ISTITUTO DI STUDI E ANALISI ECONOMICA-

Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482229

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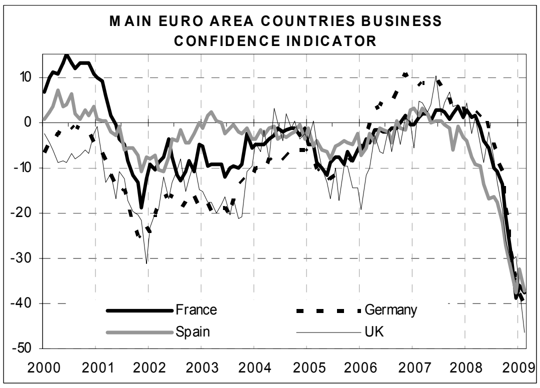
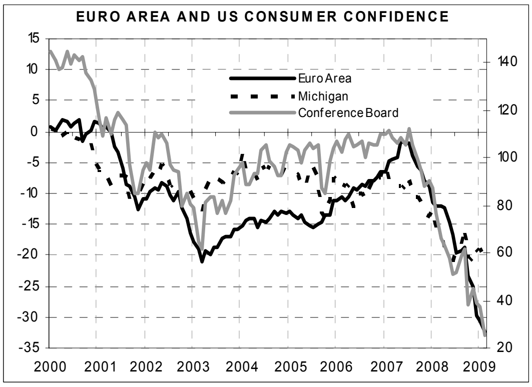
IN EUROPE CONSUMERS' AND MANUFACTURING FIRMS' CONFIDENCE CONTINUES TO LESSEN IN FEBRUARY

- **In the average of the Euro Area, deterioration in the consumer climate did not come to a halt. In February, the index fell to -33 from -31 in the previous month**
- **The decline was the result of a worsening in nearly all the components of the indicator: concerns about personal and general economic conditions in the following twelve months and about labour market developments intensified. Expected inflationary pressures eased instead**
- **Deterioration affected all the major economies. Outside the Euro Area, the indicator recovered instead in the United Kingdom**
- **Also Euro Area manufacturing firms' confidence declined further in February, reaching -36 (compared to -33 in the previous month) and marking a new record low since 1985**
- **The worsening distinguished all considered main economies. Outside the Euro Area, confidence markedly regressed in the United Kingdom, where the indicator hit -47 (-37 in January), the worst result since 1985**

CONSUMER CONFIDENCE RETRENCHES ALSO IN THE UNITED STATES

- **In February, the index calculated by the Conference Board posted a new significant drop, equalling 25 (37.4 in January), an all-time low. Deterioration characterized both the expectations and the present situation components (the related gauges declined to 27.5 from 42.5 and to 21.2 from 29.7, respectively)**
- **The University of Michigan consumer sentiment index also worsened, moving down to 56.3 from 61.2 in January. Both the expectations sub-index and the current conditions one deteriorated compared to the previous month (to 50.5 from 57.8 and to 65.5 from 66.5, respectively)**





Data on March shall be released on April 7, 2009

The next ISAE surveys are scheduled as follows:

March 25: *ISAE Monthly Consumer Survey (reference period: March)*

March 26: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: March)*

March 27: *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)

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

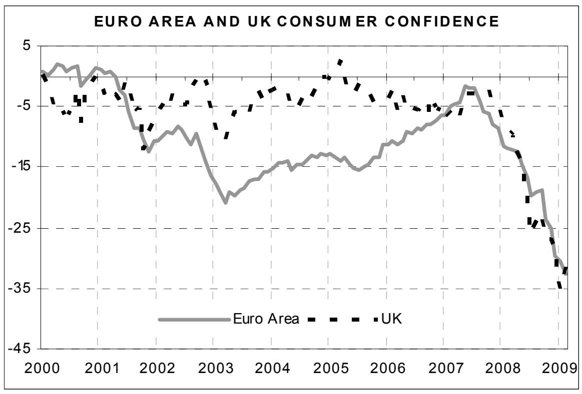
According to the European Commission survey, in the average of the Euro Area, deterioration in consumer confidence did not come to a halt. In February, the index fell to -33 from -31 in the previous month. With the exception of the balance for future saving opportunities, which remained stable at -15, all the remaining components of the indicator worsened. In particular, concerns about general and personal economic conditions in the following twelve months intensified (the balance dropped to -41 from -38 and to -12 from -11) and pessimism about future labour market developments spread further (the related balance increased to 62 from 58 in January). As for the price trend, the balance related to inflation forecasts for the following year diminished to 5 from 6 in January.

