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TEL.: 06/444821

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## CONSUMER CONFIDENCE CLIMBS IN FEBRUARY TO ITS HIGHEST LEVEL SINCE AUTUMN 2002

- The seasonally adjusted index jumped to 110 (from 106.5 in January, and to 109.5 from 106.9 in raw terms). Adjusted also for irregular components, the indicator rose to 108.8 (from 108), reaching its highest reading since autumn 2002
- In particular, consumers gave a more confident appraisal of the general economic situation and of short-term expectations
- Respondents were also more optimistic on the current situation and on their personal conditions, mainly because of a better evaluation of savings, while they were cautious regarding purchases of consumer durables
- Indications of a slowing in present and future inflation were confirmed
- Optimism reported at the national level was widespread across regions, though with different intensity: it was noticeable mostly in the North West and the *Mezzogiorno*, while the revival was more moderate in the North East and the Centre

## DIFFUSION OF HIGH-TECH LEISURE GOODS INCREASES, WHILE THAT OF INTERNET CONNECTIONS AND PERSONAL COMPUTERS STABILIZES

- The coverage of the traditional February ISAE Survey on the ownership of consumer durables was extended to high-speed internet connections and satellite navigators. All the other questions included in the previous survey were maintained
- The ownership of high-tech leisure goods and services (DVDs, digital cameras, satellite TV sets) increased markedly. The diffusion of technologically advanced TV sets (liquid crystals or plasma), instead, improved only moderately
- The increase in the number of personal computers stabilized (half the respondents have one at home), while the number of internet connections remained virtually unchanged. However more than half of these connections are high-speed (ADSL and other systems)
- The use of traditional home appliances (such as dishwashers) also stabilized, while the diffusion of air-conditioners increased
- The proportion of respondents who declared owing one car fell slightly, while the number of those who reported having more than one remained unchanged

**Data on March shall be released on March 22, 2006**

*The next ISAE surveys are scheduled as follows:*

**February 24, 2006:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: February 2006)

**February 28, 2006:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: January 2005) and ISAE Monthly Business Services Survey (reference period: February 2006)

**March 1, 2006:** ISAE Monthly Survey on Construction (reference period: January 2006)

**March 6, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: February 2006)

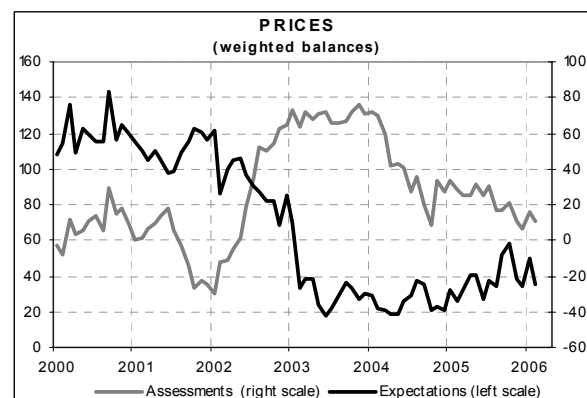
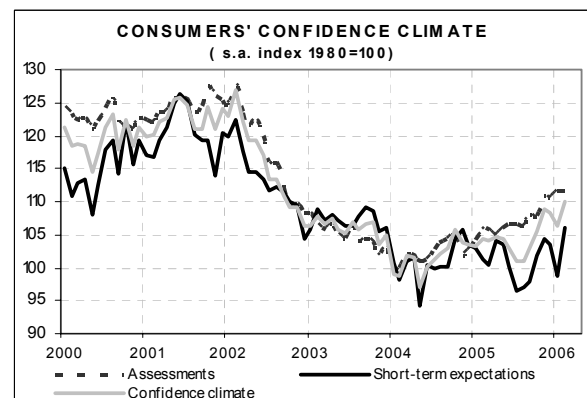
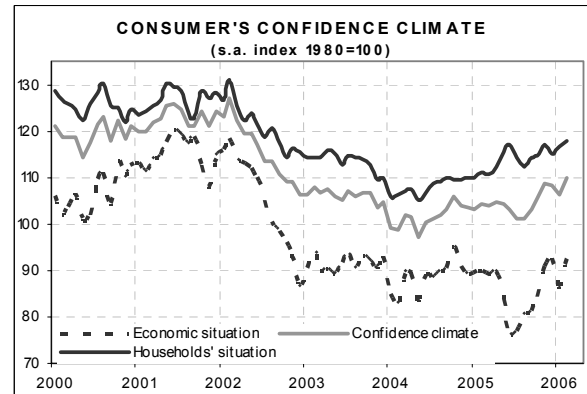
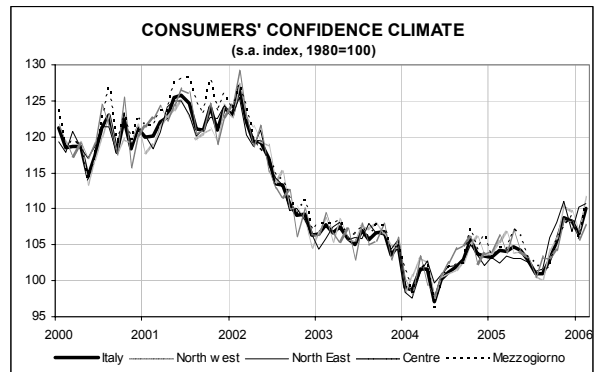
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site [www.isae.it](http://www.isae.it))

### Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between February 1 and February 11, 2006, consumer confidence climbed in February to 110 on a seasonally adjusted basis (from 106.5 in January) and to 109.5 in raw terms (from 106.9), both their highest since September 2002. The indicator, also adjusted for irregular components, increased from 108 to 108.8 (its strongest showing since October 2002).

Consumers gave a much more optimistic appraisal of the general economic situation and the future scenario. The related indexes increased from 86 to 93.3 and from 98.9 to 106, respectively, the former because of better expectations on the developments of the country's overall economic situation and of the labour market, and the latter also owing to improved forecasts on households' own economic situation and on future saving opportunities. The personal conditions index rose from 116.7 to 118, nearing the August 2002 peak. The current situation index virtually did not change (111.7, compared to 111.6 in January), remaining at its highest level since September 2002. Among the variables excluded from the definition of confidence, inflation started to ease again, after a setback in January: the raw weighted balance of the assessment on price developments in the previous twelve months decreased, and a fall was reported also for the forecasts for the following twelve months. Consumers were cautious only with respect to the assessment on their buying convenience and buying intentions for consumer durables.

Optimism reported at the national level was widespread across regions, though with different intensity: the improvement was strong in the North West and in the *Mezzogiorno*, while the revival was more moderate in the North East and in the Centre.



## The general economic situation

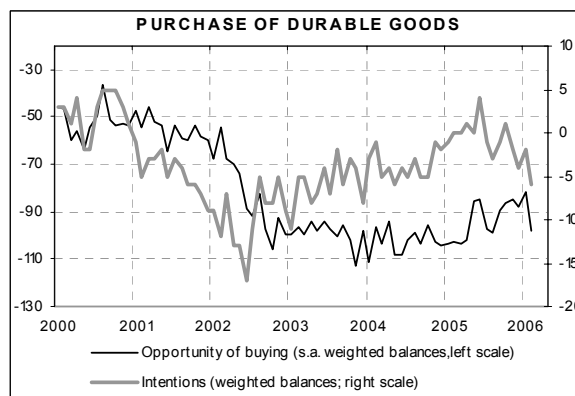
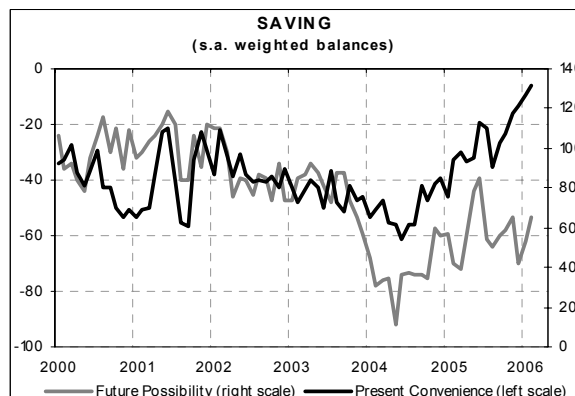
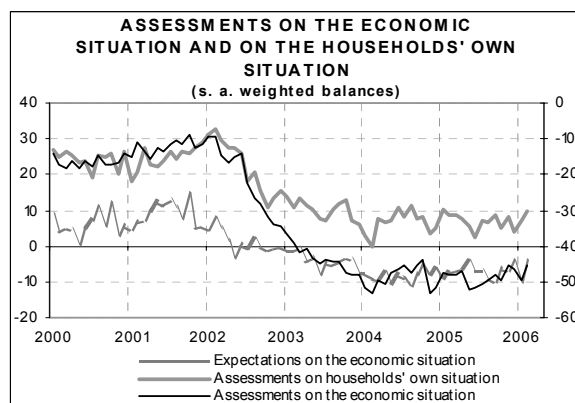
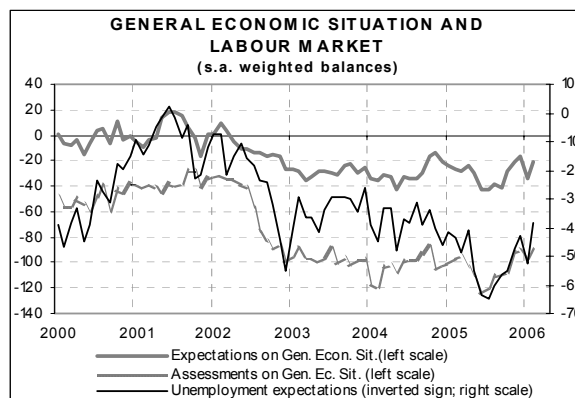
In February, highly positive developments were chiefly reflected in the assessment and forecasts on the country's overall economic situation and, in particular, on the labour market. The related balances moved from -97, -35 and 52 to -90, -21 and 39, respectively.

