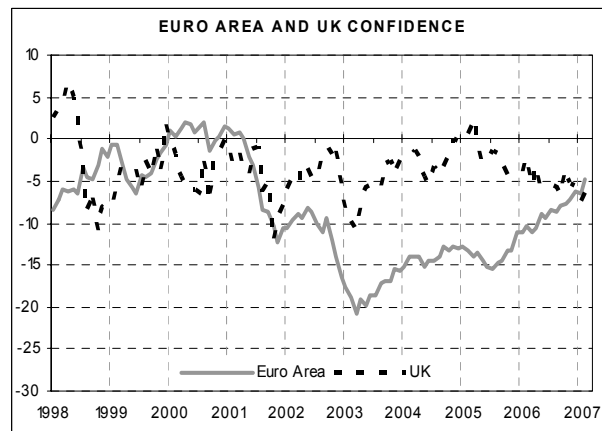
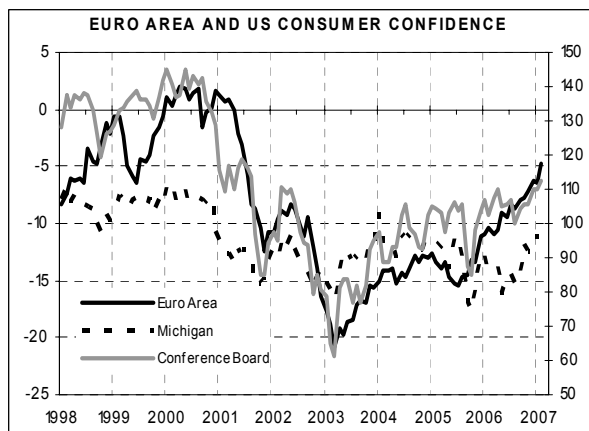




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## IN THE EURO AREA, CONSUMER CONFIDENCE RISES IN FEBRUARY AND BUSINESS CONFIDENCE STABILIZES. IN THE UNITED STATES, INSTEAD, CONSUMER CONFIDENCE SENDS CONTRASTING SIGNALS

- In the Euro Area, consumers became more optimistic in February: in particular, they improved their short-term expectations on the economy and were less reserved about labour market developments, in a situation characterized by lower inflationary pressures
- The indicators of the Conference Board and the University of Michigan sent, instead, contrasting signals for US consumer confidence: the clear improvement posted by the former contrasted with slump recorded by the latter
- Manufacturing firms' confidence stabilized in the average of the Euro Area and reached a ten-year high in the United Kingdom. Among the main countries, the index improved in France, but worsened in Germany and Spain, mainly because of a deterioration in short-term prospects for productive activity



**Data on March shall be released on April 5, 2007**

The next ISAE surveys are scheduled as follows:

**March 21:** ISAE Monthly Consumer Survey (reference period: March)

**March 27:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: March)

**March 28:** ISAE Monthly Business Services Survey (reference period: March); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: March) and ISAE Monthly Survey on Construction (reference period: February)

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))

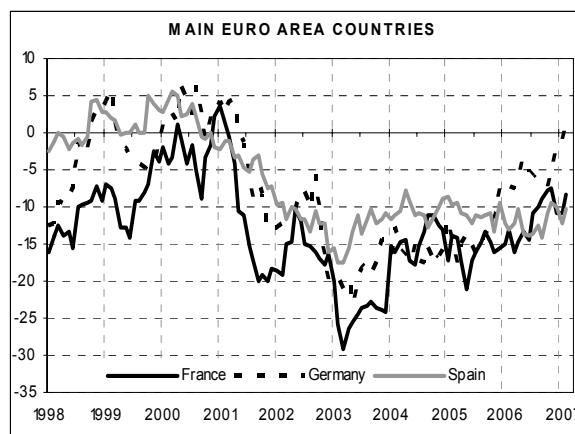
### Consumer confidence in the Euro Area, the United States and the United Kingdom

According to the European Commission survey, in the average of the Euro Area consumer confidence increased in February to -5 (from -7 in the previous month), mainly thanks to an improvement in economic short-term prospects (from -7 to -4, the highest level in the last six years) and in expectations for labour market developments (the balance referring to the share of consumers anticipating a rise in unemployment in the following twelve months declined from 8 to 5, the lowest value since April 2001). Furthermore, consumers anticipated a slowdown in inflation (the balance declined from 23 to 20).

