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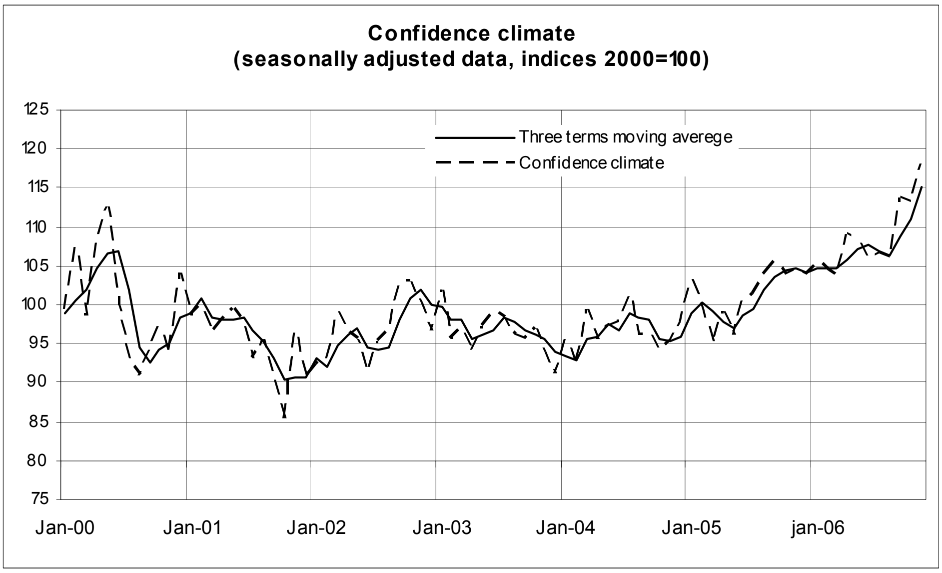
RETAIL TRADE FIRMS' CONFIDENCE INCREASES IN NOVEMBER

- **The seasonally adjusted confidence indicator rose to 118 (from 113.1 in October), reaching a level decidedly higher than its third quarter 2006 average. Respondents expressed greater satisfaction with the volume of current business activity, but became more cautious about expectations on the volume of future sales. Finally, inventories continued to decline**
- **As for the series excluded from the definition of retail climate, surveyed firms generally worsened their expectations on the volume of future orders as well as future employment. With regard to prices, inflationary pressures seemed to build up, mainly with regard to the current trend in suppliers' prices**
- **The improvement in confidence characterized both distribution channels. The seasonally adjusted index actually increased to 116.6 for traditional trade (compared to 110.7 in October) and to 119.4 for "modern" distribution (from 115.3)**



Data on December shall be released on December 27, 2006

The next ISAE surveys are scheduled as follows:
December 5: *ISAE International Comparison of Consumer and Business Surveys (reference period: November)*

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 November Italian retailers' confidence posted a sharp improvement. The seasonally adjusted overall confidence indicator actually increased from 113.1 (in October) to 118. This progress was the result of a highly positive evaluation of the volume of current business activity, coupled with more guarded expectations on the volume of future sales. Moreover, the level of inventories declined.

With regard to the variables excluded from the definition of confidence, anticipations on the volume of both future orders and future employment started to worsen once more. As for prices, inflationary pressures seemed to be increasing, mainly with respect to the current trend in suppliers' prices.

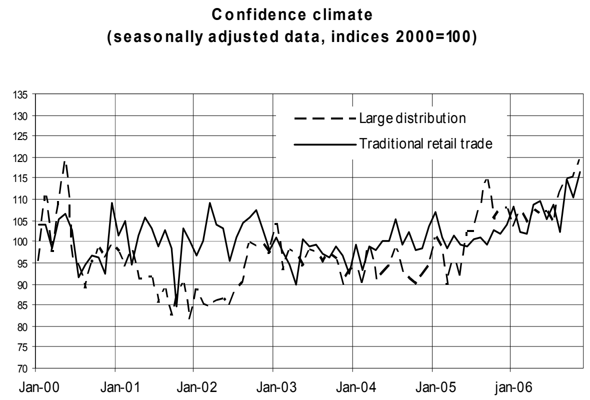
The breakdown of the data by type of retail distribution indicated that the improvement in confidence characterized both distribution channels. The seasonally adjusted confidence indicator actually rose from 110.6 (in October) to 116.6 for traditional distribution and from 115.3 to 119.4 for "modern" distribution.

