



ISTITUTO DI STUDI E ANALISI ECONOMICA

Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482325

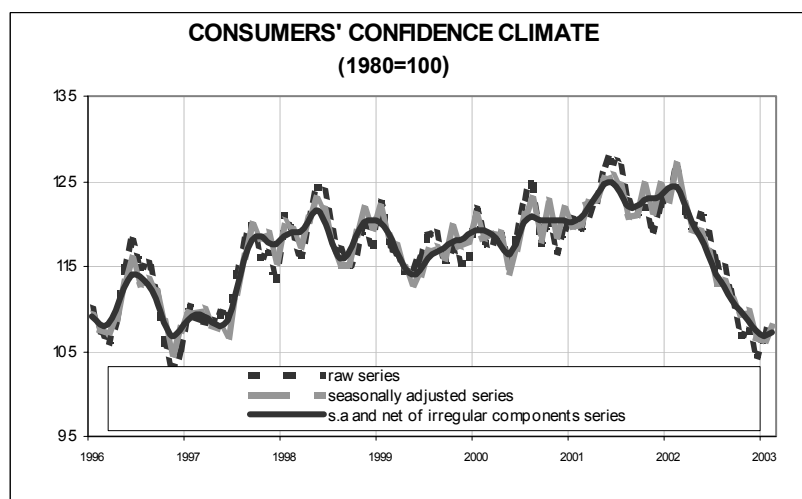
Date. February 20, 2003

TEL.: 06444821

## ISAE CONSUMER SURVEY

Reference month: February

- In February, the Italian consumers' confidence climate improves in terms of raw, seasonally adjusted and adjusted for seasonal and irregular components data. The raw data increase for the second month in a row, growing from 106.9 to 107.3, thus getting close to the November 2002 figures. The seasonally adjusted index rises more markedly, passing from 106.2 to 107.7. The indicator adjusted for the seasonal and irregular component grows from 106.3 in January to 107.2 in February, which marks an inverse of the negative trend which has been going on since February 2002
- Favourable signals come from replies on the general economic situation: in particular, an improvement is observed in assessments on the country's general economic situation and in short-term forecasts on the labour market evolution. Expectations on inflation considerably decrease
- Conversely, assessments and forecasts on the households' own situations remain stable: the present households' own situations slightly worsens, while favourable signals come from forecasts on the possibility to save in the next twelve months
- This month ISAE also diffuses the results of a survey carried out each year on the ownership of some durables and on the use of information technologies. In 2002, the diffusion and use of information technology goods and services has grown (mobile telephones, personal computers, access to the Internet), while that of traditional durables for domestic usage (stereos, dish-washers, video-recorders) and of cars has remained roughly stable
- In the euro area, the consumers' confidence has decreased in January and reached the minimum levels of May 1997. The fall is particularly strong in Austria and in the Netherlands, apart from Belgium, Greece and France. Slight signals of recovery emerge in Denmark, Germany and Italy, as already signalled by ISAE in its survey of January 21



Data referring to February shall be diffused on March 20, 2003

Next ISAE surveys are scheduled as follows:

**February 25, 2003:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: February)

**February 26, 2003:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: January)

**February 27, 2003:** ISAE Monthly Business Service Survey (Reference period: February)

**March 3, 2003:** Comparative Business Surveys for Italy, Germany and France (Reference month: February)

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

February 2003

### General results

According to the Survey carried out by ISAE between February 3 and 14 on a sample of 2,000 respondents, the Italian consumers' confidence climate (raw data) increases in February for the second month in a row, growing from 106.9 to 107.3, thus getting close to the November 2002 figures. The seasonally adjusted index rises more markedly, passing from 106.2 to 107.7. The indicator adjusted for the seasonal and irregular component - which is by nature more influenced by the past trend of the historical series - grows from 106.3 in January to 107.2 in February, which marks an inverse of the negative trend which has been going on since February 2002.

Favourable signals come from replies on the general economic situation: in particular, an improvement is observed in assessments on the country's general economic situation and in short-term forecasts on the labour market evolution. Expectations on inflation considerably decrease.

