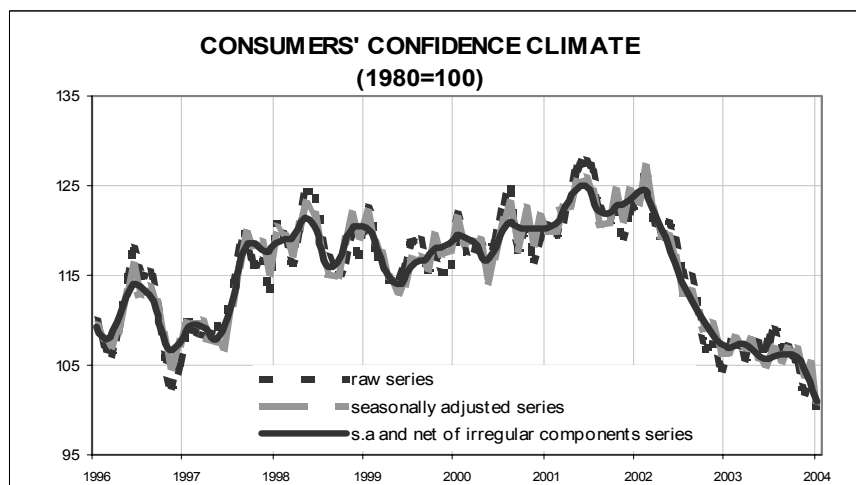




Date: January 22, 2004  
TEL.: 06/444821

## THE CONSUMERS' CONFIDENCE INDICATOR FALLS IN JANUARY

- The raw index goes from 103 in December to 99.4 in January, while the seasonally adjusted indicator registers a proportionally larger reduction, passing from 105 to 99. The indicator adjusted for the seasonal and irregular component - which is more affected by the past trend of the historical series – witnesses a smaller deterioration, falling from 103.1 to 101
- The worsening is particularly marked for the general economic situation, but it also concerns assessments on the respondents' own situations. Particularly depressed variables – in terms of weighted balances, which ISAE disseminates seasonally adjusted starting from January 2004 – may be found in assessments and forecasts on the general economic situation of Italy and in labour market expectations. Indeed, the tensions emerged in January in the transport sector probably had a negative influence on this variable
- Also evaluations on present and future saving show a marked negative trend, as do those on the convenience to purchase durables. In this case, Italian consumers' assessments and forecasts were probably influenced by the financial crisis of *Parmalat*
- Favourable signals come from the price side: indeed, a substantial inflation stability prevails both with regard to the present situation and to future expectations
- The average figures for the euro area show that the December consumers' confidence remains on the high values registered in November. In the United States - after a slight reduction observed in December - the early Michigan University data show that confidence rises again in January, getting close to the highest figure ever registered since November 2000



Data referring to February shall be diffused on February 24, 2004.

Next ISAE surveys are scheduled as follows:

January 28, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: January)

January 29, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: December) and ISAE Monthly Business Service Survey (Reference month: January)

February 3, 2004: Comparative Business Surveys for Italy, Germany and France (Reference Month: January)

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site [www.isae.it](http://www.isae.it))

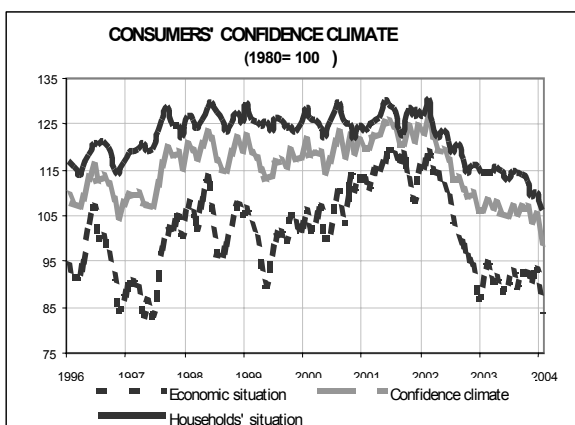
## I – ISAE CONSUMER SURVEY FOR ITALY<sup>1</sup>

January 2003

According to the Consumer Survey carried out by ISAE between January 2 and 16 on a sample of 2000 respondents, the Italian consumers' confidence indicator shows a further marked contraction in January. Perhaps the long-lasting tensions due to the strikes for the wage bargaining round in transport and, in particular, the financial crisis of *Parmalat* at the beginning of 2004 had a negative role.

The raw index goes from 103 in December to 99.4 in January, while the seasonally adjusted indicator registers a proportionally larger reduction, passing from 105 to 99, which is the minimum figures ever reached since January 1994. The indicator adjusted for the seasonal and irregular component - which is more affected by the past trend of the historical series - shows a smaller contraction, falling from 103.1 to 101.

The worsening is particularly marked for the overall economic situation, but it also concerns assessments on the respondents' own situations. Particularly depressed variables – in terms of weighted balances, which ISAE seasonally adjusts starting from January 2004 – may be found in assessments and forecasts on the general economic situation of Italy and in labour market expectations.



<sup>1</sup> Starting from January 2004, ISAE disseminates and comments seasonally adjusted data concerning the confidence sub-indicators and the weighted balances of the nine confidence-building series. As no seasonal patterns emerge either for the sub-indicator referring to the respondents' own situations, nor for the data series concerning the saving opportunities and convenience, the raw data are provided.

