



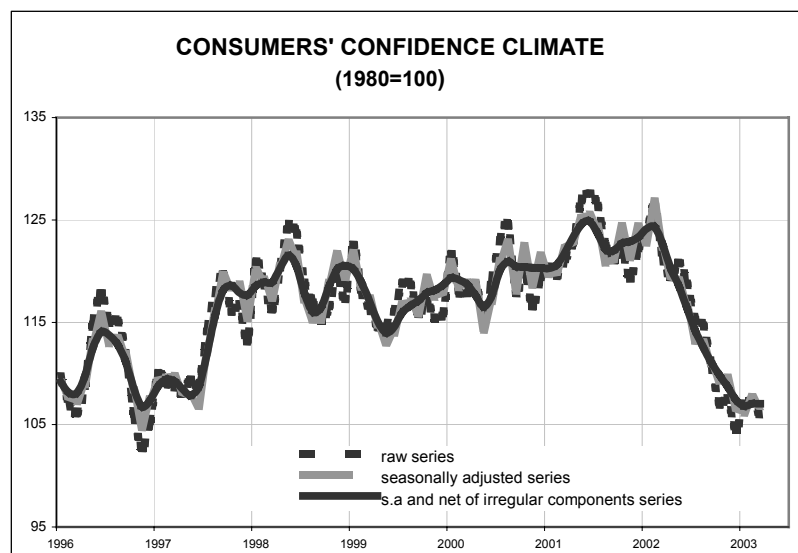
ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482325

Date: **March 20, 2003**

ISAE CONSUMER SURVEY

Reference month: March

- The Italian consumers' confidence climate (raw data) falls again in March, after two months of recovery, going from 107.3 to 105.8. The seasonally adjusted index shows a less evident contraction, falling from 107.7 in February to 106.8. The indicator adjusted for the seasonal and irregular component remains substantially stable on the levels of the previous month (from 107 in February to 107.1 in March)
- Unfavourable indications come from the answers concerning the general economic framework, which is probably influenced by the international economic situation. A worsening is observed both in assessments and in expectations on the country's economic situation. Also short-term expectations on the labour market evolution are worsening. Indeed, the reduction in expectations on inflation – which emerged in February – is confirmed
- Assessments and forecasts on the households' own situations remain stable: the present households' financial situations are improving, as are the saving opportunities and convenience. However, a marked caution emerges from intentions to purchase durables, given the worsening of assessments and forecasts on the households' economic situations
- In the euro area, the consumers' confidence decreased in February and reached its minimum levels since September 1996. The fall is wide-spread and is particularly strong in France, Portugal, Belgium and Finland. Signals of recovery emerge only in Italy, as already signalled by ISAE in its Survey of February 20



Data referring to April shall be diffused on **April 22, 2003**.

Next ISAE surveys are scheduled as follows:

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

March 26, 2003: ISAE Monthly Business Service Survey (Reference period: March)

March 27, 2003: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: February)

March 31, 2003: Comparative Business Surveys for Italy, Germany and France (Reference month: March)

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

March 2003

According to the Survey carried out by ISAE between March 3 and 14 on a sample of 2,000 respondents, the Italian consumers' confidence climate (raw data) in March shows an inverse of trend, after two months of recovery, going from 107.3 in February to 105.8. The seasonally adjusted index decreases - though to a proportionally lesser extent - from 107.7 to 106.8. The indicator adjusted for the seasonal and irregular component - which is by nature more influenced by the past trend of the historical series - remains substantially stable on the levels of the previous month (from 107 in February to 107.1 in March).

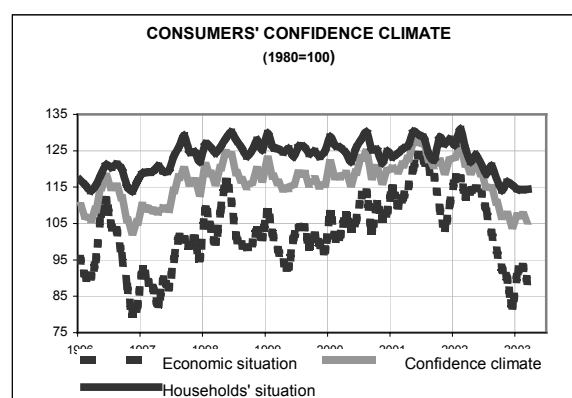
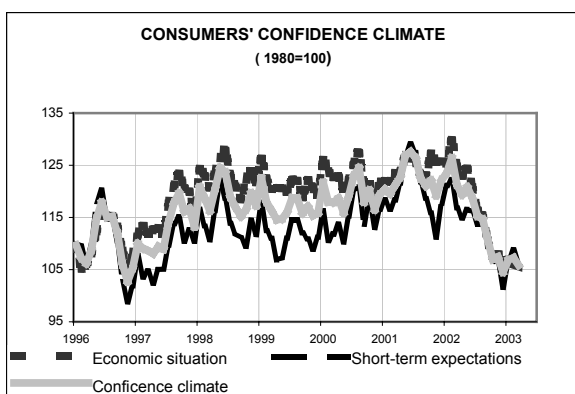
Cautious indications come from the answers concerning the general economic framework, which are probably influenced by the evolution of the international economic situation. A worsening is observed both in assessments and in expectations on the country's economic situation, while concerns on the labour market evolution are looming ahead in a situation characterised by a gradual and rapid reduction of inflationary expectations.

