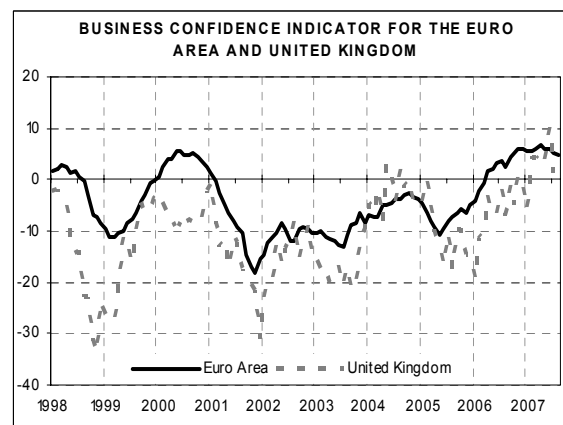
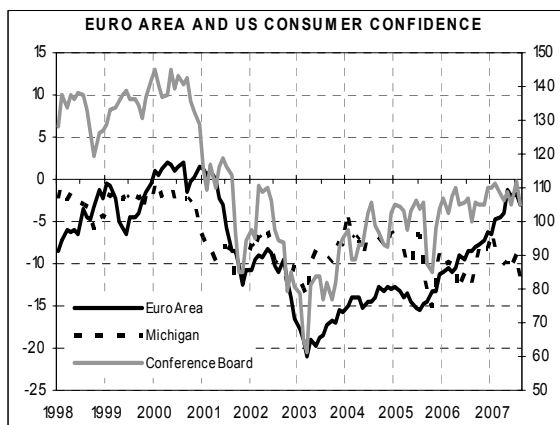




Date: September 6, 2007  
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## IN AUGUST, CONSUMER CONFIDENCE DECLINES IN THE UNITED STATES AND IN EUROPE. MANUFACTURING FIRMS' CONFIDENCE STABILIZES INSTEAD IN THE EURO AREA

- In the United States consumers were in general pessimistic, largely affected by the recent turmoil in financial markets. Confidence deteriorated according to both the Conference Board and the University of Michigan indicators
- In the Euro Area, consumers were increasingly concerned about personal and general economic prospects, as well as the appearance of higher price pressures. Among the main countries, the index worsened in both Germany and Spain, mainly prompted by the fall in short-term expectations for the economy
- Manufacturing firms' confidence stabilized instead in the average of the Euro Area, and expectations for inflation remained unchanged. Among the main countries, Spain sent negative signals, owing to a significant build-up of inventories. Positive indications came instead from the United Kingdom, thanks to the recovery in the opinions on the level of order books and to a slight decline in inventories



**Data on September shall be released on October 4, 2007**

The next ISAE surveys are scheduled as follows:

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

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

**September 27:** ISAE Monthly Business Services Survey (reference period: September); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: September) and ISAE Monthly Survey on Construction (reference period: August)

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))

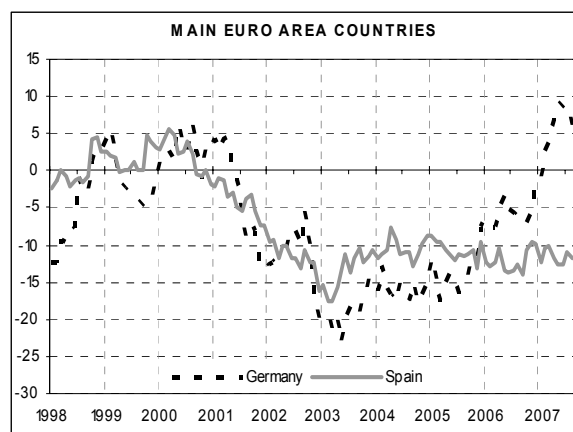
### Consumer confidence in the Euro Area, the United States and the United Kingdom<sup>1</sup>

According to the European Commission survey, in the average of the Euro Area consumer confidence moderately declined in August, reaching -3 (from -2 in the previous month): consumers' expectations for their personal economic situation and the overall economy worsened, while future saving opportunities stabilized. However, the situation in the labour market improved. The share of respondents anticipating a rise in unemployment in the following twelve months remained higher than the one expecting a decline, and the balance came in at 2 (from 0 in the previous month). Lastly, consumers expected markedly higher inflationary pressures: the balance stood at 26, compared to 19 in July.

Among the main countries, consumer confidence deteriorated in Germany, reaching 6 (from 9 in the previous month). Prospects for the respondents' personal situation and general economic conditions worsened, and future saving opportunities stabilized. As for the labour market, the share of respondents anticipating an increase in unemployment continued to remain below the one expecting a decline, but the balance moved from -16 to -10. However, inflation expectations surged, and the balance came in at 36 (from 17 in the previous month), hitting its highest level since last January. Confidence declined in Spain as well, moving from -11 in July to -12 in August, because of deterioration in short-term expectations for the economy and in future saving opportunities. Prospects for the labour market improved instead (the share of respondents anticipating a rise in unemployment in the following twelve months declined, and the balance moved from 11 to 10). Unlike the average of the euro area and Germany, Spanish consumers did not expect changes in inflation

and the related balance stayed at 25, as in the previous month. Lastly, the confidence climate improved slightly in the United Kingdom, reaching -2 (from -3 in July), thanks to an improvement in expectations for the country's economic situation and labour market developments (the balance lowered from 27 to 26). With regard to prices, in the United Kingdom, as in the average of the Euro Area and in Germany, consumers expected an acceleration of inflation (the related balance rose from 19 to 21).

