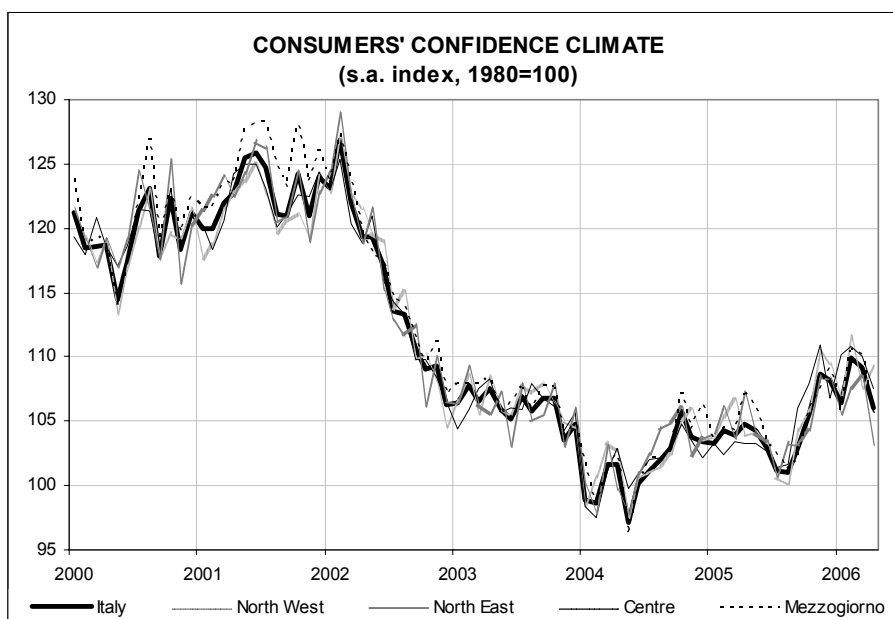




Date: April 20, 2006  
TEL.: 06/444821

## IN APRIL CONSUMER CONFIDENCE DECREASES TO ITS LOWEST LEVEL SINCE LAST OCTOBER

- The seasonally adjusted index stood at 106.1, falling back three points with respect to March. Adjusted also for irregular components, the indicator moved from 108.4 to 107.1, reaching, even in this case, its lowest level since October. Finally, the raw index decreased from 108.4 to 106.1. As the survey was carried out between April 1 and April 14, confidence may have also been negatively affected by uncertainties related to the electoral period
- Signs of worsening were especially evident in the opinions on consumers' personal situation, mainly because of the worsening in the evaluation of current and future saving opportunities. Expectations on the labour market improved, but respondents became more pessimistic about the country's short term economic developments
- Among the variables excluded from the definition of confidence, consumers further reinforced their belief of a slowdown in inflation, though they expressed some concern for the following twelve months, probably due to the additional run-up in energy products prices
- Consumers also gave a less confident appraisal of their present convenience and future intentions to purchase consumer durables. Nevertheless, they virtually did not change their expectations on buying a car and a home and they improved their attitude for future house maintenance expenditures
- On a regional basis, consumer sentiment worsened markedly in the Centre and in the *Mezzogiorno* and only moderately in the North East, while it improved in the North West



**Data on May shall be released on May 23, 2006**

*The next ISAE surveys are scheduled as follows:*

**April 27, 2006:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: April 2006)

**April 28, 2006:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: March 2006); ISAE Monthly Business Services Survey (reference period: April 2006) and ISAE Survey on Construction (reference period: March 2006)