Assessments and forecasts on the households' own situations remain generally stable: the present households' situations are improving, while favourable signals come from forecasts on the saving opportunities and convenience for the next twelve months.

Overall situation

In March, the confidence climate raw index on the general economic situation shows a clear inverse of trend, going from 93.1 in February to 88.5, which is below the January 2003 level. In particular, a worsening is observed in assessments and expectations on the country's general economic situation: the balances go from -65 and -21 to -70 and -27 respectively. Concerns on the short-term labour market evolution emerge as well: indeed the percentage of those expecting a rise in the number of unemployed grows from 40 to 42%.

Finally, the share of consumers perceiving a marked price dynamics remains high: the percentage of respondents deeming prices rose "very much" or "enough" passes from 87% to 89%. Indeed, the number of those expecting prices to rise more or in the same amount as in next year slightly increases, passing from 23% in February to 25% in March (which is much smaller than the January figure of 40%), while the share of respondents expecting a substantial price stability in the next twelve months remains at 50%, which is an all-time high.



Households' situation

The raw confidence index referring to respondents' own situations alone slightly rises in March, passing from 114.4 to 114.5, mainly because of the rosier assessments on their own situations (the balance passing from 11 to 13) and of the greater convenience to save expressed by 75% of respondents (73% in the previous survey). Also forecasts on the opportunity to save in the next twelve months are improving (the share of those deeming their saving "certain" or "likely" rises from 37 to 40%). Conversely, assessments and forecasts on the present households' own situations are slightly worsening (the balance for assessments and forecasts going from -36 and 0 to -37 and -2 respectively).

Cautious indications also come from opinions on the present convenience to purchase durables: the share of those considering the present situation as unfavourable grows from 54% to 57%. Forecasts for the next twelve months appear more cautious: the share of those expecting to make major purchases in the next twelve months (less, in the same amount or more than last year) continues to diminish (from 34 to 30%), while the percentage of those declaring their intentions to make no purchase at all remains on the minimum levels of November 2001. Going in detail, the number of respondents declaring their intentions to purchase a home in the next two years goes from 5% to 4%, and the share of those intending to spend for home maintenance and improvement in the next twelve months falls from 11 to 10%. Finally, the number of consumers deeming it probable or certain to buy a car in the next two years decreases from 14 to 10% of the sample.

II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

February and early-March 2003

In February, the consumers' confidence climate registers a further contraction in the average of the euro area and a new deterioration in the United States.

According to the European Commission Consumer Survey, the confidence climate indicator for the euro area falls from -17 in January to -19 in February, which is close to the minimum figures of September 1996. Forecasts on the general economic situation are worsening (the balance decreasing from -21 to -23), while the number of those expecting a growth in the number of unemployed is increasing (the balance passing from 36 to 39). Expectations on the households' economic situations and on the future saving opportunities remain stable (in terms of balance) at -5 and -9 respectively.

Among non confidence-building series, a worsening emerges in opinions on the households' own situations (the balance falling from -19 to -20). With regard to durables, the number of households still perceiving the present moment as non favourable for major purchases is growing (the balance goes from -24 to -25); for the next twelve months, spending prospects slightly improve (the balance passing from -21 to -20). Finally, the balance concerning expectations on prices rises again (from 11 to 12).

In February, the consumers' confidence climate markedly deteriorates in France, Portugal and Belgium, while it slightly decreases in Finland, Greece, Spain and in the Netherlands. Conversely, the confidence indicator improves in Italy (as already signalled by ISAE in its survey of February 20) and remains unchanged in Germany, Ireland and Austria.

Among the major countries, Germany - after registering a confidence climate deterioration for four months in a row - remains substantially stable in

February (the balance being at -19). The prospects on the households' own situation (the balance passing from -9 to -10) and on the general economic trend (the balance decreasing from -26 to -27) are worsening. Partially favourable signals come from labour market expectations and from expectations on the future saving opportunities.

The French confidence indicator strongly deteriorates, passing from -20 to -26. This figure mirrors a worsening of all index components, with the exception of prospects on the households' own situation, which show a substantial stability. The balances corresponding to the prospects of the general economic situation considerably diminish (from -18 to -25), as do those on the saving opportunities (from -18 to -21). Furthermore, growing concerns on the labour market trend are emerging, with a strong rise in the share of those expecting an unemployment rise (the balance passing from 43 to 57). Among non-confidence indicators, an inflation rekindling is observed (the balance passing from 3 to 15).

In Spain, the confidence climate slightly worsens and goes to -17 in February (from -16 in January), mainly because of the decreasing expectations on the general economic situation (from -13 to -15) and on the future saving opportunities (from -24 to -27). Conversely, among other indicators, an improvement in the spending prospects is observed for the next twelve months (the balance passing from -23 to -20). Indeed, the balance concerning price expectations rises again (from 25 to 27).

In the United States, the Conference Board index drastically diminishes in February (for the third month in a row) and reaches 64 (78.8 in January). The result mainly reflects a worsening in the prospects of recovery of the American economy (the sub-indicator concerning expectations alone decreases from 81.1 to 65.6) as well as darker assessments on the current business trend. Also prospects and assessments on the labour market are decreasing compared to last January.

Similarly, the University of Michigan confidence indicator falls (though to a lesser extent) from 82.4 to 79.9, thus mirroring a worsening in both expectations and opinions on the general economic situation and on the households' own situations, due to the growing concerns for the ongoing international crisis. 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 March and reaches 75, maybe owing to the growing concerns connected with the international crisis.