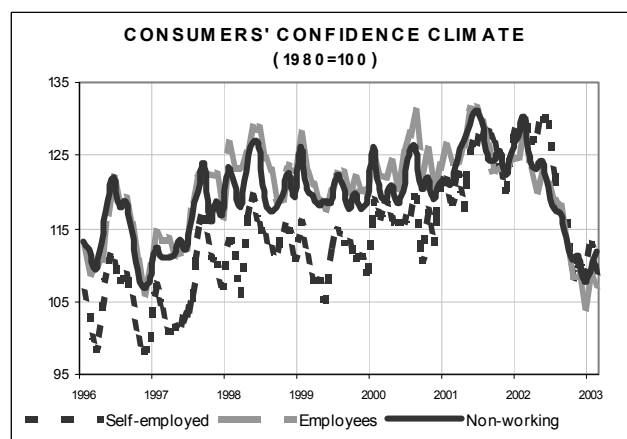
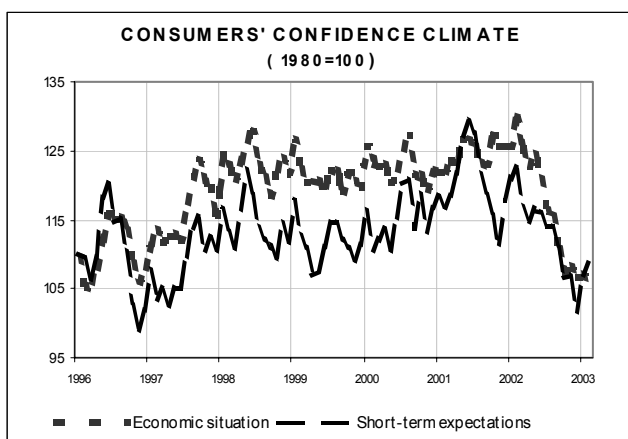
Conversely, assessments and forecasts on the households' own situations remain stable: the present households' situations are slightly worsening, while favourable signals come from forecasts on the saving opportunities for the next twelve months.

### Overall situation

In February, the confidence climate raw index on the general economic situation rises for the second month in a row, going from 91.8 to 93.1, which is above the figures of October 2002. In particular, an improvement is observed in labour market expectations: the percentage of those expecting a rise in the number of unemployed falls from 44 to 40%.

Also assessments on the country's general economic situation are recovering, their balance rising from -67 in January to -65. Indeed, short-term expectations on the general economic situation are more pessimistic, as their balance is deteriorating again after the strong improvement registered in January (passing from -17 to -21).

Finally, the percentage of consumers perceiving a marked price dynamics is diminishing: the share of respondents deeming prices rose "very much" or "quite much" passes from 90% to 87%, which marks the first inverse of trend since January 2001. However, it is worth signalling that that number remains on considerably higher levels than those obtained one year before (i.e. 52%), which confirms that in 2002 consumers "perceived" a higher inflationary dynamics than the real one. Short-term expectations on inflation considerably fall: the number of those expecting prices in the last 12 months to rise more or in the same



amount as falls from 40 to 23%. Conversely, the share of respondents expecting a substantial price stability grows from 38 to 50%, which is its all-time high.

### **Households' situation**

The raw confidence index referring to respondents' own situations alone falls in February from 114.5 to 114.4, mainly because of the unfavourable assessments on their own economic situations (the balance passing from -33 to -36) and of the smaller convenience to save expressed by 15% of respondents (13% in the previous survey). Also the present households' own financial situations is worsening (the balance falling from 14 to 11) owing to a smaller saving propensity.

Indeed, expectations on the households' economic situations remain unchanged (the balance being null, as in January), while slightly positive signals come from forecasts on the saving opportunities for the next twelve months. In February, 37% of respondents (36% in January) declare their intentions to save.

Moderately positive indications come from assessments on the present convenience to purchase durables: the share of consumers deeming the present situations as "unfavourable" to major purchases falls from 56% in January to 54% in February. However, forecasts for the next twelve months remain cautious the number of those willing to purchase durables in the next twelve months (less, in the same amount or more than last year) continues to diminish (from 43 to 34%). Going in detail, the number of respondents declaring their intentions to purchase a home in the next two years goes from 6% to 5%, and the share of those intending to spend for home maintenance and improvement in the next twelve months falls from 13 to 11%. Finally, the number of consumers deeming it probable or certain to buy a car in the next two years

decreases from 18 to 14% of the sample.

### **Ownership of durables and use of information and communication technologies**

In February, ISAE diffuses the results of its annual survey on the ownership of some durables (stereos, dish-washers, video-recorders, cars) and on the use of information and communication technologies (mobile telephones, personal computers, access to the Internet).

The survey shows a growing use of information technology goods and services and a substantial stability of the diffusion of more traditional durables such as home appliances and cars. Compared to February 2002, in particular, a slight reduction is observed in the number of households possessing a stereo (from 70% to 67%), a dish-washer (from 42 to 39%) and a video-recorder (from 74 to 73%). With references to cars, 87% of respondents declare they possess at least one (88% in 2002), while the number of those owning only one car falls from 52 to 44% and the share of those declaring more than one car grows (from 36 to 43%).

Breaking down data by geographical partitions, the decrease of the dish-washer diffusion is particularly wide-spread in North-eastern regions, where the share falls from 51 to 46%, and in Central regions, where the percentage goes from 51 to 46%. The contraction in stereo diffusion seems particularly strong in North-eastern Italy (from 75 to 64%), while in Southern regions and in the islands a rise is registered (from 65 to 67% and from 63 to 64% respectively). With reference to the diffusion of video-recorders by geographical partitions, the number of those possessing at least one increases in North-western regions, in Southern regions and in the islands, while it markedly decreases in the remaining geographical areas.

The share of those possessing at least one car increases in the Southern areas and in the islands, while it considerably decreases in the remaining partitions. The reduction of the ownership of one car seems to be

homogeneously diffused throughout the whole country, with peaks in North-eastern and in central regions (from 49 to 40% and from 51 to 41% respectively). The increase in the share of those declaring to have more than one car - which is also diffused throughout the whole country - is more marked in central and Southern regions (from 36 to 43%).