Deterioration in the index affected all the major economies: the decline was sharper in Spain and Germany (to -48 from -44 and to -29 from -27, respectively). In France, the index lowered only one point, moving to -34 from -35.

Specifically, in Spain mainly the balances related to the forecasts for the general and personal economic situation worsened (to -48 from -43 and to -30 from -25). Also expectations for future saving opportunities gave negative indications, while the balance for employment prospects remained unchanged at 68. Forecasts for general economic conditions deteriorated also in France and Germany (to -44 from -42 and to -47 from -46, respectively), while those for the family economic situation improved slightly in Germany (the related balance edged up to -7 from -8), but became more pessimistic in France (to -13 from -10). As for labour market developments, both Germany and France sent unfavourable signals (the respective balances moved to 58 from 53 and to 69 from 68, an all time high). Lastly, prospects for future saving opportunities improved in France and held steady in Germany. Inflationary pressures were expected to ease in the following twelve months in all main Euro Area countries except France, where the balance increased from 2 to 5, going back to the level recorded at the end of 2008.

In the United Kingdom, the confidence index recovered from the negative record posted in the previous month, rising to -32 from -35. All the components of the indicator contributed to this positive result: expectations for the general and personal economic situation were less pessimistic and prospects for employment developments became less gloomy. Future saving opportunities remained unchanged and the risk of inflationary pressures markedly diminished (the related balance dropped from 3 to -5).

In the United States, the confidence index calculated by the Conference Board posted in February a new significant setback, hitting 25 (37.4 in January), an all-time low. Deterioration characterized both the expectations and the present situation components (the related gauges declined to 27.5 from 42.5 and to 21.2 from 29.7, respectively). Also the University of Michigan consumer sentiment index worsened, moving down to 56.3 from 61.2 in January, mainly driven by the sharp fall in the expectations sub-index (to 50.5 from 57.8 in January). The current conditions gauge diminished to 65.5 from 66.5.



Business confidence in the Euro Area and the United Kingdom

In February, the European Commission survey showed that, in the average of the Euro Area, manufacturing firms' confidence declined to -36 from -33 in January. With the exception of the level of inventories, which remained stable, all the remaining components of the indicator deteriorated. Lastly, the balance for expected selling price pressures remained at -11.

In Germany the confidence indicator decreased from -38 to -41, in France from -36 to -38, and in Spain from -33 to -37. In the non-Euro Area countries, confidence sharply receded in the United Kingdom, going back to -47 (from -37), a record low since 1985 (start year of the related time series).

In particular, while the balance for the opinions on order books markedly worsened in all considered countries (from -50 to -59 in France, from -48 to -55 in Germany, and from -49 to -58 in Spain), short-term production expectations remained unchanged for the third time in succession in France (at -32), were less negative in Germany (moving from -42 to -39), and became more pessimistic in Spain (from -22 to -24). Lastly, with regard to prices, inflationary pressures lessened further in Spain, while in all the other main countries they remained basically unchanged or marginally increased with respect to the lows posted in the last months.

As for the United Kingdom, the worsening in the balances for the opinions on the level of orders and for production expectations (which moved from -43 to -59 and from -40, to -51, respectively) came along with a restocking of inventories. The balance for selling price expectations continued to decline, though less sharply than in the previous month (to -12 from -10 in January).