After a setback in January, signals of inflation easing returned: the raw weighted balance of the assessment on inflation in the last twelve months lessened from 76 to 71. Mainly, the percentage of respondents that considered prices to have increased "much", "somewhat" or "little" decreased from 24%, 44% and 18% to 23%, 43% and 17%, respectively. While the number of those that thought that prices remained "unchanged" rose from 14% to 16%. A positive evolution also characterized price expectations for the following twelve months: the raw weighted balance fell from -10 to -25, returning close to the reading of last December, thanks to a widespread fall in the proportion of consumers that feared a "higher", "equal" or "lower" increase in the future (from 7%, 21% and 22% to 6%, 16% and 18%, respectively) and to a simultaneous increase (from 41% to 51%) in the percentage of those forecasting "stability" in the following twelve months.

## Households' own situation

On the whole, positive indications characterized the respondents' assessment on their personal situation, mainly with regard to expectations for the following months. In a picture of improved financial conditions (the balance increased from 7 to 10) and a better assessment on the families' own economic situation (the balance recovered from -49 to -45), short-term personal expectations improved, on balance, six points (from -10 to -4).

With regard to the evaluation of savings, a better view on the current convenience to save (the balance rose from 127 to 132, an historical peak) was associated with a nine points recovery (from -62 to -53) in the forecast of future saving opportunities.



At the same time, households were more cautious with respect to purchases of consumer durables: the current assessment on the convenience to buy worsened (the balance decreased from -81 to -98, its lowest score for the last six months), and future buying intentions decreased on balance in raw weighted terms from -2 to -6, reaching the lowest level since May 2004.

### Regional breakdown of consumer confidence

The sharp improvement reported at the national level was widespread across regions, though with different intensity: the improvement was strong in the North West and in the *Mezzogiorno*, while the revival was more moderate in the North East and the Centre. Positive developments mainly characterised the assessment on the country's overall economic situation, while contrasting signals came from the assessment on personal conditions and on the current situation.

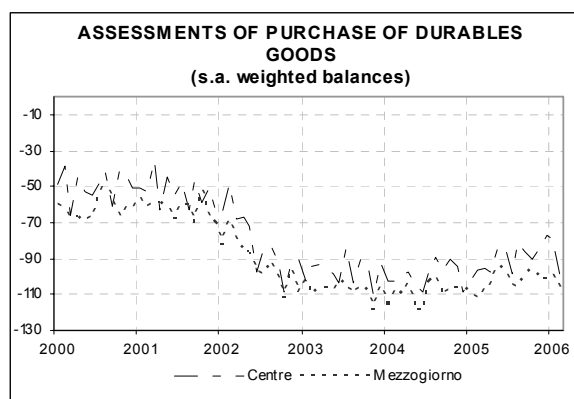
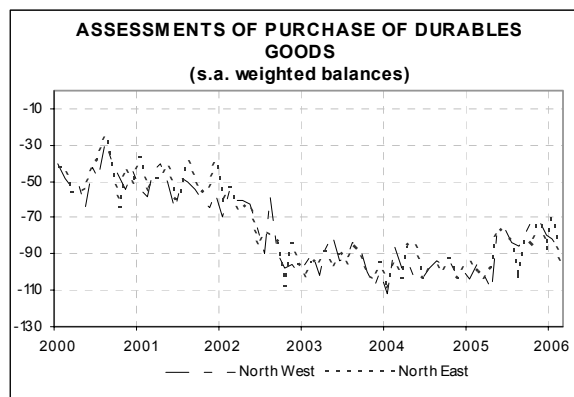
North West: the rise in the index (from 106.8 to 111.6) mainly reflected an improvement in the assessment and forecasts on the general economic situation and, to a lesser extent, on future expectations. Following two quarters of pessimism, the evaluation of personal conditions improved again.

