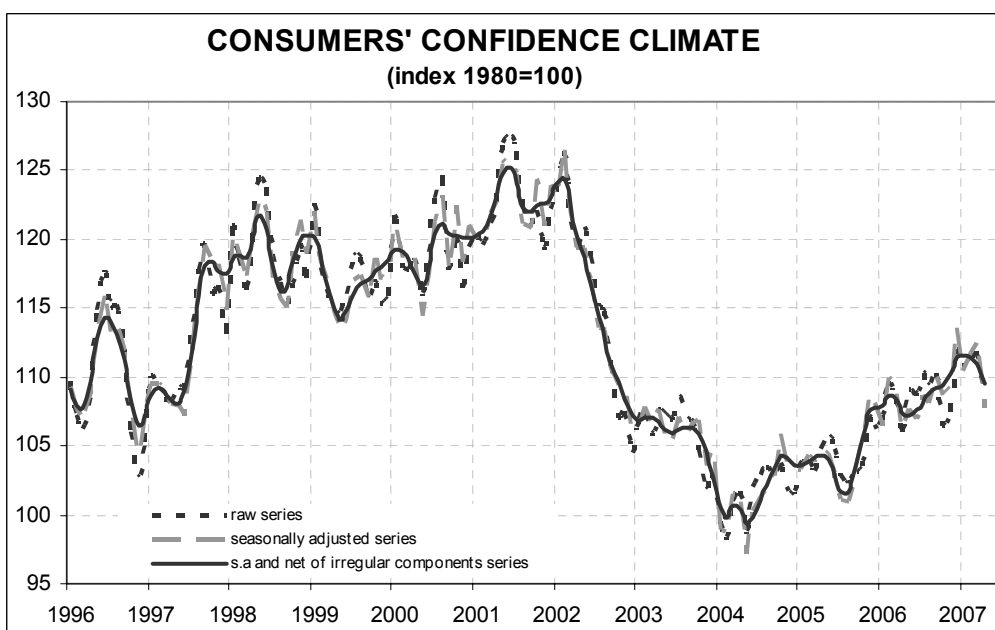




Date: April 24, 2007  
TEL.: 06/444821

## CONSUMER CONFIDENCE PLUNGES IN APRIL

- The seasonally adjusted index decreased in April to 107.8 from 112.6, reverting to the level recorded last May. The raw index moved from 111.9 to 107.8, while the indicator also adjusted for irregular components lowered from 110.9 to 109.5
- The deterioration was widespread across all main underlying components of the confidence indicator, but it was especially marked for opinions on future saving opportunities, a series traditionally characterized by high volatility which by itself accounted for nearly half of the fall in the overall index
- The indicator referring only to the consumers' personal situation declined from 117.5 to 112.5, and the one for the general economic situation moved from 101.7 to 97.6. The gauge for the opinions on current conditions eased to 114 (from 115.4), while the indicator measuring future prospects dropped from 107.4 to 100.6
- Consumers also pointed to a pick up of current inflation, though they continued to reduce their expectations for price growth in the following twelve months
- According to the traditional quarterly survey on car and house spending, consumers scaled down their intentions for buying a car, while they did not change their attitude toward future house purchase and maintenance
- Confidence worsened all over the country but at different rates in the various geographic areas. The decline was definitely more marked in the Centre and the South with respect to the North: in the North West and the North East the index decreased from 111.3 to 109.2 and from 112.9 to 110.7, respectively, whereas it nose-dived from 115.5 to 109.8 in the Centre and from 113 to 105.5 in the *Mezzogiorno*



**Data on May shall be released on May 22, 2007**

*The next ISAE surveys are scheduled as follows:*

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

**May 2:** ISAE Monthly Business Services Survey (reference period: April), ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: April) and ISAE Monthly Survey on Construction (reference period: March)

