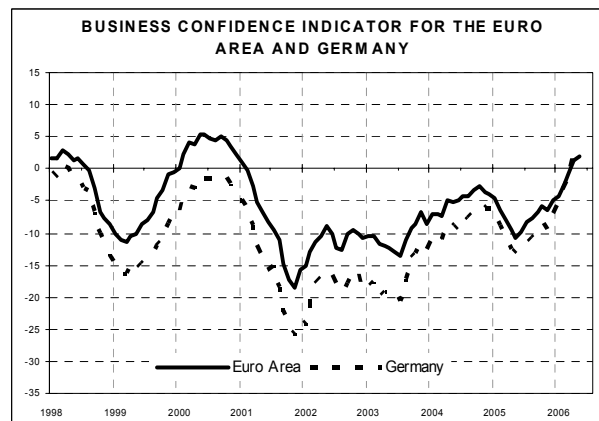
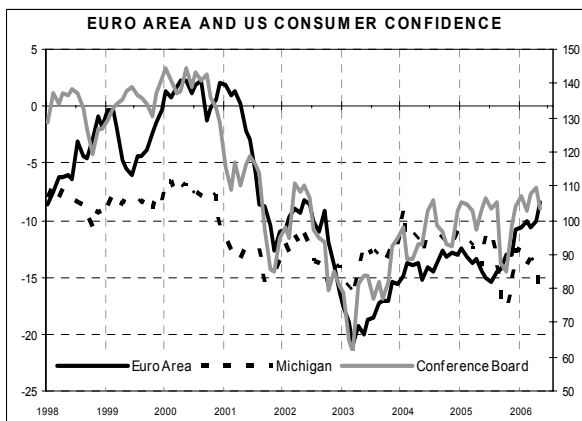




Date: June 8, 2006
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IN MAY, CONSUMER AND BUSINESS CONFIDENCE EXTENDS ITS UPWARD PATH IN THE EURO AREA, WHILE SIGNS OF MARKED PESSIMISM EMERGE IN THE UNITED STATES

- In the Euro Area, consumer confidence reached its highest showing since September 2002. Positive signals came mainly from France and Germany. Moderate pessimism, instead, characterized Spain and, outside the Euro Area, the United Kingdom. However, widespread fears of inflationary pressures emerged
- Manufacturing firms' confidence also sent clear signs of improvement in the Euro Area, posting the best result since December 2000. The indicator surged in Spain, while it remained stable at the high level recorded in the previous month in Germany and France
- In the United States, instead, the consumer confidence index markedly worsened according to both the Conference Board and the University of Michigan: the deterioration mainly characterized the respondents' assessment on the general economic trend and on the labour market



Data on June shall be released on July 6, 2006

The next ISAE surveys are scheduled as follows:

June 22: ISAE Monthly Consumer Survey (reference period: June)

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

June 28: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: May), ISAE Monthly Business Services Survey (reference period: June) and ISAE Monthly Survey on Construction (reference period: May)

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

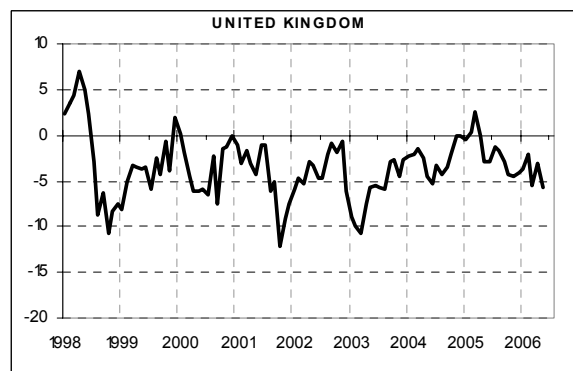
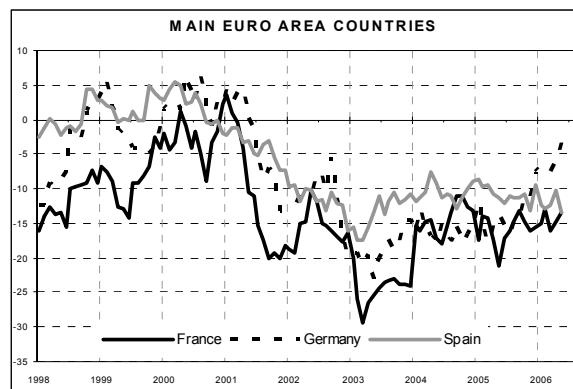
According to the European Commission survey, confidence in the average of the Euro Area recovered for the second straight month in May, rising from -10 in the previous month to -9, its highest level since September 2002. The improvement was mainly due to a more favourable evaluation of labour market developments (the balance moved from 22 to 14, the best result since June 2001). With regard to prices, instead, expectations of a marked increase in inflationary pressures were evident. The related balance rose from 16, in April, to 22, the highest reading since April 2002, probably owing to ongoing upward pressures in raw materials prices.

