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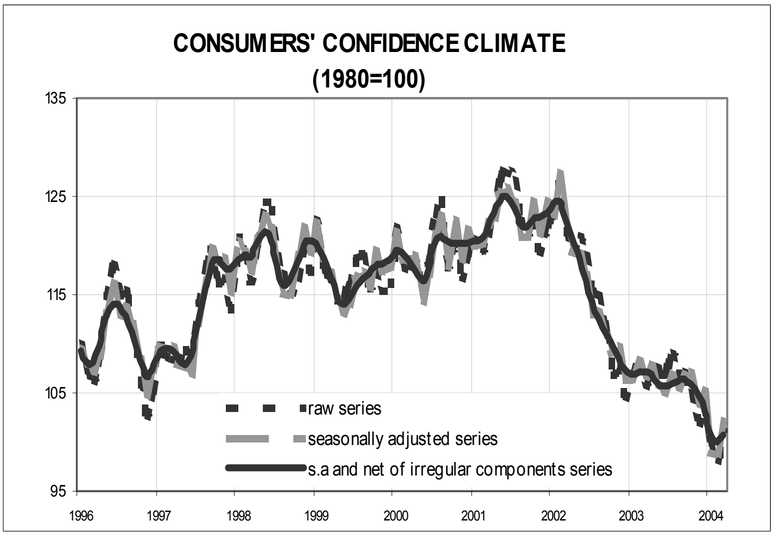
# THE CONSUMERS' CONFIDENCE GROWS AGAIN IN MARCH, IN SPITE OF THE NEGATIVE IMPACT OF THE MADRID ATTACKS

- **The raw index rises from 98.2 to 100.9, while the seasonally adjusted indicator shows a similar recovery and passes from 98.9 to 101.9. The indicator adjusted for the seasonal and irregular component - which is more affected by the past trend of the historical series – witnesses a small rise and passes from 100.0 in February to 100.8 in March**
- **The last two days of the Survey (carried out between March 1 and 12) coincide with the day of the Madrid terrorist attacks and with the immediate follow-up. The consumers' confidence on March 11 and 12 is four points below the raw index computed between March 1 and 10**
- **The negative impact of the attacks is larger than the one following the Sept. 11 attack: however, on that occasion the deterioration was transitional and the October index was indeed close to the pre-attack levels**
- **The March confidence improvement is particularly marked in the economic situation climate, mainly thanks to more favourable assessments on the country's general economic situation and to expectations for a marked unemployment reduction**
- **Even the households' own situations is slightly improving, particularly thanks to rosier evaluations on the saving opportunities and convenience: thus, the tensions due to the recent financial scandals seem to be overcome**
- **Finally a slowdown is emerging in the present price dynamics perception and signals for a future stabilisation are becoming stronger**
- **The average consumers' confidence in the euro area countries shows a recovery in February, though remaining below the average figures of 2003. Particularly favourable signals come from Germany and the Netherlands. According to the early Michigan University data on March, the American consumers' confidence should remain stable on the February levels**




***Data referring to April shall be diffused on April 23, 2004.***
*Next ISAE surveys are scheduled as follows:*
**March 24, 2004**: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: March)*
**March 25, 2004:** *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: February) and **ISAE** Monthly Business Service Survey (Reference month: March)*
**March 31, 2004:** *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 2004*

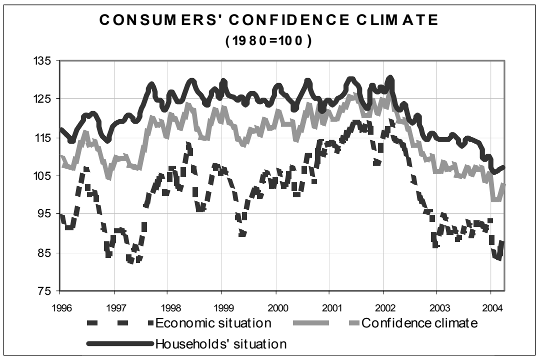
According to the Consumer Survey carried out by ISAE between March 1 and 12 on a sample of 2,000 respondents - thus partially affected by the tragic Madrid attacks of March 11 -, the Italian consumers' confidence indicator grows again after a two months' contraction, though remaining below the December 2003 figures.

