ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482229

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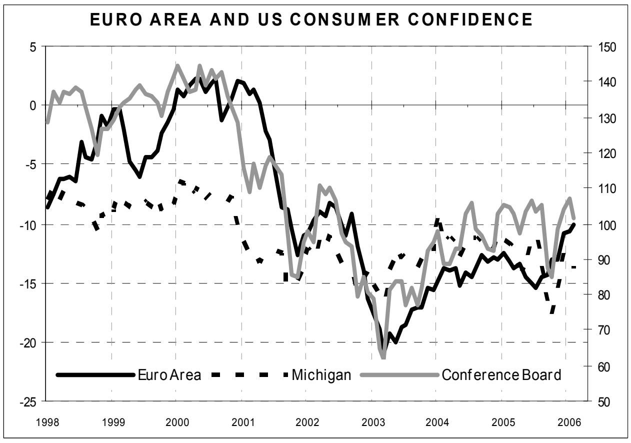
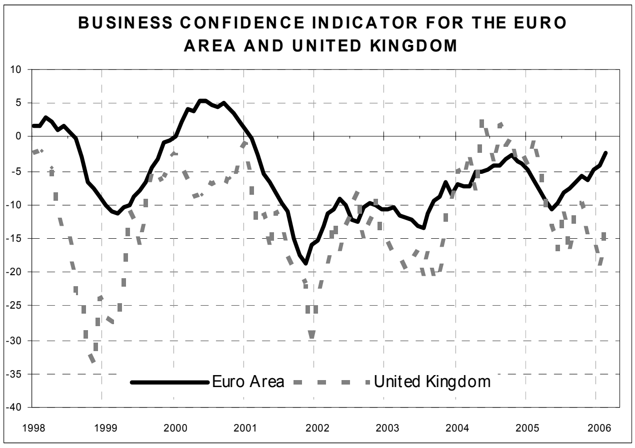
TEL.: **06/444821**

IN FEBRUARY, CONSUMER CONFIDENCE STABILIZES IN THE EURO AREA AND WEAKENS IN THE UNITED STATES, WHILE MANUFACTURING FIRMS' CLIMATE IMPROVES BOTH IN THE EURO AREA AND IN THE UNITED KINGDOM

- **In February, consumer confidence remained stable in the Euro Area at its highest level since September 2002. Slightly unfavourable indications came from Germany and Spain, but they were balanced by a mild recovery in France**
- **In the United States pessimistic signals emerged, while in the United Kingdom the confidence index recovered, following four months of stability**
- **The manufacturing firms' confidence indicator continued to rise in February in the Euro Area, reaching its highest score since March 2001, thanks to renewed optimism among most entrepreneurs in the three main economies of the area. The indicator recovered also in the United Kingdom, attaining the best result since May 2005**





Data on March shall be released at the beginning of April

The next ISAE surveys are scheduled as follows:

March 22: *ISAE Monthly Consumer Survey (reference period: March)*
March 28: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: March)*
March 29: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: February) and ISAE Monthly Business Services Survey (reference period: March)*

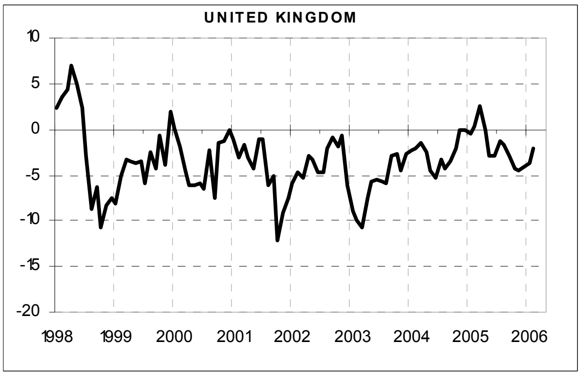
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

