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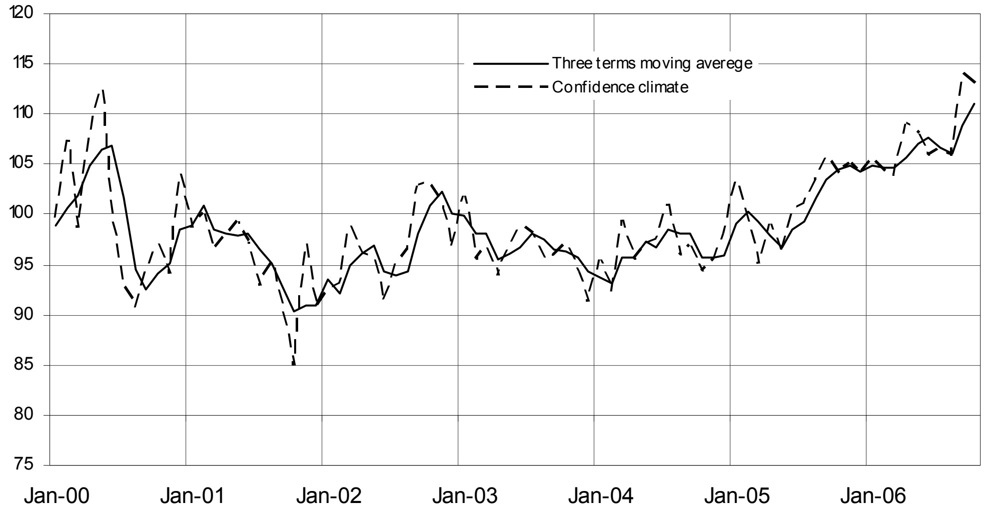
FOLLOWING THE STRONG INCREASE POSTED IN SEPTEMBER, IN OCTOBER RETAIL TRADE FIRMS' CONFIDENCE BEGINS TO DECLINE ONCE MORE

- **The seasonally adjusted confidence indicator, though remaining above the previous quarter average level, lowered from 114.1 to 113.1. The opinions on the volume of current business activity worsened again, and inventories built up. On the contrary, expectations on future sales remained highly positive**
- **As for the series excluded from the definition of retail climate, respondents' forecasts for the trend of both orders and employment were more optimistic. Moreover, expectations of inflationary pressures were easing**
- **The deterioration in confidence did not affect both distribution channels. The seasonally adjusted index worsened for traditional distribution (to 110.6 from 114.8 in September), but remained virtually unchanged for "modern" distribution (moving to 115.1 from 114.7)**

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



Data on November shall be released on November 28

The next ISAE surveys are scheduled as follows:
November 7: *ISAE International Comparison of Consumer and Business Surveys (reference period: October)*

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)

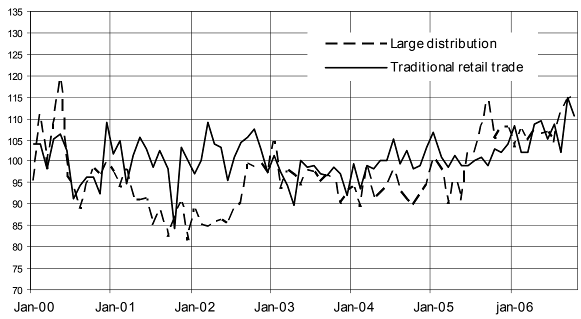
General results

According to the ISAE survey, carried out on a panel of about 1,000 firms, operating in the traditional and large retail distribution, in October, Italian retailers' confidence began to decline once more. The seasonally adjusted overall confidence indicator actually lowered from 114.1 (in September) to 113.1, staying, nevertheless, above the third quarter average level. Compared to the previous survey, expectations on the volume of future sales remained highly positive, but, in contrast, inventories built up and the opinions on current business activity worsened.

With regard to the variables excluded from the definition of confidence, the results confirmed the optimism, already emerged last month, about the volume of future orders and employment. Finally, as for suppliers' prices, inflationary pressures began to ease once more with respect to both current and future developments.

The breakdown of the data by type of retail distribution indicated that the fall back in confidence did not characterize both distribution channels. For traditional distribution, the seasonally adjusted confidence indicator declined from 114.8 (in September) to 110.6, while for modern distribution it remained practically unchanged, moving from 114.7 to 115.1.

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

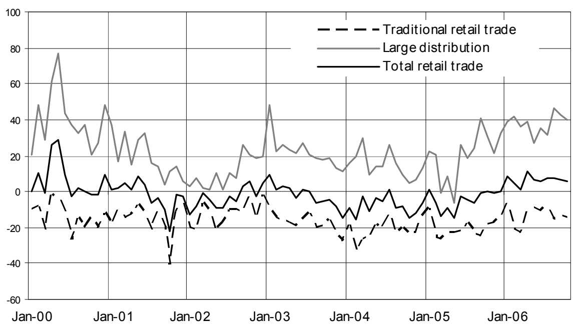


Situation in the reference month (October 2006)

In October, the survey pointed to deterioration in the assessments on the current business trend. The seasonally adjusted balance of the variable, after remaining unchanged for three consecutive months, actually moved down from 7 (in September) to 5. This development came along with new restocking of inventories: the related balance (which is not affected by seasonal factors) increased from 4 to 10. As for the assessments on the current price trend, operators judged that suppliers' prices were falling, and the seasonally adjusted balance of the variable lowered from 34 (in September) to 28, going back to the level posted last July.

Developments for the overall sector mirrored retailers' opinions in each distribution channel. The seasonally adjusted balance of the current business trend worsened from 43 to 40 for large distribution and from -14 to -15 for traditional distribution. With regard to inventories, the seasonally adjusted balance of the variable increased from -3 to 3 in "modern" distribution and from 7 to 15 in the traditional one. Finally, regarding the assessments on suppliers' prices, the related seasonally adjusted balance was scaled down in both cases, actually moving from 23 to 18 for large distribution and from 40 to 33 for the traditional one.

Assessments on the business trend
(seasonally adjusted data)



Outlook for the months ahead

In October, retail traders' expectations confirmed the positive developments for the volume of both future sales and orders, and for employment as well. The related seasonally adjusted balances rose, in the order, from 32 (in September) to 36, from 9 to 10 and from 15 to 17. Lastly, with regard to selling prices, most respondents expected a more moderate rise in prices and the raw balance of the variable declined from 12 (in September) to 10.

The breakdown of the data by type of retail distribution showed that expectations were decidedly more optimistic among large retail operators. They anticipated a clear increase in the volume of both future sales and future orders. The seasonally adjusted balance actually grew from 56 to 67 for the former variable and jumped up from 32 to 48 for the latter variable. Lastly, the same operators also expected a slight increase in employment: the related seasonally adjusted balance of the variable improved from 45 to 46.

Prospects of traditional retail operators, instead, were in general less rosy. They actually expressed worries about the volume of both future sales and future orders (the seasonally adjusted balances of the variables worsened from 16 to 14 and from -1 to -9, respectively). Only employment sent positive signals: the related seasonally adjusted balance recouped, rising from -4 to -1. To conclude, respondents' expectations about future selling prices were not homogeneous. For traditional distribution, the raw balance of the variable continued to increase for the fourth month running, moving from 11 to 12 for "modern" distribution, instead, it markedly worsened, lowering from 13 (in September) to 6.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
May	108,0	7	12	1
June	105,8	6	9	5
July	106,4	7	5	1
August	105,9	7	8	4
September	114,1	7	32	4
October	113,1	5	36	10