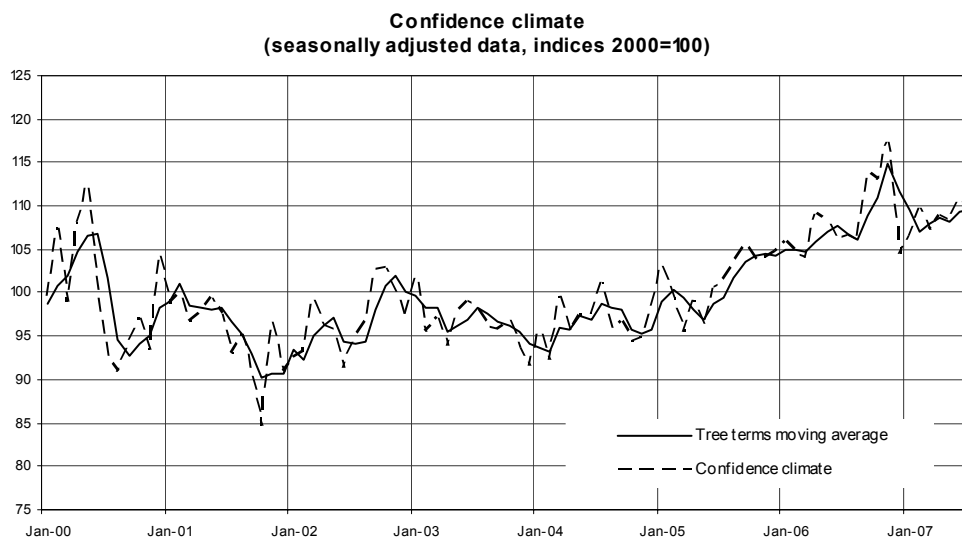




Date: July 26, 2007
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IN JULY, RETAIL TRADE FIRMS' CONFIDENCE INCHES DOWN, RETURNING TO THE AVERAGE LEVEL POSTED IN THE SECOND QUARTER

- The seasonally adjusted overall confidence indicator came in at 109.6 (compared to 110.9 in June), returning to the average high level posted in the last quarter. The opinions on current business activity improved and expectations for the future volume of sales remained unchanged. However, firms indicated a sharp restocking of inventories
- Among the series excluded from the definition of retail climate, expectations on future labour market developments continued to improve, whereas the ones on future orders started to worsen once more. As for prices, traders considered current inflation to have remained stable, but they anticipated a rise in future inflation
- The breakdown of data by distribution channel showed that confidence increased in large retail trade (to 106.4 for the seasonally adjusted indicator, compared to 102.8 in June), but plunged in traditional distribution (to 111.7 from 118.7)



Data on August shall be released on September 5, 2007

The next ISAE surveys are scheduled as follows:

August 7, 2007: ISAE International Comparison of Consumer and Business Surveys (reference period: July)

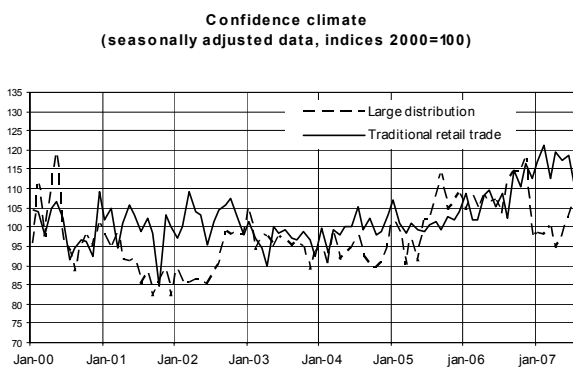
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between July 1 and July 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that, in July, Italian retailers' confidence posted a moderate decline. The seasonally adjusted overall indicator, though remaining close to the high average value record in the second quarter, actually came in at 109.6 (from 110.9). Data showed that this result was uniquely due to the restocking of inventories, since expectations on the volume of future sales remained stable, and the opinions on current business activity bettered.

