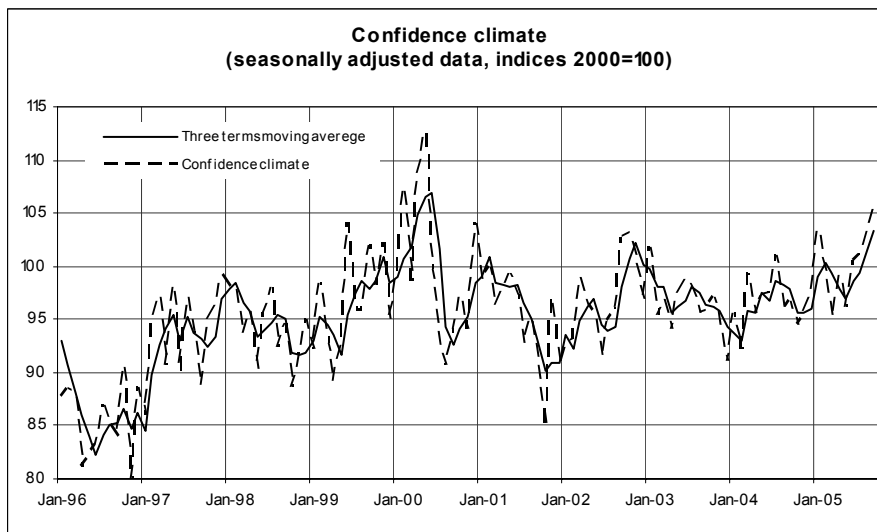




Date: **October 31, 2005**  
Tel.: **06/444821**

## TRADE OPERATORS' CONFIDENCE FURTHER GROWS IN SEPTEMBER, FOR THE FOURTH MONTH IN A ROW

- The seasonally adjusted confidence indicator rises from 103.3 in August to 105.6 in September, thus getting close to the May 2000 figure
- Yet, the growth does not affect both kinds of distribution: favourable signals come from large distribution (the seasonally adjusted indicator rising from 108.6 to 115.7, which is the highest level in the past five years), while traditional retailers are pessimistic (their indicator falling from 101 to 99)
- All in all, business trend expectations are particularly dynamic, while the current sale trend is recovering and inventories are growing again
- Among non confidence-building variables, short-term expectations on the future order-book volume are slightly worsening, while those on the labour market are further rising. The current inflation dynamics continues to accelerate and future inflationary expectations give rise to a new wave of pessimism



Data on October shall be diffused on **November 29, 2005**.

Next ISAE Surveys are scheduled as follows:

**November 2, 2005:** *Comparative Business Surveys for Italy, Germany and France (Reference month: October)*

**November 3, 2005:** *ISAE Quarterly Business and Consumers Surveys: Territorial Aspects (Reference period: Q3 2005)*

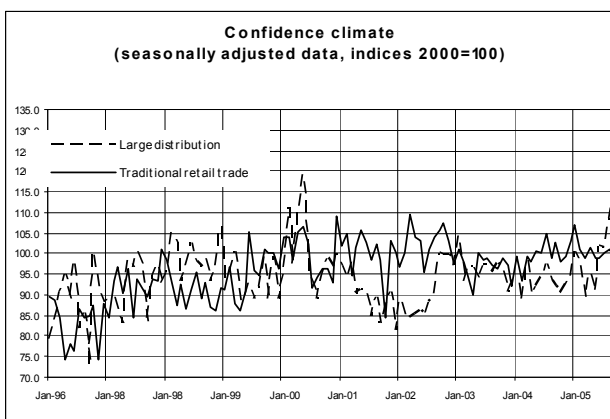
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site [www.isae.it](http://www.isae.it))

## General results

According to the ISAE Monthly Survey carried out in September on a panel of about 1,000 firms operating in traditional retail trade and in large distribution, the trade operators' confidence is growing for the fourth month in a row. Indeed, the seasonally adjusted confidence indicator rises from 103.3 in August to 105.6 in September, thus getting close to the May 2000 figure. Expectations on the future sale trend are particularly dynamic and assessments on the current business trend are recovering too. The only negative factor affecting trade operators' confidence seems to be the level of inventories.