The United States sent, instead, overall negative signals. The Conference Board indicator decreased from 111.9 to 105, the lowest level since August 2006. The fall mainly stemmed from the worsening in general economic conditions and greater pessimism about labour market prospects, along with generalized growing worries caused by recent financial market strains. In detail, the present situation index lowered from 138.3 to 130.3, while the gauge for short-term expectations moved from 94.4 to 88.2. Concerns about labour and financial market developments were confirmed also by the survey of the University of Michigan. The confidence indicator actually declined from 94.4 to 83.4, hitting, in this case as well, the lowest level since August 2006.

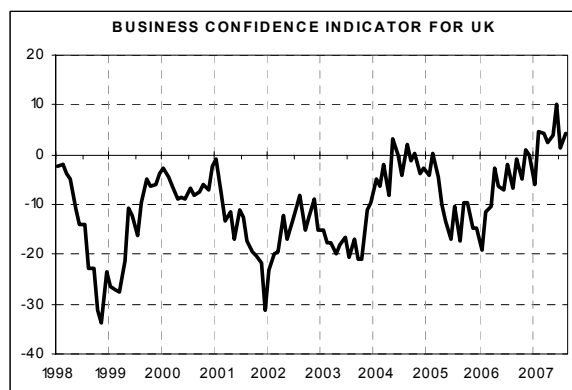
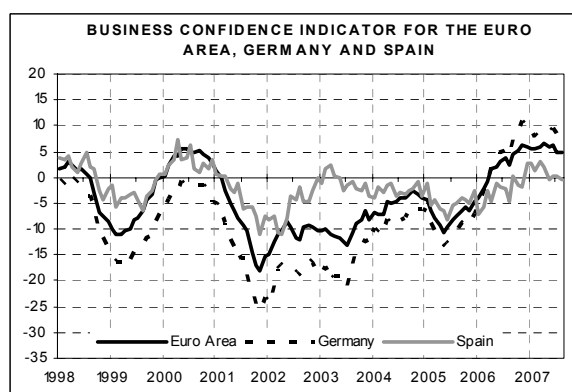
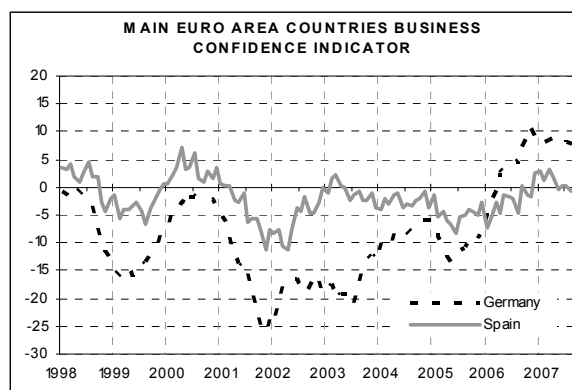


<sup>1</sup> France does not release data for August.

## Business confidence in the Euro Area and the United Kingdom<sup>2</sup>

According to the European Commission survey, in the average of the Euro Area the manufacturing firms' confidence indicator stabilized in August at 5 (as in the previous month): production expectations slightly worsened, but the opinions on order books improved and inventories remained unchanged. As for prices, entrepreneurs did not expect changes in industrial selling prices (the balance remained stable at 13, as in July).

In Germany, the confidence climate stayed the same in August, remaining at 8 (as in the previous month): short-term production expectations deteriorated, but the opinions on the level of orders and inventories levelled off. However, German firms anticipated a moderate rise in industrial selling price inflation: the related balance stood at 16, compared to 14 in July. In Spain, instead, confidence decreased to -1 (from 0 in the previous month), mainly prompted by a sharp build-up in inventories (the balance rose from 7 to 12, the highest showing since last November). Nonetheless, short-term expectations for productive activity improved, and the opinions on order books remained unchanged with respect to July. As for prices, in line with developments recorded for Germany, Spanish firms expected a sharp acceleration in inflation, and the balance increased to 11 from 7 in the previous month. Lastly, in the United Kingdom, confidence rose in August (from 1 to 4, following the noticeable decline posted in July), thanks to the marked recovery in the opinions on the level of order books (from -2 to 8) and to a moderate de-stocking of inventories. However, expectations for short-term productive activity slightly deteriorated (the balance diminished from 14 to 11). Nevertheless, with respect to prices, British entrepreneurs anticipated a rise in inflationary pressures: in August the balance moved from 16 to 19.



<sup>2</sup> France does not release data for August.