



CONSUMER CONFIDENCE RISES IN FEBRUARY

- The seasonally adjusted index increased to 111.7 (from 110.3 in January), returning above its fourth quarter 2006 average level. The raw index grew to a lesser extent, moving from 110.8 to 111.2, while the indicator also adjusted for irregular components slightly edged down to 111.3 (from 111.5 in January)
- Both the opinions on the country's overall economic situation and short-term expectations bettered. The related indexes regained more than three points, rising from 95.7 and 102.1 to 99 and 105.9, respectively
- Following three months of improvement, the evaluation of the current situation worsened and the appraisal of the respondents' personal situation remained practically the same. The related indicators moved from 115.9 and 117.9 to 115 and 117.8
- Consumers started again to perceive and expect lower inflation
- The improvement in confidence was not homogeneous across the country: the progress was particularly sharp in the North and the *Mezzogiorno*, whereas in Centre the indicator declined, nearing the value posted last September

THE DIFFUSION OF "HIGH-SPEED" INTERNET CONNECTIONS, TECHNOLOGICALLY ADVANCED TV SETS AND AIR-CONDITIONERS INCREASES, WHEREAS THAT OF PERSONAL COMPUTERS, SATELLITE-TV CONNECTIONS AND DVDs DECLINES

- The traditional February ISAE Survey highlighted an increase in 2006 in the diffusion of high-tech goods and services for personal and family use, such as "high-speed" internet connections and technologically advanced TV sets. The diffusion of personal computers, satellite TV sets and DVDs diminished instead. The ownership of digital cameras and satellite navigator systems remained virtually unchanged
- As for traditional home appliances, the use of dishwashers declined whereas that of air-conditioners increased
- Finally, with regard to more traditional consumer durables, the proportion of respondents who declared owning at least one car remained stable, but the number of those who reported having more than one diminished

Data on March shall be released on March 21, 2007

The next ISAE surveys are scheduled as follows:

February 22: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: February)*

February 27: *ISAE Monthly Business Services Survey (reference period: February), ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: February) and ISAE Monthly Survey on Construction (reference period: January)*

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

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

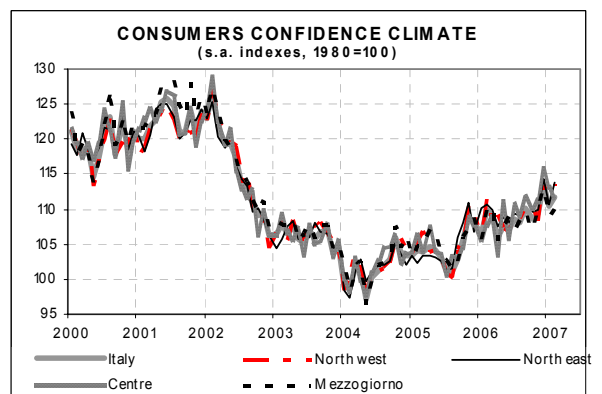
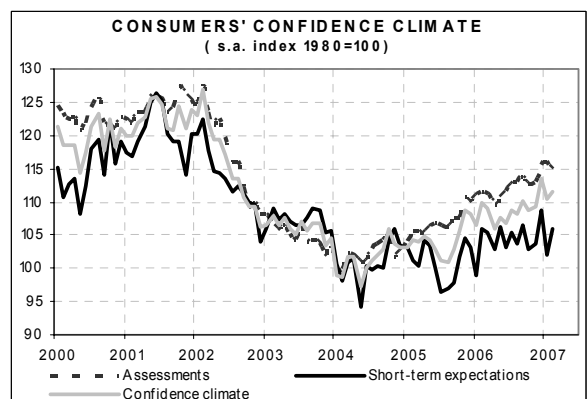
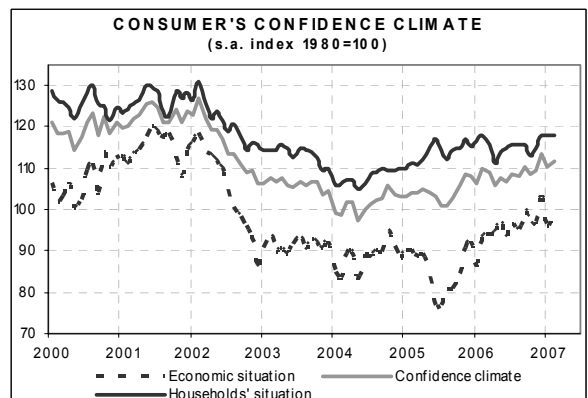
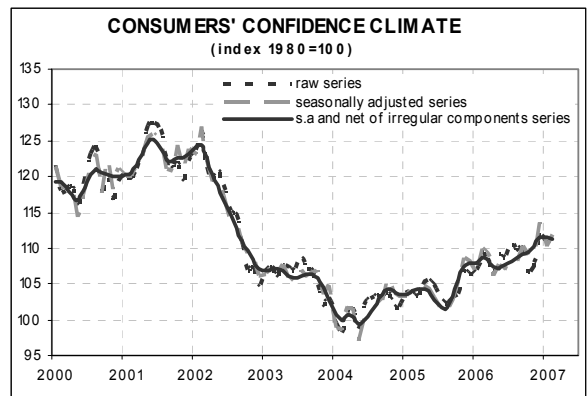
According to the ISAE Survey, carried out on a sample of 2,000 respondents between February 2 and February 13, following the drop posted in January, Italian consumer confidence was partly on the mend in February, reaching 111.7 (from 110.3) and returning above its fourth quarter 2006 average value. The raw index grew more moderately, moving from 110.8 to 111.2, while the one also adjusted for irregular components slightly edged down to 111.3 (from 111.5 in January).

