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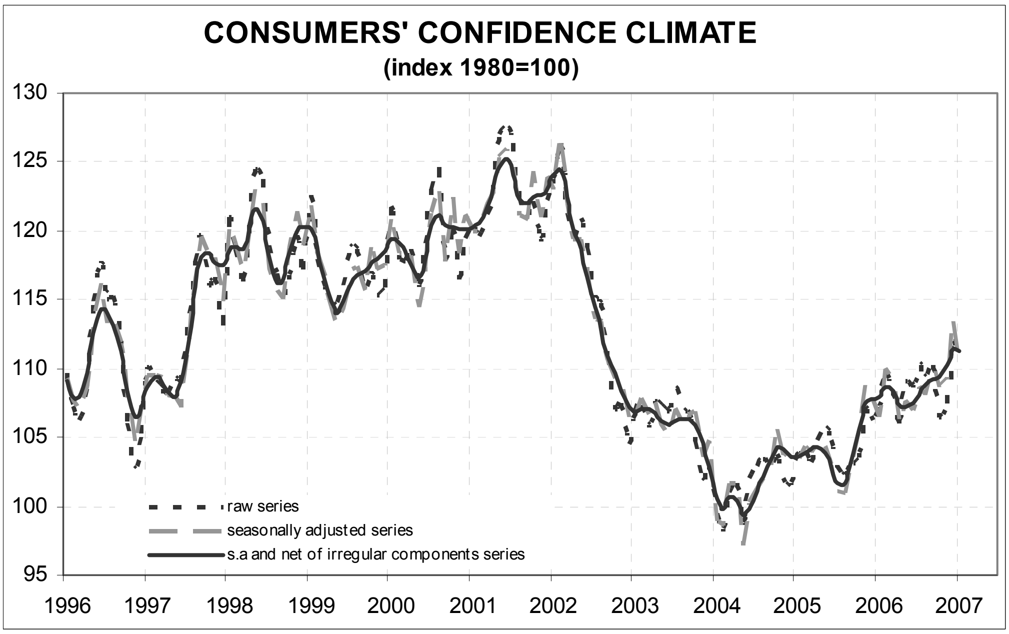
FOLLOWING THE SURGE RECORDED IN DECEMBER, CONSUMER CONFIDENCE EASES IN JANUARY

- **The seasonally adjusted index lowered to 110.3 (from 113.6 in December), remaining however around its fourth quarter 2006 average level. The raw index declined less markedly, moving from 111.9 to 110.8, while the indicator also adjusted for irregular components stayed virtually the same, at 111.3 (compared to 111.4 in December)**
- **At this stage, considerable uncertainties seemed to characterize the opinions on the country's overall economic situation. Following the bounce to 103.4 recorded in December, the related index shrunk to 95.7, returning below last months' average value. Short-term expectations also decidedly worsened. The indicator declined from 108.8 to 102.1**
- **The evaluation of the current situation and of the respondents' personal situation improved, instead, for the third month running. The related indicators moved from 115.7 and 117.8 to 116.1 and 117.9, respectively**
- **Moreover, the opinions on consumer durables buying convenience grew to the highest level since the summer of 2002, and the assessments on housing spending (buying and maintenance) and car purchases, surveyed quarterly, clearly recovered**
- **Finally, after the sharp drop posted at the end of 2006, in January some concerns about an acceleration of both current and future inflation emerged once more**
- **Confidence worsened in all areas, though the deterioration was sharper in the North East and the *Mezzogiorno* and more moderate in the North West and the Centre**



Data on February shall be released on February 21, 2007

The next ISAE surveys are scheduled as follows:

January 29, 2007: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: January)*

January 30, 2007: *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)*

February 7, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: January)*

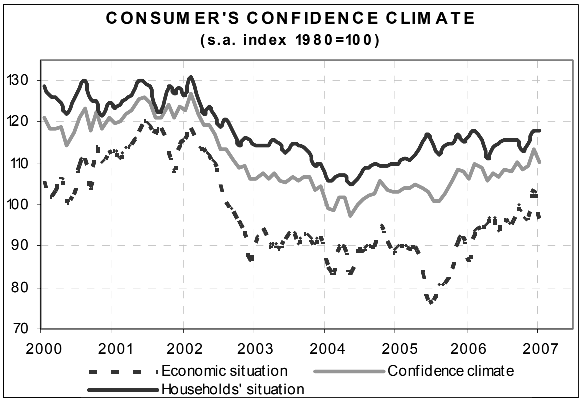
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

