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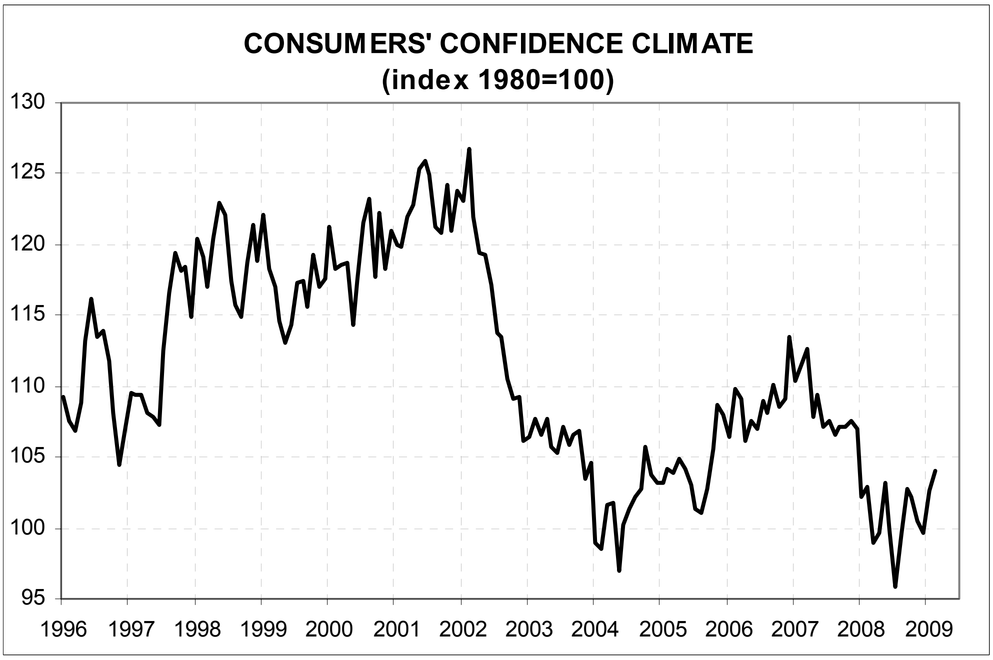
CONSUMER CONFIDENCE RECOVERS FURTHER IN FEBRUARY

- **The index increased to 104.1 from 102.6 in January, going back to its December 2007 high. Improvement mainly distinguished the respondents' perception of their personal situation (from 117.3 to 119.1) and of current conditions (from 110.3 to 111.6)**
- **The indicator for short-term forecasts remained instead basically unchanged at 90.7 (compared to 90.6 in the previous month), while the one for general economic conditions posted a moderate decline (from 72.1 to 71.7)**
- **At this stage, consumers seem to have been positively influenced by the slowdown in current and expected inflation. Thereby, the opinions on savings, the family's financial situation, and the durable goods market recovered**
- **The regional breakdown showed however some differences: confidence actually improved in the North and the Centre, but continued to decline in the *Mezzogiorno***



Data on March shall be released on March 25, 2009

The next ISAE surveys are scheduled as follows:

February 26: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: February)*

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

March 10: *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)

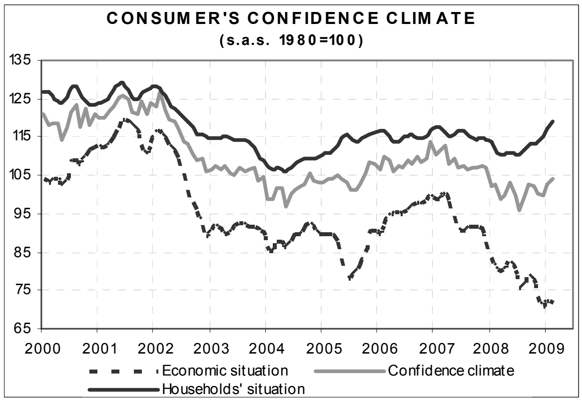
Italian consumers' confidence

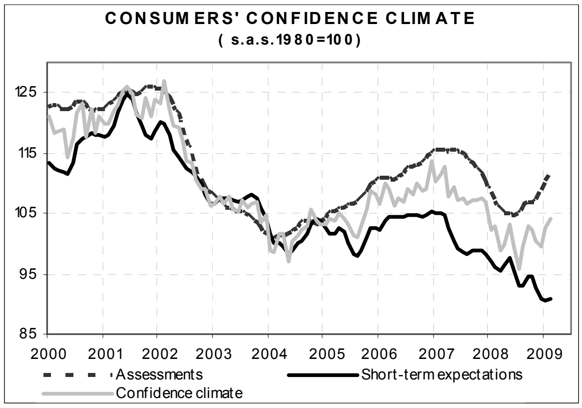
According to the ISAE Survey carried out between February 2 and February 18, Italian consumers' confidence recovered further in February. The indicator reached 104.1 (102.6 in the previous month), going back to its December 2007 value.

