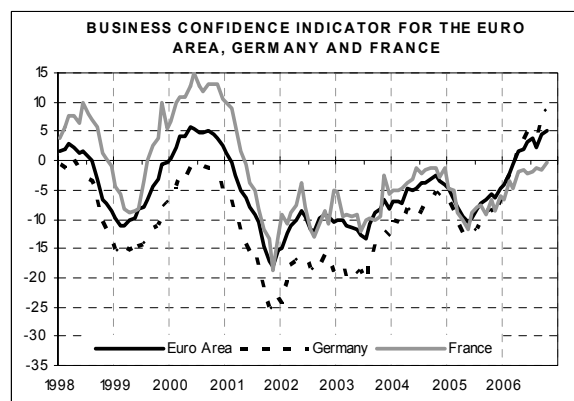
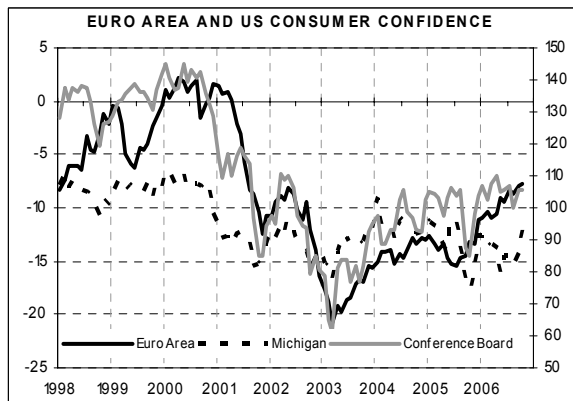




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IN THE EURO AREA, CONSUMER CONFIDENCE STABILIZES AND BUSINESS CONFIDENCE EDGES UP SLIGHTLY IN OCTOBER. IN THE UNITED STATES, INSTEAD, CONSUMER CONFIDENCE SENDS CONTRASTING SIGNALS

- In the Euro Area, consumer confidence held steady around the last months average value. More favourable indications came instead from Spain and, especially, France. Optimism rose also in the United Kingdom
- In most countries, the general economic situation and labour market developments showed signs of recovery, notwithstanding a negative evaluation of future saving opportunities. Furthermore, inflation accelerated
- The indicators of the Conference Board and the University of Michigan painted contrasting pictures of US consumer confidence: the former showed a slight decline, while the latter reported a net improvement
- In the average of the Euro Area, manufacturing firms' confidence increased and selling price inflation slowed down
- Among the main countries, Germany and France sent positive signals, owing mainly to the improvement in short-term prospects for production. Negative indications characterized, instead, Spain and the United Kingdom, where the assessment on current demand worsened
- Finally, firms indicated lower pressures for selling price inflation



Data on November shall be released on December 5, 2006

The next ISAE surveys are scheduled as follows:

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

November 23: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: November)

November 28: ISAE Monthly Business Services Survey (reference period: November); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: November) and ISAE Monthly Survey on Construction (reference period: October)

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)

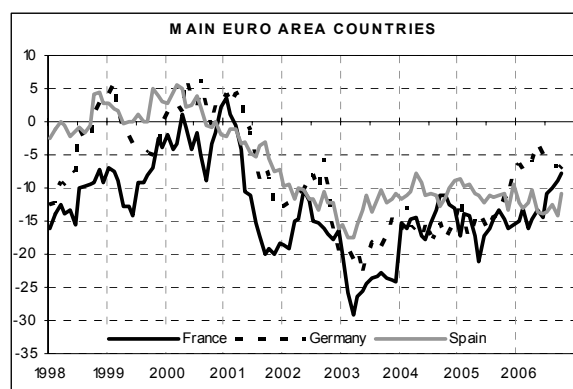
Consumer confidence in the Euro Area, the United States and the United Kingdom