Renewed optimism characterized in particular the opinions on the overall economic situation and short-term expectations. The related indexes regained both more than three points, moving from 95.7 and 99 to 102.1 and 105.9 and returning above their year average level. By contrast, after three months of improvement, the evaluation of the current situation slightly edged down from 115.9 to 115, whereas that of the respondents' personal situation remained practically unchanged at 117.9 (compared to 117.8 in January). As for prices, consumers became confident about an easing of present and future inflation, thus removing the concerns about higher inflation which had emerged last January.

The improvement in confidence was unevenly spread across the country: the progress was sharp in the North and the *Mezzogiorno*, whereas the indicator declined in Centre, returning to the value posted last September. Particularly, in the North and the *Mezzogiorno* consumers gave an optimistic appraisal of the general economic situation and of future conditions, whereas contrasting signals characterized the personal situation. In the Centre, instead, opinions were generally pessimistic.

Overall situation

Assessments and forecasts on Italy's economic situation partially made up for the sharp fall recorded the previous month. In particular, opinions bettered from -73 to -68 and expectations moved from -27 to -22. Also opinions on the labour market started to



improve once more, and expectations of a rise in unemployment lowered to 33 (from 36 in last January). All three indicators came in above the average of the last three months.

As for prices, the balance for the opinions on the rise recorded in the last twelve months diminished from 54 to 49, nearly offsetting the increase posted in January. In detail, the number of respondents who thought that prices were “fairly” and “markedly” higher declined from 42% to 40% and from 18%, to 16%, respectively, whereas the share of those believing that prices increased “little” with respect to the previous twelve months rose from 17% to 21%, and the proportion of those considering that prices remained “equal” edged down from 22% to 21%.

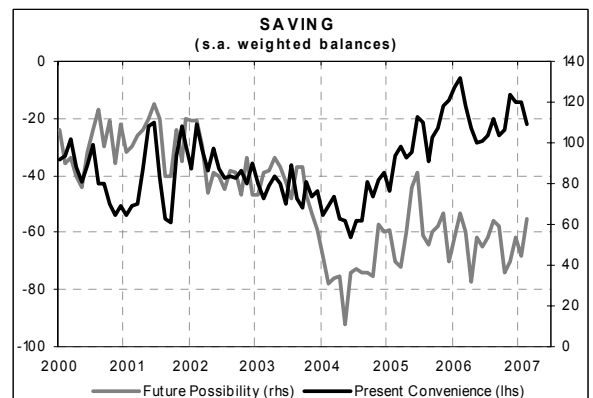
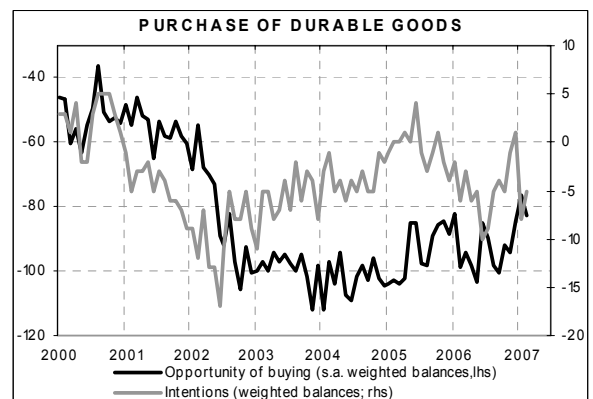
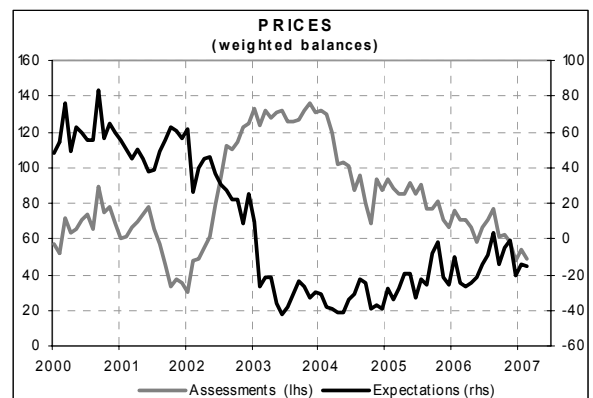
Concerns about an increase in inflation in the following twelve months also slightly eased. The related balance lowered from -14 to -15, driven by a decline (from 6% to 5%) in the percentage of consumers expecting a sharp increase in prices and by a rise (from 2% to 3%) in the share of those anticipating clearly lower inflation in the future. In contrast, the number of consumers expecting a smaller increase and of those forecasting stability in prices declined (the related balances moved from 19% and 45% to 18% and 43%, respectively). Lastly, the share of consumers expecting same inflation increased (from 23% to 24%).