The analysis of the variables excluded from the definition of confidence pointed to a further improvement in the prospects for labour market developments, while expectations on the future volume of orders started to worsen once more. As for the price trend, suppliers' prices remained unchanged at their previous month level, while, on the contrary, selling prices increased.

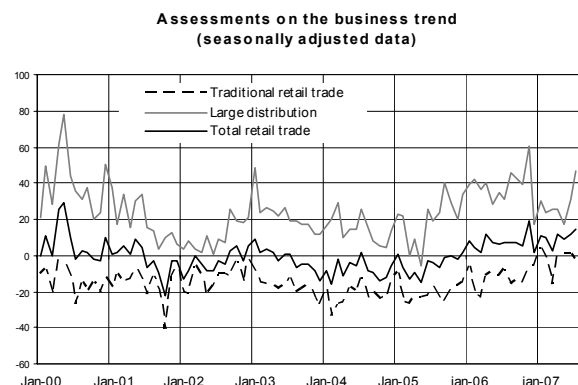
However, the fall in confidence did not affect both distribution channels. Traditional retail trade operators were decidedly more concerned: the related seasonally adjusted indicator declined to 111.7 (from 118.7 in June). The same gauge increased instead for large distribution, moving from 102.8 to 106.4.



Situation in the reference month (July 2007)

In July, opinions on current business activity continued to improve, and the seasonally adjusted balance actually rose from 12 to 15. However, surveyed firms indicated a build up in inventories. The related balance (which is not affected by seasonal factors) rebounded to the level posted last March, returning to 8 (compared to 2 in June). With regard to the trend in suppliers' prices, the seasonally adjusted balance of the variable came in at 34, remaining stable at its previous month level.

The breakdown of survey results by type of retail distribution showed diverging trends only for respondents' opinions on current business activity. The seasonally adjusted balance of the variable extended its surge in "modern" distribution (to 46, from 31 in June), whereas it fell and turned negative in traditional retail trade (to -5 from 1 in June). As for inventories, the seasonal adjusted balance of the variable increased for both distribution channels, moving from -4 to 7 in "modern" distribution and from 6 to 9 in the traditional retail trade. Lastly, surveyed firms gave uniform indications for the trend in suppliers' prices. The seasonally adjusted balance decreased from 34 (in June) to 30 for large distribution and from 36 to 35 for traditional trade.



Outlook for the months ahead

In July, trade firms surveyed by ISAE reported stability in short-term expectation for the future volume of sales (at 15) and an improvement, instead, for labour market prospects (to 13, from 11 in June). On the contrary, traders became concerned about orders for suppliers. The seasonally adjusted balance of the latter variable actually worsened from 3 to -2, reverting, after 12 months, in negative territory. With regard to selling prices, respondents by and large anticipated new inflationary pressures: the raw balance of the variable actually rose from 1 to 3 in July.

The breakdown of data by distribution channel showed that traditional retail traders were decidedly less optimistic. The related seasonally adjusted balance for the trend in future sales sharply turned down (it plunged from 10 to 1, reverting to the valued posted last January). Also the balance for the volume of future orders markedly deteriorated, moving from -13 to -20 and thus reaching the lowest level since August 2006. Traders were cautiously optimistic only about prospects for labour market developments: the seasonally adjusted balance of the variable improved slightly from -1 to 0. Operators in “modern” distribution staged, instead, decidedly confident expectations. Most firms anticipated a rise in both the volume of future sales (the seasonally adjusted balance increased to 34 from 26 in June) and orders (to 26 from 21), as well as employment (to 29 from 26). Finally, also with regard to selling prices, traders’ views were not homogenous. The raw balance of the variable remained at -6 for large distribution, while it rebounded back to its May level for traditional retail trade, moving to 8 from 5 in June.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
February	109,8	10	19	6
March	107,2	2	19	7
April	108,8	12	23	16
May	108,4	9	17	8
June	110,9	12	15	2
July	109,6	15	15	8

