



ISTITUTO DI STUDI E ANALISI ECONOMICA

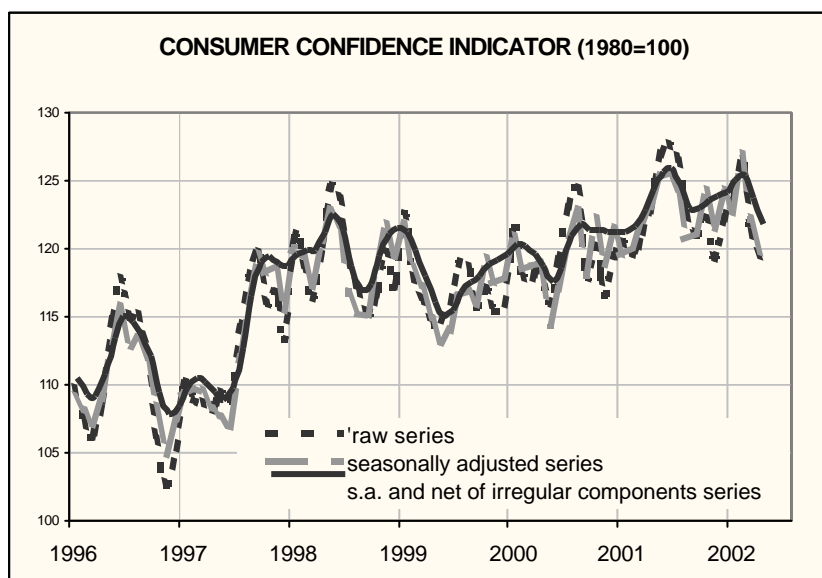
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April 17, 2002

ISAE CONSUMER SURVEY

Reference month: April

- **The April consumers' confidence climate is weakening: the considerable worsening in the assessments and forecasts on households' situations more than offsets the slight improvement observed in evaluations on the Italian overall economic situation**
- **The raw index falls from 121.2 in March to 119.4; the seasonally adjusted indicator decreases to 119.7 from the March figure of 122.2 and the seasonally and erratically adjusted indicator goes down from 122.6 to 120.8**
- **The fall is particularly evident in the second survey week; maybe the peaking of the political-military crisis in the Middle East, as well as new tensions on international prices of energy raw materials and the Stock Exchange deterioration have significantly contributed to depress the Italian consumers' opinions**
- **In particular, the growing uncertainty in this phase mirrors a worsening in the opportunities and convenience to save as well a rekindling of inflationary expectations**



Data referring to the next Consumer Survey shall be diffused on May 17, 2002.

Next ISAE surveys are scheduled as follows:

April 24: ISAE Monthly Business Survey on Manufacturing and Extractive Firms

April 30: ISAE Monthly Italian, French and German Business Surveys carried out by ISAE, INSEE and IFO.

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see website www.isae.it)

I – ISAE CONSUMER SURVEY FOR ITALY

April 2002

General results

The survey carried out by ISAE between April 2 and 12 on a sample of 2,000 respondents shows a further weakening in the Italian consumers' confidence climate. The April raw index falls down to 119.4 (121.2 in March); the seasonally adjusted figure decreases from 122.2 to 119.7 and the seasonally and erratically adjusted index reaches its lowest figure since February 2001, namely 120.8 from 122.6 in the previous survey.

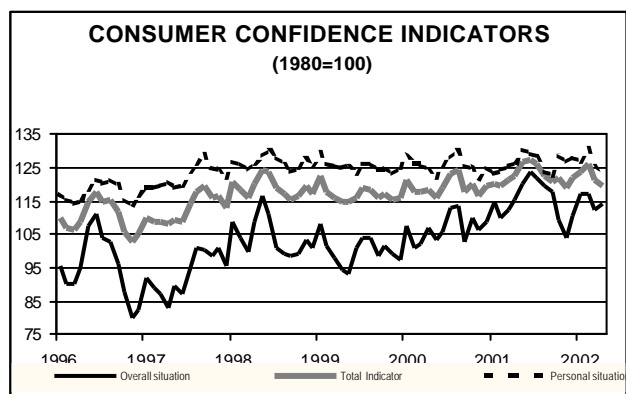
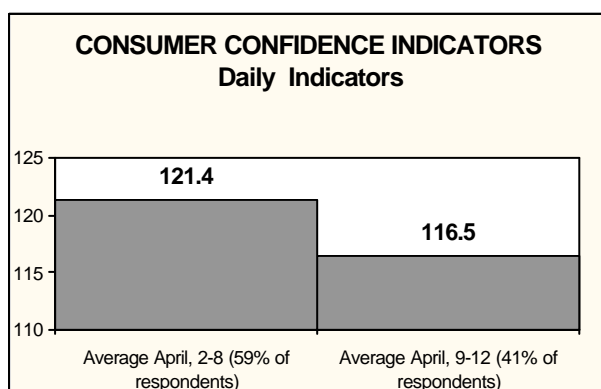
On the basis of daily data, the confidence climate raw index registers a slight rise between April 2 and 8, reaching the level of 121.4 (computation based on about 2,000 interviews) and then suddenly falls down to 116.5 between April 9 and 12 (according to the around 800 interviews carried out in the second week). Maybe the peaking of the political-military crisis in the Middle East, as well as new tensions on international prices of raw materials and the Stock Exchange deterioration have significantly contributed to increase uncertainty and depress Italian consumers' opinions.

