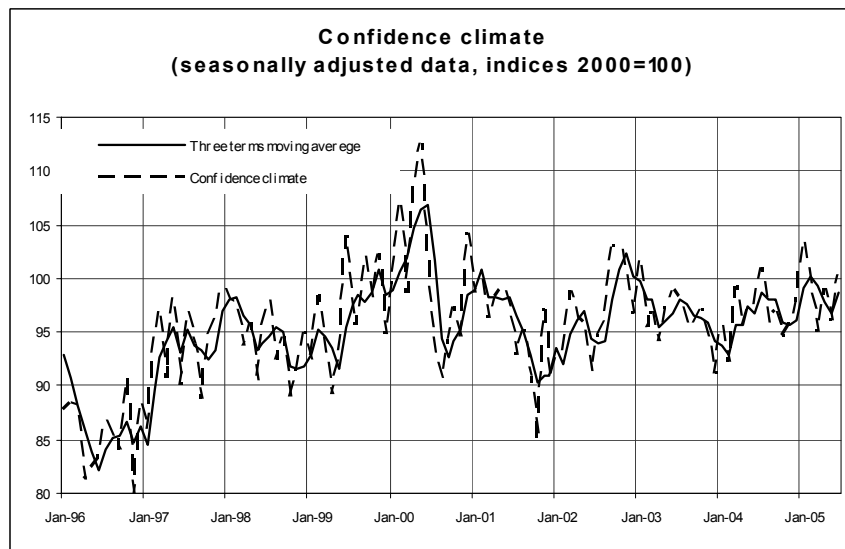




Date: July 27, 2005
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TRADE OPERATORS' CONFIDENCE GROWS AGAIN IN JUNE, PARTICULARLY IN LARGE DISTRIBUTION

- After the May contraction, in June the seasonally adjusted confidence indicator rises from 96.2 to 100.4, which is one the hikes since January 2005. The balance referring to the current business trend clearly recovers, while assessments on inventories and expectations on the future sale volume remain stable
- Among non confidence-building variables, a further improvement is observed in short-term expectations on the future order-book volume, while employment gives rise to flashes of concern
- Turning to prices, the Surveys shows an inflationary tension slowdown both in terms of present perception and of future expectations
- Confidence remains substantially stable in traditional retail trade, while it shows signals of recovery in large distribution: the seasonally adjusted indicator passes from 99 to 98.9 in the former and from 90.4 to 101 in the latter



Data on July and August shall be diffused on **September 29, 2005**.

Next ISAE Surveys are scheduled as follows:

August 1, 2005: Comparative Business Surveys for Italy, Germany and France (Reference months: July)

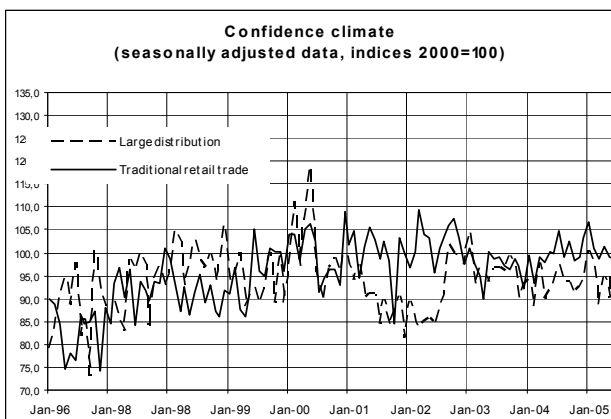
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

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 rises in June from 96.2 to 100.4. Compared to the previous Survey, assessments on the current business trend clearly recover, while evaluations on inventories and expectations on the future sale volume remain stable.

Among non confidence-building variables, operators declare their optimism on their short-term order-book prospects, but they are concerned on the future employment level. Compared to the previous Survey, assessments on inflation show an inflationary tension slowdown with reference to both the current and the future price dynamics.

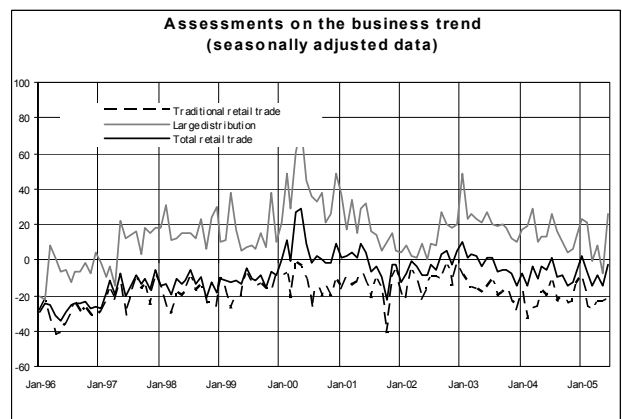
Looking at data by kind of distribution, confidence remains stable in traditional retail trade, while it shows strong signals of recovery in large distribution. The seasonally adjusted indicator passes from 99 to 98.9 in the former case and from 90.4 to 101 in the latter, which is the highest peak since February 2003.



Situation in the reference month (June 2005)

June assessments on the current business trend considerably improve and the seasonally adjusted balance grows from -15 to -2. Compared to the previous Survey, the balance of inventories remains stable (at 7), while producer prices diminish from 24 to 18, which is an all-time low.

Breaking down data by kind of distribution, assessments are rather homogeneous. The current business trend is improving in both areas, though large distribution operators express particularly favourable opinions: the seasonally adjusted balance of this variable rises from -7 to 26, while it recovers from -23 to -22 in traditional retail trade. Homogeneous indications also come from assessments on producer prices: the (seasonally adjusted) balance of the variable decreases from 17 to 6 in large distribution and from 30 to 27 in traditional trade. Conversely, evaluations on inventories are dishomogeneous, as the balance grows from 6 to 10 in traditional retail trade and decreases from 9 to 1 in large distribution.



Forecasts for next months

In June, within a framework characterised by stable expectations on the future sale trend (the seasonally adjusted balance equalling 4), ISAE respondents are optimistic on their future sale volume, though they are concerned for the labour market. The seasonally adjusted balance of the former variable recovers from -3 to 0, while the balance of the latter balance falls from 19 to 14. Looking at the operators' intentions to modify prices, the Survey points to an inflationary expectation fall as the raw balance passes from 3 to -1, thus getting close to its all-time low.

Breaking down data by kind of distribution, the entrepreneurs' expectations are rosier in traditional retail trade: as the future sale volume (passing from -17 to -14) and employment (from -5 to 0) are both expected to grow. Conversely, those same variables are supposed to diminish in large distribution, as the seasonally adjusted balance of the former variable decreases from 34 to 30 and the latter from 52 to 33. Indeed, both traditional trade and large distribution operators agree in expecting an order-book level contraction: their seasonally adjusted balances worsen from -25 and 39 to -27 and 35 respectively. Finally, with reference to selling prices, they are expected to diminish in traditional trade (from 8 to -1), but they should grow in large distribution, as the raw balance should recover from -5 to -2.

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

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
February	99.3	-6	1	4
March	95.1	-14	-2	4
April	99.2	-9	1	1
May	96.2	-15	4	7
June	100.4	-2	4	7

