

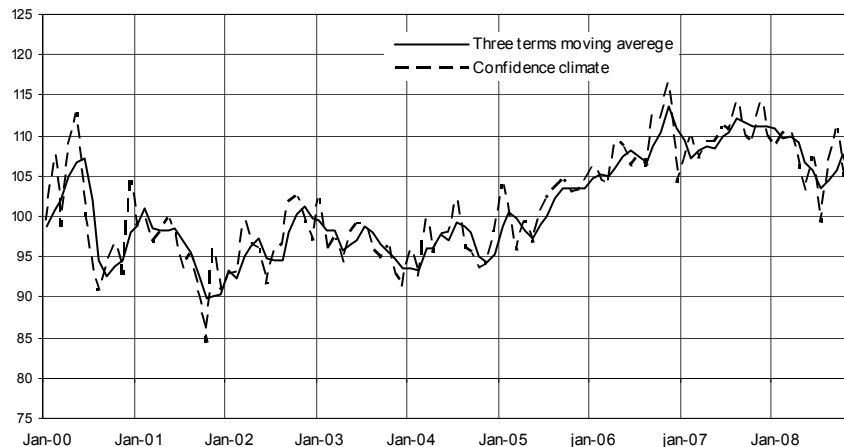


Date: November 27, 2008
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ITALIAN RETAILERS' CONFIDENCE FURTHER DECLINES IN NOVEMBER, MAINLY IN TRADITIONAL DISTRIBUTION

- The index confirmed the significantly negative trend posted in the previous month, falling from 105.5 to 97.4, the lowest level since May 2005
- In a situation characterized by a strong backlog of inventories, negative expectations about the future performance of sales increased and the opinions on the current level of business activity also notably worsened
- Among the variables excluded from the definition of retail climate, employment gave instead positive indications, but firms expected a new fall in the future level of orders
- As for the price trend, retailers considered a deceleration in both current and future inflation
- Looking at the two distribution channels, particularly negative indications mainly distinguished firms in traditional retail trade (96.3 from 108.6 in October), even though also those in large distribution worsened (98.0 from 102.1)

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



Data on December shall be released on December 30, 2008

The next ISAE surveys are scheduled as follows:

December 5, 2008: 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

The ISAE survey, carried out between November 1 and November 19 on a panel of about 1,000 firms operating in small and large retail distribution, showed that in November Italian retailers' confidence confirmed the significantly negative trend posted in the previous month. The overall seasonally adjusted confidence index decreased from 105.5 (in October) to 97.4, reaching its lowest level since May 2005. Clearly unfavourable indications came from both the evaluation of the level of inventories and expectations for future sales. Also the opinions on the current volume of business activity markedly deteriorated.

With regard to the variables excluded from the definition of retail climate, in November pessimism about labour market developments decreased compared to the previous survey, but, on the contrary, expectations on the future volume of orders worsened again. As for the price trend, retailers started to consider a slowdown in inflation and also predicted a new fall in selling prices in the following months.

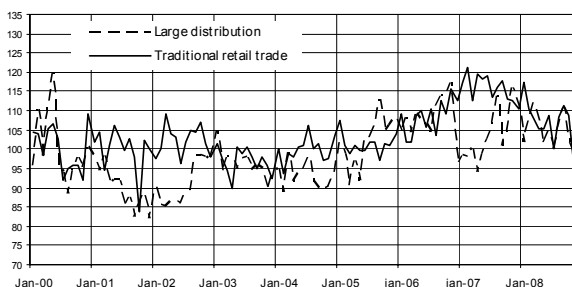
Finally, deterioration in confidence, which characterized both distribution channels, was particularly more marked for traditional distribution. The seasonally adjusted indicator actually diminished from 102.1 to 98 for large distribution, but tumbled from 108.6 to 96.3 for traditional trade, hitting the worst result since February 2004.

Situation in the reference month (November 2008)

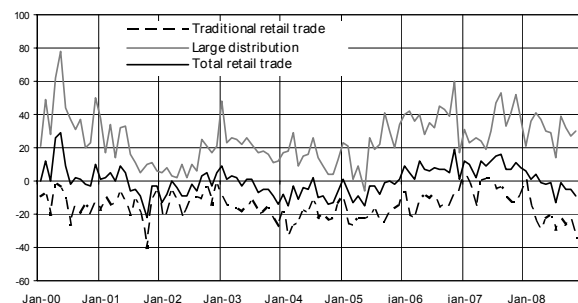
In November, in a context characterized by a sharp rise in the proportion of respondents who considered inventories to have increased (the seasonally adjusted balance of the variable bounced from 7 to 19), the survey showed a significant deterioration in the balance for the opinions on the current trend in business activity (to -9 from -5 in October). Lastly, with regard to supplier prices, following the indications of stability which emerged in the previous month, the balance of the variable started to decline once more, moving from 43 to 39.

The breaking out of data by distribution channel showed that the current trend in business activity was viewed positively only by large distribution traders. While most colleagues in traditional distribution actually expressed negative opinions (the seasonally adjusted balance of the variable slumped from -22 to -35), traders in "modern" distribution gave a positive evaluation, pushing up the related seasonally adjusted balance from 27 to 30. As for stocks and supplier prices, respondents' opinions were unanimous. The seasonally adjusted balance of the first variable increased from 11 to 24 in large distribution and from 7 to 15 in traditional retail trade, whereas the one for prices declined from 38 to 36 in the former sector and from 45 to 42 in the later one.

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



Assessments on the business trend
(seasonally adjusted data)



Outlook for the months ahead

In November, respondents indicated a further reduction in expectations for the volume of both sales and orders. The related seasonally adjusted balances moved from 22 (in October) to 14 and from -2 to -7, respectively. In apparent contradiction, labour market prospects were instead more optimistic. The seasonally adjusted balance of the variable moved from 9 to 11, going back to the level recorded last September. Finally, with regard to selling price expectations, interviewed traders predicted overall a new easing of inflationary pressures and the related seasonally adjusted balance lowered from 27 to 19.

The breakdown of data by distribution channel showed fairly homogeneous expectations. The seasonally adjusted balances for the future trend in sales and orders actually diminished in both distribution channels, moving from 41 to 38 and from 30 to 20 in “modern” distribution, and from 8 to -3 and from -16 to -23 in traditional retail trade. While traders in large distribution were more optimistic regarding the labour market (the seasonally adjusted balance unexpectedly bounced from 23 to 34), their colleagues in traditional trade started to predict a cut in the number of jobs (the related balance slipped from 1 to -1). Lastly, with regard to changes in future selling prices, the declining trend which distinguished operators in both distribution channels was more marked in large distribution. The related seasonally adjusted indicator actually declined from 18 to 16 in traditional trade, but tumbled from 37 to 22 in “modern” distribution.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
June	107,5	-1	25	9
July	99,3	-13	11	7
August	106,8	-1	19	5
September	110,9	-5	31	1
October	105,5	-5	22	7
November	97,4	-9	14	19

Forecasts on business trend (seasonally adjusted data)