Those indications are confirmed by the thorough analysis of the respondents' replies. Among the confidence climate series, the major fall is observed in assessments and expectations on the opportunities and convenience to save.

The major caution on saving decisions is associated to rising concerns on possible inflationary tensions: indeed, the number of those deeming prices rose "very much" or "enough" over the past twelve months increased, as did the share of those expecting an inflation rekindling at the present pace. Conversely, the sub-index concerning the overall economic situation is improving, particularly with regard to short-term expectations on unemployment which, after the strong March worsening, is getting again closer to the March levels.

Overall situation

Compared to the previous month, the April raw index concerning the general economic trend rises from 112.5 to 113.9. The improvement is mainly due to a recovery in short-term expectations on unemployment: the number of those expecting a strong or moderate unemployment rise in the next three months falls from 33% in March to 29% in April, thus below the February 2002 levels. Conversely, the assessments on the country's present economic situation are improving (the balance passing from -30 in March to -29 in April). Indeed, short-term expectations are worsening: the number of pessimists exceeds the share of those expecting a cyclical improvement, and the balance falls from 5 to -1. With regard to prices, the number of those deeming they rose "very much" over the past twelve months is increasing (from 53 to 56%), as does the share of respondents expecting them to grow more than



in the most recent past (from 55 to 59%).

Households' situation

The raw index referring to respondents' own situations falls in April from 125.6 to 122.1. Consumers express less favourable assessments and forecasts on the opportunity and convenience to save: the number of those deeming this is a favourable period to save falls from 51 to 44%, while the share of those forecasting to save in the next twelve months deteriorates from 43 to 36%. Compared to the past, consumers seem slightly more cautious in purchasing durables (the balance passing from -70 to -72). Also assessments and forecasts on the households' situations worsen (the balance passing from -12 to -14 for assessments and from 4 to 2 for forecasts respectively).

Indeed, also the convenience to purchase durables is slightly worsening: the share of respondents deeming it unlikely to make major purchases rises from 42 to 44%. Besides, also the number of those forecasting fewer purchases in the next twelve months compared to the past is increasing (from 13% to 17%). In particular, with regard to major purchases, the share of those declaring their intentions to purchase a car or a house in the next two years remains stable (17% and 4% of respondents respectively).

II - THE EUROPEAN COMMISSION CONSUMER SURVEY¹ AND AMERICAN CONSUMER SURVEYS

March and first anticipations for April 2002

In March, the confidence climate remains stable on average in the euro area, while it improves in the United States. According to the temporary data diffused by the University of Michigan, American consumers' confidence climate registers a slight

