

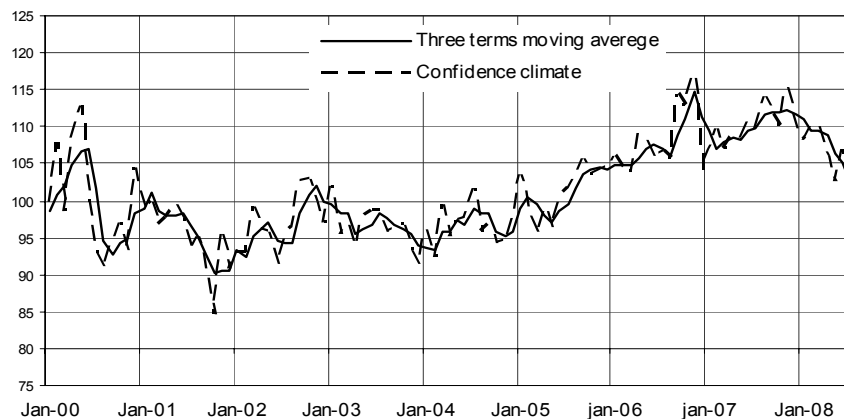


Date: July 25, 2008
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ITALIAN RETAILERS' CONFIDENCE SLUMPS IN JULY

- The overall seasonally adjusted confidence index dropped in July from 107.0 to 98.4
- Sharp deterioration mainly characterized both opinions and expectations on business activity. However, inventories edged down slightly
- Among the variables excluded from the definition of retail climate, also orders sent negative signals, but retailers were cautiously optimistic about labour market developments
- As for prices, both present and future inflationary pressures markedly eased, confirming the slowdown in current business activity
- The deterioration in confidence distinguished both distribution channels. The seasonally adjusted index actually lowered from 107.9 to 98.8 in traditional distribution and from 104.5 to 99 in “modern” retail trade

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



Data on August shall be released on September 4, 2008

The next ISAE surveys are scheduled as follows:

August 5, 2008: 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 small and large retail distribution, showed that Italian retailers' confidence markedly worsened. In July, the overall seasonally adjusted indicator actually dropped from 107 (in June) to 98.4, going down to its lowest level since May 2005. Compared to the previous survey, an unexpected and clear cut deterioration emerged in both the opinions on current business activity and expectations for the future volume of sales. However, inventories continued to diminish.

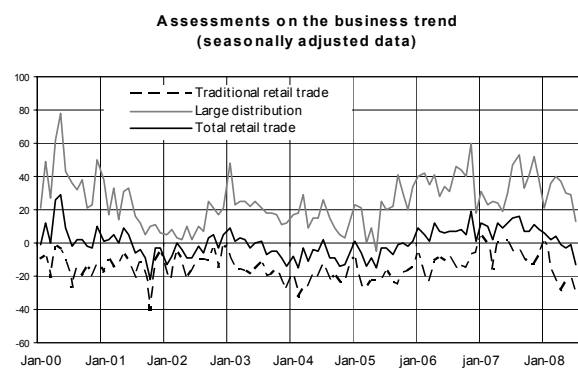
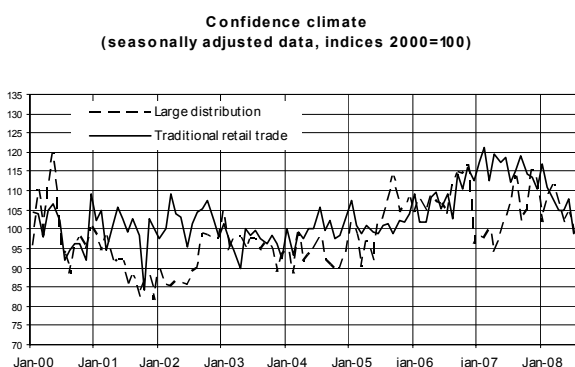
Among the variables excluded from the definition of retail climate, on the one hand expectations for the level of employment seemed less pessimistic, but on the other respondents became more concerned about the future volume of orders. Assessments on inflation confirmed entrepreneurs' evaluation of a slowdown in current business activity. Both supplier and selling prices showed clear deceleration over the previous months.

Marked deterioration in confidence distinguished both distribution channels. The seasonally adjusted indicator actually declined from 107.9 (in June) to 98.8 (its September 2005 level) in traditional distribution and from 104.5 to 99 (back to its May 2007 value) in "modern" retail trade.

Situation in the reference month (July 2008)

In July, the ISAE Survey showed sharp deterioration in the opinions on business activity. The seasonally adjusted balance of the variable, which returned to the low recorded in May 2005, actually plunged from -1 to -13. However, for a second straight month, the fall in sales came along with a new decline in the level of inventories (from 9 to 7). Lastly, with regard to supplier price inflation, the seasonally adjusted balance of the variable started to decline once more, moving from 51 to 46.

The sorting out of data by distribution channel showed that surveyed operators' opinions on current business activity were decidedly negative in both sectors. The seasonally adjusted balance of the variable actually diminished from -21 to -30 (a low last reached in February 2004) for traditional distribution and from 29 to 13 (a minimum hit in May 2005) for "modern" retail trade. On the contrary, respondents' opinions on the level of inventories and on supplier prices were mixed. The seasonally adjusted balance of the former variable increased slightly in traditional distribution (to 6 from 5 in June), but declined in large distribution (to 9 from 14). The balance of the latter variable rose in traditional distribution (from 48 to 57), whereas it abruptly fell for "modern" retail trade (from 58 to 29, the lowest reading since August 2007).



Outlook for the months ahead

In July, surveyed firms made overall highly negative forecasts for the trend in future business activity, and the seasonally adjusted balance of the variable dropped from 24 to 9, reaching the lowest level since June 2006. Assessments on the volume of orders were also negative: the seasonally adjusted balance continued to decline, moving from -2 to -9 (the lowest value since March 2005). Expectations for the future level of employment were in general less unfavourable. The related seasonally adjusted balance, though coming in clearly below its first quarter average, moderately improved, rising from 6 to 9.

The breakdown of data by distribution channel showed that firms in traditional distribution were generally more concerned: in this sector entrepreneurs forecast a marked deterioration in the future volume of both sales and orders. For the former variable, the seasonally adjusted balance abruptly fell from 3 to -10, hitting a low last seen in August 2006. For the latter variable, the balance diminished from -19 to -28, a minimum recorded in June 2004. Lastly, the same operators expected stability for employment (the seasonally adjusted balance of the variable actually held steady at 0). Operators in “modern” distribution also showed negative expectations for future sales (the seasonally adjusted balance diminished from 52 to 43). Nevertheless, they were vaguely optimistic about the volume of orders and decidedly positive about labour market developments. The seasonally adjusted balance improved from 16 to 17 for the former variable and from 11 to 20 for the latter one.

With regard to the price trend, firms planned to cut selling prices in both distribution channels, but in particular in “modern” distribution. The seasonally adjusted balance of the variable slipped from 27 to 26 in traditional distribution, whereas it slumped from 62 to 39 in “modern” retail trade.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
February	110,0	2	26	5
March	110,4	4	23	3
April	106,0	-1	21	9
May	102,7	-3	15	11
June	107,0	-1	24	9
July	98,4	-13	9	7

