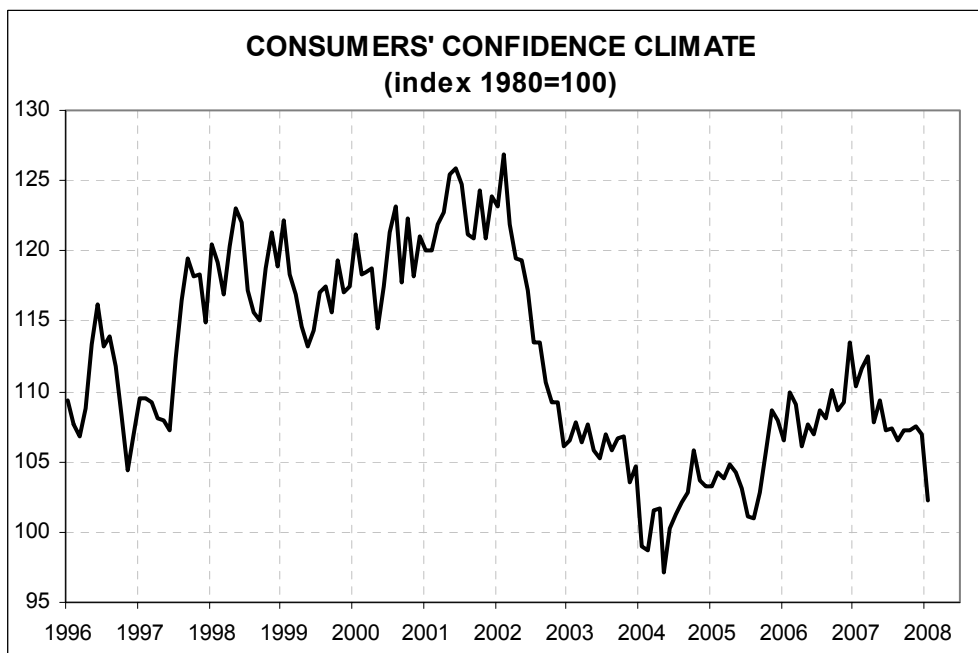




Date: **January 24, 2008**
TEL.: **06/444821**

CONSUMER CONFIDENCE FALLS IN JANUARY

- Italian consumer confidence dropped to 102.2 from 106.9 in December, reaching its lowest level since August 2005
- In January, consumers were considerably more pessimistic especially about the country's general economic conditions. The related indicator declined 8 points, moving from 88.7 to 80.7. The gauge measuring the respondents' personal situation lowered from 114.9 to 113.5
- Indicators summarizing the opinions on the current and future situation diminished instead from 111.9 to 108.1 and from 99.1 to 96.2, respectively
- In tune with the main analysts' increasing concern about the resilience of the national and international economic cycle, respondents were decidedly more pessimistic about both current and future Italian economic developments
- Also the family budget recorded a marked deterioration. The opportunities and the convenience to save worsened and consumers scaled down their intention to purchase consumer durables
- Furthermore, according to the ISAE traditional quarterly survey, car and house buying intentions remained basically stable, whereas home maintenance expenditures recovered
- Once more, consumers perceived a strong pick up in prices in the last twelve months. However, they revised down their inflation expectations for the following year
- The worsening in confidence was not evenly spread across the country. The fall was stronger in the North West and the *Mezzogiorno* and slightly more moderate in the North East and the Centre



Data on February shall be released on February 21, 2008

The next ISAE surveys are scheduled as follows:

January 29, 2008: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: January)

January 30, 2008: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: January), ISAE Monthly Business Services Survey (reference period: January), and ISAE Monthly Survey on Construction (reference period: December)

February 7, 2008: 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)