**May 8:** ISAE International Comparison of Consumer and Business Surveys (reference period: April)

**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))**

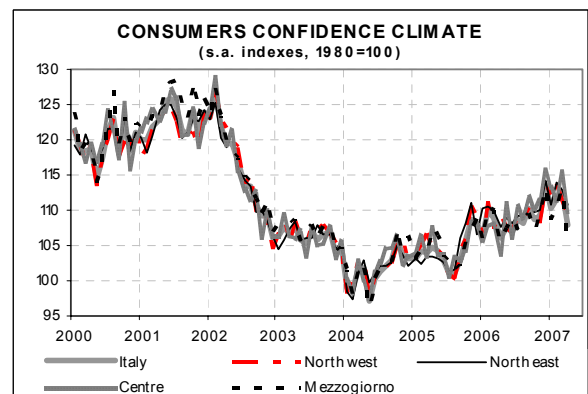
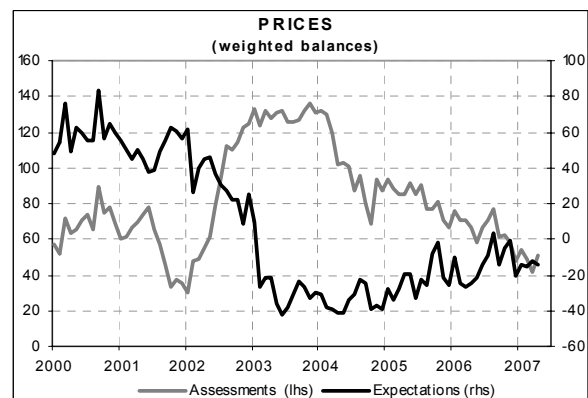
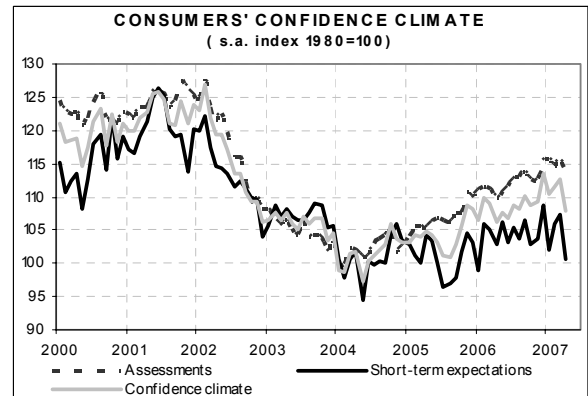
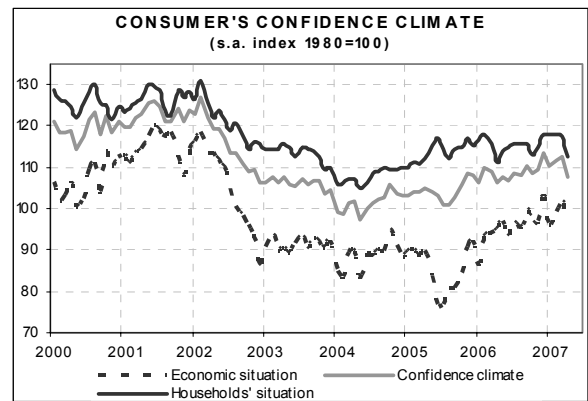
## Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between April 1 and April 14, consumer confidence plunged in April, lowering to 107.8 (from 112.6) and nearing the level recorded last May. The raw index too declined from 111.9 to 107.8, the value posted in November, while the one also adjusted for irregular components decreased more moderately, moving to 109.5 from 110.9.

Short-term expectations sharply contracted. The related indicator retreated nearly seven points, reaching 100.6, its lowest level since June (compared to 107.4 in the previous month). Also the opinions on general and personal economic conditions worsened: the related indexes declined from 101.7 and 117.5 to 97.6 and 112.5, respectively. Lastly, the indicator for the appraisal of the current situation decreased more moderately, moving from 115.4 to 114. As for the price trend, consumers pointed to a pick up of current inflation, though the number of those expecting acceleration in the following twelve months decreased slightly.

Finally, according to the traditional quarterly survey on house and car spending, consumers scaled down their intentions for car buying, while they did not change their attitude toward housing spending (purchase and maintenance).

