

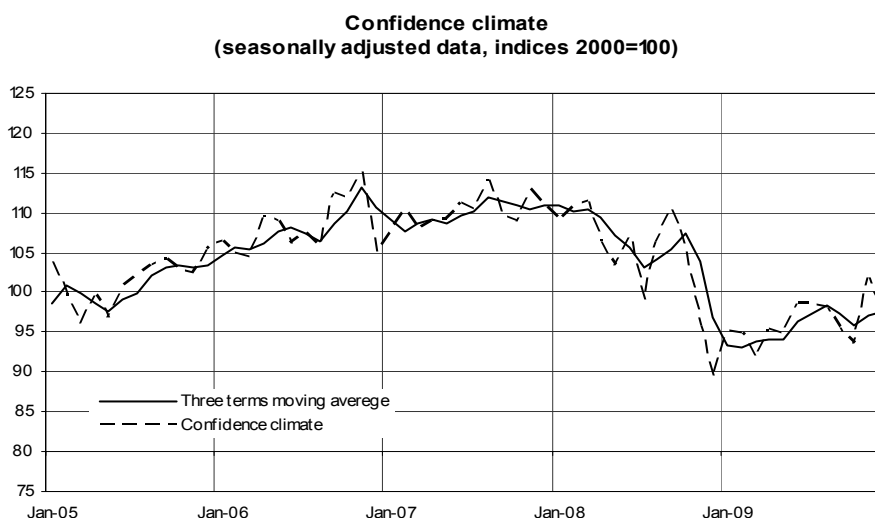


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Date: 29 dicembre 2009

ITALIAN TRADERS' CONFIDENCE SINKS IN DECEMBER

- The synthetic indicator, considered net of seasonal component, sank from 101.8 to 96.9, maintaining the same average levels recorded the year round
- Following the sharp amelioration recorded in November, a drop characterized the expectations on the future volume of sales; new negative hints affected the assessments on current business trend. A slight reduction was reported in the level of inventories
- Compared to the previous survey, firms showed concern as to the volume of orders and labour
- As to prices, the ongoing inflationary pressures were deemed to slacken; at the same time, and increase in pressures was expected for the future
- Disaggregating the results per typology of sale, confidence decreased in both distribution sectors. In detail, the seasonally adjusted index for traditional distribution fell from 111.2 to 109.6 and the “modern” distribution indicator moved from 89.6 to 84.4



Data on January shall be released on 28 January 2010

The next ISAE surveys are scheduled as follows:

26 January 2010: ISAE Monthly Consumer Survey (*Reference period: January*)

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

The ISAE survey carried out between December 1 and 19 on a panel of 1,000 firms from the small and large distribution sectors revealed that confidence among Italian dealers was newly set to decline. The indicator, considered net of seasonal components, continued to decrease, moving from 101.8 (in November) to 96.9. Compared to the previous survey, the sharpest fall affected the expectations on the future volume of sales, but concern was also expressed on the ongoing business trend; a slight decrease was finally reported in the level of inventories.

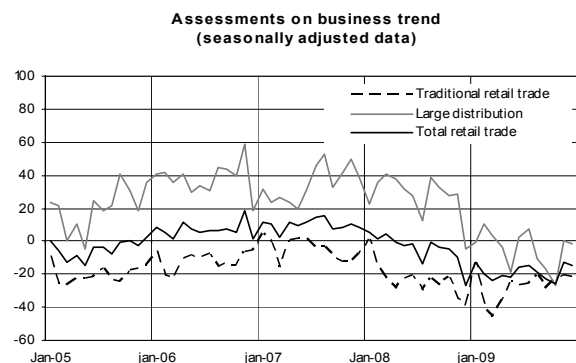
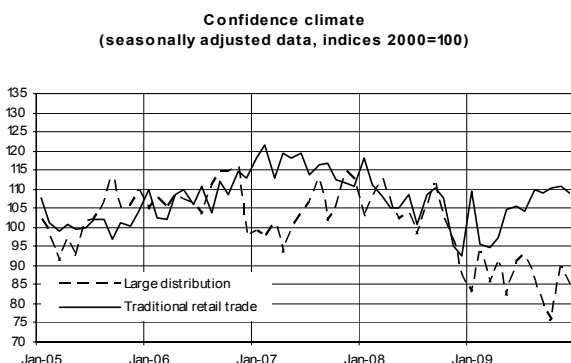
Analyzing the variables not included in the climate assessment, pessimism spread across firms with regard to labour expectations; in addition, widespread concern was observed as to the future volume of orders. The ongoing inflationary pressure was deemed to slacken but data revealed the respondents' intentions to increase price lists by the following three months.