**May 5, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: April 2006)

**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](http://www.isae.it))**

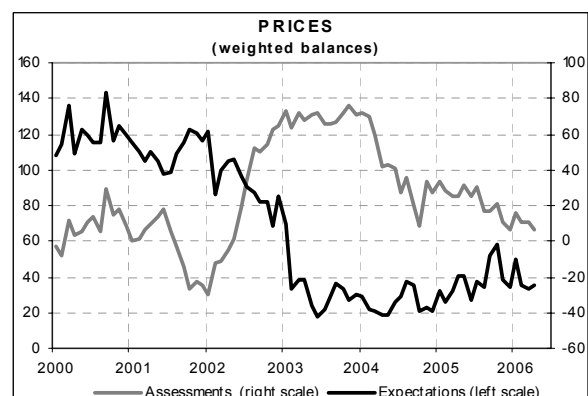
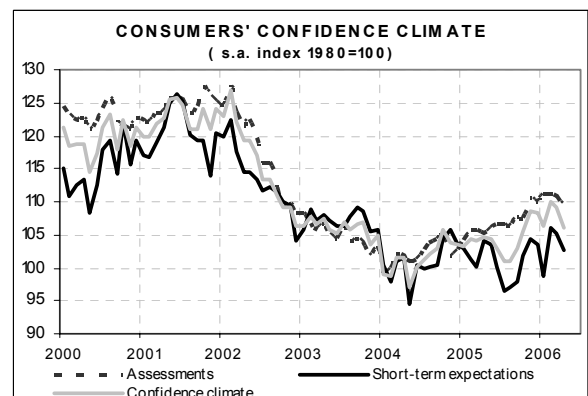
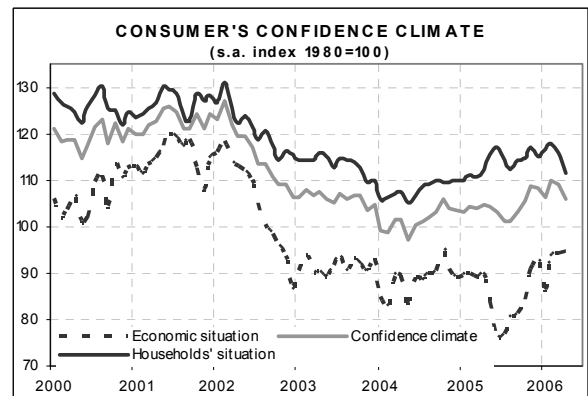
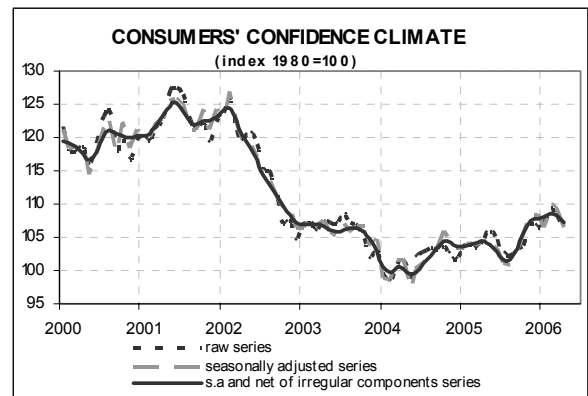
## Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between April 1 and April 14, Italian consumers' confidence decreased from 109.1 in March to 106.1 in April, slipping to its lowest reading since last October. The raw index declined as well, moving from 108.4 to 106.1, and the indicator also adjusted for irregular components lowered from 108.4 to 107.1.

Consumers gave a decisively less confident appraisal of both the current climate (the index decreased from 110.7 to 109) and expectations for the following months (from 105.2 to 102.8). Furthermore, they were, above all, more pessimistic about their personal situation (from 115.9 to 111.4), mainly due to a deterioration in the evaluation of the current convenience and the future opportunities to save. The opinions on the country's general economic climate instead slightly improved (from 94.3 to 94.7) thanks to better expectations on labour market developments which more than compensated the worsening of expectations on the Italian economic situation.

Among the variables excluded from the definition of confidence, consumers further reinforced their belief of a slowdown in inflation, though they expressed some concern for the following twelve months, probably due to the additional run-up in energy products prices. Finally, consumers became also more cautious with regard to plans for big-ticket purchases, such as consumer durables in general, and car and home buying in particular.

On a regional basis, consumer sentiment worsened markedly in the Centre and in the *Mezzogiorno*, lowered moderately in the North East, while it showed signs of improvement in the North West.



## Overall situation

In April, consumers considered that the country's economic situation stayed the same with respect to the previous month (the balance remained at -88), but were much more pessimistic about its short term trend (the related balance decreased from -13 to -20). Expectations on unemployment developments improved instead: the balance referring to unemployment fell from 45 to 36, its lowest since October 2004.

