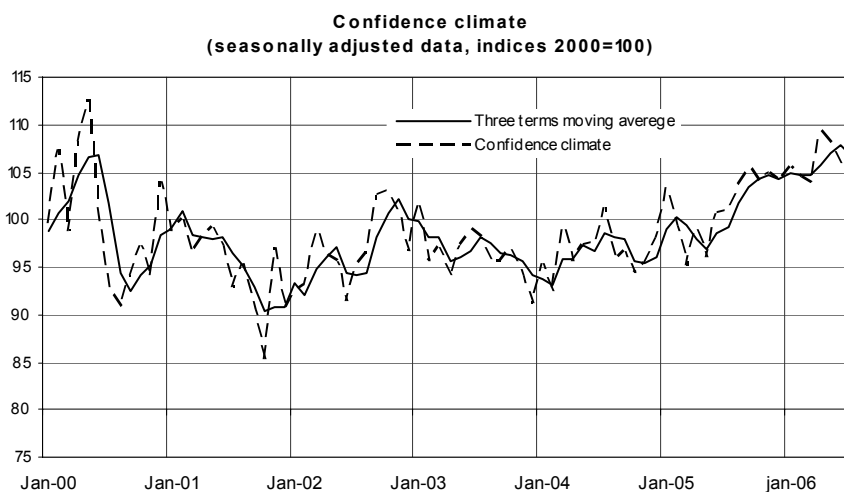




Date: September 18, 2006
TEL.: 06/444821

IN JULY RETAIL TRADE FIRMS' CONFIDENCE RESUMES ITS UPWARD TREND

- In July, following the deterioration recorded in the previous month, the seasonally adjusted confidence indicator of retail trade firms showed a slight improvement, rising to 106.5 from 105.9 in June
- The level of inventories shrunk and the balance for current business conditions bettered, though moderately. On the contrary, expectations on futures sales deteriorated
- As for the series excluded from the definition of retail climate, respondents became decidedly more pessimistic about expectations on the volume of orders, while the balance for employment prospects remained stable. Finally, with regard to prices, inflationary pressures seemed to be easing for both current and future developments
- The breakdown by type of retail distribution witnessed a worsening in confidence for "modern" distribution (the index declined to 103.4 from 106.2 in June), but a rebound for traditional retail trade (to 108.6 from 105.3)



Data on August-September shall be released on September 28

The next ISAE surveys are scheduled as follows:

September 19: ISAE Monthly Consumer Survey (reference period: September)

September 27: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: September)

September 28: ISAE Monthly Business Services Survey (reference period: September) and ISAE Monthly Survey on Construction (reference period: August)

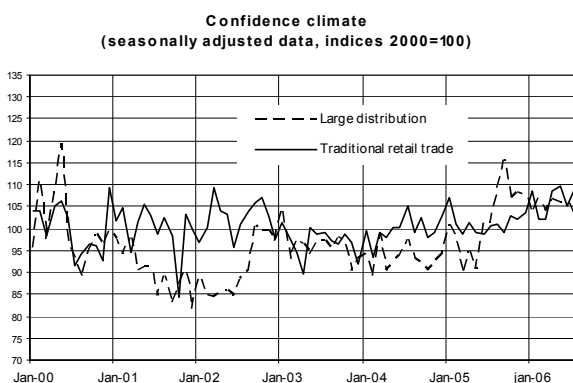
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

According to the ISAE survey, carried out on a panel of about 1,000 firms operating in the traditional and large retail distribution, in July Italian retailers' confidence marginally recovered, following the deterioration posted in the previous month. The seasonally adjusted overall confidence indicator actually reached 106.5 from 105.9 in June. Compared to the previous month, the level of inventories was scaled down and the balance for current business conditions improved, though slightly. On the contrary, expectations on future sales on the whole deteriorated.

With regard to the variables excluded from the definition of confidence, expectations for the volume of orders sent particularly negative signals, while the balance for employment expectations remained stable. Finally, with respect to prices, the opinions on inflation showed an easing of inflationary pressures, compared to the previous survey, for both current and future developments.