Among the main countries, consumer confidence improved in Germany, rising from -1 in the previous month to 2, the best result since May 2001. Consumers gave a more favourable evaluation of all the underlying components of the indicator: above all, they decidedly improved their prospects for the economic trend and for labour market developments. The share of consumers anticipating a rise in unemployment continued to be lower than the share of those expecting a decline, and the balance stood at -7, compared to -2 in January. Lastly, inflationary pressures markedly eased and the balance moved to 30 (from 42). Confidence rose in France as well (from -11 to -8), helped by the improvement in expectations on the country's general economic situation (from -15 to -10) and on the labour market (the balance moved from 15 to 10). Finally, like consumers in Germany and in the average of the Euro Area, French ones expected a slowdown in consumer price inflation in the following months (the balance declined to 14 from 16 in January). Spain also sent positive signals: confidence rose to -10 (from -12 in the previous month), prompted by a progress in nearly all the underlying components of the indicator. However, differently from French and German consumers, Spanish ones expected a moderate increase in inflationary pressures (the related balance edged up from 24 to 25).

Lastly, the consumer climate improved moderately in the United Kingdom, reaching -6 (from -7 in January), driven mainly by a recovery in expectations on the respondents' personal economic situation and on labour market developments. Finally, with regard to prices, British consumers anticipated a marked cooling of inflation (the balance lowered from 21 to 16, the level reached last May).

The United States sent, instead, contrasting signals: the Conference Board index increased to 112.5 (from 110.2 in January), reaching the highest level in the last five and a half years, thanks mainly to the improvement in the current conditions component, which increased from 133.9 to 139 (the sole expectations gauge edged up from 94.4 to 94.8). According to the University of Michigan indicator, instead, confidence declined from 96.9 to 91.3, due to a deterioration in both opinions and prospects for the economic trend.



### **Business confidence in the Euro Area and the United Kingdom**

According to the European Commission survey, in the average of the Euro Area manufacturing firms' confidence stabilized in February, remaining at its previous month level (5): expectations for short-term productive activity worsened, but the opinions on order books improved and inventories declined somewhat. As for prices, anticipations of a rise in industrial selling prices decreased and the balance lowered to 12 from 14 in the previous month.

However, the trend for the overall picture obscured diverging trends for the main Euro Area economies: in Germany business confidence declined to 8 (from 9 in January), because of a sharp deterioration in short-term production expectations (from 14 to 8, the level posted in August 2006), which wiped out the positive effect of the slight improvement in the opinions on orders and of the de-stocking of inventories. Furthermore, German firms expected a slowdown in industrial selling price inflation (the balance lowered to 12 from 15 in January). Confidence worsened in Spain as well, lowering to 1 (from 3 in the previous month), due to a deterioration in both the opinions on order books and in expectations on short-term productive activity. However, inventories edged down somewhat. As for prices, differently from the average of the Euro Area and from Germany and France, Spanish firms expected an acceleration in inflation and the related balance reached 10, compared to 8 in the previous month. In France, instead, the indicator edged up slightly in February to 1 (from -1 in January), thanks mainly to an improvement in assessments on the level on orders and of inventories. However, also in this case expectations on short-term productive activity declined. Lastly, regarding the trend in prices, French firms, like German ones, anticipated a slight easing of inflationary pressures (the balance declined from 8 to 7). To conclude, confidence markedly improved in the United Kingdom, reaching 5, its ten-year high (compared to -6 in January), backed by a marked progress in all the

underlying components of the indicator: particularly, the balance for production expectations moved from 8 to 23 (the best result since October 1997), the one for the opinions on orders rose from -9 to -1 (the highest level since February 1998), while that for inventories declined from 17 to 11. With regard to prices, British entrepreneurs, like Spanish ones, anticipated a sharp increase in inflationary pressures: the balance rose to 18 in February from 12 in the previous month.