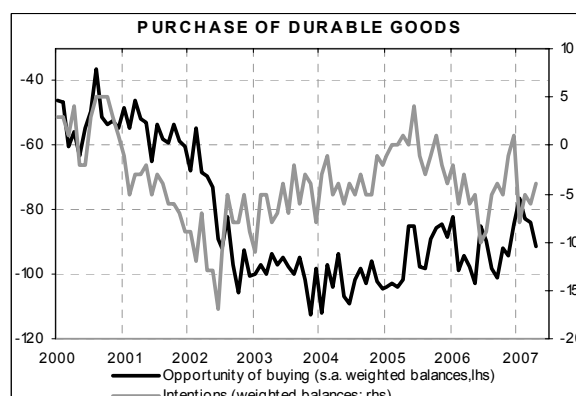
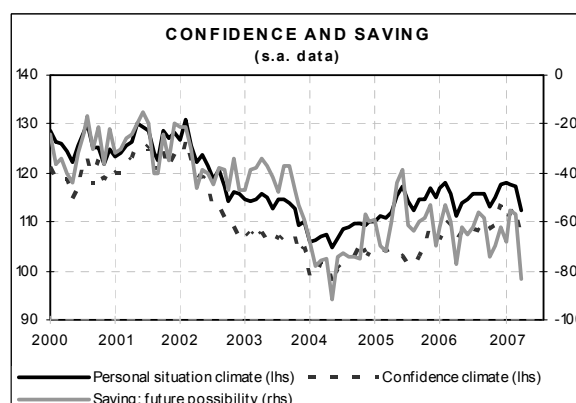
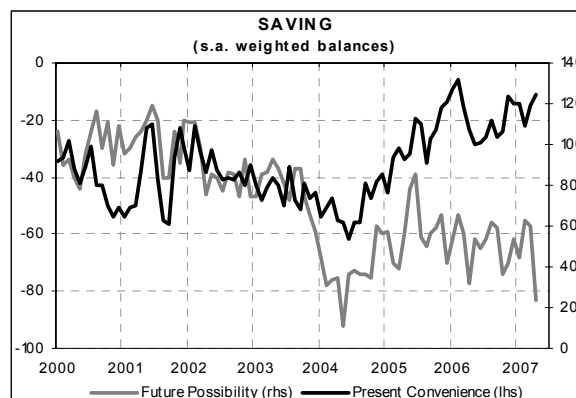
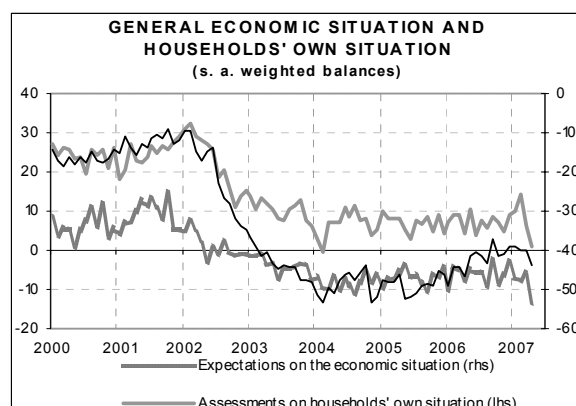
Confidence worsened all over the country, but at different rates in the various geographic areas. The decline was definitely more marked in the Centre and the South with respect to the North of the country: in the North West and the North East, the index decreased from 111.3 to 109.2 and from 112.9 to 110.7, respectively, whereas it nose-dived in the Centre and the *Mezzogiorno*, moving from 115.5 to 109.8 and from 113 to 105.5.



## Overall situation

In April, the assessments and, mainly, the forecasts on the country's economic situation recorded a sharp deterioration. In particular, the balance for opinions on the current situation lowered from -64 to -71, and the one for expectations declined from -14 to -25, approaching in both cases the low levels posted last January. Also the appraisal of the labour market marginally deteriorated: the balance started to rise once more (thus indicating a rise in unemployment expectations), moving from 30 in March to 33 in April, the value recorded last February.

With regard to inflation, the balance for opinions on the rise in prices recorded in the last twelve months increased from 42 to 51, nearing the level posted at the start of the year. The number of respondents who thought that prices were "markedly" higher grew from 14% to 18%, and the share of those believing that they increased "little" or remained "equal" declined from 21% to 20% and from 23% to 22%, respectively. Instead, the proportion of respondents considering prices to have "fairly" increased with respect to the previous twelve months stayed at 39%. On the contrary, survey results did not confirm the concerns about an acceleration of inflation in the following twelve months: the related balance decreased from -12 to -14, because of the decline from 7% to 6% in the percentage of consumers expecting a "sharp increase" in prices and an increase from 43% to 45% in the share of those expecting "stability". The number of respondents anticipating a decrease in prices lowered instead from 3% to 2%, whereas the proportion of those expecting same or lower inflation remained constant (at 23% and 17%, respectively).

