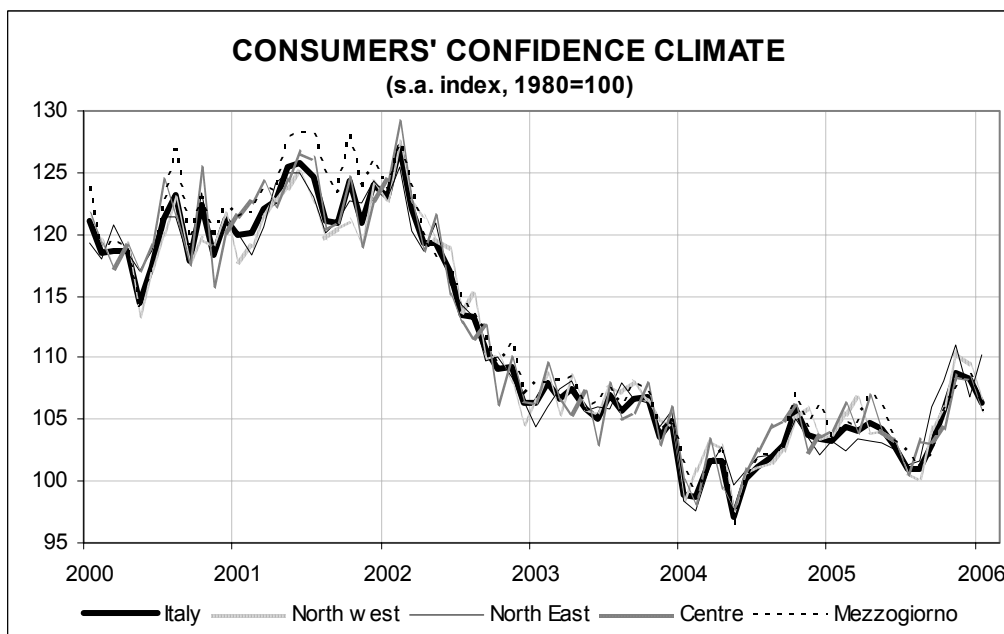




Date: January 25, 2006
TEL.: 06/444821

CONSUMER CONFIDENCE WEAKENS IN JANUARY

- In January, consumer confidence stalled for the second month running. Following the increases recorded in August and November, the seasonally adjusted index dropped to 106.4 from 108.2 in the previous month, marginally below the average level posted in the fourth quarter of 2005. Adjusted also for irregular components, confidence fell from 107.7 to 107, while the raw index increased from 106.4 to 106.9
- Consumers' evaluation of general economic conditions deteriorated mainly with regard to the overall economic situation and the labour market. Whereas households improved their assessment and forecasts on their own situation, mainly because of a better evaluation for savings. Inflation started to accelerate somewhat after two months of easing
- With regard to plans for consumer durables and housing spending for the following 12 months, which from this month are surveyed by ISAE on a quarterly basis, households anticipated a sharp increase in car purchase intentions and stability for house buying and maintenance programmes
- Confidence developments were not homogeneous across regions. As opposed to the average trend, the index increased in the North East, while it decreased in the North West, the Centre, and mostly in the *Mezzogiorno*



Data on February shall be diffused on February 22, 2006.

The next ISAE surveys are scheduled as follows:

January 27, 2006: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: January 2006)

January 31, 2006: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: December 2005) and ISAE Monthly Business Services Survey (reference period: January 2006)

February 6, 2006: ISAE International Comparative Business and Consumer Surveys (reference period: January 2006)

The full text of ISAE Surveys (either hardcopy or electronic format) is available on sale (for further information see the web site www.isae.it)