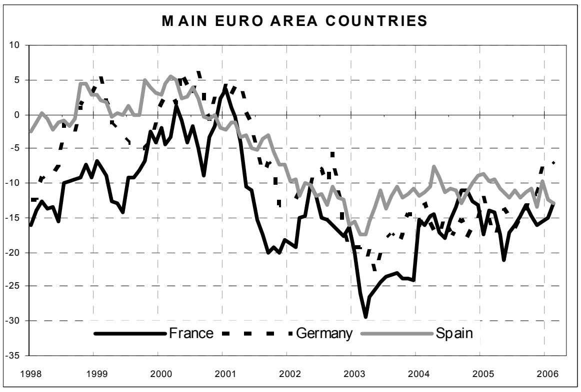
Consumer confidence in the Euro Area, the United States and the United Kingdom

The European Commission survey reported virtual stability for confidence in the average of the Euro Area in February (from -11 to -10, the best result since September 2002), backed by quasi-stabilization for all its underlying components. Regarding prices, the survey pointed to a rise in inflation prospects over the following twelve months. For the United Kingdom, positive signals were recorded instead: confidence rose from -4 to -2, regaining the level posted last August, owing to an improvement in nearly all the underlying components of the indicator, excluding job market prospects. The percentage of respondents viewing an increase in unemployment in the following twelve months remained in fact unchanged. Finally, consumers expected a moderate slowing of inflation.

Regarding the main Euro Area countries, in Germany confidence edged down in February to -7 (from -6 in the previous month), mainly as a result of a sharp deterioration in labour market prospects. Consumers' expectations regarding their own situation, instead, stabilized, and their assessment on future saving opportunities fairly improved. As for prices, expectations of a moderate rise in inflation emerged, in line with the indications recorded on the average of the Euro Area as a whole. In France, instead, confidence slightly recovered, reaching -13 (from -15), mainly because of better future saving opportunities and labour market prospects (the balance declined to its lowest level since April 2001). Finally, echoing the average of the Euro Area, French consumers expected a slight acceleration in inflation.

In contrast, in Spain consumer confidence eased to -13 (from -12 the previous month), due to a sharp deterioration in the assessment on future saving opportunities (which slipped to its lowest reading since July 2004). Prospects for the labour market improved, instead, posting the best result since the start of last year, and those for the respondents' personal economic situation stabilized. Finally, also in Spain expectations of a marked acceleration of inflation emerged.





In the United States, consumer confidence worsened in February according to both the Conference Board and the University of Michigan indicators. In particular, the Conference Board index came in at 101.7, lower than 106.8 posted in January, chiefly because of a sharp worsening in the expectation sub-index. The preliminary indicator of the University of Michigan decreased to 87.4 (from 91.2 in January), mainly due to consumers' worries about labour market prospects.

Business confidence in the Euro Area and the United Kingdom

According to the European Commission survey, in the average of Euro Area manufacturing firms' confidence continued to improve in February. The balance rose from -4 to -2, reaching its best result since March 2001, given to more favourable indications from all the underlying components of the business climate. Firms also started to expect a slight increase in industrial selling prices for the following twelve months. Confidence also strongly recovered in the United Kingdom, rising to -12 in February (from -19 in the previous month), also in this case thanks to a widespread improvement in all the underlying components of the indicator (assessments on orders and inventories, as well as production expectations). As for inflation, firms expected lower pressures on selling prices.

In particular, with regard to the main Euro Area countries, in Germany business confidence continued to recover. It rose from -5 to -3, the best showing since November 2000, mainly owing to an improvement in the assessment on orders (which reached its highest level since January 2001). As for prices, firms expected a slight increase in industrial selling prices. Also in France business climate bettered in February (from -7 to -4), thanks to a general improvement in all underlying elements of the indicator. Regarding the price trend, the proportion of firms expecting a fall in selling prices equalled that predicting a rise. In Spain, confidence slightly improved in February, reaching -6 (from -7 in the previous month). Firms bettered their assessment on orders, and confirmed a slight de-stocking. Nevertheless, short-term prospects on business activity worsened. With regard to prices, inflationary pressures increased once more (the balance hit its highest level since December 2004).