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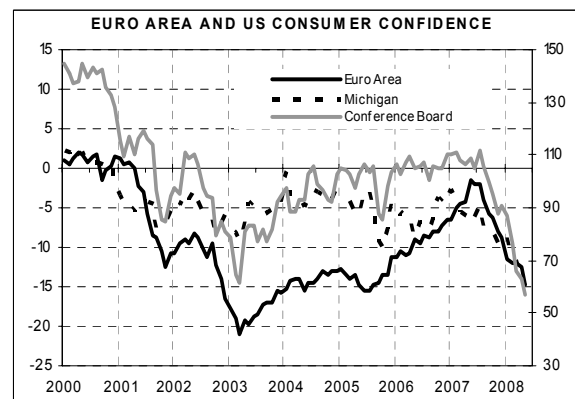
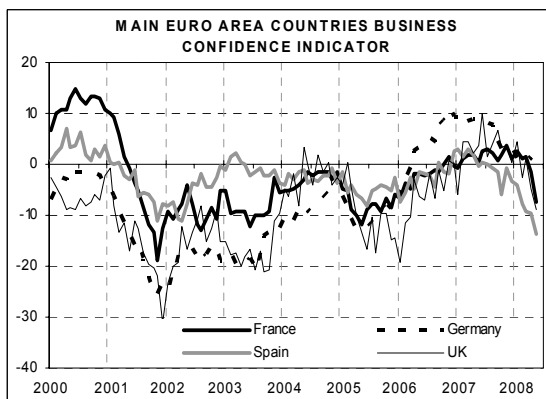
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IN EUROPE, IN MAY CONSUMER CONFIDENCE DECLINES AND MANUFACTURING FIRMS' CONFIDENCE STABILIZES AT A LOW LEVEL

- In the Euro Area, manufacturing firms' confidence stagnated at its April low, showing however diverging trends across the main countries: the index actually declined in France and Spain, but showed signs of recovery in Germany
- Different pictures mainly characterized the opinions on the current level of orders, which improved in Germany, but worsened in France and Spain
- Consumer confidence declined further in the Euro Area. The fall was widespread across the main countries
- In particular, increased pessimism distinguished family and general economic forecasts and future saving opportunities

IN THE UNITED STATES, IN MAY CONSUMER CONFIDENCE SLUMPS ONCE MORE

- According to the Conference Board, the US consumer confidence index continued to drop in May, hitting its lowest showing in sixteen years (October 1992). Prospects for the country's economic situation and for the labour market worsened, and inflation expectations increased
- The University of Michigan confidence indicator fell from 62.6 to 59.8, a low last reached in June 1980. Consumers were increasingly concerned about the country's general economic conditions, labour market developments, rising inflation, and unfavourable prospects for personal income



Data on June shall be released on July 3, 2008

The next ISAE surveys are scheduled as follows:

June 24: ISAE Monthly Consumer Survey (reference period: June)

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

June 27: ISAE Monthly Business Services Survey (reference period: June); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (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)

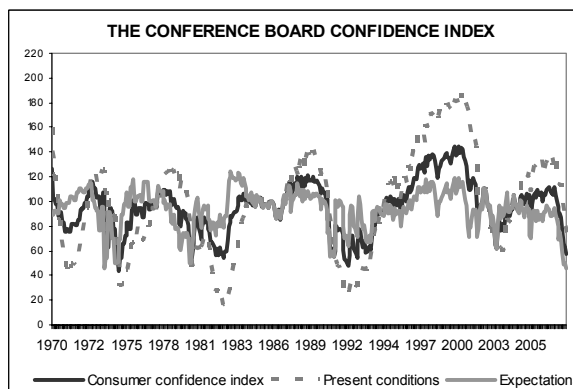
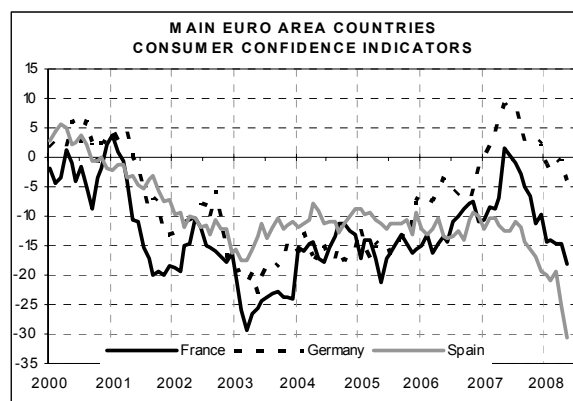
Consumer confidence in the Euro Area, the United States and the United Kingdom

