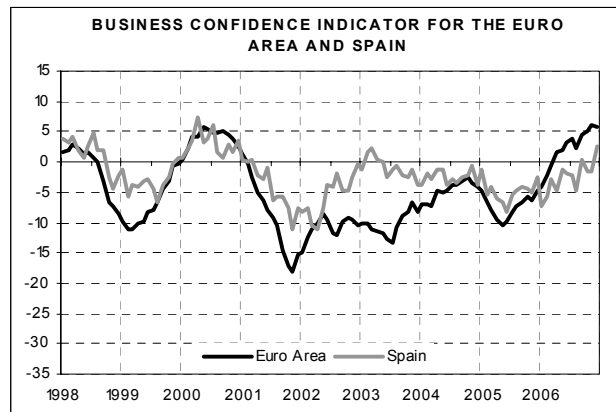
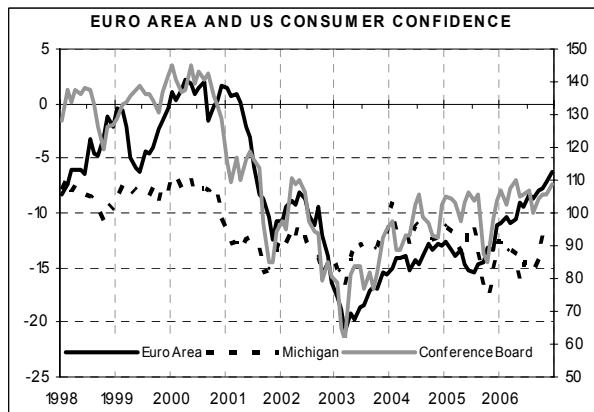




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## IN EUROPE, MANUFACTURING FIRMS' CONFIDENCE STABILIZES AND CONSUMER CONFIDENCE EDGES UP SLIGHTLY. THE UNITED STATES SENDS INSTEAD CONTRASTING SIGNALS

- In the average of the Euro Area, manufacturing firms' confidence stabilized despite the acceleration in selling price inflation. Among the main countries, the index reached a 6-year high in Spain, thanks mainly to better assessments on the current state of demand and to sharp de-stocking of inventories. Confidence worsened, instead, in Germany, France and the United Kingdom
- In the Euro Area, consumers were overall more optimistic with respect to the economic trend and labour market developments and less worried about inflationary pressures. Among the main countries, in Germany confidence reached its best result in the last five years, notwithstanding the presence of higher inflation. On the other hand, France and the United Kingdom sent negative signals
- Finally, the indicators of the Conference Board and the University of Michigan painted a mixed picture for US consumer confidence: the former improved, while the latter declined slightly



**Data on January shall be released on February 7, 2007**

The next ISAE surveys are scheduled as follows:

**January 24:** ISAE Monthly Consumer Survey (reference period: January)

**January 29:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: January)

**January 30:** ISAE Monthly Business Services Survey (reference period: January); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: January) and ISAE Monthly Survey on Construction (reference period: December 2006)

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))

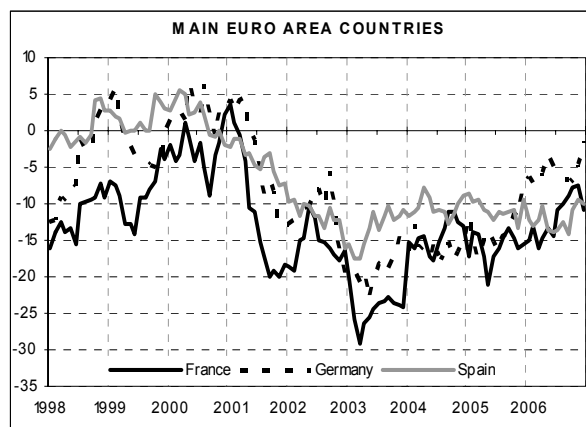
### Consumer confidence in the Euro Area, the United States and the United Kingdom