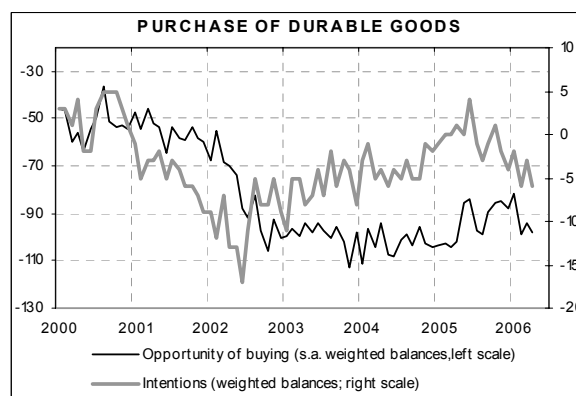
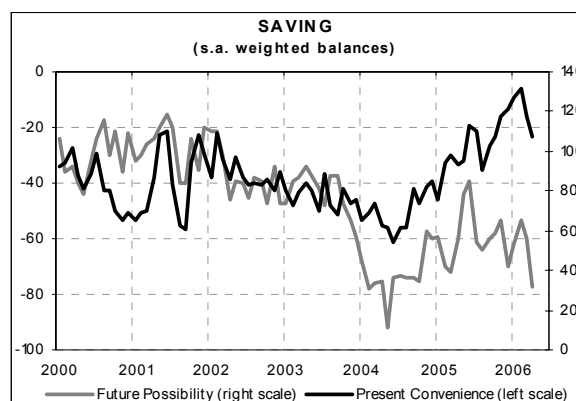
As for the inflation trend, the raw weighted balance of judgments on price developments in the last twelve months decreased from 71 to 66, going back to the level recorded at the end of last year: particularly, the percentage of respondents that considered prices to have increased "much" declined from 23% to 21%, while the number of those who thought that prices increased "somewhat" or "little" rose from 43% to 44% and from 15% to 16%, respectively. Finally, the proportion of those who maintained that prices remained "unchanged" stayed constant at 18%, as in March. Consumers expressed instead some concern about the inflation trend in the following twelve months: the raw weighted balance increased from -27 to -25, because of a rise (from 15% to 17%) in the proportion of consumers that feared an "equal" price increase with respect to the past, and of a decrease (from 50% to 48%) in the percentage of those that expected prices to remain unchanged: new inflationary pressures may be related to the rise in energy products prices which occurred in international markets over the last month.

## Personal situation and consumer durables buying intentions

In general, unfavourable indications characterized the respondents' evaluation of their personal situation. Particularly, the balance of the current convenience to save declined for a second straight month (moving from 118 to 107, near the level recorded last October), and the forecasts on future saving opportunities suddenly fell back (the balance decreased from -60 to

-77, the lowest since May 2004). Furthermore, consumers' evaluation of household finances and the assessment and prospects on the economic situation of their families all worsened, lowering from 9 to 4, from -45 to -48 and from -5 to -8, respectively.

As for consumer durables, respondents expressed less positive views regarding both the present convenience to purchase (the related balance moved from -94 to -98) and future intentions to buy (from -96 to -100). Nevertheless, the proportion of respondents firmly excluding major purchases in the following twelve months fell to 67% (from 72% in March). More in detail, according to the ISAE quarterly survey, the balance of buying intentions for the following twelve months for vehicles and houses remained virtually unchanged in April with respect to January. As for vehicles, however, the percentage of respondents that "certainly" or "probably" expected to purchase a car fell slightly from 9% to 8%, while for houses the percentage of those that either "certainly" or "probably" did not plan to buy a home fell from 89% to 86%. Finally, the balance for maintenance spending plans improved.



### Regional breakdown of consumer confidence

The worsening of confidence experienced at the national level was not homogeneous across regions. The indicator deteriorated in the North East, the Centre and the South, while it improved in the North West. Above all, the assessment and the forecasts on the consumers' personal economic situation and the judgement on current and future conditions worsened, while the deterioration in the evaluation of the general economic situation was less widespread.

North West: contrasting with the other regions, confidence in the North West increased from 107.5 to 109.2, thanks mainly to the improvement in the assessment and the forecasts on the general economic situation. A positive contribution to the favourable scenario in this region also came from consumers' evaluation of their personal economic situation and of their current situation, which markedly improved with respect to the previous month.

North East: in this region the worsening in confidence was less marked than in the Centre and the South (the index declined from 110.1 to 107.6). There was widespread pessimism in the assessment on the personal economic situation and confidence on current and future conditions declined. Instead, the appraisal of the country's general economic situation was less pessimistic.

Centre: this was the region that witnessed the worst deterioration in confidence: the index decreased from 108.5 to 103.2. The fall reflected the sharp worsening in the assessment on the personal situation and on current and future conditions. The evaluation of the general economic situation was instead less pessimistic.

Mezzogiorno: following the rise recorded in February, confidence declined in April for the second month running, moving from 110.1 to 105.5. The evaluation of personal conditions and of the current and future situation both deteriorated. The assessment on general economic conditions remained, instead, virtually unchanged.

