



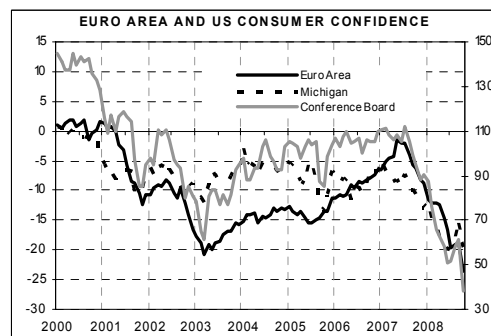
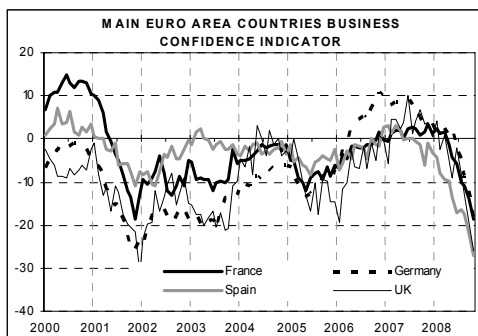
Date: November 5, 2008  
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## IN EUROPE CONSUMERS' AND MANUFACTURING FIRMS' CONFIDENCE WORSENS IN OCTOBER

- Consumer confidence lessened in October. Deterioration mainly characterized expectations on the country's general economic conditions, while concerns about labour market developments increased
- The indicator declined in all main economies, showing peaks of marked pessimism in France (where it fell to a twelve-year low) and, mainly, in Spain (where it dropped to a level last reached in the early eighties). Among the non-Euro Area countries, consumer confidence worsened also in the United Kingdom
- In the Euro Area, manufacturing firms' confidence recorded the worst result in the past seven years, due to pessimistic assessments on the current state of demand, the level of inventories and production prospects
- Among the main countries, the indicator declined in Germany and France, and, above all, in Spain, where it reached a ten-year low. Among the non-Euro Area countries, manufacturing firms' confidence decreased also in the United Kingdom, hitting the lowest level since December 2001

## CONSUMER CONFIDENCE COLLAPSES IN THE UNITED STATES

- The index calculated by the Conference Board plunged in October to 38 (from 61.4 in September), reaching the lowest level since the start of the survey (1967). Both the expectations component and the present situation gauge deteriorated, dropping from 61.5 to 35.5 and from 61.1 to 41.9, respectively
- US consumers were particularly worried about labour market developments, deteriorating credit access conditions, and the sharp fall in house prices
- The University of Michigan consumer sentiment index tumbled to 57.6 (from 70.3 in September), posting the sharpest monthly drop ever recorded and nearing its 1980 low



**Data on November shall be released on December 4, 2008**

The next ISAE surveys are scheduled as follows:

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

**November 26:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: November) and ISAE Investment Survey on Manufacturing and Extractive Firms (reference period July-December 2008)

**November 27:** 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](http://www.isae.it))

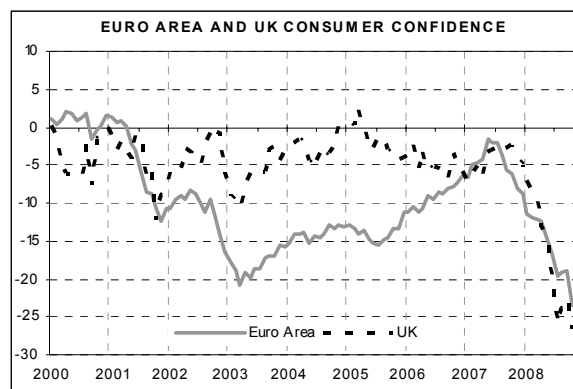
### Consumer confidence in the Euro Area, the United States and the United Kingdom

According to the European Commission survey, in the average of the Euro Area, consumer confidence decreased in October, reaching -24 (compared to -19 in the previous month). Deterioration mainly characterized expectations on the country's general economic conditions, while concerns about labour market developments increased. Moreover, inflationary pressures rose slightly (the related balance went up from 17 to 19).

Among the main countries, the index worsened in Germany (to -12, from -9 in the previous month, hitting the lowest level since November 2005), in France (from -24 to -32, the worst result since October 1996), and in Spain (from -39 to -44, a trough last reached in the early eighties). Among the non-Euro Area countries, consumer confidence went down also in the United Kingdom (from -23 to -27). Forecasts for the family economic situation deteriorated in France (from -11 to -12) and mainly in Spain (from -25 to -30, a low last seen in the early eighties), but stabilized in Germany. Expectations for the country's economic situation dropped instead in all main countries, but especially in France and Spain. Prospects for future saving opportunities slightly improved instead in Germany (from -1 to 0) and Spain (from -43 to -41), while, in contrast, they deteriorated in France and, among the non-Euro Area countries, in the United Kingdom. Lastly, consumers gave more negative indications for labour market prospects in Germany (the balance moved from 11 to 14, the worst result since October 2006) and, above all, in Spain (from 53 to 61, the highest showing since August 1993) and France (from 26 to 49, a peak unseen since June 2003). Finally, with regard to price forecasts, higher inflationary pressures emerged in all main Euro Area countries. In the United Kingdom, instead, consumers predicted a slowdown in inflation (the balance moved from 30 to 18, a low last recorded in June 2007).

In the United States, consumer confidence collapsed in October: the index calculated by the

Conference Board plunged to 38 (from 61.4 in September), reaching the lowest level since the start of the survey (1967), because of deterioration in both the present situation component (from 61.1 to 41.9) and the expectations gauge (from 61.5 to 35.5). US consumers were particularly worried about labour market developments, deteriorating credit access conditions, and the sharp fall in house prices. The share of respondents viewing favourable employment prospects declined to 8.9% from 12.6%, while the proportion of those considering it is harder to find a job increased five percentage points, reaching 37.2%. The University of Michigan consumer sentiment index also tumbled. It came in at 57.6 (from 70.3 in September), posting the sharpest monthly decline ever recorded and nearing its 1980 low. Both the current conditions and the forecasts components deteriorated (from 75 to 58.4 and from 67.2 to 57, respectively). The collapse of stock and house prices made consumers markedly pessimistic about their financial situation. Also with regard to the labour market, pessimism was the highest since the end of the eighties.



## Business confidence in the Euro Area and the United Kingdom

The European Commission survey showed that in October, in the average of the Euro Area, manufacturing firms' confidence decreased from -12, in the previous month, to -18, the worst showing since November 2001, because of deterioration in all the underlying components of the indicator. As for inflation, entrepreneurs reported, instead, an easing in industrial selling price pressures (the balance moved from 12 in September to 6, the lowest value since January 2006).

With regard to major countries, confidence diminished in Germany (from -11 to -18, a trough last reached in July 2003), Spain (from -22 to -27, a minimum unseen since November 1993), and France (from -14 to -19, a seven-year low). In the non-Euro Area countries, confidence worsened also in the United Kingdom (from -19 to -26, a trough last hit in December 2001). The opinions on the trend in orders deteriorated in all major economies: in Germany the balance declined from -14 to -19, in France from -22 to -27, and in Spain from -33 to -38, the lowest level since February 1994. In the United Kingdom, the balance plunged, moving from -22 to -30, the worst result in the last five years. Short-term production expectations also sent negative signals: the indicator markedly worsened in all main countries. Moreover, inventories sharply built up in Germany and France. Lastly, with respect to prices, lower inflationary pressures were recorded in all major Euro Area countries, as well as in the United Kingdom.