The breaking-up of results per distribution typology revealed a confidence drop in both distribution sectors. The seasonally adjusted indicator moved from 111.2 to 109.6 in traditional distribution and from 89.6 to 84.4 in "modern" one.

Situation in the reference period (December 2009)

Assessments on the ongoing business trend clearly dropped in December with the variable seasonally-adjusted balance moving from -13 to -15. Contrary to what might be expected, the inventory volume was deemed to slightly decrease, with the variable seasonally-adjusted balance drifting from 9 to 8. As to the inflationary pressure, in conclusion, firms signalled a drop in suppliers' prices, pushing the variable seasonally-adjusted balance from 16 to 12, nearing the values of last October.

Disaggregating the results per distribution typology, the operators of both distribution sectors sent negative signals as to the ongoing business trend. Such drop was, however, moderate with regard to both traditional distribution, where the variable seasonally-adjusted index drifted from -21 to -22, and to "modern" one. As to the latter, in particular, following the sharp recovery recorded in the previous month, the balance fell from 1 to -2. Discordant signals, instead, were sent with regard to inventories and suppliers' prices. In terms of seasonally adjusted balances, the balance for the first variable rose from 9 to 12 in traditional distribution but decreased from 8 to 1 in "modern" one, whereas, the balance for the second variable decreased from 9 to 1 in large distribution, and increased from 21 to 22 in traditional one.



Outlook on the following months

The results of the ISAE survey on Italian dealers, showed a significant deterioration in all forecasted variables. The deterioration was particularly strong for expectations on future sales volumes, the balance of which (considered net of the seasonal component), following the strong increase recorded in November, sank from 20 to 7 nearly hitting the October values. Labour and order expectations slumped in line with the aforementioned result. Looking at the seasonally adjusted balances, the labour variable moved from 3 to 0 whereas the one related to orders fell to -6 (6 in November). As to the selling price trend, in conclusion, the variable seasonally-adjusted balance appeared to be further increasing, moving, in fact, from 3 to 6.

Disaggregating the results per distribution typology, pessimism on future sales trends was widespread across the respondents from both sectors, with stronger hints for large distribution. In fact, looking at the variable seasonally-adjusted balances, the balance fell from 16 to 15 in traditional distribution and slumped from 22 to -1 in “modern” one. In line with this result, the operators from the large-distribution sector showed further concern about the future volume of both orders and labour. The seasonally adjusted balance for the first variable, in fact, decreased from -10 to -21 in traditional distribution, but sank from 40 to a 3 in “modern” one; the balance for the second variable, fell from 11 to 6 in “modern” distribution, but recovered from -1 to 0 in traditional one. Finally, as to the respondents’ expectations on future inflationary pressures, a further increase in selling prices was expected by the respondents from the large-distribution sector (according to whom the variable seasonally-adjusted balance had recovered from -7 to 5), but was

deemed to decrease according to the colleagues from traditional distribution (according to whom the variable seasonally-adjusted balance had decreased from 8 to 5).

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

Month	Confidence climate	Business trend (opinions)	Business trend (forecasts)	Inventories
Jul.	98.8	-14	9	5
Aug.	98.1	-18	8	2
Sept.	95.4	-23	5	2
Oct.	93.6	-26	6	5
Nov.	101.8	-13	20	9
Dec.	96.9	-15	7	8

Expectations on business trend (seasonally adjusted data)

