



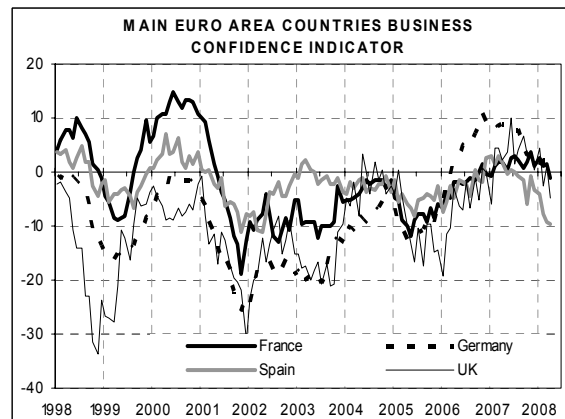
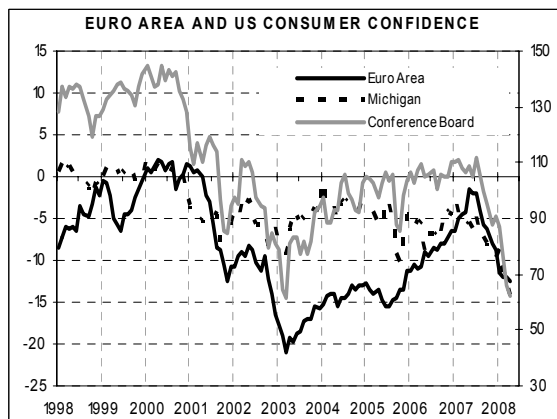
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TEL.: 06/444821

## IN EUROPE, CONSUMER CONFIDENCE STABILIZES IN APRIL, BUT MANUFACTURING FIRMS' CONFIDENCE WORSENS

- In the Euro Area, manufacturing firms' confidence declined to its lowest value since January 2006, dropping in all main countries compared to the previous month. The fall was chiefly prompted by the worsening in the opinions on the level of orders. Moreover, inventories built up, while production expectations remained unchanged
- Overall consumer confidence stayed at the low level experienced at the end of 2005, mainly due to less favourable forecasts for the trend in personal and general economic conditions
- However, country developments were not homogeneous: among the main countries, the index rose in Germany, held steady in France, but declined in Spain, reaching a fourteen-year low

## IN THE UNITED STATES, CONSUMERS ARE INSTEAD HIGHLY PESSIMISTIC

- According to the Conference Board, the US consumer confidence index declined in April to its lowest showing in five years, driven, above all, by sharp deterioration in the present situation component, which slumped to its lowest level since December 2003
- The University of Michigan confidence indicator fell to a value last reached twenty-six years ago, because of consumers' growing concern about their own financial situation



**Data on May shall be released on June 5, 2008**

The next ISAE surveys are scheduled as follows:

**May 22:** ISAE Monthly Consumer Survey (reference period: May)

**May 27:** 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 2008)

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

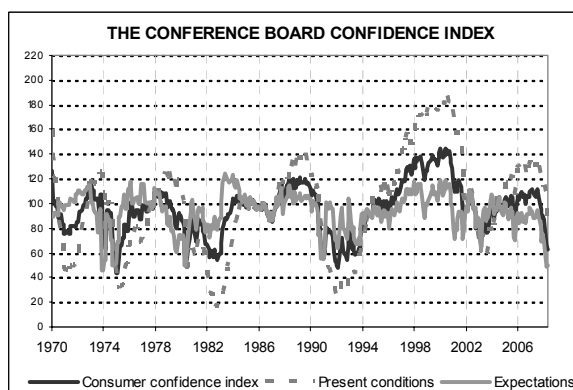
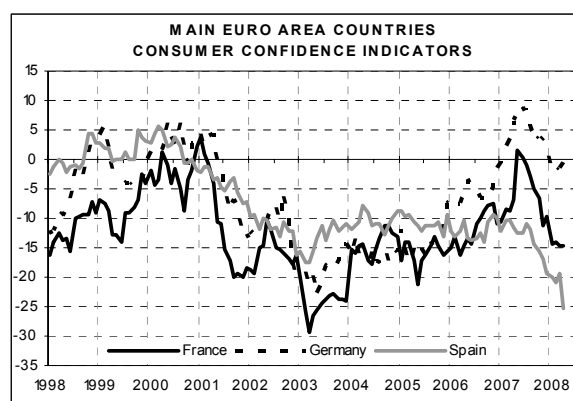
According to the European Commission survey, in the average of the Euro Area, consumer confidence held steady in April for the third month running, remaining at -12, its lowest level since the end of 2005. Forecasts for the personal and general economic situation became less favourable, but future saving opportunities moderately recovered. Expectations for labour market developments stabilized, instead. Lastly, consumers were more concerned about inflation: the balance increased to 28, from 26 in the previous month.