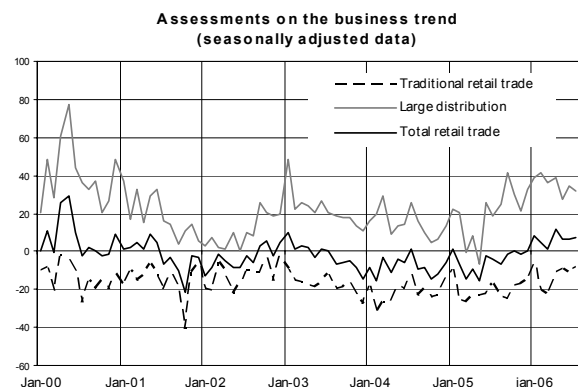
The breakdown of the data by type of retail distribution indicated that confidence worsened for "modern" distribution (to 103.4 from 106.2 in June), but bounced back for traditional retail trade, following the sharp drop posted in June (in July the index increased to 108.6 from 105.3).



Situation in the reference month (July 2006)

In July, all the seasonally adjusted balances of the variables surveyed ex-post returned to the value recorded last May. Such a rebound mostly characterized the balance for current business conditions (which inched up to 7 from 6 in June) as well as those for the level of inventories and for suppliers' prices (the former of these variables shrunk from 5 to 1 and the latter returned to 27, after hitting 29 in June).

The breakdown of data by type of retail distribution showed that the views of surveyed firms were not homogeneous regarding both business conditions and the level of suppliers' prices. For the former variable the seasonally adjusted index actually recovered for traditional distribution (rising to -8 from -11 in June), whereas it worsened for "modern" distribution (moving from 35 to 31). For the latter variable, the indicator remained stable at 31 for traditional retail trade, but fell from 25 to 19 for large retail distribution. Indications were instead uniform only for inventories. The seasonally adjusted balance of the variable actually declined from 2 to 0 for "modern" distribution and from 6 to 1 for traditional retail trade.



Outlook for the months ahead

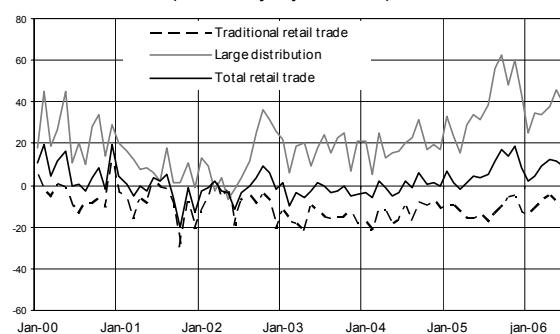
In July, retail traders worsened by and large their short term expectations for the volume of both future sales and future orders. The seasonally adjusted balance for sales fell back from 9 (in June) to 6, while the one for orders plunged from 5 to -3. Expectations for future labour market developments remained instead stable at their June level: the seasonally adjusted balance of the variable stalled at 16. Lastly, with regard to selling prices, also in July retail traders anticipated a slowing down in inflation and the raw balance of the variable slipped further, moving from 5 to 4.

The breakdown of the data by type of retail distribution indicated that large retail trade firms were increasingly worried both about future sales and the volume of orders. The seasonally adjusted balance for the former variable declined from 39 to 32, and the one for the latter variable actually collapsed from 43 to 29. Inconsistently in part with the above trend, retailers in “modern” distribution improved their expectations for the volume of employment: the seasonally adjusted balance of the variable posted an increase, moving from 43 (in June) to 46. Expectations of traditional retail trade operators were instead on the whole less pessimistic. They anticipated a slight recovery in future business conditions, stability for the volume of future orders and only a slight worsening in the volume of future employment. The seasonally adjusted balance of the variables actually rose from -13 to -12 for the first variable, stayed at -23 for the second, and finally slipped from -4 to -5 for the third. In conclusion, regarding selling prices, the raw balance of the variable shrunk for large distribution (2; 8 in June), but on the contrary increased for traditional retail trade (6; 3 in June).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Feb.	104,4	5	5	3
Mar.	103,9	1	9	6
Apr.	109,2	12	12	3
May.	108,1	7	12	1
Jun	105,9	6	9	5
Jul	106,5	7	6	1

Forecasts on business trend (seasonally adjusted data)



Forecasts on employment (seasonally adjusted data)