Among non confidence-building variables, short-term expectations on the future order-book volume are slightly worsening, while those on the labour market are further rising. Turning to prices, entrepreneurs perceive a slight acceleration in the current inflation dynamics and declare they intend to raise selling prices in the next three months.

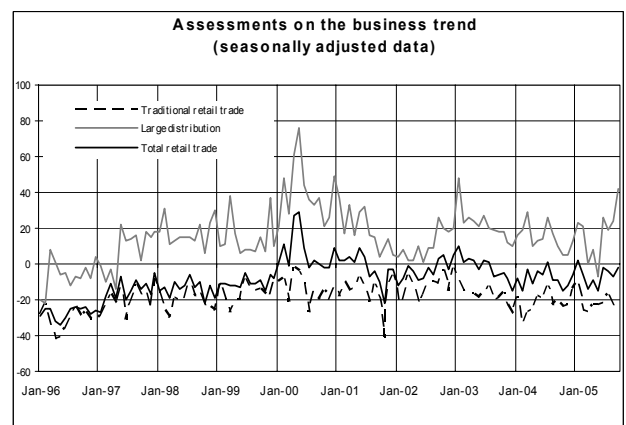
Looking at the different kind of distribution, confidence shows no homogeneous trend. Indeed, the seasonally adjusted indicator rose from 108.6 to 115.7 in large distribution, while it fell from 101 to 99 in traditional retail trade.



## Situation in the reference month (September 2005)

ISAE respondents' assessments on their current business trend continue to improve in September and the seasonally adjusted balance rises from -7 (August) to -2 (September), thus getting close to the June figure. Inventories are growing and the balance increases from 2 to 7. Finally, looking at the current price trend, the seasonally adjusted balance slightly grows from 18 to 19.

Breaking down data by kind of distribution, assessments are rather dishomogeneous. Large distribution operators confirm their current business trend is rapidly growing and the seasonally adjusted balance rises from 24 to 42 (a peak since January 2003). Furthermore, operators report their level of inventories is diminishing and the balance improves from -1 to -3. All in all, evaluations expressed by traditional retailers are less rosy, as their business volume is slightly decreasing and inventories are growing. The seasonally adjusted balance of the former variable diminishes from -24 to -25, while the balance of the latter variable rises from 3 to 10. Indeed, homogeneous indications come from producer prices, as the seasonally adjusted balance decreases from 31 to 29 in traditional distribution and from 4 to 0 in "modern" trade.



**Forecasts for next months**

All in all, the ISAE respondents' September expectations continue to improve with reference to the future sale trend and to the labour market. Indeed, the seasonally adjusted balances of the two variables are both rising, passing from 12 and 9 to 18 and 12 respectively. Conversely, operators expect a reduction in their future order-book volume, as the seasonally adjusted balance of the variable falls from 8 to 7. Finally, turning to prices, the panel participants expect further inflationary tensions, which boost the raw balance of the variable (passing from -6 to 2).

Breaking down data by kind of distribution, large distribution operators are definitely optimistic on their future business trend, on their future order-book volume and on employment. Indeed, the seasonally adjusted balance of the former variable grows from 56(August) to 62, which is one of the highest levels since September 1995. The balance of the second variable increases from 52 to 58, which is a peak since September 2000 and the third balance rises from 27 to 35. Conversely, traditional retailers - though expecting a business improvement (the seasonally adjusted balance passing from -14 to -11) – are less optimistic than their colleagues on their future order-book volume and on employment. Indeed, the seasonally adjusted balances of the two variables worsen from -17 to -20 in the former case and from -2 to -3 in the latter. Quite the reverse, the respondents' indications on selling price expectations are homogeneous in both kinds of distribution. Both traditional retailers and (even more so) large distribution trade operators intend to raise their selling prices, which means the raw balances grow from 6 to 9 in the former case and from -24 to -8 in the latter.

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

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
May	96.2	-15	4	7
June	100.6	-2	4	7
July	101.1	-4	5	5
August	103.3	-7	12	2
September	105.6	-2	18	7

