

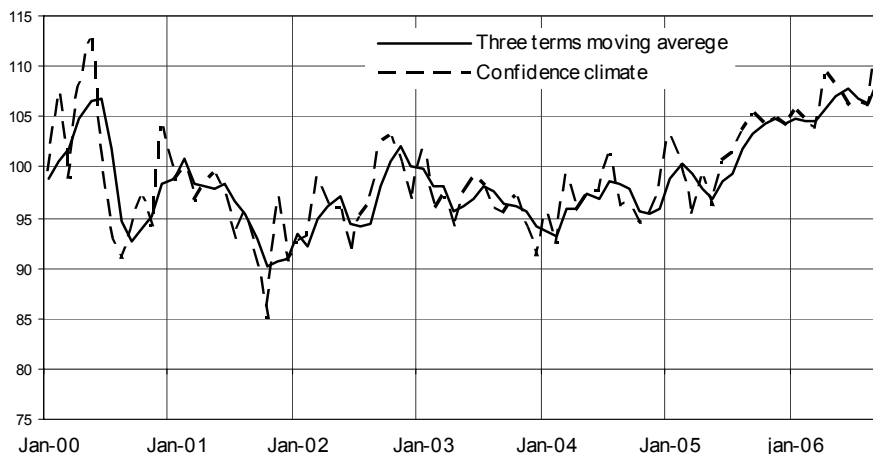


Date: September 28, 2006  
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## IN SEPTEMBER RETAIL TRADE FIRMS' CONFIDENCE INCREASES

- Starting from September 2006 – in connection with the changeover to computer assisted telephone interviews (CATI) – for the first time ISAE recorded retail trade firms' opinions and forecasts with respect to the current month, instead of the previous month, thus matching the reference period with the one for consumer, business and market services surveys
- The comparison to the September and the previous months data might be affected by this change in the interviewing system
- The seasonally adjusted confidence indicator – which in August remained basically unchanged – rose to 113.5 in September, backed by better optimism about the future trend in sales, in the presence of virtual stability for opinions on current business and of restocking of inventories
- As for the series excluded from the definition of retail climate, in August and September respondents' expectations on the volume of future orders were gradually recovering
- Forecasts for the labour market and opinions on suppliers' prices were instead more volatile. After remaining stable at first, during September also the raw balance for selling prices started to rise once more
- The strong increase in confidence posted between July and September stemmed from favourable developments in both “modern” and traditional distribution (the related indices increased from 104 and 108.6, respectively, in July to 114.4 and 114.8 in September)

CONFIDENCE CLIMATE  
(seasonally adjusted data, indices 2000=100)



Data on October shall be released on October 30

The next ISAE surveys are scheduled as follows:

**October 5:** ISAE International Comparison of Consumer and Business Surveys (reference period: September)

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](http://www.isae.it))

## General results

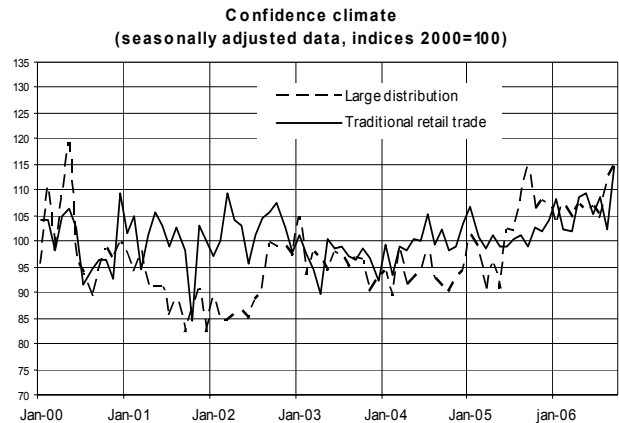
Starting from the current month – in connection with the changeover to computer assisted telephone interviews (CATI) – for the first time ISAE recorded retail trade firms' opinions and forecasts with respect to the current month, instead of the previous month, thus matching the reference period with the one for consumer, business and market services surveys. The comparison to the September and to the previous months data might be affected by this change in the interviewing system.

According to the ISAE survey, carried out on a panel of about 1,000 firms, operating in the traditional and large retail distribution, in August and September, Italian retailers' confidence showed a highly positive trend. The seasonally adjusted overall confidence indicator, which remained fairly stable in August (just slipping to 106.1 from 106.6 in July), shot up to 113.5 in September. The trend was entirely driven by respondents' expectations on developments in future sales. Compared to the July survey, in August and September, the balance for current business conditions actually remained unchanged, and the one for inventories increased.