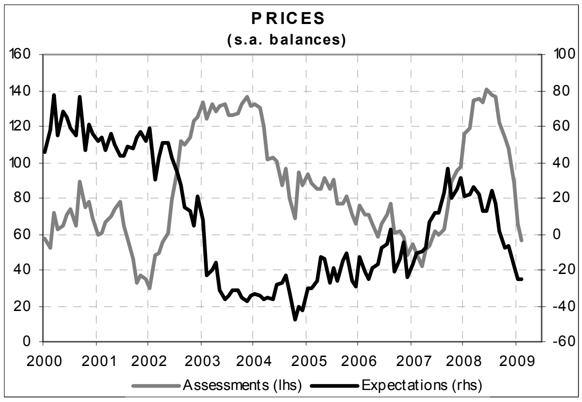
Higher optimism characterized the opinions on the personal situation, which improved for the eighth consecutive month (starting from July 2008) and settled around their July 2002 value. Assessments on the durable goods market and on savings gave the best indications. The more favourable opinions on saving opportunities also pushed up the index for current conditions, which moved from 110.3 to 111.6, returning to the level posted in November 2007. Short-term forecasts remained instead virtually stable at 90.7 (90.6 in January), while the ones for general economic conditions started to decline.

At this stage, the improvement in confidence was probably mainly influenced by the slowdown in current and expected inflation: the opinions on inflation posted in the last twelve months were further scaled down and the sharp drop already recorded in January by prospects for the following year was confirmed.

At the regional level, confidence improved in the North, recovered slightly in the Centre, but declined moderately in the South.

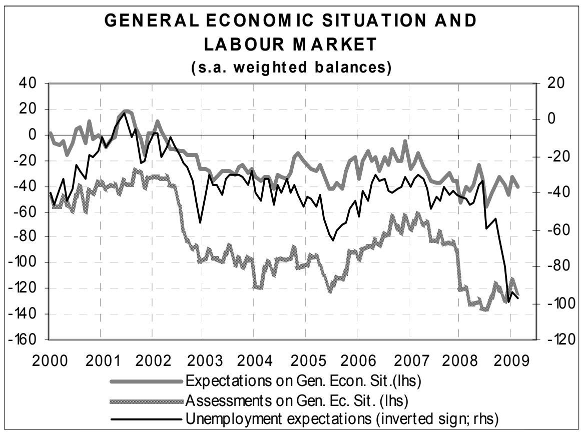






Overall economic situation

In this case, consumers expressed once more pessimistic views mainly because of concerns related to the international crisis, which were expected to negatively influence also labour market developments. More in detail, following the improvement recorded in January, the opinions on Italy's general economic situation began to deteriorate once more: the balance for the trend in the last twelve months fell from -115 to -123 and the one for short-term expectations diminished from -33 to -40. Short-term forecasts for labour market developments started to worsen again: the balance for prospects of a rise in unemployment



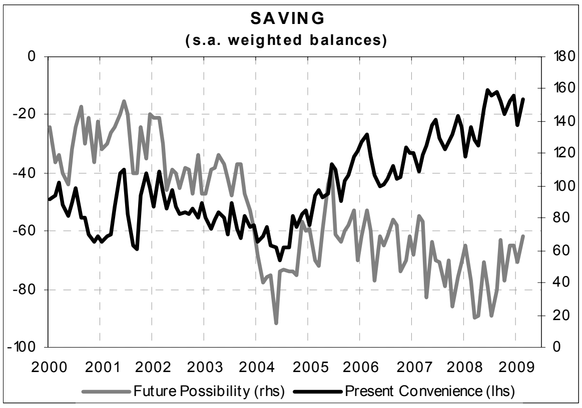
increased from 94 to 97, coming close to its record high.

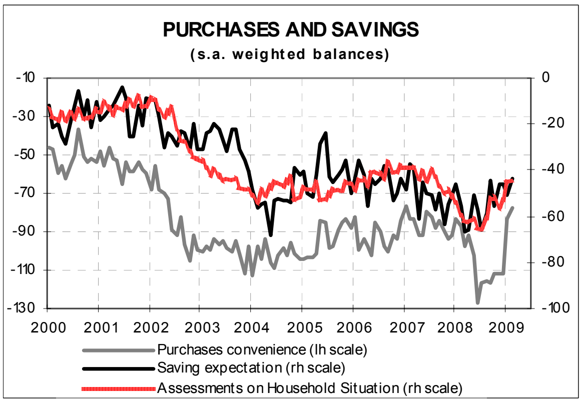
As for the price trend, the opinions on inflation recorded in the last twelve months fell further, moving from 66 (in January) to 56, the lowest level since May 2007. The balance related to expectations for the following year remained at -25, a low last reached in March 2006. Therefore, inflation came in increasingly lower than the peaks posted during the first half of 2008, when the balance for opinions on current inflation reached 141 in June and the one for forecasts hit 26 in March.