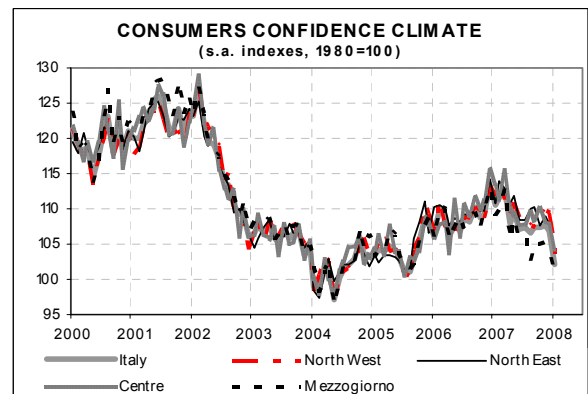
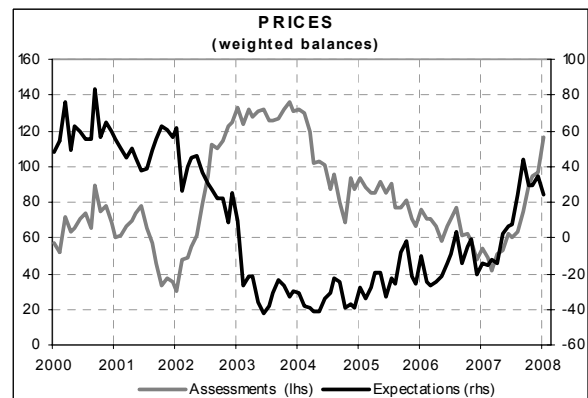
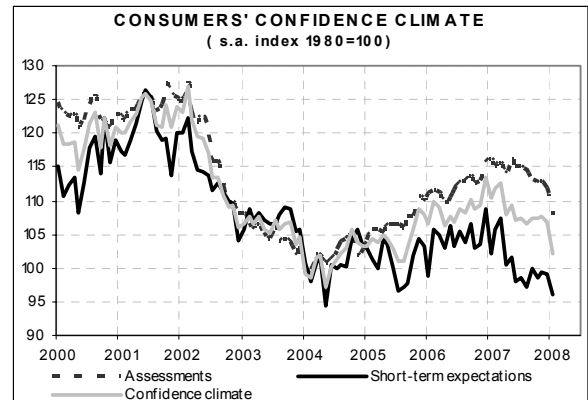
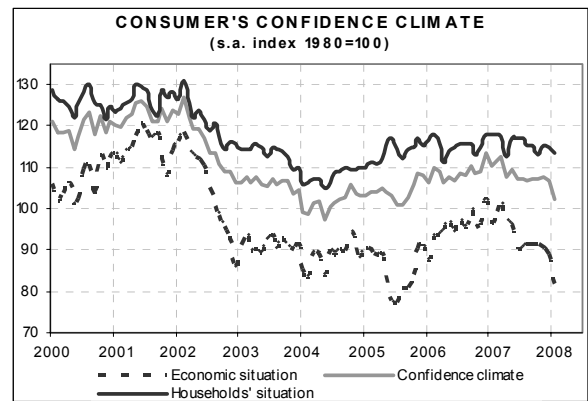
Italian consumers' confidence

According to the ISAE Survey, carried out between January 2 and January 18, Italian consumers' confidence plunged in January, reaching 102.2 compared to 106.9 in the previous month¹. Consumers were drastically more pessimistic especially about the country's general economic conditions. The related indicator declined 8 points, moving from 88.7 to 80.7. The gauge measuring the respondents' personal situation lowered from 114.9 to 113.5. Indicators summarizing the opinions on the current and future situation diminished instead from 111.9 to 108.1 and from 99.1 to 96.2.

In tune with the main analysts' increasing concern about the resilience of the national and international economic cycle, respondents were decidedly more pessimistic about both current and future Italian economic developments. Also the family budget recorded a marked deterioration, the opportunities and the convenience to save were considered to have declined, and consumers scaled down their intention to purchase consumer durables. Furthermore, according to the ISAE traditional quarterly survey, car and house buying intentions remained basically stable, whereas home maintenance expenditures recovered.

Once more, consumers perceived a strong pick up in prices in the last twelve months. However, they revised down their inflation expectations for the following year.

The worsening in confidence was not evenly spread across the country. The fall was stronger in the North West and the *Mezzogiorno* and slightly more moderate in the North East and the Centre.



¹ Starting from this month, ISAE publishes seasonally adjusted indicators only. Therefore comments refer to seasonally adjusted series, unless otherwise stated.

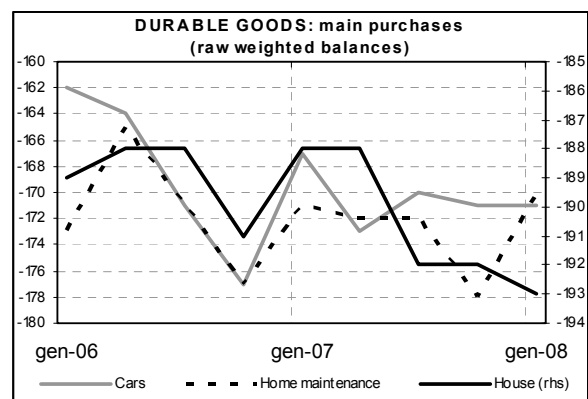
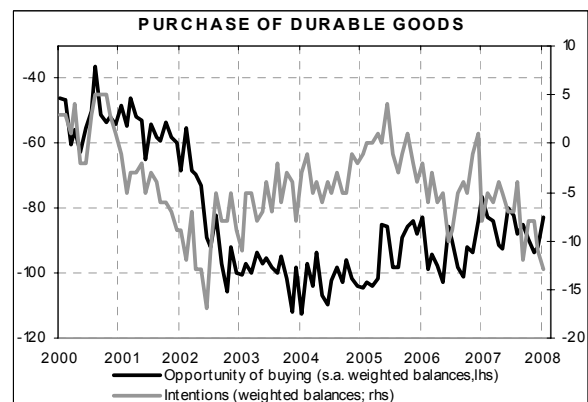
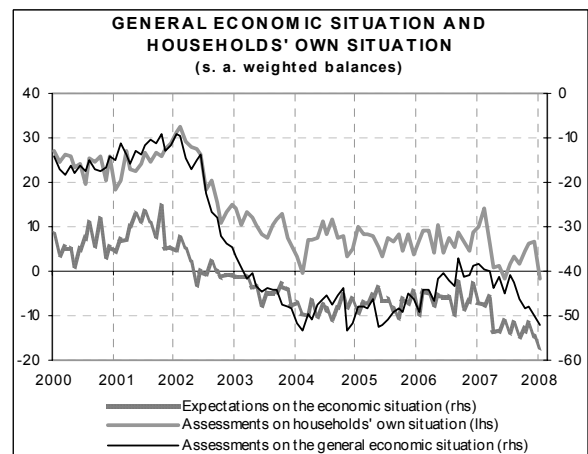
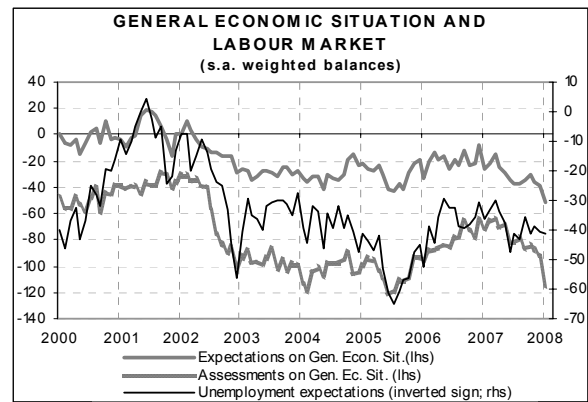
Overall economic situation

