

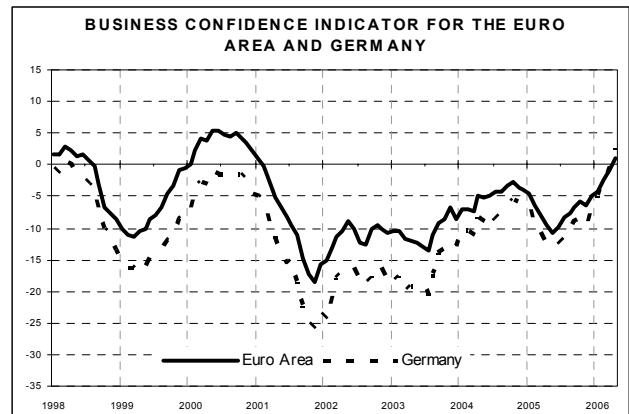
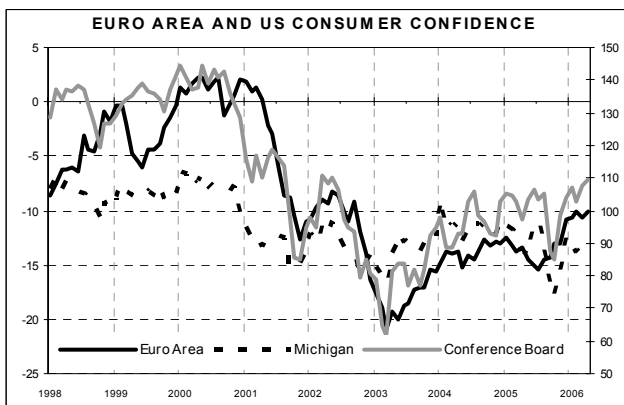


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## IN APRIL SIGNS OF RECOVERY OF THE INTERNATIONAL ECONOMIC CYCLE STRENGTHEN FURTHER

- **Manufacturing firms' confidence soared in Germany to the highest level since last years. It also improved in France and in the average of the Euro Area (despite moderate pessimism in Spain). Finally, signs of recovery appeared in the United Kingdom, where the index posted the best result since December 2004**
- **In the United States, according to the Conference Board, consumer confidence reached its highest level since May 2002 (though the indicator of the University of Michigan declined slightly with respect to March). Even in the Euro Area consumer confidence rose, helped by favourable developments in the main economies**



**Data on May shall be released on June 8, 2006**

The next ISAE surveys are scheduled as follows:

**May 23:** ISAE Monthly Consumer Survey (reference period: May)

**May 25:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: May), and ISAE Investment Survey on Manufacturing and Extractive Firms (reference period: January-June 2006)

**May 29:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: April) and ISAE Monthly Business Services Survey (reference period: May)

**May 30:** ISAE Monthly Survey on Construction (reference period: April)

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

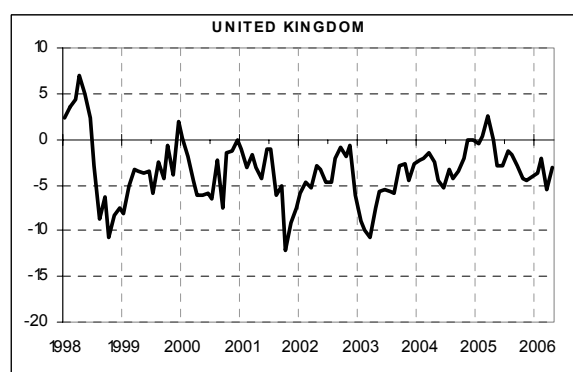
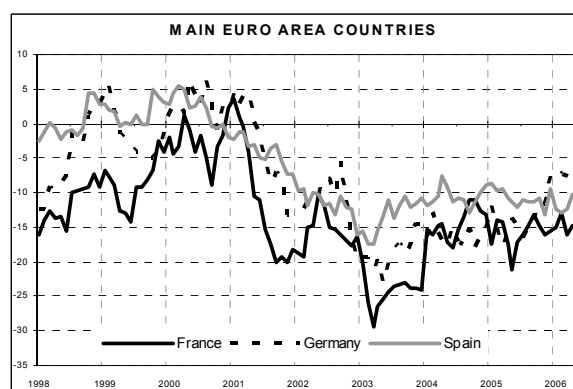
According to the European Commission survey, confidence in the average of the Euro Area improved slightly in April, reaching -10 (from -11 in the previous month), mainly thanks to respondents' better prospects on the general economic situation. As for prices, consumers did not change their expectations instead, and the balance remained steady at its previous month level (16).