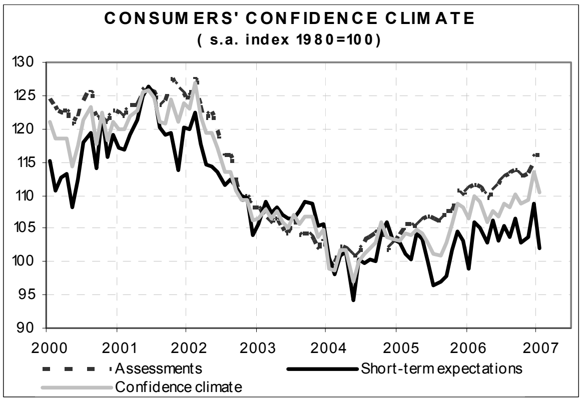
Italian consumers' confidence

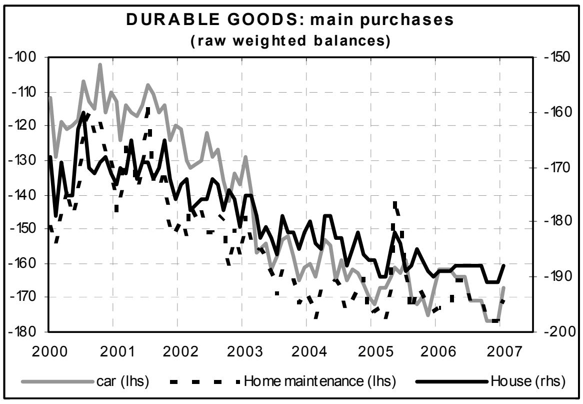
According to the ISAE Survey, carried out on a sample of 2,000 respondents between January 2 and January 17, Italian consumers' confidence, after the surge posted in December, decreased in January to 110.3 (from 113.6), remaining nevertheless around its fourth quarter 2006 average level. The raw index declined by a smaller amount, moving from 111.9 to 110.8, while the one also adjusted for irregular components stayed virtually constant, at 111.3 (compared to 111.4 in December).

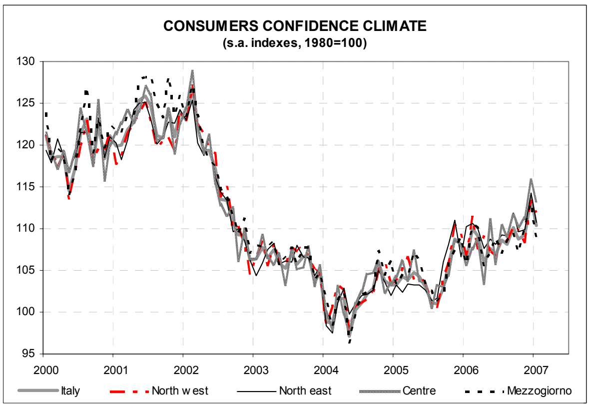
At this stage, considerable uncertainties seemed to characterize the trend in opinions on the overall economic situation. Following the bounce to 103.4 recorded in December, the related index declined to 95.7, returning below last months' average value. Short-term expectations also clearly lowered: the index declined from 108.8 to 102.1. The assessment on the current situation and on the respondents' personal situation, instead, improved – albeit moderately – for the third consecutive month. The related indicators increased from 115.7 and 117.8 to 116.1 and 117.9, respectively. As for consumer durables, the opinions on buying convenience reached the highest level since the summer of 2002, and the evaluation of housing spending (buying and maintenance) and car purchases, which are surveyed quarterly, clearly recovered. Lastly, after the sharp drop posted at the end of 2006, in January some concerns about an acceleration of both actual and future inflation emerged once more.

Confidence worsened in all areas. The deterioration was particularly marked in the North East and the *Mezzogiorno* and more moderate in the North West and the Centre. Opinions on the general economic situation and, to a lesser extent, expectations for the following months sent widespread negative signals. The opinions on the personal situation and on current conditions were instead less unfavourable.









Overall situation

The assessment and the forecasts on Italy's economic situation markedly worsened, witnessing some uncertainties regarding short-term prospects for the Italian economy: in particular, following the surge posted last December, forecasts on the country's economic situation diminished twenty-two points, moving from -5 to -27 and returning to the value posted last June. The assessment on the same variable declined ten points, from -64 to -74, remaining nevertheless above last year's average. Likewise, expectations of a rise in unemployment increased to 36 (from 29 last December), staying however slightly below the 2006 mean.