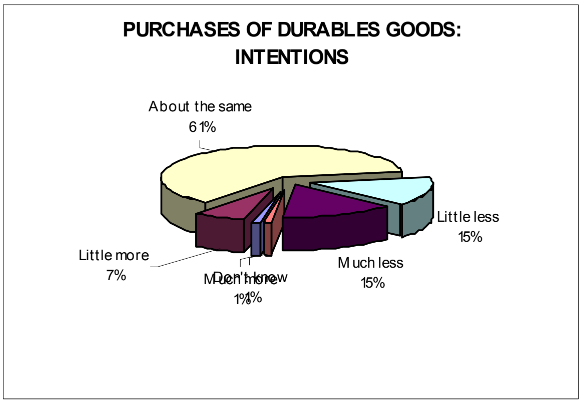
Personal situation

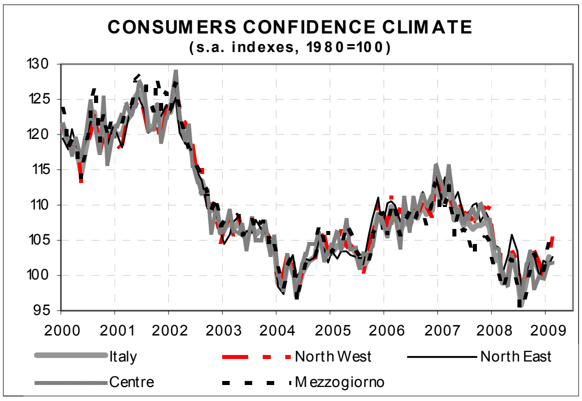
The slowdown in inflation seems above all to have had a positive effect on the consumers' personal situation. Apart from the slight caution concerning the future family situation (the related balance worsened from -13 to -15), all the other components of the personal confidence indicator showed favourable developments. In particular, families had a more positive view regarding their current conditions (the balance recovered from -45 to -44) and, mainly, their budget (the balance increased from 2 to 8). Respondents positively viewed their current situation, with regard to the convenience not only to save money (the balance rose from 138 to 154) but also to purchase durable goods (the balance recovered from -83 to -77, the best result since January 2007). Moreover, for the following twelve months, consumers forecast a rise in their actual saving potential: the related balance recuperated, moving from -71 in January to -62, a level last reached in March 2007.

Regarding the consumer durables market, starting from January 2009, ISAE changed the questionnaire on future buying intentions for harmonization with the one adopted by the European Union. According to the current survey, 61% of the respondents stated that, in the next twelve months, they were going to keep consumer durables' expenditures practically unchanged, while 30% said they planed to cut them down (15% would do so significantly). Lastly, only 8% of consumers intended to spend more or much more than before.









Regional breakdown of consumer confidence

In February, the recovery in consumer confidence posted at the national level was the result of mixed trends across areas. The confidence index bettered in the North and, to a lesser extent, in the Centre, whereas it worsened slightly in the *Mezzogiorno*. As recorded for the country's overall indicator, improvement mainly distinguished the opinions on personal conditions, whereas negative indications came from assessments on the country's economic climate, particularly in the North West and the South.

<u>North West</u>: in the North West, the confidence indicator experienced the sharpest improvement compared to the other areas, moving from 103.2 to 105.5 and reaching the highest level since December 2007. The rise was mainly due to more favourable opinions on current and personal conditions. In contrast, assessments and forecasts on the country's general economic situation and on the labour market came in markedly negative.

<u>North East</u>: also in this area confidence bettered, rising from 101.5 to 102.7. The improvement stemmed not only from the personal situation, but also, in contrast with all the other areas, from future prospects. In this case as well, respondents showed concerns about the general economic situation.

<u>Centre</u>: confidence improved, though less than in the northern regions: the index rose from 101.5 to 102. The overall progress was the result of optimism about personal and current conditions which slightly more than compensated concerns about the country's economic situation and pessimism regarding future conditions.

<u>*Mezzogiorno*</u>: in this area, unfavourable assessments prevailed: the index declined from 105.2 to 104.8. Positive indications about the personal situation and unchanged opinions on current conditions could not offset the pessimism which distinguished future prospects and, mainly, the evaluation of the country's economic situation.