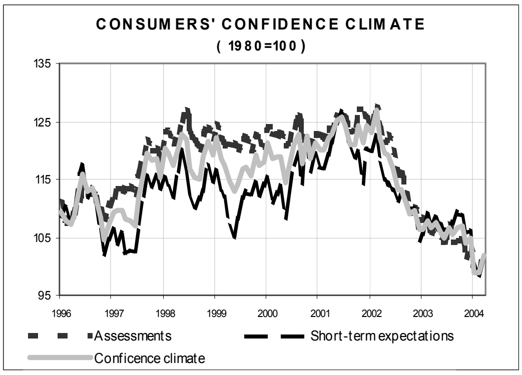
The raw index rises from 98.2 to 100.9, while the seasonally adjusted indicator shows a similar recovery and passes from 98.9 to 101.9. The indicator adjusted for the seasonal and irregular component - which is more affected by the past trend of the historical series – witnesses a small rise and grows from 100.0 in February to 100.8 in March.

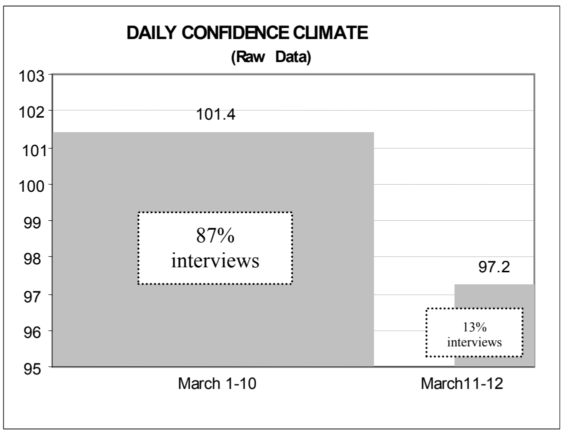
The Surveys was carried out between March 1 and 12: thus, most of them (87%) were made before the Madrid attacks. If the pre-attack period (March 1-10) is considered separately from the post-attack days (March 11-12), the consumers' confidence passes from 101.4 to 97.2 (raw data), thus registering a four-point contraction. Looking at similar episodes of the past, the confidence climate after the Sept. 11 was two points below the pre-attack figures: maybe the higher impact on the consumers' confidence of the Madrid attacks is due to the direct involvement of a European country. Besides, the effects of the Sept. 11 terrorist attack were only temporary, and the October 2001 index was already close to the pre-attack figures.

Looking at the overall March trends, the confidence improvement is diffused in almost all areas and is particularly marked in the economic situation climate, particularly thanks to more favourable assessments – in terms of weighted balances, seasonally adjusted by ISAE - on the country's general economic situation and to expectations for a marked unemployment reduction. Also the sub-indicator on the respondents' own situations is improving thanks to rosier evaluations on the saving opportunities and convenience: thus, the tensions due to the recent financial scandals seem to be overcome. However, the forecasts on the households' economic situations are cautious and signals of pessimism emerge on the convenience to purchase durables.

Finally, a slowdown is characterising the present price dynamics perception and signals for a future stabilisation are becoming stronger.



**Overall situation**

In March, the confidence climate seasonally adjusted index on the general economic situation alone registers a considerable improvement, passing from 83.6 to 90.1 and thus getting close to the December 2003 values, after two months characterised by a strong deterioration. In particular, ISAE respondents feel the country's economic situation is clearly improving, as the seasonally adjusted balance recovers from –118 to –103, and the short-term expectations become more favourable and grow from –35 to –31.

Furthermore, respondents expect a clear unemployment contraction, with a balance diminishing from 44 to 33 (seasonally adjusted data).

Finally, favourable signals come from the inflation dynamics: the share of respondents considering prices rose "very much" in the past 12 months decreases from 47 to 41%, while the number of those deeming prices grew "enough" rises from 42 to 45%. Finally, the percentage of respondents feeling prices diminished or remained stable increase both to 7% (from 5 and 6% respectively). With reference to expectations for the next 12 months, a substantial stability is expected by 55% of respondents (as in the previous Survey), while the share of those expecting a growth smaller than in the past goes from 22 to 24%.