According to the European Commission survey, in the average of the Euro Area consumer confidence continued to increase moderately in December (from -7 to -6), thanks to an improvement in the prospects for the general economic situation (from -7 to -5, its best result since May 2001) and for labour market developments (the share of consumers expecting a rise in unemployment actually fell from 10 to 9, the lowest level since June 2001). Respondents' perception of inflation also sent favourable signals: the related balance stood at 27 (compared to 28 in November). Among the main countries, consumer confidence markedly bettered in Germany. It moved up to -2 (from -5 in the previous month), attaining the best result since June 2001. In this country, the improvement was mainly backed by the strong recovery in prospects for the economy (from -6 to 1, the highest value since January 2001) and for unemployment. For the first time since September 2000, the share of respondents expecting an increase in unemployment dropped below the share of those anticipating a decline, and the related balance lowered to -1 from 9 in November. Nevertheless, inflationary pressures intensified and the balance moved up from 52 in the previous month to 53, its highest reading since August 1991. France sent instead negative signals: the confidence climate markedly worsened (declining to -11 from -7 in November), because of the deterioration in all the underlying components of the indicator. Particularly, the balance for the number of respondents anticipating an increase in unemployment in the following twelve months soared from 10 to 18. Finally, as in Germany, French consumers expected a new slight increase in prices and the balance moved to 19 from 18 in the previous month. The confidence climate remained, instead, stable in Spain, at -10 (as in November): future saving opportunities improved, but expectations on the country's general economic situation and on the respondents' personal situation worsened and prospects for the labour market remained unchanged. However,

inflationary pressures increased (the balance rose from 26 to 27).

Lastly, the confidence climate worsened slightly in the United Kingdom, lowering to -6 (from -5 in November), mainly because of a more pessimistic evaluation of future saving opportunities (from 19 to 15). As for prices, in December British consumers anticipated an acceleration in inflation (the balance grew to 19 from 18 in the previous month).

The United States showed instead a mixed picture. According to the Conference Board, the US consumer climate actually improved in December, reaching 109 (from 105.3 in November), supported by more favourable assessments and prospects on the current economic situation. The indicator of the University of Michigan, instead, declined from 92.1 to 91.7, driven by the respondents' growing concerns about short-term prospects (from 83.2 to 81.2).



### 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 stabilized in December. The balance came in at 6 (as in the previous month), remaining at its highest level since June 2000: the assessments on the current state of demand improved and inventories declined, whereas short-term production prospects

worsened. As for prices, expectations of a rise in industrial selling prices increased, and the balance rose to 13 from 12 in November.

With regard to the main Euro Area economies, in Germany business confidence declined to 9 (from 11 in November, its highest reading since September 1990), due to the further deterioration in the evaluation of short-term productive activity (from 17 to 11). Nevertheless, as for the average of the Euro Area, the opinions on order books improved and inventories declined. Furthermore, German enterprises anticipated a new increase in industrial selling prices, with the related balance rising to 12 (from 10 in November). Confidence edged down slightly also in France, coming in at 0 (from 2 in the previous month), because of entrepreneurs' growing concerns about the current state of demand and short-term productive activity prospects. However, inventories lowered slightly. Finally, with regard to the price trend, French firms, differently from German ones, expected a moderate decline in inflationary pressures, and the balance lowered from 11 to 10. In Spain, instead, firms' confidence surged from -2 in November to 3, reaching its highest level since October 2000: the opinions on orders improved (from 2 to 7, its best result since July 2000) and inventories declined drastically. As for prices, in line with the average of the Euro Area and Germany, but differently from France, Spanish firms expected instead a sharp acceleration in inflation and the related balance swelled from 5 in the previous month to 14, hitting the highest reading since December 2004.

Lastly, confidence declined moderately in the United Kingdom, where it stood at 0 (compared to 1 in November), due to more pessimistic evaluations of the current state of demand and of stock management. Nevertheless, short-term production prospects improved. However, with regard to prices, entrepreneurs expected a significant decline in inflationary pressures, and the related balance lowered

to 8 from 22 in November, returning to the level posted last July.