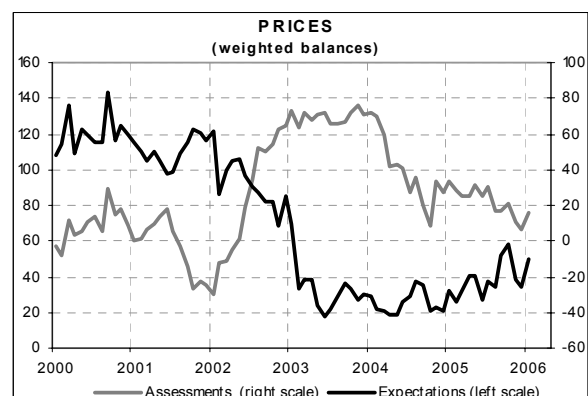
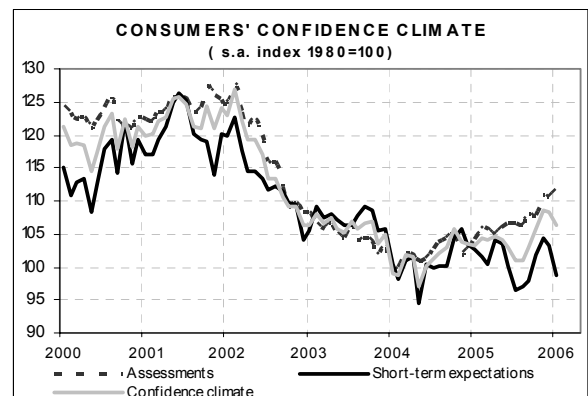
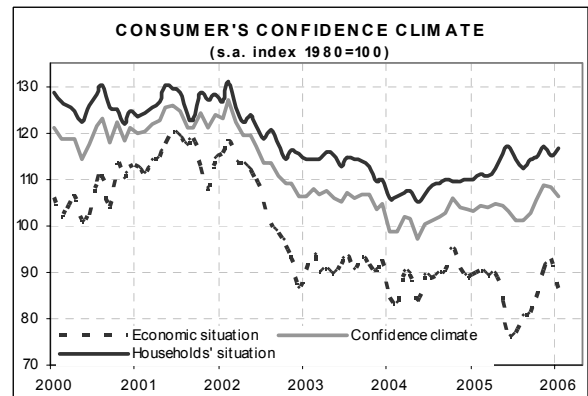
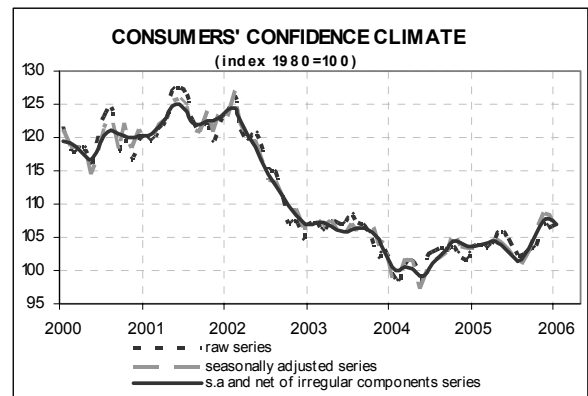
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between January 2 and January 13, 2006, consumer confidence decreased at the start of the year to 106.4 (from 108.2 last December), just below the average level posted in the fourth quarter of 2005. Net of irregular components, the index moved from 107.7 to 107, whereas the raw indicator increased from 106.4 to 106.6, almost compensating the fall recorded in December.

Negative developments essentially characterized the view on general economic conditions: the related index fell from 92.6 to 85.6, in the wake of particularly less favourable expectations on the country's overall economic situation and on the labour market. Consumers, instead, judged their personal conditions more favourably (from 115.1 to 116.7), because of a better evaluation for savings (both future opportunities and present convenience to save). Furthermore, households showed greater optimism on their own current situation. The index increased from 110.5 to 111.6, attaining the best result since September 2002.

Among the variables excluded from the definition of confidence, the easing of inflation, which had taken place in the previous two months, finally stalled: on balance, both the assessment on the price trend in the previous 12 months and the forecasts for the following 12 months rose. With respect to the outlook for buying behaviour for consumer durables and housing in the next 12 months, which are surveyed by ISAE, starting from this January, on a quarterly basis, consumers markedly increased their plans for purchasing cars, while intentions for house buying and maintenance remained almost unchanged.

Confidence developments were not homogeneous across regions. As opposed to the national average, the index increased in the North East, while it decreased in the North West, the Centre and, principally, in the *Mezzogiorno*.