Personal situation

The improvement in the respondents’ evaluation of their personal situation was confirmed for the third month running: the balance referring to the family budget improved from 10 to 15 and, accordingly, future saving opportunities improved, rising from -68 to -55. Nevertheless, consumers judged rather less favourably their present convenience to save: the related balance lowered from 120 to 109. However in this situation, consumers’ opinions on their family’s conditions remained virtually unchanged: the balance for opinions edged down from -38 to -39 and the one for expectations remained at -7.

Furthermore, consumers became again more cautious about current buying convenience for consumer durables. Practically offsetting the rise posted the previous month, the balance declined from -76 to -83, nearing the level recorded in December 2006 (-84).

Consumers were nevertheless less pessimistic about future buying intentions. The related raw weighted balance recovered from -8 to -5.



Regional breakdown of consumer confidence

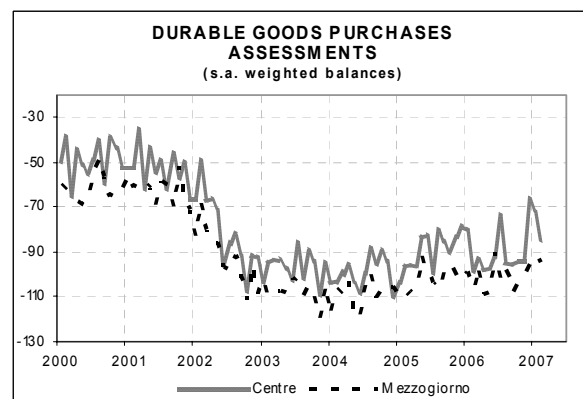
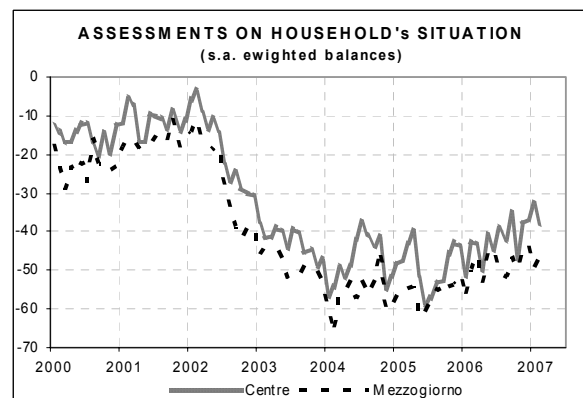
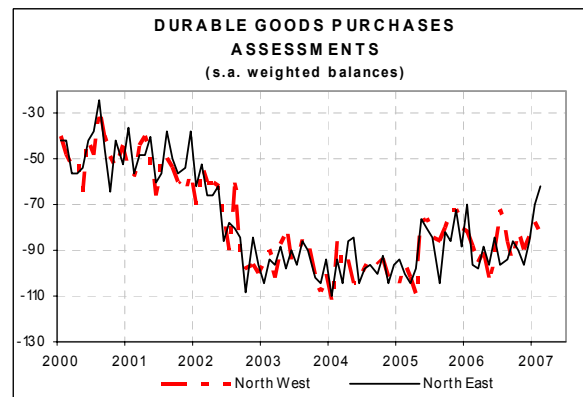
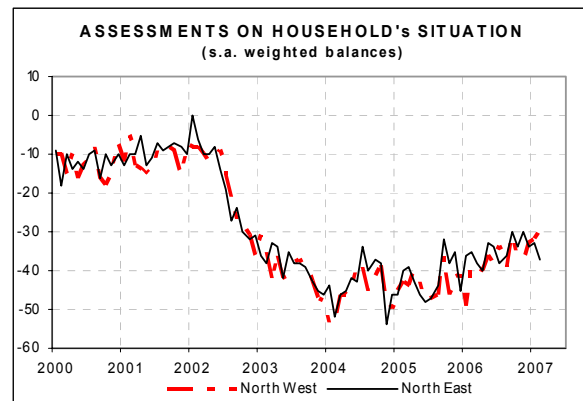
The recovery in confidence at the national level was not homogeneous across the country. The North and the *Mezzogiorno* posted a clear increase, whereas in the Centre the indicator declined, returning to the level recorded last September. In the North and the *Mezzogiorno* consumers gave an optimistic assessment on both the general economic situation and on future conditions, whereas contrasting signals characterized opinions and forecasts on the personal situation. In the Centre, instead, the evaluation of both the overall and the personal situation was pessimistic.