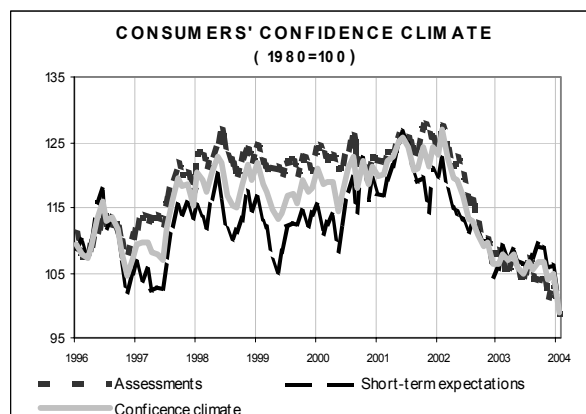
Also evaluations on present and future saving show a negative trend, as do those on the convenience to purchase durables.

Favourable signals come from the price side: indeed, a substantial inflation stability prevails both with regard to the present situation and to future expectations.

### Overall situation

In January, the confidence climate seasonally adjusted index on the overall economic situation alone registers a strong contraction, passing from 93.4 to 84.4, which is close to the minimum figures ever witnessed since June 1997. The worsening – which is spreading in all confidence-building variables – is particularly marked in assessments on the general economic situation of Italy. Indeed, the weighted balance falls (seasonally adjusted data) from –97 in December 2003 to –118 in January 2004. Also short-term expectations seem very cautious: the balance decreases from –25 to –34. Respondents express their concern on the labour market evolution and they expect an unemployment rise as against December: indeed, the balance rises from 26 to 39 (seasonally adjusted data).

With regard to the inflation dynamics (raw data only), there are indications of stability: the share of respondents considering prices rose "very much" in the past 12 months rises from 46 to 48%, while the number of those deeming prices grew "enough" falls from 44



to 41%. Finally, the percentage of respondents considering prices grew “little” remains at 5%, while the share of those feeling prices even diminished increases from 5 to 6%.

With regard to expectations on inflation, a slight reduction is registered in the number of those fearing a higher inflation growth than in the past (passing from 6 to 5%), while 51% of the sample (52% in December) expect a substantial inflation stability for the next 12 months.

### **Households' situation**

In January, the seasonally adjusted Confidence index referring to the respondents' own situations alone diminishes from 110 to 106.1. The worsening – affecting all confidence-building variables – is particularly due to the markedly unfavourable trends of the present convenience to save and purchase durables. The weighted balance (seasonally adjusted data) of assessments on the present convenience to save falls from 76 to 65 and the one concerning major purchases from –98 to –111.

Consumers seem to be slightly more pessimistic on their financial situations (their seasonally adjusted balance passing from 6 to 3) and on the households' economic situations: indeed assessments and forecasts on this latter variable worsen and the balances fall from –50 and –7 in December to –52 and –8 respectively.

With regard to the intentions to purchase durables for the next 12 months (raw data), the ISAE respondents express cautious expectations in January, though their forecasts are generally stable with reference to major purchases. For the next 12 months, the number of those intending to make no purchase at all rises from 63% in December to 67% in January. At the same time, the share of respondents expecting to make at least as many or more or less purchases than in the recent past decreases from 35 to 33%.

Indeed, 3% of the sample (2% in December) are “certainly” or “probably” bound to buy a home and 5% of respondents (6%) are favourable to spend for home maintenance or improvement. Finally, forecasts of those expecting to buy a car remain stable (8% as in December).

## **II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS**

### *December and early-January data*

The figures for the euro area show that the December consumers' confidence remains on the high values registered in November. In the United States - after a slight reduction observed in December - the early Michigan University data show that confidence rises again in January, getting close to the highest figure ever registered since November 2000.

In particular, the confidence indicator for the euro area stabilises at –16: indeed, consumers express a growing concern on their own economic situations (the balance passing from –4 to –5) and on their future saving opportunities (from –8 to –10), while their approach seem rosier on the labour market trend (the balance of those expecting an unemployment rise goes from 34 to 32). Conversely, consumers' expectations on the overall general economic situation remain stable at –16.

Among the non confidence-building indicators (according to the Commission) a worsening is observed in particular in opinions on the present convenience to purchase durables (passing from –22 to –25), while the share of those expecting an inflation rise in the next 12 months remains unchanged (the balance equalling 4).

Among the major countries, the German confidence climate slightly worsens in December and diminishes from –14 to –15, thus remaining on figures which are less negative than those reached on average in 2003.

Unfavourable indications come from the German consumers' prospects on their own situations (the balance passing from -5 to -7), while expectations on unemployment remain stable (the balance equalling 36), as do those on the future saving opportunities (2). With regard to prices, an inflationary tension easing is emerging (from 9 to 6).

The French confidence indicator remains unchanged at -24 for the third month in a row. Forecasts on the general economic situation slightly improve (from -26 to -25), as do those on the labour market (from 44 to 43), while a marked worsening is observed in expectations on the future saving opportunities (from -21 to -24), as it is happening on average in the whole euro area. With regard to prices, the share of those expecting an inflation growth in the next 12 months remains stable at 11, which is also in keeping with what happens on average in the euro area.

In Spain, the confidence climate slightly recovers, passing from -12 in November to -11 in December: almost all confidence-building components improve, with the exception of future saving opportunities, passing from -30 to -31. Indeed, inflationary tensions diminish and the balance decreases from 12 to 7.

According to the Conference Board, the confidence indicator in the United States falls from 92.5 in November to 91.3 in December. The sub-indicator concerning the current situation decreases from 81 to 73.9, while the one concerning forecasts rises from 100.1 to 102.9. According to the early data of the Michigan University for January, confidence is expected to reach 103.2, thanks in particular to a renewed optimism on the labour market prospects (which mark the highest peak since about 20 years).