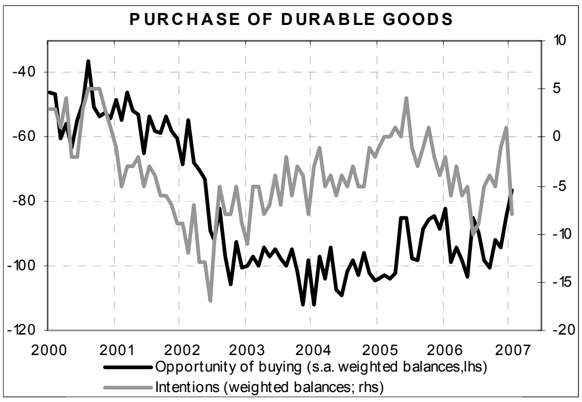
As for prices, the balance for the assessment on growth recorded in the last twelve months increased from 48 to 54, though remaining at the lowest level in the last four years. In detail, the number of respondents who thought that prices were "fairly" and "markedly" higher rose from 38% to 42% and from 17% to 18%, respectively, whereas the share of those believing that prices increased "little" with respect to the previous twelve months declined from 22% to 17%, and the proportion of those considering that prices remained "equal" stayed unchanged, at 22%. Fears of an increase in inflation in the following twelve months also emerged once more, and the related balance moved from -20 to -14, mainly driven by the increase (from 18% to 23%) in the percentage of consumers anticipating higher inflation in the future. Both the number of people expecting the same inflation and those forecasting stability in prices declined (the related shares lowered from 21% and 46% to 19% and 45%, respectively).

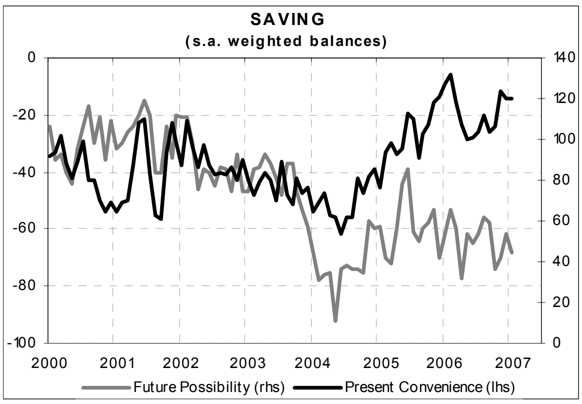
Personal situation

The improvement in the respondents' evaluation of their personal situation was confirmed: the balance referring to the family budged improved from 9 to 10, while the one related to the family's economic situation remained unchanged at -38, as in the previous month. Expectations for the same variable became nevertheless more cautious: the balance returned to the value posted last November (at -7, compared to a maximum of -3 at year end).

Consumers were clearly more optimistic about current buying convenience for durable goods. The balance further improved from -84 to -76 (its highest level since June 2002). Consumers became instead more cautious about future buying intentions: the related raw balance lowered from 1 to -8. In this connection, it is worth noting that the percentage of respondents firmly excluding purchases of durable goods declined (from 65% to 62%) and the number of undecided people increased (from 10% to 13%).

Specifically, buying intentions for the following twelve months (surveyed quarterly) for housing (purchase and maintenance) and cars entirely offset the decline posted last quarter. Compared to the October survey, the related balances increased, in the order, to -188 (from -191), to -171 (from -177) and to -167 (from -177). Finally, with regard to saving, the balance for the current convenience to save remained at 120 (as in last December), but future saving opportunities declined (from -62 to -68).





Regional breakdown of consumer confidence

The deterioration in confidence characterised all areas, albeit to varying degrees. The decline in the indicator was more marked in the North East and the *Mezzogiorno* and more moderate in the North West and the Centre. The analysis of the underlying components of the consumer climate pointed to widespread worsening in the assessment on the overall economic situation and on future prospects, whereas the opinions on the personal and current situations sent less negative signals.

North West: in this area consumer confidence showed a more moderate deterioration than in the rest of the country: the indicator declined from 113.4 to 111.9, returning to its February 2006 average. The worsening in the index was mainly the result of the deterioration in opinions on both the general economic situation and on future conditions. The personal situation and the current one sent instead positive signals.

North East: in this area consumers' opinions were also largely negative. The index declined from 114.3 to 110.7, returning, also in this case, to its February 2006 value. This unfavourable picture painted by the confidence indicator was mainly the result of the strongly deteriorating assessment on the overall economic situation and on future conditions.

Centre: the confidence indicator lowered in this case from 115.9 to 113.3. Consumers in the Centre gave a negative assessment on both future conditions and on the general economic situation, whereas the evaluation of the personal situation and the current situation was optimistic.

Mezzogiorno: this was the area that witnessed the sharper decline in confidence: the indicator lowered from 113.1 to 108.8. The deterioration was mainly due to widespread pessimism recorded by the opinions on the general economic situation and on future conditions, while the assessment on the personal situation and, above all, on the current situation sent positive signals.