North West: the rise in the indicator (from 111.9 to 113.7) was mainly backed by the improvement in opinions and forecasts on the general economic situation and by an optimistic appraisal of future conditions and, though to a lesser extent, of the consumers' personal situation. Current conditions sent instead negative signals.

North East: in this area consumer confidence bettered markedly (the index rose from 110.8 to 113.9). The improvement was due to clear recovery in opinions on the general economic situation and, above all, on future conditions. Respondents gave an optimistic assessment also on their personal situation and on current conditions, which recovered after the drop recorded the previous month.

Centre: in contrast with the trend in the rest of the country, the indicator declined from 113.1 to 111.4. The worsening was mainly driven by widespread pessimism of opinions on the current situation and on the personal one. The opinions on future conditions were less pessimistic, whereas those on the general economic situation remained virtually stable.

Mezzogiorno: after the sharp worsening recorded in the previous month, in the *Mezzogiorno* the consumer confidence index started to improve once more, rising from 108.8 to 110. The recovery largely stemmed from the improvement in the opinions on the general economic situation and on future conditions. The assessment on current conditions and on the personal situation worsened instead.



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

In February, ISAE carried out its traditional yearly survey on the ownership and the use of technological personal goods and services (internet, personal computers, technologically advanced TV sets, etc.) as well as on some conventional consumer durables (dishwashers, air-conditioners, cars).

In February 2007, the survey recorded an a year-on-year decline in the share of consumers stating the ownership of a personal computer (from 48% to 45%), a DVD player (from 51% to 46%) and pay-TV access (from 24% to 18%), whereas virtual stability characterized the diffusion of internet connections (from 40% to 39% of the sample), as well as digital cameras (from 30% to 29%). Satellite navigators remained a “niche” product (5% of the sample reported having such a system, compared to 4% a year earlier). However, the percentage of respondents confirming the access to “high-speed” internet markedly increased (ADSL and similar systems, from 24% to 26%) as well those owning technologically advanced TV sets (plasma and liquid crystals TV sets, from 7% to 9% of the sample).

As for traditional consumer durables, the share of families stating that they have a dishwasher lowered (to 37% of the respondents compared to 42% in 2006), whereas the diffusion of air-conditioners increased (to 26% of consumers from 24% the previous year). With regard to cars, 85% of Italian families indicated that they have at least one car (as in 2006). However the number of those owning only one car increased (from 48% to 51%), while the share of those that reported having more than one car declined (from 37% to 34% of surveyed families).

According to the regional breakdown, in the North West the diffusion of personal computers, internet connections (including “high-speed” ones), flat-screen TV sets, innovative TV connections and satellite navigators was above the national average. For the North East, the Survey indicated an above average

diffusion mainly for air-conditioners, dishwashers and information and communication technology products (PCs and internet connections, including “high-speed” ones). The latter products were particularly widespread in the Centre, along with the ownership of DVD players and dishwashers.

In the *Mezzogiorno*, the ownership of both traditional goods and more technologically advanced ones posted a decline and remained below the national average, mainly with regard to dishwashers and internet connections. The fall in multiple car ownership recorded at the national level was also sharper in the *Mezzogiorno*, in line with the average of the North West and the Centre, whereas in the North East the share stood seven percentage points higher.