According to the European Commission survey, in the average of the Euro Area, consumer confidence declined in May from -12 to -15, its lowest value since September 2005. Forecasts for the country's general economic situation and for the labour market worsened. Expectations for the respondents' personal economic situation and for future saving opportunities also deteriorated. Lastly, prospects for consumer price inflation held steady at a high level (the balance stood at 28, its yearly peak).

Among the main countries, the index worsened sharply in Spain (from -25 to -31), but declined also in Germany (from 0 to -4) and France (from -15 to -18). In the non-EU area, consumer confidence deteriorated in the United Kingdom as well (from -13 to -15). Forecasts for the family economic situation worsened in all major countries. Consistently, prospects for future saving opportunities declined everywhere, reaching in Spain the lowest level witnessed in the last years. Unfavourable indications characterized forecasts for the country's general economic situation in all main countries: above all, Spanish consumers became highly pessimistic (the related balance lowered from -23 to -31), whereas the worsening in France was milder. In the Euro Area, all major countries also recorded deterioration in forecasts for unemployment developments (the balance diminished from -4 to 0 in Germany, and from 33 and 4 to 40 and 12 in Spain and France, respectively). Consumers in the United Kingdom were instead more optimistic about labour market prospects (from 34 to 30). Lastly, as for price forecasts, inflationary pressures were expected to accelerate further in Germany and, mostly, in Spain, remain stable in the United Kingdom, and ease slightly in France.

In the United States consumer confidence continued to deteriorate. The Conference Board indicator dropped to its lowest level in sixteen years, moving from 62.8 to 57.2. The University of Michigan indicator declined from 62.6 to 59.8, reaching, in this case, its lowest

showing since June 1980. According to the Conference Board, the fall in consumer confidence mirrored the worsening in both the opinions on the current situation (the related index declined from 81.9 to 74.8) and short-term expectations for consumers' personal situation and the country's general conditions (the overall gauge measuring future developments diminished from 50 to 47.7). According to the survey carried out by the University of Michigan, consumers were mostly concerned about the country's general economic conditions, labour market developments, higher inflation, and unfavourable prospects for personal income.



Business confidence in the Euro Area and the United Kingdom

The European Commission survey showed that, in the average of the Euro Area, manufacturing firms' confidence held steady in May at -2, the lowest reading since January 2006. Stability characterized the views on the level of both orders (-5, still at a two-year low) and inventories (9, slightly above its long-term

average), as well as production prospects (8, the lowest value since the end of 2005). As for prices, entrepreneurs projected higher industrial selling price pressures (the balance came in at 14, compared to 13 in the previous month).

However, stagnation in manufacturing firms' confidence was the result of diverging trends across main countries. Confidence actually grew in Germany, reaching 2 (from 1) and hence going back to the level recorded at the start of the year. Instead, the index sharply dropped in France (from -1 to -7) and continued to decline in Spain (from -10 to -14). In the non-EU area, confidence deteriorated also in the United Kingdom (from -5 to -9). Different pictures actually distinguished the opinions on the trend in orders: orders improved in Germany (from 1 to 4), but, in contrast, worsened in France, Spain and the United Kingdom (from -4 to -12, from -10 to -15, and from -7 to -9, respectively). In particular, in Germany the recovery in orders was entirely due to domestic orders, since orders from abroad were considered to have decreased slightly over the previous month (from 2 to 1). On the other hand, the drop in foreign orders was noticeably sharper in France (from 1 to -7), Spain (from -6 to -11), and the United Kingdom (from 11 to 1). Likewise, German entrepreneurs were much more optimistic than their European colleagues about short-term production prospects: in Germany the balance moved from 7 to 8, but declined from 18 to 8 in France, from -3 to -8 in Spain, and from 1 to -1 in the United Kingdom. Inventories gave instead more homogeneous indications, since they remained basically unchanged in all the countries under review. Lastly, as regards prices, expectations remained virtually stable in Germany and Spain, whereas they showed renewed signs of acceleration in France and the United Kingdom.