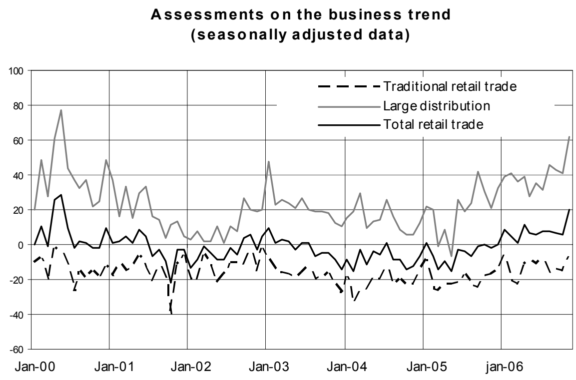
Situation in the reference month (November 2006)

In November, surveyed firms gave a decidedly confident appraisal of current business activity, and the seasonally adjusted balance of the variable surged from 6 (in October) to 20. This development came along with new de-stocking of inventories: the related balance, which is not affected by seasonal factors, moved from 10 to 7. Finally, with regard to the seasonally adjusted price trend, operators judged that suppliers' prices were rising again, and the balance increased from 28 to 33.

The breakdown of the data by type of retail distribution indicated that the predominance of favourable opinions on current business activity recorded for the overall sector reflected in particular retailers' opinions in large distribution. The seasonally adjusted balance of the variable actually recovered from -15 to -7 for traditional distribution, but soared from 41 to 62 for "modern" distribution. Also with regard to the inflation trend, the perception of a rise in suppliers' prices, which characterized both distribution channels, was above all deeply ingrained among large retail traders. The seasonally adjusted balance of the variable actually edged up from 33 to 38 for traditional distribution, but surged from 18 to 38 for "modern" one.

Finally, the appraisal of the trend for inventories was uniform across distribution channels: the seasonally adjusted balance of the variable in fact declined from 3 (in October) to 1 for large distribution and from 15 to 11 for traditional retail trade.





Outlook for the months ahead

In November, the overall situation was characterised by a sweeping worsening in surveyed operators' short-term expectations. The seasonally adjusted balances declined from 36 to 33 for the volume of future sales, from 10 to 8 for orders and, finally, from 17 to 13 for employment. Furthermore, expectations of a change in selling prices moderately picked up, and the related raw balance of the variable returned to the value recorded last September, moving from 10 to 12.

The breakdown of the data by type of retail distribution showed that expectations were more optimistic among traditional retail operators, who anticipated an increase in the volume of both future sales and orders and a rise, though more moderate, in employment. The related seasonally adjusted balances of the variables actually grew, in the order, from 14 to 17, from -9 to -3 and from -1 to 0. Prospects of large distribution operators, instead, were decidedly less rosy. The related seasonally adjusted balances worsened from 68 to 58 for the future volume of sales, from 48 to 26 for orders and from 46 to 41 for employment. Lastly, also selling prices sent contrasting indications. Most traditional distribution operators showed the intention of slightly paring down selling prices (the raw balance of the variable moved to 11 from 12 in October), while retailers in "modern" distribution were predominantly oriented toward an increase (the raw balance actually rose from 6 to 13).

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
June	106,0	6	9	5
July	106,6	7	6	1
August.	106,2	7	9	4
September	113,8	7	31	4
October	113,1	6	36	10
November	118,0	20	33	7

Forecasts on business trend (seasonally adjusted data)