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THE CONSUMERS' CONFIDENCE IMPROVES IN FEBRUARY

- **The seasonally adjusted indicator rises from 103.3 to 104.4, which is the highest peaks since October 2004; the indicator adjusted for the seasonal and irregular component rises from 103.7 to 104, while the raw index grows from 103.7 to 103.8**
- **The respondents' assessments on the country's general economic situation and on their own situations are improving. Indeed, evaluations on the current situations improve, while short-term expectations slightly deteriorate**
- **In particular, assessments on the convenience to save definitely rise and are again above the levels preceding the early-2004 financial scandals. Also evaluations on the country's general economic situation are recovering and labour market expectations slightly worsen**
- **On average, confidence in Europe remains stable in January; indeed it shows signals of recovery in Germany and of deterioration in France**
- **In the United States, January data are partially contradictory (as they are improving according to the Conference Board and worsening according to the Michigan University), while February data shows a slight fall (Michigan University) mainly due to the darker prospects of the labour market and of households' income**

PC AND INTERNET DIFFUSION STABILISES IN 2004, WHILE HIGH-TECHNOLOGY HOME APPLIANCES AND LEISURE GOODS ARE SPREADING

- **The 2005 February Survey on durables replaces old-fashioned products (such as video recorders, or stereos) and much-diffused goods (such as mobile phones) with new products (such as DVD players, high-technology TV sets, digital cameras, conditioners). Conversely, the traditional questions on the use and ownership of new information and communication technologies (PCs and the Internet) and on traditional durables (car or dish-washers) are maintained**
- **The PC diffusion stabilises (almost 50% of respondents have one), as does the Internet diffusion (40% of the sample)**
- **The ownership of high-technology leisure goods and services is wide-spread for DVD players and – though to a lesser extent – for digital cameras and satellite TV sets, while the diffusion of technologically-advanced (liquid-crystal or plasma) TV sets is narrower**
- **The use of home appliances, such as dish-washers, is more wide-spread than in 2004 and there is a considerable diffusion of conditioners**
- **Finally, the share of respondents declaring they possess at least one car is stable, though the percentage of those reporting to own more than one car is diminishing**

Data referring to March shall be diffused on ***March 23, 2005.***
Next ISAE surveys are scheduled as follows:
February 23, 2005: ***ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: February)***
February 28, 2005: ***ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: January)*** and ***ISAE Monthly Business Service Survey (Reference month: February)***
March 1, 2005: *Comparative Business Surveys for Italy, Germany and France (reference month: February)*

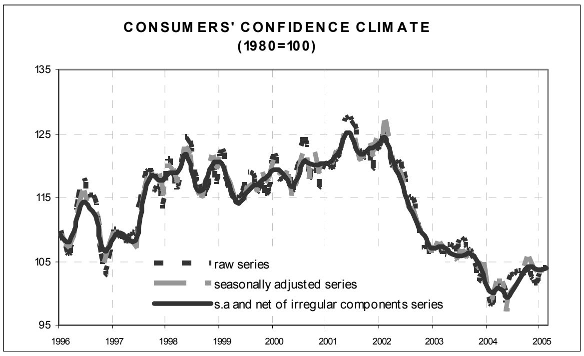
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

I – ISAE CONSUMER SURVEY FOR ITALY

February 2005

According to the Consumer Survey carried out by ISAE between February 1 and 14, the consumers' confidence rises in February from 103.3 to 104.4 (seasonally adjusted data), which is the highest peaks since October 2004; the indicator adjusted for the seasonal and irregular component rises from 103.7 to 104, while the raw index grows from 103.7 to 103.8.

Evaluations on the respondents' own situations – rising up to the highest figures ever reached since October 2003 - and on the country's general economic situation are rosier. Indeed, breaking down data by assessments on the current situations and short-term expectations – assessments are clearly improving and reach the highest values since July 2003, while expectations slightly worsen compared to January.