With regard to the variables excluded from the definition of confidence, in the two months at issue, expectations for the volume of future orders were gradually improving, while those for the labour market worsened in August but improved in September. The survey pointed to instability also for the trend in the opinions on suppliers' prices: current inflation was considered to have been slightly easing in August, but accelerating once more in September. Furthermore, in September also the raw balance for selling prices, after being initially stable, started to rise again.

The breakdown of the data by type of retail distribution indicated that the seasonally adjusted confidence indicators of both distribution channels reached very high levels during the period under review.

The indicator for traditional retail trade, after falling in August to 102.3 from 108.6 in July, bounced back in September to its historical peak (114.8). The index for large retail distribution firms rose from 104.0 in July up to 111.9 in August and 114.4 in September, nearing the value recorded last autumn.



## Situation in the reference months (August-September 2006)

During August and September, the seasonally adjusted balance for current business conditions remained unchanged at its July value (7). As for inventories, operators reported a build up in August (the balance rose from 1 to 4), and stability in September. Lastly, regarding the current price trend, the seasonally adjusted value of the variable slightly edged down, moving from 28 in July to 27 in August, while it started to increase once more in September, rising to 34.

The breakdown of data by type of retail distribution showed that in both distribution channels operators considered current business conditions to be fluctuating. Particularly, in traditional retail trade the seasonally adjusted balance of the variable worsened from -8 in July to -16 in August, but recovered in September, reaching -14. For "modern" distribution, instead, the balance (also seasonally adjusted) rebounded from 32 to 46 in August, and then fell back to 43 in September.

The level of inventories, instead, remained unchanged for traditional distribution (7), but gradually declined for “modern” distribution (from 0 in July to -1 in August and to -4 in September).

Regarding suppliers’ prices, for traditional distribution the seasonally adjusted balance of the variable remained stable for the third month running in August (31), but rose to 40 in September. For large distribution, the same balance showed instead a gradual increase, moving from 19 in July to 21 in August and to 23 in September.

### Outlook for the months ahead

In the period under consideration, retail traders’ expectations recorded overall definitely positive developments for the volume of both future sales and future orders. The seasonally adjusted balance for sales rose from 6 in July to 8 in August, and swelled to 31 in September, on the occasion of the change in the interviewing system, while the balance for orders (also seasonally adjusted) recovered from -3 in July to 0 in August, and reached 9 in September. As for employment, respondents’ confidence fluctuated: the seasonally adjusted balance of the variable initially declined, moving from 16 in July to 10, and subsequently started to rise again, reaching 15. As for selling prices, to conclude, the raw balance, after remaining unchanged at 4 in August, rose to 12 in September.

The breakdown of the data by type of retail distribution showed a mixed picture for expectations. For traditional retail operators, expectations on the volume of future sales and orders were negative in August, but definitely favourable in September. The seasonally adjusted balance for the former variable worsened from -12 in July to -14 in August, but rebounded to 16 in September; the balance for the latter variable initially slipped from -23 to -24, but subsequently recovered, reaching -1. Operators’ optimism about the trend of future sales did not seem to have been mirrored by expectations on the labour market: the seasonally adjusted balance of the variable

actually remained unchanged at -5 in August, and only slightly improved to -4 in September. As for large distribution, during the two months under review, operators showed growing optimism about future sales: the seasonally adjusted balance actually rose from 33 in July to 46 in August and to 55 in September. Expectations for both orders and employment oscillated. The seasonally adjusted balance of orders increased in August to 42 (from 29 in July), but lowered to 32 in September. The one for employment, at first declined from 46 to 35, but increased thereafter once more to 45. Finally, the future level of selling prices sent contrasting signals. The raw balance of the variable increased for traditional distribution from 6 in July to 10 in August and, finally, to 11 in September; for “modern” distribution, it worsened to -6 in August, but then bettered to 13 in September (in July it stood at 2).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
Apr.	109,2	12	12	3
May	108,1	7	12	1
Jun.	105,9	6	9	5
Jul.	106,6	7	6	1
Aug.	106,1	7	8	4
Sept.	113,5	7	31	4

