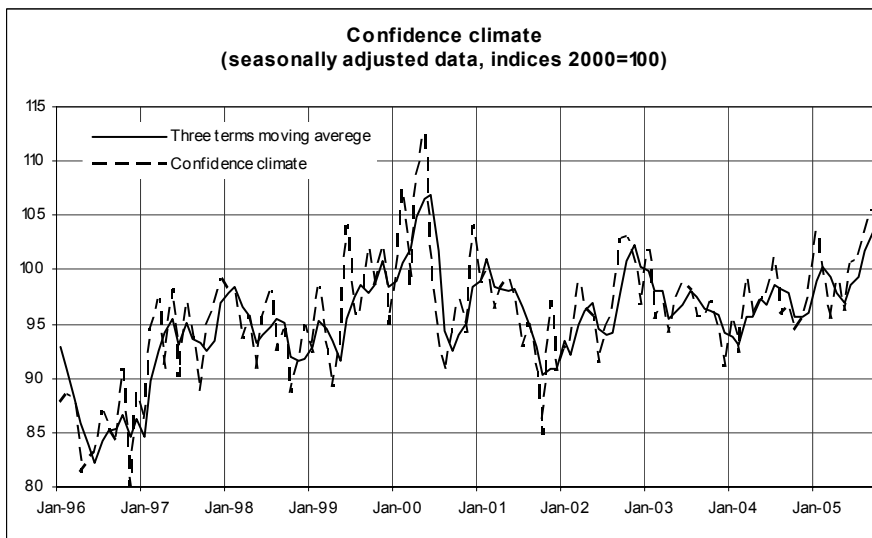




Date: November 29, 2005
TEL.: 06/444821

TRADE OPERATORS' CONFIDENCE DETERIORATES IN OCTOBER AFTER GROWING FOR FOUR MONTHS IN A ROW

- The seasonally adjusted confidence indicator of traditional retailers falls from 105.6 in September to 104 in October, which is however above the average values of the third quarter of 2005. Assessments on the current business trend are recovering, but inventories grow and expectations on the future sales volume are worsening
- Among non confidence-building variables, labour market expectations definitely worsen, while those on order books remain stable. With reference to prices, both the current and the future inflationary dynamics are growing
- However, the confidence worsening is not common to both kinds of distribution. The seasonally adjusted confidence climate of traditional retail trade grows from 99 to 102.9, while the one referring to large distribution (seasonally adjusted data) drastically falls from 115.6 to 106.1



Data on November shall be diffused on **January 3, 2006**.

Next ISAE Surveys are scheduled as follows:

December 1, 2005: *Comparative Business Surveys for Italy, Germany and France (Reference month: November)*

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

General results

According to the ISAE Monthly Survey carried out in October on a panel of about 1,000 firms operating in traditional retail trade and in large distribution, the trade operators' confidence falls again after growing for four months in a row. The seasonally adjusted confidence indicator of traditional retailers falls from 105.6 in September to 104 in October, which is however above the average values of the third quarter of 2005. Assessments on the current business trend slightly recover, but inventories grow and expectations on the future sales volume are worsening.

Among non confidence-building variables, labour market expectations definitely worsen, while those on order books remain stable. With reference to prices, entrepreneurs declare they witnessed a remarkable inflationary dynamics and intend to raise selling prices in the next three months.

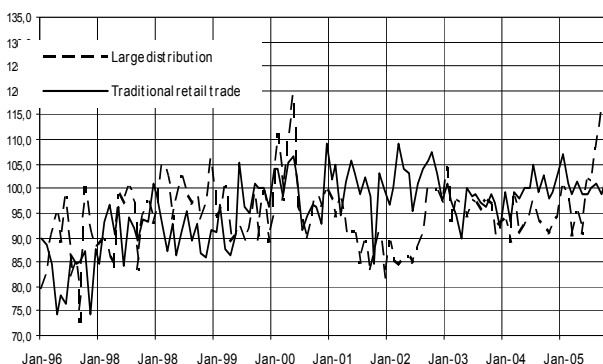
Looking at data by kind of distribution, confidence shows no homogeneous trend. The seasonally adjusted confidence climate of traditional retail trade grows from 99 to 102.9, while the one referring to large distribution (seasonally adjusted data) drastically falls from 115.6 to 106.1