Confidence bettered in Germany, moving from -6 in the previous month to -3, the highest level since June 2001. The improvement was backed by nearly all the underlying components of the indicator, with the exception of future saving opportunities. Particularly, the share of respondents expecting a rise in unemployment in the following twelve months decreased markedly (the related balance moved in fact from 19 to 13, the lowest value since June 2001). As for prices, instead, expectations of a marked acceleration of inflation were confirmed, and the related balance increased from 25 to 31, reaching its highest showing since February 2002. In France, the improvement in confidence was more moderate. The indicator rose to -13 (from -15 in the previous month), mainly reflecting the respondents' more favourable prospects on labour market developments (the percentage of those expecting a rise in unemployment in the following twelve months actually lowered from 30 to 12, the level posted last February). Nevertheless, prospects on the country's general economic situation and on the respondents' own situation deteriorated (in particular, the balance for the former variable lowered from -11 to -24). Furthermore, both French and German consumers expected a sharp increase in inflationary pressures. The related balance increased from 11 to 22, nearing the high level reached in March

2003. Negative signals came instead from Spain where the indicator declined from -10, in the previous month, to -14, because of a worsening in all the underlying components of the indicator. Regarding prices, expectations of sharply higher inflation were also evident in Spain, where the related balance rose from 22 in April to 30 in May, hovering around the high level posted last November.

In May, the confidence climate worsened in the United Kingdom as well. It lowered to -6 (from -3 in the previous month), in the wake of a deterioration in all the components of the indicator. Finally, inflation expectations increased also in the United Kingdom and the related balance reached 16, from 12 in April.

In the United States, the consumer confidence index noticeably worsened according to both the Conference Board (to 103.2 from 109.8 in April) and the University of Michigan (to 79.1 from 87.4), mainly because of the respondents' growing worries regarding the economy and labour market developments.



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 May, rising from 1 in the previous month to 2, the highest score since December 2000. The opinions on the level of orders worsened somewhat, but production expectations bettered and inventories were slightly cut back. As for prices, firms expected a small rise in industrial selling prices, with the related balance increasing to 10 from 7 in the previous month, and reaching the highest level since January 2005.

With regard to the main Euro Area countries, in Germany the business confidence indicator showed a flat reading compared to the previous month (remaining at 3), though it still hovered around its March 1991 high level: the assessment on orders worsened slightly, while short term prospects for production activity improved, and inventories decreased somewhat. Furthermore, firms expected a moderate rise in industrial selling prices, and the related balance reached 8, compared to 7 in April. In France as well, the confidence climate remained unchanged with respect to the previous month (at -2), staying nevertheless at its highest level since December 2004: entrepreneurs' evaluation of current demand improved moderately and inventories were slightly cut back, while production expectations worsened. As for the price trend, firms expected a rise in industrial selling prices, and the related balance rose to 8, from -1 in the previous month. Positive signals came instead from Spain, where confidence increased to -1 (from -5 in April), posting the best result since January 2005: the evaluation of the level of orders and production expectations improved, whereas inventories built up moderately. With regard to prices, no new increases in selling prices were evident, and the related balance remained stable at 6, as in the previous month.

Finally, confidence markedly deteriorated in the United Kingdom, where it lowered to -6 (from -3 in April), because of the worsening in all the underlying components of the indicator. Regarding the price trend, instead, entrepreneurs expected a cut in industrial selling prices, and the related balance declined to 2 from 9 in April.

