the volume of orders also caused some concern: the related seasonally adjusted balance, which moved from 1 to -2, went back down to the level recorded last April. Finally, with regard to prices, survey results showed a new, general increase in future selling price inflation: the seasonally adjusted balance of the variable rose from 27 to 38.

The breakdown of data by distribution channel indicated that the sharp increase in the balance for the future volume of sales posted by the whole sector may be traced exclusively to the optimism of large distribution operators. Actually, the seasonally adjusted balance remained unchanged at 4 for traditional distribution, while it abruptly surged from 37 to 53 for “modern” retail trade. In seemingly contradiction with such a result, expectations for the volume of orders and employment worsened in large distribution. The related seasonally adjusted balances strongly diminished, moving from 29 to 16 for the former variable and from 26 to 11 for the latter one. Though pessimistic, expectations of traditional distribution traders were however more conservative: the seasonally adjusted balance for the volume of orders worsened from -12 to -19 and the one for employment slipped from 1 to 0.

As for seasonally adjusted selling price inflation, most traders in both distribution channels expected to increase prices, but a larger number of those planning such a rise were found in “modern” distribution. The balance for the variable rose from 23 to 28 in traditional distribution, but surged from 41 to 63 in large 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 | 108,2 | 6 | 15 | 4 |
| February | 110,1 | 2 | 26 | 5 |
| March | 110,5 | 4 | 24 | 3 |
| April | 106,1 | -1 | 21 | 9 |
| May | 102,9 | -2 | 15 | 11 |
| June | 107,3 | -1 | 24 | 9 |