**Households' situation**

In March, the seasonally adjusted confidence index referring to the respondents' own situation alone increases from 106.2 to 107.2. The improvement is due in particular to rosier assessments on the financial situations, as the weighted balance (seasonally adjusted data) is positive again and increases from 0 to 7, which is close to the November 2003 data.

With reference to household situation assessments recover and pass from –54 to –51 (seasonally adjusted and weighted balances), while expectations remain cautious and show a slight contraction (from -9 to –10).

Turning to saving, consumers seem to have overcome the tensions due to the recent financial scandals: indeed, the balance concerning the present saving convenience rises from 69 to 74, thus getting close to the late-2003 figures. Though remaining cautious, also expectations on the future saving opportunities improve and their balance recovers from –78 to –76.

With regard to durables, partially opposing signals are emerging, pointing to worsening assessments on the present convenience to purchase durables and, at the same time, to an improvement in short-term purchasing intentions. The (weighted and seasonally adjusted) balance concerning the present convenience to purchase diminishes from –98 to –104. With reference to intentions to purchase in the next 12 months, (raw data, non confidence-building variable), the share of those declaring their intentions to make as many, or more or less purchases compared to the past rises from 31 to 38%, while the number of those intending to make no purchase at all decreases from 69 to 61% of the sample (close to the April 2003 data).

With regard to major purchases, forecasts on the number of car buyers improve (from 7 to 8%), while the share of households "definitely" excluding they will buy a new car in the next 12 months falls from 86 to 82%.

With reference to home purchases, forecasts are cautious: in March 1% of consumers are "certainly" or "probably" bound to buy a home (2% in February), while 6% of respondents (5% in February) are favourable to spend for home maintenance or improvement, and the number of those "definitely" excluding they will spend on this item goes down from 86 to 82%.

**II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS**

*February and early-March data*

The average figures for the euro area referring to February show that the consumers' confidence recovers, though remaining below the average figures of 2003[1]; indeed, particularly favourable signals come from Germany and the Netherlands. According to the early Michigan University data on March, the American consumers' confidence should remain stable on the February levels.

Turning to details, the average euro area indicator equals –14 (-15 in January): almost all confidence-building components improve, with the exception of future saving opportunities, which remain stable at –9 (as in the previous month). In particular, strong signals of recovery emerge both from the prospects of the general economic situation (passing from –14 to –12, which are the highest values ever reached since October 2002) and from the labour market trend (the share of those expecting an unemployment rise falls from 31 to 30, which is also one of the lowest figure since November 2002).

Among the non confidence-building indicators (according to the Commission), a marked recovery is observed in assessments on the country's general economic situation. Besides, evaluations on the present convenience to purchase durables are improving, as are the spending prospects for the next 12 months, though new inflationary thrusts are emerging.

Among the major countries, the German confidence climate considerably improves in February (from –16 to –13), thus reaching definitely better values than the average figures of 2003. Favourable signals come from all confidence-building components: in particular, the number of those expecting an unemployment growth is decreasing from 38 to 34 in terms of balance. With regard to prices, the inflationary tensions are diminishing, unlike what happens on average in the euro area.

The Spanish confidence climate remains at –12 (as in the previous month): Spanish consumers show increasing concerns for their own economic situations (their balance passing from 0 to –2) and on the labour market trend (from 10 to 11), but they seem less pessimist on their general economic trend and on their future saving opportunities (from 1 to 4). With regard to prices, the share of those expecting an inflation rise diminishes and the balance goes from 9 to 7.

According to the Conference Board, the confidence indicator in the United States passes from 96.4 to 87.3 owing to a worsening of the sub-indicators concerning the current economic situation (from 79.4 to 73.1) and future expectations alone (from 107.8 to 96.8). According to the early data of the Michigan University for March, confidence is expected to remain substantially unchanged compared to the previous month (at 94.). American consumers express their growing concerns on the labour market trend, but they seem generally optimistic on their own economic situations and on their opportunity to purchase durables.

[1] *In January 2004, France reviewed its questionnaire for a better harmonisation of the French Survey, which caused a structural break in the series. Thus, French data are neither seasonally adjusted, nor fully comparable with those of the other countries, which has an impact on the average value of the euro area.*