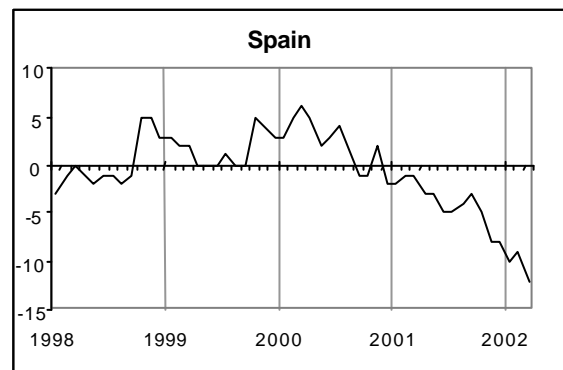
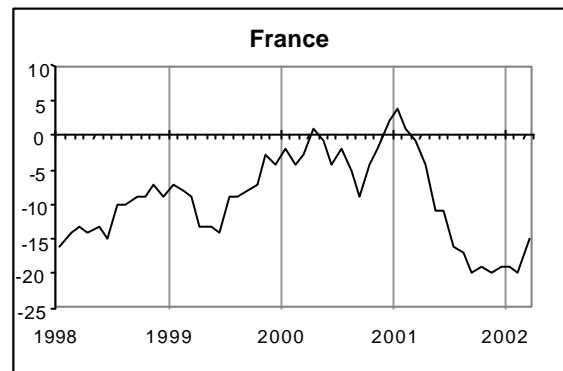
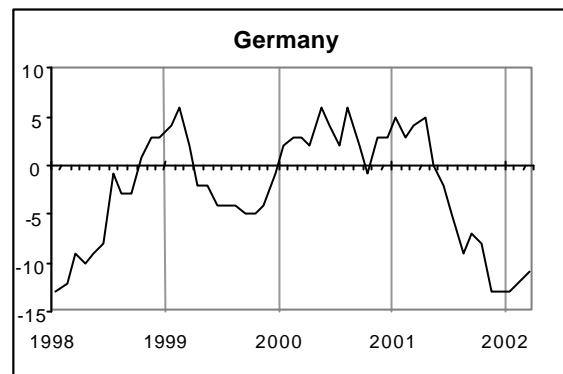
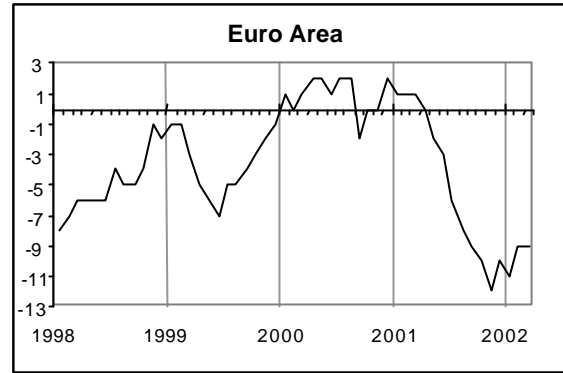
contraction in April, mainly due to the less rosy approach to economic growth prospects.

According to the European Commission Consumer Survey, the March consumers' confidence climate in the euro countries remains stable at -9. The figure mirrors improved expectations on the overall economic situation (the balance passing from -10 to -9) and on the medium-term evolution of the unemployment rate (from 26 to 25). Conversely a more diffused pessimism emerges both on assessments and on forecasts on respondents' own situations (the balances going from -7 to -8 and from 1 to 0 respectively). Besides, expectations on price dynamics are improving: the share of those expecting an inflation rekindling is diminishing, thus causing a balance contraction (from the August-October peak of 35 to 17) for the fifth month in a row. A modest rise is observed in the possibilities to purchase durables, while expectations on saving opportunities remain stable (the balance remaining -1 since January). Among the major countries, the German confidence climate continues to improve (-11 in March, -12 in February), thanks to the rosier perspectives of the overall economic situation (the balance passing from -20 to -17) and to more optimism on the labour market trend (from 32 to 29). However, other index components show a slight deterioration. In France and Austria, the indicators show a larger increase compared to the European average: in particular, the French confidence climate rises to -15 (-20 in February) mainly owing to rosier expectations on price dynamics (the balance falling from 4 in February to 0 in March) and to the medium-term evolution of the unemployment rate (the balance passing from 46 to 35 between February and March). Indeed, a confidence climate worsening is registered in Spain, where the climate falls from -9 to -12 between February and March, particularly owing to decreasing opinions and forecasts on the households' situations. The confidence climates rise in Belgium and Portugal

¹ Since September 2001, the European Union has been diffusing a confidence climate indicator computed on data series different from the past. For further details, see the Note to the Survey.

too, while it remains unchanged in Greece and Finland and worsens in Ireland and in the Netherlands.

In the United States, the Conference Board indicator rises again in March, reaching 110.2 after the February contraction (95). That is due to particularly favourable opinions on the current economic situation, which reach their peak of the past 25 years. Also short-term expectations on the American economic trend are improving. The March confidence climate improvement is also confirmed by the indicator elaborated by the University of Michigan, which attains 95.7 in March (90.7 in February). However, the first April data point to caution: indeed the Michigan University consumers' confidence climate deteriorates and falls down to 94.4, mainly owing to the more cautious short-term perspectives of the American economy. The assessments on the present economic situation however remain favourable.



Source: European Commission