



ISTITUTO DI STUDI E ANALISI ECONOMICA

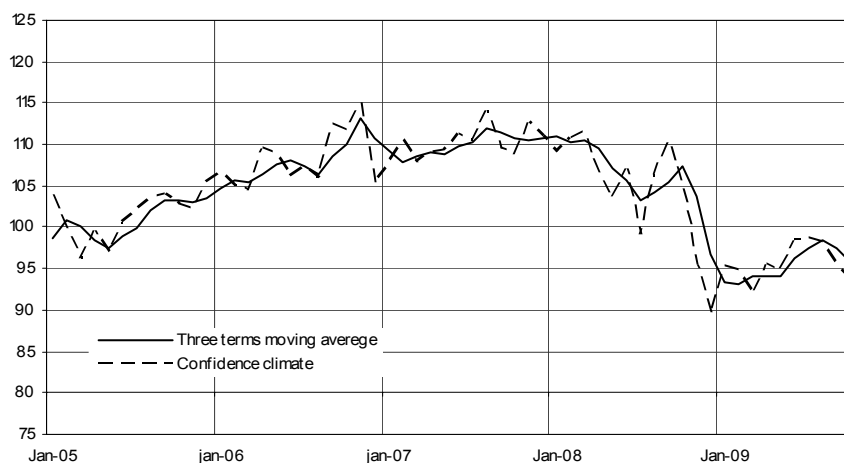
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CONFIDENCE FROM ITALIAN DEALERS TAKES A TURN FOR THE WORSE IN OCTOBER, PARTICULARLY AMONG LARGE-SCALE DISTRIBUTORS

- The summary index, considered net of the seasonal component, decreased from 95.4 to 93.4 compared to the minimum values reported in March
- Forecasts reflected the pessimistic opinions on the ongoing trend of sales and overstocking. However, first hints of optimism were sent on the future development of business
- Compared to the previous survey, firms claimed to be newly concerned on the volume of orders and employment
- As to prices, the ongoing inflationary pressures were expected to speed up, whereas future pressures were set to slacken
- The break-down of results per typology of sale showed that confidence got steadily worse in terms of large-scale distribution, whereas traditional distribution was set to recover. The seasonally adjusted index actually dropped from 80.0 to 75.1 in the former and increased from 108.9 to 110.2 in the latter

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



Data on November shall be released on 26 November 2009

The next ISAE surveys are scheduled as follows:

25 November 2009: ISAE Monthly Consumer Survey (*Reference period: November*)

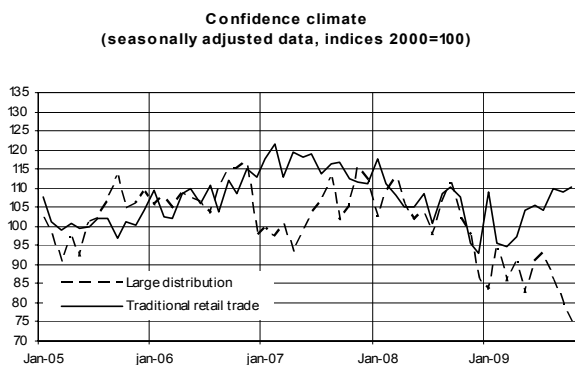
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the website www.isae.it).

General results

According to the ISAE survey carried out from November 1 to November 19 on a panel of 1,000 retailing and distribution companies, confidence from dealers took another turn for the worse in October: the index declined from 95.4 to 9.4 re-confirming the minimum values recorded in March. In particular, opinions on the ongoing business trend worsened sharply and overstocking seemed to slightly increase. Compared to September, the volumes of sales were expected to increase in the future.

Looking at the variables not included in the climate confidence assessment, discouraging hints were reported on the expected flow of orders and on the labour market. As to the inflationary pressures, the ongoing trends were reckoned to speed up, whereas future trends were expected to slow down further.