North East: consumer confidence increased only moderately (from 110.2 to 110.7), owing to contrasting developments: the assessment on the general economic situation and on future conditions markedly improved, while the view on personal conditions and on the current situation reverted to a downfall, following the rise posted in the previous quarter.

Centre: in this region the increase in confidence (from 105.7 to 107.7) was due to a sharp improvement in the assessment on the general economic situation and in the view on future conditions. Consumers were instead slightly more pessimistic on the current situation.

Mezzogiorno: the sharp increase in consumer confidence (the index rose from 105.8 to 110.6) was backed by an improvement in the assessment on the general economic situation (the index rose by over six

points) and by a widespread optimism on future conditions. Both the view on personal conditions and on the current situation bettered, though at a slower pace.



### Yearly survey on durable goods ownership and on the use of information and communication technology

Starting from the current month, ISAE has enriched its traditional February Survey on the ownership of consumer durables: along with the questions on simple internet access, the survey also asked households whether the connection was high-speed (ADSL, optical fibres) and if they owned a satellite navigator. The survey maintained the questions on high-tech personal leisure goods (DVDs, plasma and liquid crystal TV sets, satellite TV, digital cameras) and on air-conditioners (introduced last year), as well as the usual questions on the ownership and use of personal computers and traditional consumer durables, such as cars and dishwashers.

In February 2006, the stabilization in the diffusion of personal computers and internet connections, which surfaced last year, was confirmed. Half of Italian families now have a personal computer at home, and about 40% of the respondents use internet. Furthermore more than half of those that access internet (24% of the total) have a high-speed connection.

Among technological personal leisure goods, the use of DVDs soared from 42% to 51% of the respondents. The use of digital cameras and innovative TV connections also increased (from 22% and 17%, a year ago, to 30% and 24%, respectively). Nevertheless, the diffusion of higher-technological products, such as plasma and liquid crystal TV sets and satellite navigators was lacklustre: the percentage of respondents who owned flat screen TV sets rose from 5% to 7%, and only 4% of the respondents reported having a satellite navigator.

With regard to domestic appliances, the percentage of the respondents who reported owning a dishwasher stabilized (42% of respondents, compared with 43% in 2005), while there was an increase in the diffusion of air-conditioners (24% of the respondents, as against 21% last year).

Regarding car ownership, 85% of Italian households indicated that they own at least one car (a moderate decrease with respect to 86% in 2005). The percentage of those that reported having only one car marginally decreased from 49% to 48%, while the fraction of households owing more than one car stabilized (at 37%, as in 2005).

According to the regional breakdown, in the North West the diffusion of personal computers, internet connections (including high-speed ones), digital cameras, dishwashers and multiple car ownership was above the national average. Diffusion was instead below average with regard to flat screen TV sets, DVD readers, innovative TV connections and air-

conditioners. The Survey pointed instead to an above average diffusion and an increase in the ownership of air-conditioners in the North East. Households in this region also posted an above average ownership for dishwashers, computers and internet connections, plasma TV sets (with a 3 points increase, to 10% of households, on average). With regard to cars, Northern consumers had the highest percentage of multiple car ownership per household (43%).

In the Centre, the peak in diffusion and growth, with respect to 2005, was reached by the technological leisure goods (DVDs, satellite parable). The diffusion of information and communication technology products (PCs and internet connections), while remaining above the national average, slowed down. Instead air-conditioners were less spread in this region.

In the *Mezzogiorno*, the diffusion of all the above mentioned products, though increasing with respect to 2005, remained below the national average: the low percentage of internet connections and dishwashers and the fall in the already low level of car ownership stood out negatively.