According to the European Commission survey, in the average of the Euro Area consumer confidence was the same in October as in the previous month (at -8): prospects for the general economic situation and for labour market developments improved somewhat, but future saving opportunities diminished. The perception of inflation also sent negative signals: the related balance stood at 26 (24 in September). Among the main countries, in Germany confidence remained at -7 for the third month running. Expectations on the country's general economic situation and on the respondents' personal situation stabilized, but future saving opportunities worsened. Positive indications characterised, instead, labour market developments: the share of respondents anticipating a rise in unemployment in the next twelve months declined, though moderately (the balance moved from 15 to 14). Finally, expectations of an increase in prices augmented: the balance hit 52 (compared to 47 in September), rising continuously since last March and reaching the highest level since December 1992. In France, instead, the confidence climate sent positive signals: the indicator recorded a new rise in October, for the fourth consecutive month, moving from -9 in September to -8, the best result since April 2001, thanks to the improvement in prospects for the general economic situation and for the respondents' personal situation. The balance of the former variable improved from -18 to -9, its highest level since September 2004. Nevertheless, deterioration characterized future saving opportunities and, above all, expectations for unemployment developments (the balance increased from 4 to 10). Differently with what recorded in the average of the Euro Area and in Germany, French consumers did not expect a rise in inflationary pressures, and the balance remained unchanged at its previous month level (17). Also in Spain, the confidence climate recovered, reaching -11 (from -14), due to an improvement in all the underlying components of the indicator. In particular, the share of

respondents expecting a rise in unemployment in the following twelve months markedly declined (the balance lowered from 15 to 8). Furthermore, inflationary pressures increased, although moderately (from 23 to 24).

Also in the United Kingdom, the confidence climate improved, reaching -4 (from -7 in September), mainly because of more optimistic opinions on the general and personal economic situations, on future saving opportunities and on labour market developments. As for prices, British consumers expected a slowdown in inflation (the balance declined to 13 from 15).

In the United States, the consumer confidence indicators calculated by the Conference Board and the University of Michigan painted strikingly different pictures in October: the former declined to 105.4 (from 105.9 in the previous month), whereas the latter jumped up to 93.6 (from 85.4). In more detail, the decrease in the Conference Board indicator mirrored a more unfavourable assessment on the current economic situation, which came along with less pessimism for short-term prospects. On the other hand, the improvement for the index calculated by the University of Michigan was the result of both higher optimism for short-term prospects (the related index surged more than ten points, from 96.6 to 107.3) and a more favourable evaluation of the current situation (the index rose from 78.2 to 84.8).



Business confidence in the Euro Area and the United Kingdom

According to the European Commission survey, manufacturing firms' confidence in the average of the Euro Area rose slightly in October to 5 (from 4 in September), thanks to an improvement in the evaluation of orders and in short-term production prospects. Inventories remained unchanged at their previous month level. As for prices, inflation eased somewhat: the balance declined to 12 from 13 in the previous month.

With regard to the main Euro Area economies, in Germany business confidence increased in October to 9, from 7 in September, backed by firms' better assessments on the current state of demand and on short-term economic activity. Accordingly, inventories were reduced (the balance lowered from 1 to -1). German firms expected a slight fall in industrial selling prices. The related balance lowered to 13 (from 14 in September). In France as well, confidence improved with respect to the previous month (from -2 to 0), due to a rise in short-term production expectations (the related balance rose from 8 to 13). The assessment on the level of orders remained instead the same and inventories built up. Finally, as for price developments, French firms, like German ones, expected a slowdown in industrial selling price inflation: the balance moved from 6 to 4. In Spain, instead, confidence worsened to -2 (from 0 in September) prompted by a deterioration in the opinions on the current state of demand and in short-term prospects for economic activity (the related balance moved from 11 to 6, going back to the level posted last March). Moderate de-stocking, instead, characterized inventories. With regard to prices, in line with the results for the average of the Euro Area, Germany and France, Spanish firms expected an easing in inflation, and the related balance moved to 8 from 9 in the previous month.

Finally, confidence worsened markedly in the United Kingdom, where it stood at -5 (compared to -1 in the previous month), because of deterioration in all the underlying components of the indicator. Lastly,

with regard to prices, entrepreneurs did not expect a rise in industrial selling prices, and the balance stalled at its previous month level (13).

