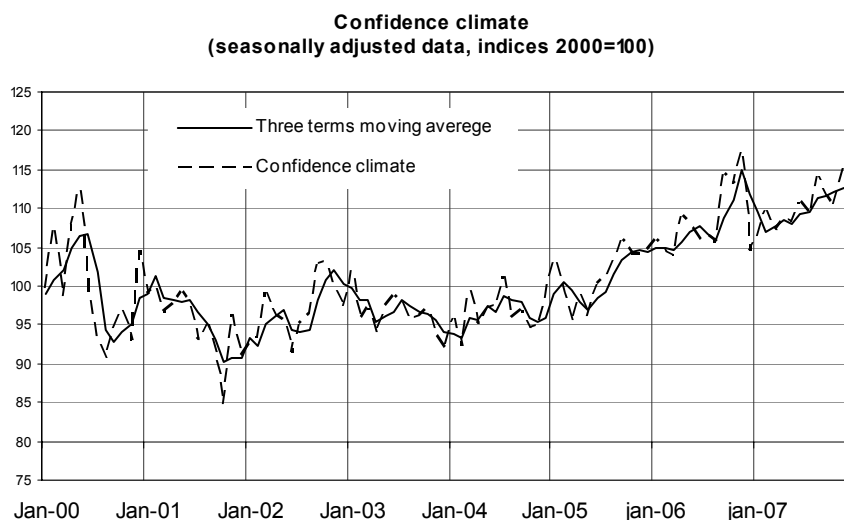




## ITALIAN RETAILERS' CONFIDENCE WORSENS IN DECEMBER

- The seasonally adjusted overall confidence indicator declined from 115.6 to 110.1, nearing its October level. In particular, the evaluation of the future volume of sales deteriorated, but also opinions on current business activity gave negative indications. In contrast, inventories diminished
- Among the series excluded from the definition of retail climate, respondents were less optimistic about the future volume of both employment and orders
- As for prices, current inflationary pressures eased, but respondents expected higher selling price inflation over the following months
- The deterioration in confidence was evenly spread across both distribution channels. The indicator decreased from 115.1 to 111.5 for large retail trade and from 114.2 to 110.3 for traditional distribution



**Data on January 2008 shall be released on January 30**

*The next ISAE surveys are scheduled as follows:*

**January 10, 2008:** *ISAE International Comparison of Consumer and Business Surveys (reference period: December)*

**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](http://www.isae.it))**

## General results

The ISAE survey, carried out between December 1 and December 19 on a panel of about 1,000 firms operating in traditional and large retail distribution, showed that Italian retailers' confidence deteriorated in December. The overall seasonally adjusted indicator declined from 115.6 to 110.1, coming again close to its October level. The various components of the indicator showed a worsening in opinions about current business activity and, mostly, in expectations for the future volume of sales. Lastly, inventories diminished.

Among the variables excluded from the definition of retail climate, in December firms were less optimistic about the future volume of both employment and orders. Lastly, with regard to prices, respondents considered an easing of current inflationary pressures, but expected higher selling price inflation over the following months.

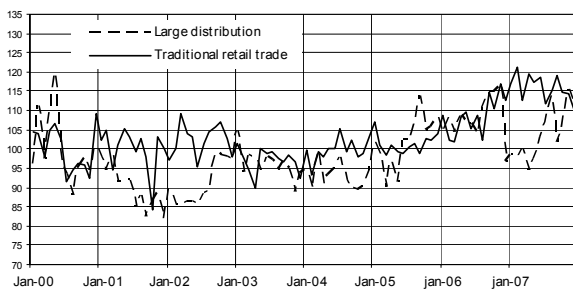
The breakdown of data by distribution channel showed that the pessimism, which characterized the entire sector, was evenly spread. The seasonally adjusted confidence indicator lowered, in both cases, below the average level recorded in the last quarter, moving from 115.5 to 111.5 for "modern" distribution and from 114.2 to 110.3 for traditional retail trade.

## Situation in the reference month (December 2007)

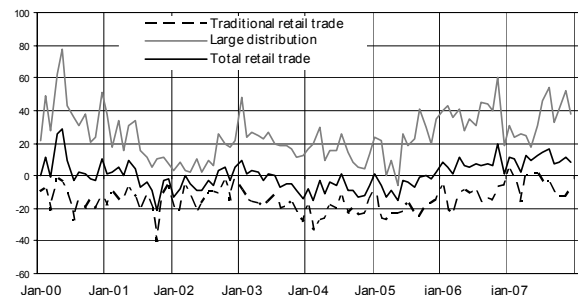
In December, the seasonally adjusted balances for the opinions on both the trend in sales and inventories as well as in suppliers' prices worsened, declining from 11 (in November) to 9, from 14 to 12 and from 44 to 43, respectively.

The sorting out of data by distribution channel showed that large distribution traders were particularly pessimistic about the trend in current business activity (the seasonally adjusted balance for current sales dropped from 52 to 38), whereas traders in traditional distribution mainly considered an improvement (the related balance rose from -13 to -8). Surveyed firms in both distribution channels were instead in agreement about the level of inventories and inflation: the seasonally adjusted balance of the former variable declined from 14 to 9 in large distribution and from 15 to 12 in traditional retail trade, while the balance for the latter one moved from 45 to 40 in the first case and from 49 to 45 in the second.

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



**Assessments on the business trend**  
(seasonally adjusted data)



## Outlook for the months ahead

In December, overall trade operators stepped down their predictions about future sales, orders and employment. Pessimism mainly characterized short-term expectations on the volume of sales: the seasonally adjusted balance of the variable plunged from 42 to 26, hitting the level posted in October. The balances for orders and employment expectations also reached their October value, lowering from 10 to 9 and from 12 to 10, respectively. As for future selling prices, respondents mainly viewed an increase in inflationary pressures: the raw balance of the variable actually increased from 32 to 38.

The breakdown of data by distribution channel showed that traditional distribution traders were overall more pessimistic. They expected a fall in both the level of employment (to -3 from -1) and, mainly, business activity and the volume of orders (to 3 from 21 and to -20 from -8, respectively). Also forecasts of respondents in “modern” trade were less rosy, compared to the previous month. Even if traders in this sector projected a rise in the volume of orders (to 45 from 38), they expected a worsening for both sales and employment. For the former variable, the seasonally adjusted balance declined from 67 to 62, though still remaining at a very high level, and for the latter one it lowered from 38 to 34.

Lastly, with regard to the level of selling prices, traders in both distribution channels showed the intention of lifting them: the related raw balance of the variable actually increased from 25 to 31 for traditional distribution and from 42 to 49 for “modern” trade.

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

Month	Confidence climate	Business trend (assessments)	Business trend (forecasts)	Inventories
July	109,3	14	15	8
August	114,1	16	21	2
September	111,7	7	24	4
October	110,3	8	26	10
November	115,6	11	42	14
December	110,1	9	26	12

Forecasts on business trend (seasonally adjusted data)