In January, the evaluation of Italy's general economic conditions dropped to its lowest level since July 2005: the opinions on the last twelve months fell from -92 to -116. The balance for short-term prospects diminished from -38 to -52, matching the historical low recorded in November 1993. Lastly, unemployment expectations remained stable at a high level (the balance stood at 41).

As for the price trend, the balance for inflation over the last twelve months surged from 97 to 116, the highest value since March 2004, coming close the record high posted in the period following the euro changeover: in particular, the share of respondents judging prices to be "markedly" higher with respect to the year earlier went up from 29% to 36% and the proportion of those considering prices to be "rather" higher increased from 45% to 48%. In contrast, a fall distinguished the percentage of respondents judging prices to have declined "little" (from 20% to 11%) and the number of those considering prices to have remained "unchanged" (from 6% to 4%). Short-term prospects were, however, less unfavourable. The related balance declined from 31 to 21, reaching the level posted last October: the percentage of respondents who thought that inflation would increase "markedly" rose slightly (from 9% to 10%), whereas the share of those expecting "same" inflation declined from 38% to 33%, and the proportion of those expecting prices to remain "equal" increased from 21% to 25%.

Personal situation

With regard to their personal situation, respondents gave overall negative indications, though the worsening was less marked than for the country's general situation: consumers considered the family budget to have deteriorated (the balance lowered from 7 to -2) and gave less favourable opinions and forecasts for the family's overall economic situation (the balances lowered from -50 to -52 and from -15 to -17, respectively). Accordingly, the current convenience to



save diminished (the balance declined from 136 to 118) and future saving opportunities remained negative, though they recovered moderately over the previous month (the balance moved from -71 to -65). As for consumer durables, the balance for current purchases recuperated from -92 to -83, but future buying intentions declined (from -11 to -13). Lastly, according to the ISAE traditional quarterly survey, car and house buying intentions remained stable, whereas home maintenance expenditures recovered (the related balance rose from -178 to -170).

Regional breakdown of consumer confidence

The worsening in confidence was not evenly spread across the country. The fall was stronger in the North West and the *Mezzogiorno* and slightly more moderate in the North East and the Centre. The deterioration chiefly characterized the opinions on the general economic conditions and on the current situation. The personal situation and future conditions gave less negative indications.

North West: this is the area where consumer confidence posted the sharpest decline, moving from 109.4 to 103.8, the lowest level since August 2005. The deterioration was mainly due to the marked worsening in the opinions on both the general economic situation and current conditions.

North East: the indicator decreased from 107.9 to 104.1, recording, also in this case, the lowest showing since August 2005. The pessimistic picture mainly derived from the steady worsening in the evaluation of the general economic situation and of current conditions. The opinions on the personal situation remained, instead, virtually stable, while those on future conditions recorded a moderate deterioration.

Centre: consumer confidence declined from 107.9 to 104.3, reaching the lowest value since April 2006. Consumers gave a highly negative appraisal of both the current situation and general economic conditions. The fall posted by the opinions on the future situation was more moderate, whereas the evaluation of the personal situation improved slightly.

Mezzogiorno: in this area the confidence indicator declined more than four points, dropping from 104.4 to 100.3. The worsening stemmed essentially from widespread pessimism in the opinions on the general economic situation and on current conditions. The evaluation of the personal situation sent less negative signals, while optimism portrayed instead the appraisal of future conditions.