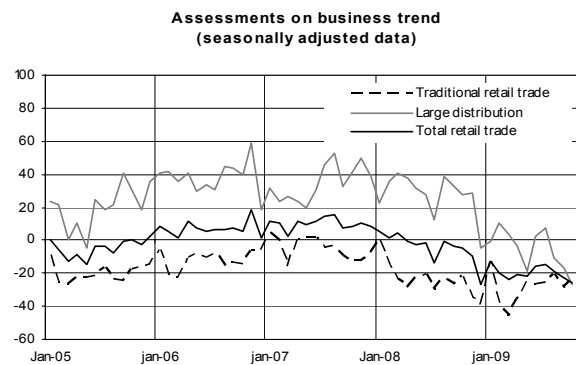
Disaggregating the results per distribution typology, discouraging hints arose from the dealers connected to the large-scale distribution chain, whereas cautious optimism was expressed by traditional dealers. In particular, as to seasonally adjusted indexes, “modern” distribution fell from 80.0 to 75.1 (maintaining the minimum values of September ‘96), whereas traditional distribution moved from 108.9 to 110.2.



Situation in the reference period (October 2009)

The share of firms which gave negative opinions on the ongoing business trend increased in October; for the third consecutive month, the variable seasonally-adjusted balance dropped from -24 (in September) to -27. According to this result, inventories increased again above standard values, with the seasonally adjusted balance rising from 2 to a 5. Compared to the last survey, the ongoing inflationary pressures were deemed to speed up again after 8 months: the balance, in fact, increased from 9 to 10, re-confirming the all-time low of January 1990.

Analyzing the disaggregated results per distribution typology, information from the interviewees were substantially not homogeneous. In detail, the ongoing business trend was positively estimated by traditional distributors and negatively estimated by “modern” ones. Examining the variable seasonally-adjusted balances, trends recovered from -29 to -23, in the first case, and dropped from -17 to -28 compared to the minimum levels of December 1994, in the second case. As to the inflationary pressures, an upward trend in current prices was perceived by traditional operators and a stable trend by large-scale distributors. In particular, the variable seasonally-adjusted balance climbed from 17 to 19, in the first case, and remained steady at -10 in the second case. In conclusion, the information on the inventories alone seemed to be homogeneous, with increases in both traditional (-2 to 3) and modern (6 to 11) distribution.



Outlook for the following months

In October, the interviewees showed optimistic signs as to the future volume of the business, but were pessimistic as to the flow of orders and the volume of employment. Analysing the seasonally adjusted balances of variables, in fact, the balance of future sales trend recovered from 5 to 6; the balance of the volume of orders went down from -5 to -8; and the balance concerning employment showed a new fall from 10 to 5. As to the selling price trends, the variable seasonally-adjusted balance was negative (for the first time since December '05), moving from 1 to -1.

Disaggregating the results per distribution typology, particular concern was shown by large-scale distributors. Worsening trends as to sales, orders and employment were actually expected by most operators from the large-scale distribution sector. Looking at the seasonally adjusted balances of variables, in fact, trends respectively decreased from 4 to 3 (compared to the minimum values of November 2003), from 16 to 2 and from 24 to 14. Forecasts from the operators of the traditional distribution sector, instead, were less pessimistic. With reference to these operators, the seasonally adjusted balance of sales moved from 7 to 9 and from -9 to -7 concerning the future trend of orders; finally, the balance related to the labour market trend was stable at -1. As to the changes in selling prices, discordant forecasts were made by the interviewees on the two selling typologies. The inflationary pressures were set to accelerate according to traditional distributors (who forecasted an increase from 2 to 3 in the variable seasonally-adjusted balance), and to slacken according to “modern” ones (according to whom, the balance was set to decrease from -5 to -10, hitting the lowest levels since December 2005).

Confidence climate and balances of the index-building series (Seasonally Adjusted Values).

Month	Confidence climate	Business trend (opinions)	Business trend (forecasts)	Inventories
May	94,6	-22	8	8
June	98,4	-16	6	2
July	98,5	-14	8	5
August	97,9	-19	8	2
September	95,4	-24	5	2
October	93,4	-27	6	5

Expectations on business trend
(seasonally adjusted data)