With reference to the use of information and communication technology goods and services, the diffusion of personal computers is increasing, as is the number of mobile telephones and the connections to the Internet. 50% of respondents declare to have a personal computer (in 2002 it was 45%), 82% has a mobile telephone (75%) and 37% a connection to the Internet (33%). It is worth signalling that, between 2000 and 2003, the diffusion of services related to the Internet passed from 7 to 37%, of those possessing a personal computers from 24 to 50% and of those related to mobile telephones went from 59 to 82%.

With regard to personal computers and mobile telephones, the diffusion reaches its peak in central Italy (where 55 and 82% of respondents respectively possess a PC and a mobile telephone) and in Southern regions (where the share of households declaring they have a PC and a mobile telephone rises from 38 to 53% and from 72 to 83% respectively). Conversely, the number of consumers declaring they possess a PC in North-eastern regions is diminishing (the balance going from 50% in 2002 to 46 in 2003). The diffusion of the connection to the Internet seems to be maximum in central Italy (42%; it was 38% in 2002) and it is minimum in Islands (30% of households, as in 2002). The strongest rise is observed in Southern regions (from 26 to 37%), while in the North-eastern area a decrease is registered (from 38 to 35%).

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

### **January and early-February 2003**

In January, the consumers' confidence climate registers a further contraction in the euro area and considerably deteriorates in the United States.

According to the European Commission Consumer Survey, the confidence climate indicator for the euro area on average falls from -16 in December to -17 in January, which is close to the minimum figures of May 1997. Particularly evident is the balance contraction (from -19 to -21) gathering the prospects on the households' economic situations. Also the figure referring to future saving opportunities is decreasing (from -8 to -9), while expectations on the general economic activity seem stable for the third month in a row (-4). With reference to labour market expectations, the share of those expecting an employment reduction is growing (the balance passing from 33 to 36).

Among non confidence-building series, a growing concern expressed by European consumers in their assessments on the general economic trend is emerging: the balance falls from -45 to -48, thus reaching the minimum levels of April 1994. With regard to durables, households still perceive the present moment as non favourable for major purchases (through the balance is going from -26 to -24); for the next twelve months, spending prospects remain stable (the balance remaining at -21); the balance concerning expectations on prices slightly rises (from 9 to 10).

In January, the consumers' confidence climate markedly deteriorates in the Netherlands and in Austria, while is considerably worsens also in Belgium, Greece and France. Conversely, the confidence indicator improves in Denmark and - though to a smaller extent - in Germany, Italy (as already signalled by ISAE in its survey of January 21)

and Finland, while it remains unchanged in Spain and Ireland.

Among the major countries, Germany - after registering a confidence climate deterioration for three months in a row - recovers in January and shows a slight positive variation in the index which passes from -17 to -16. The result mirrors the improvement of prospects on the general economic trend (the balance rising from -28 to -26) and of expectations on the households' own situations (from -10 to -9). Besides, German consumers seem less pessimistic on the possibility to devolve part of their income to saving for the next twelve months (the balance going from -5 to -4). Conversely, the growth of the balance gathering labour market prospects shows that the share of those expecting an unemployment rise has grown. Finally, the positive approach of all non confidence-building indicators is signalled, with the exception of the figure concerning price dynamics which - passing from 12 to 14 - signals a modest inflationary rekindling.

The French confidence indicator deteriorates, passing from -17 to -20 and going back to the early-2002 levels. The figure mirrors the worsening of all index components: the balances corresponding to the prospects of the households' own situations (from 1 to -1) and, in particular, those concerning expectations on the general economic trend (from -14 to -18). Furthermore, future saving opportunities diminish (from -17 to -18), while growing concerns on the labour market trend are emerging (from 36 to 43). Also the assessments expressed on the past twelve months seem critical. Finally, on the price side, weak signals of tension are emerging.

The Spanish confidence climate shows no variations and remains unchanged at -16, mainly because of the stable expectations on the general economic and on the labour market trends (the balances equalling -13 and 22 respectively). Expectations on the households' own situations worsen, while saving prospects for the next

twelve months (slightly) improve (from -25 to -24). Also other indicators point to a substantial stability: however, a slight rise is observed in the share of those expecting a price rise compared to those expecting their reduction (the balance passing from 24 to 25).

In the United States, the Conference Board index diminishes again and reaches 79 in January (80.3 in December). The result mainly reflects more caution on the prospects of recovery of the American economy (the sub-indicator concerning expectations alone decreases from 88.1 to 81.4) as well as more cautious assessments on the current business trend. Similarly, the University of Michigan confidence indicator falls from 86.7 to 82.4, thus mirroring the worsening of both expectations and opinions on the general economic trend and on the households' own situations. Conversely, the opportunity to purchase durables remains on the high levels of 2002.

According to the early University of Michigan data, American consumers' confidence climate worsens again in February and reaches 79.2, maybe owing to the growing concerns connected with the ongoing international crisis.