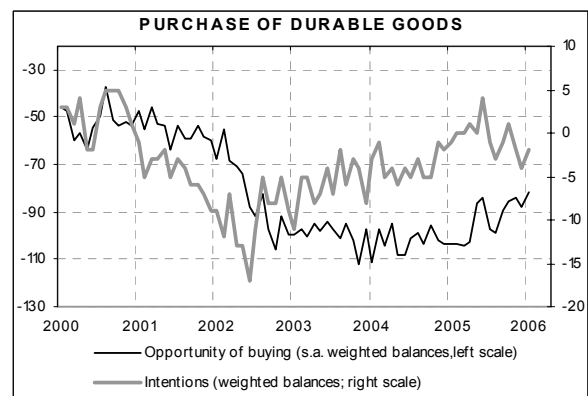
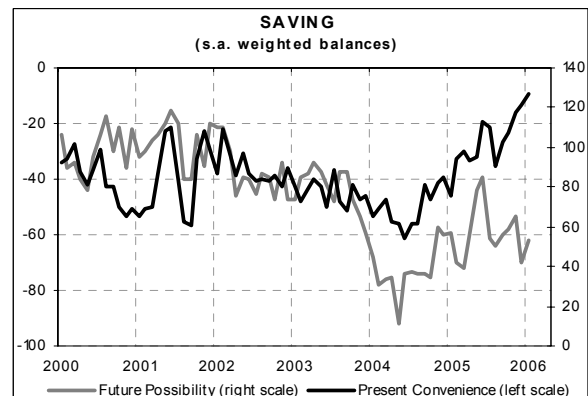
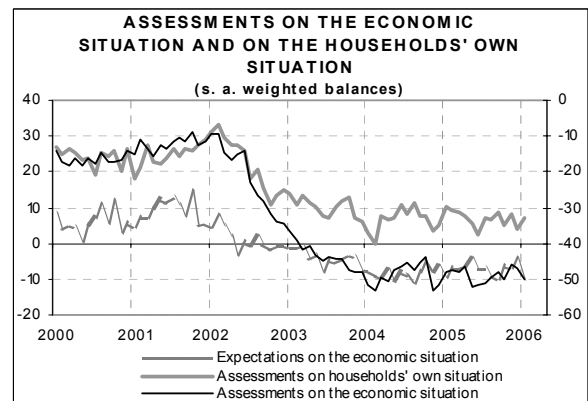
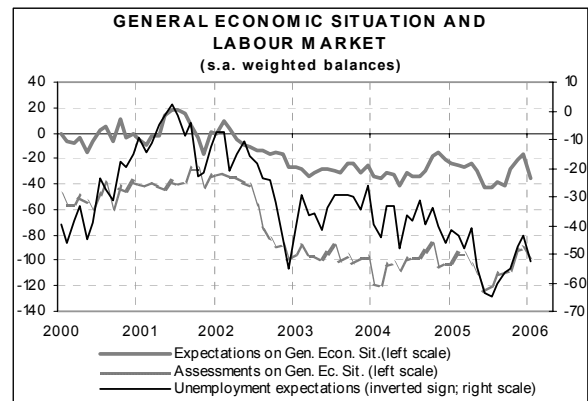


The general economic situation

In January 2006, negative developments were mainly reflected in assessments and forecasts on the country's overall economic situation, and particularly, on the labour market. The related balances shifted from -90, -17 and 43 to -98, -35 and 53, respectively. Inflation easing came to a halt: the raw weighted balance of the assessment on inflation in the last 12 months increased from 66 to 76, practically erasing the favourable signals posted in the last two months of 2005. In particular, the proportion of people who considered prices to be "rather higher" rose from 40 to 44%, while the percentage of those who viewed "stability" decreased from 18 to 14%. The outlook for inflation in the following twelve months also deteriorated: the raw weighted index moved from -26 to -10, mainly as a consequence of the increase from 20 to 28% in the proportion of people who feared a "same" or "higher" increase in future inflation, and because of the parallel reduction (from 50 to 41%) in the number of those considering inflation to remain unchanged in the following twelve months.

Households' own situation

More positive indications generally characterized the respondents' assessment on their personal situation, mainly concerning savings. The balance for their current convenience to save soared from 121 to 127, reaching historical heights, while the balance for future opportunities rose from -70 to -62. Correspondingly, consumers' assessment on their finances improved (the balance rose from 4 to 7), while the view on their economic situation deteriorated, with respect to both the current assessment and forecasts, declining from -47 to -5 and from -50 to -10, respectively. Households were instead more optimistic on purchases of consumer durables: the balance of current convenience recovered from -88 to -81 (the best level since May 2002), and the proportion of respondents who firmly excluded further purchases in the following 12 months declined from 69 to 62% (the related raw index moved from -4 to -2).



Buying intentions (quarterly survey)

Starting from the current month, the questions regarding buying intentions in the following 12 months for vehicles and housing are conducted by ISAE on a quarterly basis (in January, April, July and October) according to the harmonization by the European Commission of consumer surveys at the EU level. In January, the proportion of respondents firmly excluding the purchase of a car fell from 85 to 83%, returning to the level posted last July. The percentage of those who do not plan to buy a house remained unchanged, for the third month running, at 96%, while the proportion of those excluding the possibility of making extraordinary maintenance expenses slightly diminished (from 90 to 89%).

Regional breakdown of consumer confidence

The decrease in the national consumer confidence index was not homogeneous across regions. The seasonally adjusted index fell in the North West, in the Centre and, mainly, in the *Mezzogiorno*, as opposed to a rise in consumer optimism in the North East.

North West: negative developments (the index fell from 109.5 to 106.7) were mostly due to a worsening of the assessment and the forecasts on general conditions. The view on consumers' own situation was less pessimistic.

North East: the increased optimism (the index rose from 106.8 to 110.2) reflected a sharp recovery in the view on the consumers' own situation and on current economic conditions. Along with the national average, the economic climate instead deteriorated by almost three points over the previous month.

Centre: confidence declined (from 108.3 to 105.6) because of a worse view on the general economic situation – and on future prospects in general – which more than balanced greater optimism regarding the personal situation and current conditions.

Mezzogiorno: the sharp downturn in consumer confidence (the index dropped from 109 to 105.7) was the result of the deterioration in the evaluation of general economic conditions (the related index fell by more than eight points) and the widespread worsening of future prospects. On the other hand, the assessment on consumers' own situation and on current conditions improved somewhat.

