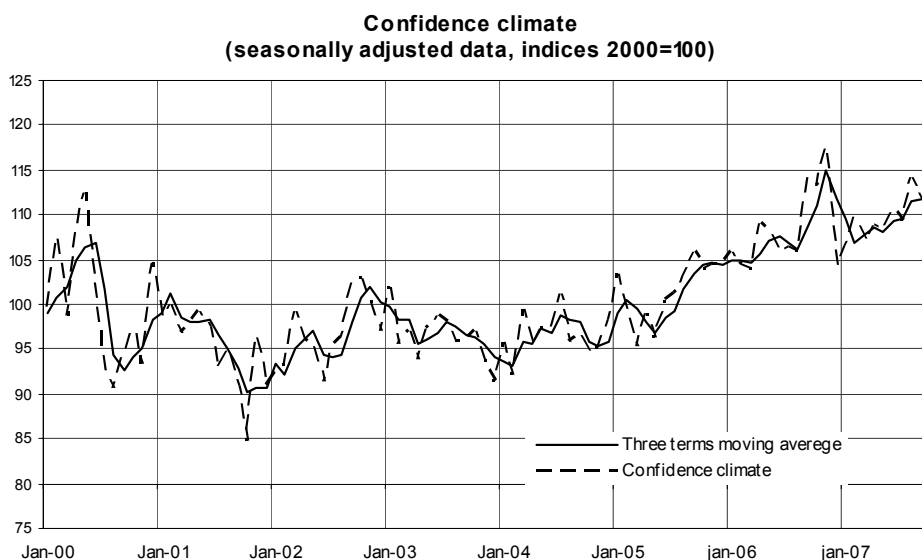




Date: **October 25, 2007**
TEL.: **06/444821**

IN OCTOBER, ITALIAN RETAILERS' CONFIDENCE EDGES DOWN SLIGHTLY

- The seasonally adjusted overall confidence indicator slipped from 111.6 to 110.2
- In a situation characterized by sharp restocking of inventories, the opinions on current business activity bettered and expectations for future sales continued to improve
- Among the series excluded from the definition of retail climate, respondents became more optimistic about employment, but expected a fall in the future volume of orders. Lastly, both present and future inflationary pressures were considered to be increasing further
- However, the fall in confidence did not affect both distribution channels. The seasonally adjusted indicator actually lowered for traditional distribution (to 114.7 from 119.2), but increased for "modern" retail trade (to 104.1 from 101.5)



Data on November shall be released on November 28, 2007

The next ISAE surveys are scheduled as follows:

November 7, 2007: ISAE International Comparison of Consumer and Business Surveys (reference period: October)

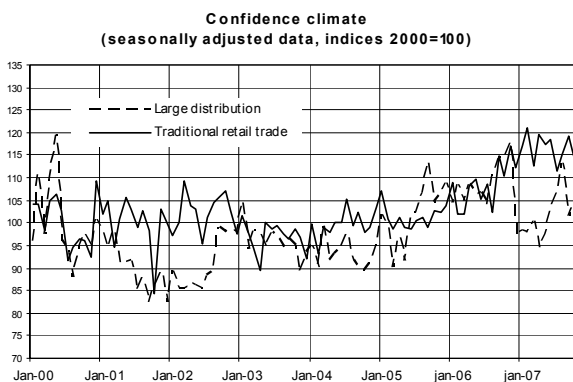
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between October 1 and October 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that Italian retailers' confidence recorded another moderate decline. In October, the seasonally adjusted indicator slipped from 111.6 to 110.2. In a situation characterized by sharp restocking of inventories, the opinions on current business activity slightly bettered and expectations for future sales continued to improve.

Among the variables excluded from the definition of retail climate, respondents became more optimistic about employment, but were more concerned about the future volume of orders. As for prices, both present and future inflationary pressures were considered to be increasing further.

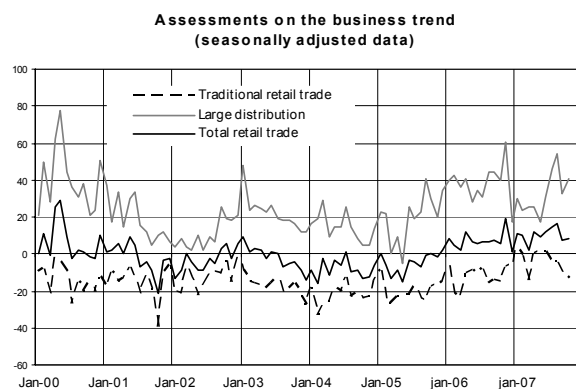
The breakdown of data by distribution channel showed that the fall in confidence did not affect both distribution channels. The seasonally adjusted indicator lowered for traditional distribution (to 114.7 from 119.2), but increased for "modern" retail trade (to 104.1 from 101.5).



Situation in the reference month (October 2007)

In October, surveyed firms slightly improved their opinions on current business activity (the seasonally adjusted balance of the variable increased from 7 to 8). However, firms indicated a further strong build up of inventories (the related balance, which is not affected by seasonal factors, rose from 4 to 10). Finally, compared to the previous survey, also the balance for the opinions on suppliers' prices increased, moving from 37 to 41.

Patchy results were recorded among the two distribution channels. Current business activity was considered to be worsening by traditional retail traders (to -13 from -10 in September), but to be noticeably improving by large retail ones (to 41 from 33). Also with regard to the inflation trend, the balance of the variable increased according to traditional retail operators (the seasonally adjusted indicator rebounded from 36 to 48, the highest level since April 2002), but diminished for large retail traders (the balance lowered instead from 42 to 36). Finally, only the change in the balance for inventories was homogenous among the two distribution channels. The seasonally adjusted balance actually increased from 0 to 11 in traditional retail trade and from 6 to 11 in "modern" distribution.



Outlook for the months ahead

In October, trade operators stepped up their short-term expectations for the trend in both sales and employment. On the contrary, predictions for the future volume of orders were unfavourable. On a seasonally adjusted basis, the balance for the future volume of sales increased for the third month in a row, moving from 24 (in September) to 26, the one for the labour market bettered from 7 to 10, retracing part of the fall recorded in the previous month, and, finally, the balance for the volume of orders declined from 11 to 9. As for selling prices, the raw balance of the variable increased for the fourth straight month, hitting 34 (compared to 31 in September), the highest value since October 2003.

The breakdown of data by distribution channel showed that respondents' expectations were mostly homogenous. The seasonally adjusted balance for the future volume of sales actually increased from 16 to 19 in traditional retail trade and from 29 to 36 in "modern" distribution; the one for employment improved from -2 to 0 in traditional distribution and from 20 to 26 in the "modern" one; lastly, the balance for selling prices rose from 28 to 31 in traditional trade and from 36 to 40 in large distribution. Finally, only expectations for the volume of orders were mixed. The seasonally adjusted balance of the variable actually increased (from 32 to 38) for "modern" distribution, but, in contrast, declined (from 3 to -4) for 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
May.	108,3	9	17	8
June	110,8	12	15	2
July	109,4	15	15	8
August	114,1	16	21	2
September	111,6	7	24	4
October	110,2	8	26	10