Situation in the reference month (October 2005)

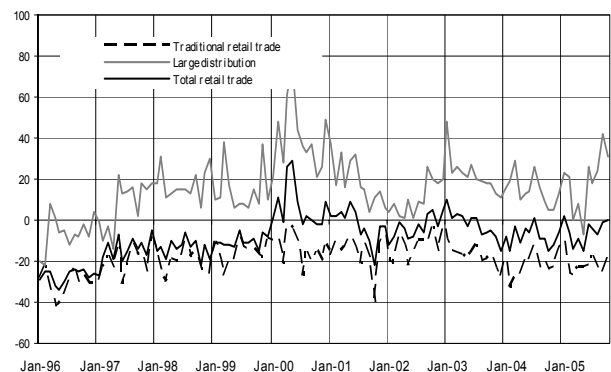
The October Survey signals a further recovery in assessments on the current business trend and the seasonally adjusted balance rises from -1 (September) to 0 (October). That trend goes alongside with an inventories growth (the balance passing from 7 to 9). Indeed, producer prices are growing and their seasonally adjusted balance increases from 20 to 23.

Breaking down data by kind of distribution, assessments are rather dishomogeneous. Large distribution operators express negative evaluations on the current business trend and producer prices are increasing. The seasonally adjusted balance of the former variable, though remaining above the average figure of the third quarter of 2005, dramatically falls from 42 to 31, while the balance of the latter variable rises from 0 to 17. Conversely, according to traditional traders, the seasonally adjusted balance of the current business trend grows from -25 to -18, while producer prices are stable at 29 (in terms of balance). Finally, homogeneous indications emerge from inventories, growing from -3 to 6 in large distribution and from 10 to 12 in traditional retail trade.

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



Assessments on the business trend
(seasonally adjusted data)



Forecasts for next months

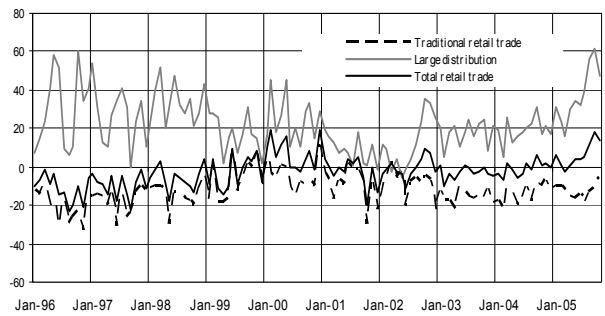
In October, after the improvement observed in the past few months, expectations on the future sales volume worsen again and the seasonally adjusted balance of the variable – although remaining above the average figure of the third quarter – falls from 18 to 14. However, that wave of pessimism is not yet mirrored in the operators’ expectations on their future order-book trend, as its seasonally adjusted balance remains stable at 7. Furthermore, the operators’ employment expectations seem definitely pessimistic: the seasonally adjusted balance goes from 12 to 3. Looking at prices, the ISAE respondents confirm the inflationary expectations they had already expressed in September and the raw balance of the variable rises from 2 to 7.

Breaking down data by kind of distribution, traditional operators’ expectations seem more rosy, on the whole, as a clear business trend recovery (from -11 to -6) is expected, together with a slight growth in the future order-book volume (from -20 to -19) and in employment (from -3 to -2). Conversely, in keeping with assessments, large distribution retailers’ expectations are less rosy, as they expect a contraction in their business and order-book volume, as well as in employment. The seasonally adjusted balances of those variables worsen from 62, 58 and 34 to 47, 55 and 13 respectively. Finally, turning to selling prices, the results confirms trade operators’ intentions to raise selling prices. The raw balance of the variable recovers in large distribution (from -8 to 2) and slightly grows in traditional retail trade (from 9 to 10).

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

Month	Confidence Climate	Business trend (assessments)	Business trend (forecasts)	Inventories
June	100.6	-2	4	7
July	101.2	-4	5	5
August	103.3	-7	12	2
September	105.6	-1	18	7
October	104.0	0	14	9

Forecasts on business trend
(seasonally adjusted data)



Forecasts on employment
(seasonally adjusted data)