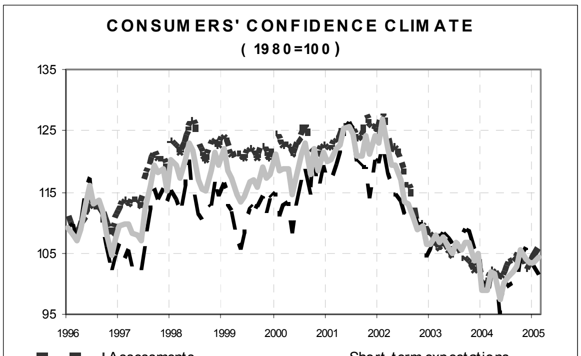


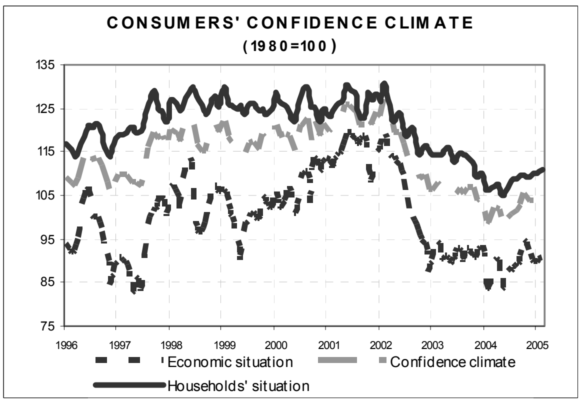
General economic situation

In February, the seasonally adjusted confidence index of the general economic situation alone shows an improvement from 89.7 to 90.8, though it represents the synthesis of diverging evaluations.

Assessments on the general economic framework clearly grow and the seasonally adjusted weighted balance rises from -100 to -94. However, expectations remain cautious: the balance worsens for the third month in a row, decreasing from -24 to -25. Even expectations for an unemployment rise increase and the seasonally adjusted weighted balance rises from 41 to 43.

With regard to prices, the tensions emerged in January are not confirmed: indeed, the respondents express (present and future) evaluations close to the late-2004 ones. The raw weighted balance referring to the price trend of the past twelve months falls from 93 to 88 (it was 87 in December 2004), with a contraction from 33 to 27% of the share of consumers feeling prices rose "very much". Even the balance of expectations for the next twelve months decreases from -28 to -34: the percentage of those deeming prices rose more than in the past decreases from 7 to 5%, while the number of consumers expecting a smaller growth rises from 19 to 23% and half of respondents expect stability (48% in January).



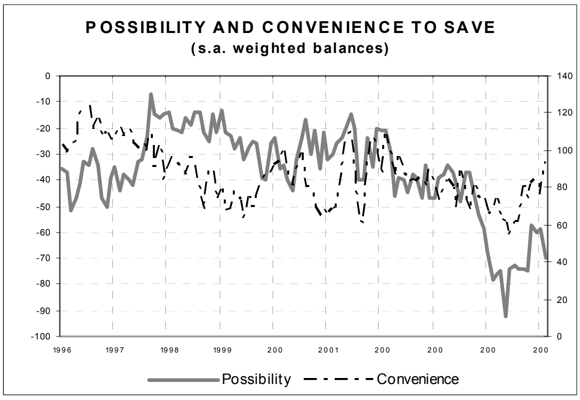


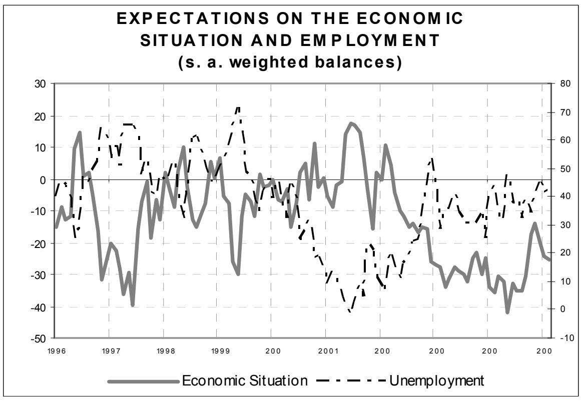
Households' situations

In February 2005, the seasonally adjusted confidence index referring to the respondents' own situations alone increases from 110 to 111, which is close to the highest figures ever reached since October 2003. The improvement mainly derives from evaluations on the present convenience to save (the balance growing from 76 to 94), which are again above the levels registered before the early-2004 financial scandals. Also forecasts on the households' economic situations recover from -10 to -7 (seasonally adjusted weighted balance). However, the assessments on the respondents' financial situations (from 10 to 9) and on the households' economic situations (-47, as in January) remain substantially stable.

In spite of the strong optimism for the present convenience to save, the consumers' future saving intentions (after the recovery observed over the past few months) fall from -59 to -70 (in terms of seasonally adjusted weighted balance). A cautious stability also characterises evaluations on the present convenience to purchase durables (the seasonally adjusted weighted balance passing from -103 to -104), even though rosier signals come from the short-term intentions to make major purchases (the weighted balance passing from -1 to 0), while the share of those intending to make no purchase at all decreases for the third time in a row (from 71 to 69%).

Turning to details on the consumers' intentions, the percentage of those "definitely" or "probably" buying a car in the next twelve months rises from 6 to 8%, while the share of consumers intending to buy a house falls from 3 to 2% and the number of respondents referring they will have extra expenses for home maintenance and improvement remains at 7%.