Regarding the main Euro Area countries, confidence increased in Germany, attaining -6 (from -8 in March), backed by an improvement in nearly all the components of the indicator, with the exception of the prospects on the personal economic situation of respondents. Particularly, the share of those expecting an increase in unemployment in the next twelve months declined markedly (the related balance actually moved from 23 to 19, reverting to the level recorded last December). As for prices, instead, signs of a marked acceleration of inflation were evident, with the related balance increasing from 20 to 25, the highest score since March 2002. In France, the improvement in confidence was more modest (the index moved to -15, from -16 in the previous month): particularly, respondents sharply bettered their prospects on the country's general economic situation (the balance rose from -25 to -11, a level not seen since September 2005), but the share of those expecting an increase in unemployment in the following twelve months still remained on the high level posted last September. Furthermore, differently from German consumers, French ones expected a marked decline in inflationary pressures: the related balance moved from 16 to 11, the lowest reading since last August. Fairly favourable signals also came from Spain, where the indicator increased to -10 (from -12 in the previous month), returning to the level posted last December, mainly thanks to an improvement in expectations on saving opportunities (from -25 to -20 on balance). With regard to prices, expectations of a sharp reduction in

inflationary pressures were evident: the related balance lowered to 22, from 26 in March.

In April, the confidence climate moderately recovered in the United Kingdom as well. It reached -3 (from -6 in the previous month), in the wake of the improvement in respondents' prospects on their own financial situation and of future saving opportunities. The share of respondents expecting a rise in unemployment in the following twelve months increased instead slightly (from 28 to 30, a level not seen since October 2001). As for prices, respondents anticipated a moderate easing of inflationary pressures. The related balance lowered in April to 12 from 14 in the previous month.

In the United States, the Conference Board index rebounded to 106.9 in April (from 107.5), the highest level since May 2002. The index calculated by the University of Michigan declined slightly (from 88.9 to 87.4), remaining around its first quarter average value.



## 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 continued to improve in April, rising from -1 in the previous month to 1, the highest score since January 2001. The assessment on the level of orders markedly improved and inventories were slightly cut back, while production expectations remained unchanged. Regarding prices, firms expected instead a small rise in industrial selling prices, with the related balance moving to 7 from 6 in March.

With regard to the main Euro Area countries, in Germany business confidence rose to 3 (from -1 in the previous month), attaining the best result since February 1991, due to a generalized improvement in all the underlying components of the confidence climate. In particular, the balance of the opinions on the level of orders reached its highest level since January 1991. Firms also expected a slight increase in industrial selling prices, with the related balance reaching 7, from 5 in March. In France, the improvement in confidence was more moderate: the balance edged up to -4 from -5 in the previous month, due to more favourable expectations on short term production activity and better opinions on orders. As for the price trend, the proportion of firms anticipating a fall in industrial selling prices was lower than that expecting a rise, and the balance equalled -3 (compared to -1 in the previous month). Negative signals came instead from Spain, where confidence decreased to -5 (from -3 in March), attaining the level recorded last November, because of a worsening in both the evaluation of the level of orders and expectations on short term production activity. De-stocking of inventories took place instead. As for prices, inflationary pressures slightly eased once more (the balance declined from 7 to 6).

In the United Kingdom, confidence markedly improved. The balance rose from -10 in March to -3, the best result since February 2005, mainly benefiting from a more optimistic assessment on the level of orders and sharp de-stocking of inventories. Finally, with respect to the price trend, entrepreneurs did not change their expectations, and in April the balance remained at 9, as in the previous month.

