

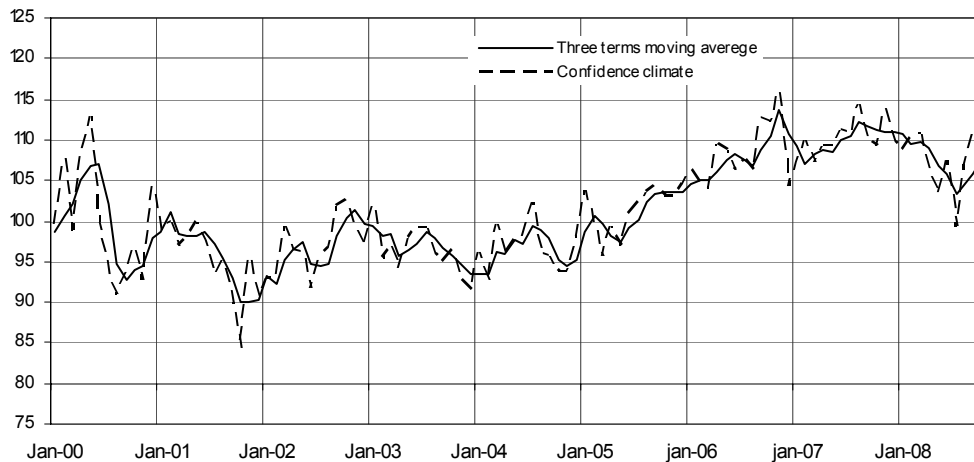


Date: **October 28, 2008**
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ITALIAN RETAILERS' CONFIDENCE DECLINES SHARPLY IN OCTOBER

- The index lowered from 111 to 105.7, moving below the average for the first nine months of the year
- Operators became very concerned, mainly about future sales. Opinions on current business activity also deteriorated and inventories started to increase once more
- Among the variables excluded from the definition of retail climate, firms confirmed their pessimistic expectations on future employment developments and further reduced their forecasts on the volume of orders
- As for the price trend, retailers considered current inflation to have remained stable, but expected an acceleration of inflation in the future
- The deterioration in confidence, which distinguished both distribution channels, was particularly marked for large distribution. The seasonally adjusted index actually diminished from 111.6 to 109 for traditional distribution and dropped from 111.1 to 102.1 for “modern” retail trade

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



Data on November shall be released on November 27, 2008

The next ISAE surveys are scheduled as follows:

November 5, 2008: ISAE International Comparison of Consumer and Business Surveys (reference period: October)

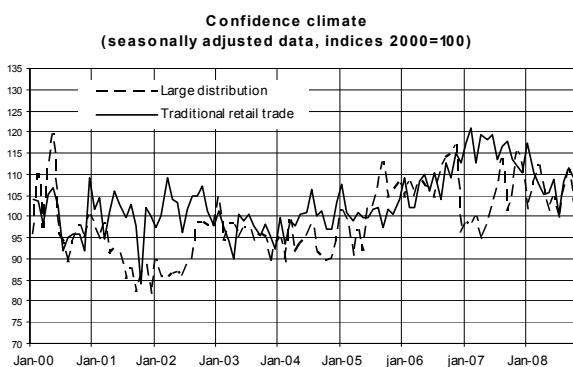
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE survey, carried out between October 1 and October 19 on a panel of about 1,000 firms operating in small and large retail distribution, showed that in October Italian retailers' confidence resumed a downward trend. The overall seasonally adjusted confidence index decreased from 111 (in September) to 105.7, reaching its third quarter average level. Deterioration mainly characterized expectations on the future volume of sales, but also the opinions on the current trend in business activity edged down slightly. Lastly, inventories markedly increased.

With regard to the variables excluded from the definition of retail climate, the negative trend was particularly sharp for expectations on the future volume of orders, but it also distinguished employment prospects. As for the price trend, retailers considered current supplier price inflation to have remained stable, whereas they again mostly predicted a rise in selling prices.

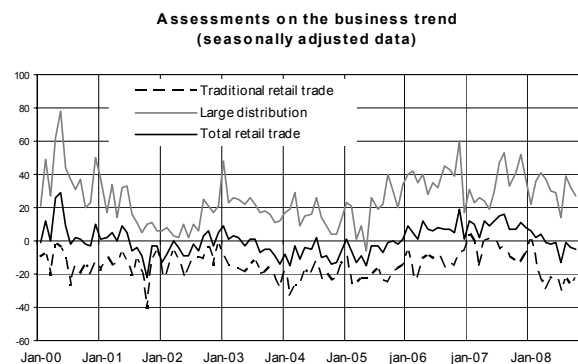
Finally, deterioration in confidence, which characterized both distribution channels, was particularly marked for large distribution. The seasonally adjusted index actually diminished from 111.6 to 109 for traditional distribution, but tumbled from 111.1 to 102.1 for "modern" retail trade.



Situation in the reference month (October 2008)

In October, the seasonally adjusted balance for the opinions on the current trend in business activity lowered from -4 to -5, declining for the second month running. In contrast, inventories started to build up once more: the related balance (which is not affected by seasonal factors) rose from 1 to 7. As for the opinions on supplier prices, the balance was the same as in the previous month (44), highlighting the perception of a standstill in current inflation.

The opinions on present business activity improved according to retailers in traditional distribution (from -27 to -22). Operators in "modern" trade were instead increasingly worried: assessments on the volume of current sales worsened and the related seasonally adjusted balance fell from 32 to 27. As for inventories and present inflation, instead, indications were homogenous across both distribution channels. More specifically, for traditional distribution the related seasonally adjusted balances of the two variables increased from 1 to 7 and from 39 to 45, respectively, while for large retail trade the balances moved from -1 to 10 and from 37 to 38.



Outlook for the months ahead

In October, Italian retailers indicated a sharp reduction in expectations for both future business activity and the volume of orders, as well as for employment developments. In particular, with regard to the seasonally adjusted balances, the one for the first variable declined from 31 to 22, retracing most of the rise posted in September, the indicator for the second variable went back in negative territory, moving from 6 to -2, and, lastly, the balance for the labour market decreased from 11 to 9. As for future selling prices, retailers projected a new rise in the following months. The related balance increased from 22 to 28, coming close to the level posted last July.

The breakdown of data by distribution channel showed that, following the strong optimism which emerged last month, most operators in both large and small retail distribution became again pessimistic about future business activity and the volume of orders. Accordingly, the seasonally adjusted balances of the variables plunged from 57 to 41 and from 40 to 30 in “modern” distribution, and from 14 to 9 and from -9 to -16 in traditional trade. Respondents gave instead divergent indications with respect to employment and selling prices. The seasonally adjusted balance of the former variable continued to drop noticeably in large distribution (to 23 from 34 in September), whereas it recovered moderately in traditional retail trade (to 1 from -2). Lastly, with regard to selling prices, inflationary pressures were expected to ease further in traditional trade (the related seasonally adjusted indicator actually moved from 21 to 18), but to accelerate markedly in “modern” distribution (the balance surged from 21 to 38).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
May	103,4	-2	17	11
June	107,6	-1	25	9
July	99,4	-13	12	7
August	106,9	-1	19	5
September	111,0	-4	31	1
October	105,7	-5	22	7