II – ANNUAL SURVEY ON THE OWNERSHIP OF DURABLES AND ON THE USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES

In 2005, ISAE introduced some changes in its traditional Survey on the ownership of durables. Indeed, it replaced relatively old-fashioned products (such as video recorders or stereos) and much-diffused goods (such as mobile phones) with new products (DVD players, liquid-crystal or plasma TV sets, satellite television and digital cameras) and home appliances such as conditioners. Conversely, the traditional questions on the use and ownership of new information and communication technologies (PCs and the Internet) and on traditional durables (car or dish-washers) were maintained.

After the strong diffusion observed over the past few years, the PC diffusion stabilises (almost 50% of respondents have one), as does the Internet diffusion (40% of the sample).

Among home appliances, the share of consumers declaring to own a dish-washer (43% of respondents) rises again after the fall registered in the past two years and a good diffusion of conditioners is observed (21% of the sample).

Among high-technology leisure goods, DVD players are particularly diffused (42% of respondents), while 22 and 17% of respondents respectively own a digital camera and a satellite parable. For the time being, the diffusion of high-technology products such as liquid-crystal or plasma TV sets is more limited (only 5% of Italians have one).

With regard to cars, 86% of Italian households declare they have at least one (the share is stable compared to 2004). Indeed, the percentage of respondents possessing only one car rises from 44 to 49%, while the number of households with more than one car decreases from 42 to 37%.

On the basis of the Survey results, data may be broken down by geographical area. In the North-west, the diffusion of the Internet, of dish-washers and of the second car exceeds the national average, while the spreading of air conditioners falls short of the national level. Quite the reverse, the Survey shows that conditioners are much spread in the North-east, together with dish-washers, the Internet and plasma TV sets (which show a remarkable average diffusion of 7%). In the Centre, the peak is reached by high-technology leisure goods, such as DVD players and satellite parables, alongside with information technology and telecommunications (PCs and the Internet) and with the second car. Air conditioners are less diffused in that area. In Southern regions and in the Islands the diffusion of those products is often below the national average: indeed, the scarce diffusion of dish-washers and the Internet (particularly in the Islands) is striking. Also conditioners are hardly wide-spread in the *Mezzogiorno* of Italy, whereas – for obvious climatic reasons - they are rather diffused in the Islands, where the spreading of all the above-mentioned goods is below the national average.

III - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

January and early-.February data

The January average consumers' confidence in the euro area stabilises on the late-2004 average figures, though a strong deterioration is registered in France, while the index recovers in Germany and in the Netherlands. In the United States, January data are partially contradictory (as they are improving according to the Conference Board and deteriorating according to the Michigan University), while February data shows a slight fall (Michigan University) mainly due to the darker prospects of the labour market and of households' income.

Turning to details, the average euro area indicator stops at -13 in January for the fourth month in a row; also the prospects for the respondents own situations and for the general economic situation remain unchanged, while those concerning the labour market improve and future saving opportunities slightly fall from -6 to -7 (seasonally adjusted balance). Among non confidence-building indicators (according to the Commission), opinions on the present convenience to purchase durables and the spending prospects for the next twelve months improve, though new inflationary tensions are looming ahead (the balance passing from 6 to 8).

Among the major countries, the German confidence climate considerably recovers in January, passing from -16 to -12, which is one of the highest peaks since October 2002, thanks to a wide-spread improvement of all confidence-building components. In particular, with reference to the labour market, the share of those expecting an unemployment rise in the next twelve months remarkably diminishes from 41 to 34, which is one of the trough ever reached since February 2004. With reference to prices, German consumers – in keeping with what happens on average in the whole euro area - expect an inflation rekindling (the balance passing from 5 in December to 8 in January).

The French confidence climate registers a strong contraction in January, passing from -13 to -17, which is one of the lowest figure registered since June 2004. In particular, the percentage of those expecting an unemployment rise grows from 26 to 32 (in terms of balance). With regard to prices, French entrepreneurs expect a price rise in the next few months and their balance grows from 8 in December to 10 in January.

The Spanish confidence indicator stops at -9 in January and expectations on the respondents' own situations and on future saving opportunities worsen, while those concerning the labour market recover (indeed, the share of those forecasting an unemployment rise falls from 12 to 8, which is close to the March 2004 figures). Turning to prices, Spanish respondents also expect an inflationary tension growth (the balance passing from 19 to 21).

In the United States of America, according to the Conference Board indicator, confidence further grows from 102.7 to 103.4, thanks in particular to the improvement of the sub-index referring to the current situation (from 105.7 to 110.9), while the sub-index mirroring expectations worsens from 90.2 to 99.9. The January data are however not confirmed by the Michigan University estimates, whereby the confidence indicator falls from 97.1 to 95.5 and then further decreases to 94.2 in February, owing to more cautious evaluations on the labour market evolution and on the respondents' own situations.