

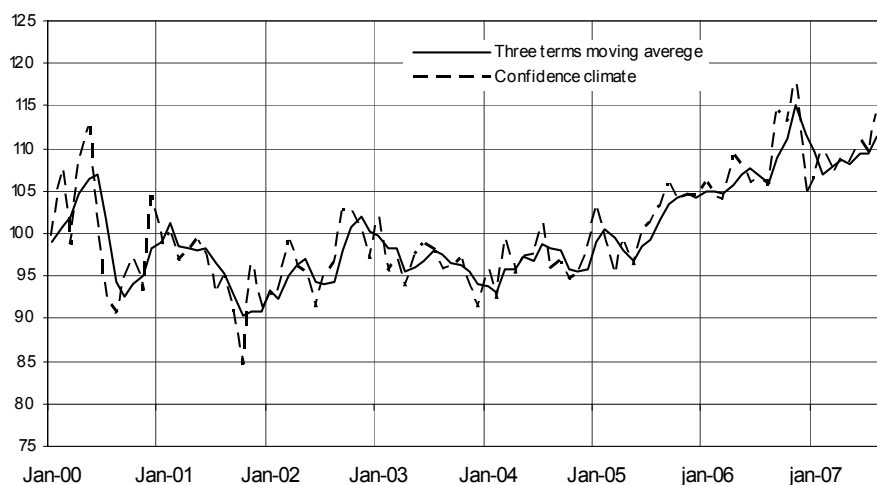


Date: **September 27, 2007**
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IN SEPTEMBER, ITALIAN RETAILERS' CONFIDENCE WORSENS, MAINLY IN LARGE DISTRIBUTION

- The seasonally adjusted overall confidence indicator declined to 111.6 from 114.1 in August, because of the worsening in the assessments on current business activity and of the resulting restocking of inventories. On the contrary, expectations for future sales improved
- Among the series excluded from the definition of retail climate, respondents confirmed their optimism about the future volume of orders, but expected a plunge in the level of employment. As for prices, both present and future inflationary pressures were reported to be increasing
- The breakdown of data by distribution channel showed that retailers' confidence improved in traditional distribution (to 119.1 for the seasonally adjusted indicator, compared to 115.2 in August), but worsened sharply in large retail trade (to 101.5 from 113.5, coming close to its June value)

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



Data on October shall be released on October 25, 2007

The next ISAE surveys are scheduled as follows:

October 4, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: September)*

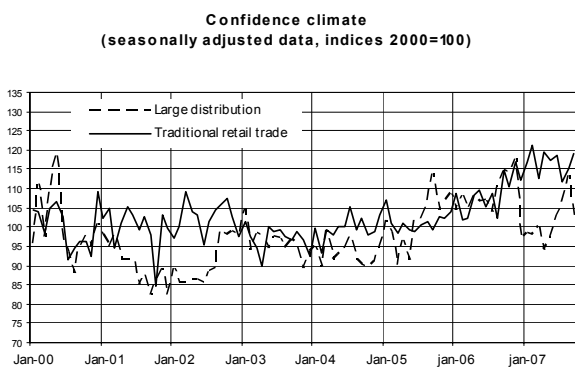
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between September 1 and September 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that Italian retailers' confidence worsened. In September, the seasonally adjusted indicator declined from 114.1 to 111.6. The trend was mainly due to the slashing of opinions on current business activity and to a new restocking of inventories. In contrast, expectations for the future volume of sales remained optimistic.

Among the variables excluded from the definition of confidence, respondents confirmed their optimism about the future volume of orders, but on the contrary expected a sharp deterioration in labour market developments. As for prices, both present and future inflationary pressures were reported to be sharply increasing.

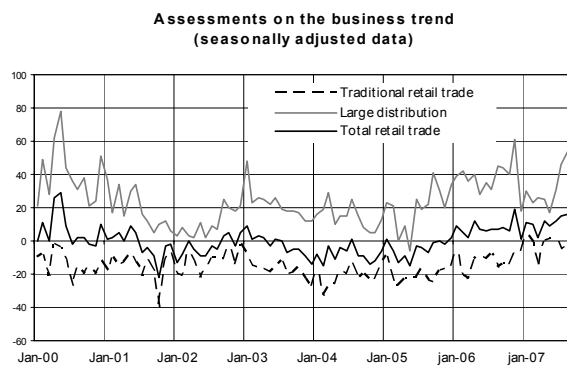
The breakdown of data by distribution channel showed distinctly negative signals coming from large distribution firms. The related seasonally adjusted indicator plummeted to 101.5 from 113.5 in August, entirely retracing the previous month increase and going back to the low level posted in June. Traditional retail trade firms gave, instead, positive indications: the overall seasonally adjusted index increased from 115.2 to 119.1.



Situation in the reference month (September 2007)

In September, surveyed firms recorded decidedly less favourable assessments on current business activity. The related seasonally adjusted balance actually declined from 16 (in August) to 7. Consistently with this result, the level of inventories was considered to have increased. The balance of the variable (which is not affected by seasonal factors) rose from 2 to 4, returning to the level posted last September. As for the opinions on supplier price inflation, the seasonally adjusted balance of the variable began to climb once more, reaching 36 from 31 in August.

The breakdown of data by type of retail distribution showed that the prevalence of unfavourable opinions with regard to current business activity, which emerged at the aggregate level, mirrored in particular the opinions of large retail traders. The seasonally adjusted balance of the variable actually worsened from -4 to -10 in traditional distribution, but plunged from 54 to 33 in "modern" distribution. Also with regard to inflation, principally operators in large retail trade perceived a rise in suppliers' prices. The related seasonally adjusted balance rose in fact from 34 to 35 in traditional retail trade, but surged from 23 to 42 (as in February) in "modern" distribution. Finally, only the change in the seasonally adjusted balance for inventories was not homogenous among the two distribution channels. The balance actually declined from 4 to 0 in traditional distribution, but recovered from -1 to 6 in large retail trade.



Outlook for the months ahead

In September, in a situation characterized by an increase in inflationary pressures, trade operators confirmed higher optimism about short-term expectation for both future sales and orders. On the contrary, predictions for the future volume of employment became clearly negative. On a seasonally adjusted basis, the balance for the future volume of sales reached 24 (from 20 in August), the one for orders amounted to 11 (compared to 3), and, finally, the balance for the labour market worsened from 14 to 7. As for selling prices, the share of respondents expecting a rise in selling prices continued to prevail also in September, and the raw balance of the variable rose from 22 to 31.

The breakdown of data by distribution channel showed that the seasonally adjusted balance for the future volume of sales increased from 4 to 16 in traditional distribution, reaching the peak recorded last April, but collapsed in “modern” distribution, moving from 43 to 29. As for the volume of orders, the balance of the variable (also seasonally adjusted) improved from -11 to 3 for traditional distribution and from 30 to 32 for “modern” distribution. Finally, with regard to employment, the seasonally adjusted balance worsened in both distribution channels, lowering from 36 to 20 in large distribution and slipping from 0 to -2 in traditional retail trade. Lastly, for the trend in selling prices, the raw balance of the variable increased from 31 to 36 in “modern” distribution and from 16 to 28 in traditional retail trade.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
April	108,8	12	23	16
May	108,3	9	17	8
June	110,8	12	15	2
July	109,4	15	15	8
August.	114,1	16	20	2
September	111,6	7	24	4