Among the main countries, the index heightened in Germany, moving to 0 (from -2 in March), mainly thanks to the improvement in prospects for the personal economic situation and in future saving opportunities. Also inflationary pressures eased (the related balance edged down from 35 to 34). In France, instead, the index stabilized at -15: consumers' expectations for their personal economic situation and for the general economic conditions worsened, but forecasts for labour market developments improved (the share of respondents expecting a rise in unemployment in the following months moved from 10 to 4). However, surveyed consumers became more concerned about inflation (the related balance increased from 16 to 21). On the other hand, confidence plunged in Spain, moving to -19 to -25, the lowest level since January 1994, because of a worsening in all the underlying components of the indicator, which came along with a slight increase in inflationary pressures (the balance rose from 18 to 19). Finally, the confidence climate worsened also in the United Kingdom, where the indicator stood at -13 (from -10 in March), principally because of deterioration in prospects for general economic conditions and the personal situation, and for labour market developments. Lastly, inflationary pressures increased.

In contrast, the United States sent highly pessimistic signals. The consumer confidence indicators calculated by both the Conference Board and the University of Michigan plunged. According to the

Conference Board, in April consumer confidence declined to 62.3 (from 65.9 in March), hitting the lowest value in five years. The fall was mainly prompted by sharp deterioration in the present situation indicator, which tumbled from 90.6 to 80.7, a level last reached in December 2003. The gauge measuring the sole expectations component, instead, remained basically unchanged compared to the previous month (moving from 49.4 to 50.1).

On the other hand, according to the survey of the University of Michigan, confidence decreased from 69.5 to 62.6 (a low last reached twenty-six years ago), driven by the worsening in both the current situation component (from 84.2 to 77) and the sole expectations one (which diminished from 60.1 to 53.3). The deterioration in US confidence mirrored respondents' growing concern about their financial situation, which worsened mainly because of higher energy and food prices and lower incomes and house values.



## 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 deteriorated in April, lowering from 0 in March to -2 in April, the lowest reading since January 2006. The views on the current state of demand worsened (from -1 to -5, a two-year low) and inventories built up. Production expectations stabilized instead. As for prices, entrepreneurs continued to project lower industrial selling price pressures (the balance lowered to 12, from 13 in the previous month).

Among the main countries, manufacturing firms' confidence declined in Germany to 1 from 2 in March. Negative indications characterized entrepreneurs' assessments on the level of order books and expectations for short-term productive activity. Inventories stabilized instead. As for prices, German firms expected a slight acceleration of inflation (the balance rose to 14 from 13 in the previous month). In Spain the indicator extended its downward path, moving from -9 to -10, because of a worsening in the opinions on order books and on the level of inventories. Production expectations improved instead. Lastly, Spanish entrepreneurs predicted a moderate slowdown in inflation (the balance moved from 8 to 7). In France as well, the confidence climate worsened, hitting -1 (from 2 in the previous month), owing to deterioration in the opinions on the level of orders (the related balance declined from 1 to -4, the lowest reading since January 2007). Also the evaluation of the level of inventories worsened. In contrast, production expectations improved. As for prices, firms forecast a slight easing of inflationary pressures (the balance lowered to 13 from 14 in March). Finally, the United Kingdom sent negative signals. The confidence indicator came in at -5 (compared to -1 in the previous month). Assessments on the current state of demand and production expectations markedly worsened: the balance of the former variable dropped from 4 to -7 and the one of the latter variable plunged from 13 to 1, a

level last seen in January 2006. Inventories diminished instead. As for prices, entrepreneurs did not expect changes in inflation (the balance held steady at 22, its previous month value).