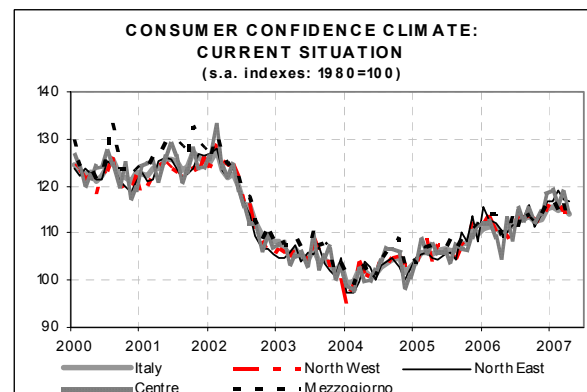
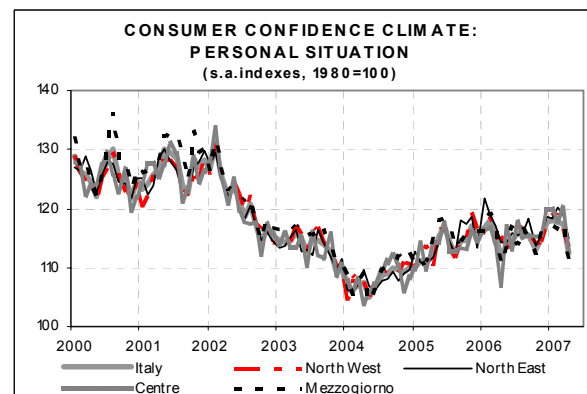
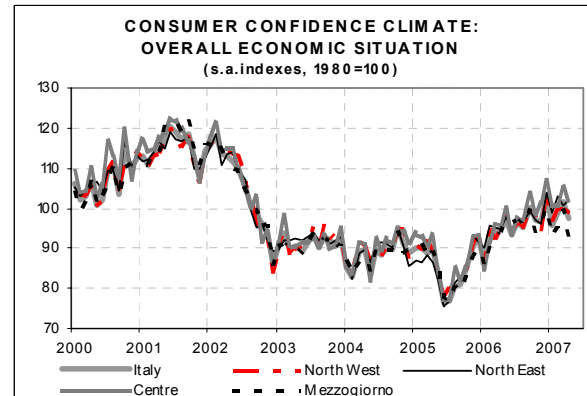
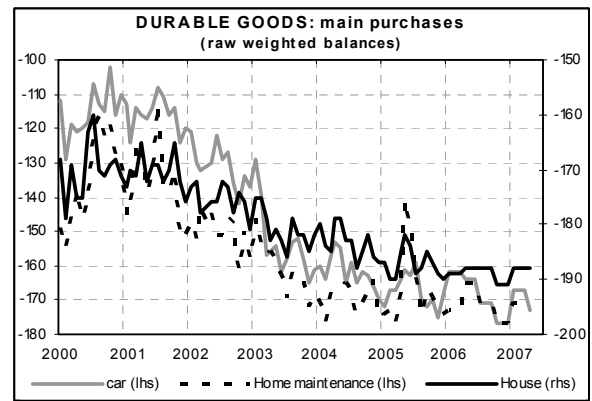


## Personal situation

Assessments and forecasts for the respondents' personal situation also markedly worsened with respect to the previous month. The decline was particularly sharp for the evaluation of future saving opportunities: the related balance dropped from -57 to -87, the lowest level since May 2004. The plunge showed by this variable, which is traditionally volatile, accounted by itself for nearly half of the fall in the overall confidence indicator.

Also the opinions on the family budget markedly worsened. The related balance lowered from 6 to 1, the lowest value since February 2004. As for the economic situation of the consumers' own family, both opinions and, mainly, forecasts deteriorated. The balance for the former variable declined from -40 in March to -44 in April, while the balance for the latter one slumped from -14 to -25, the lowest reading since October 2001. Lastly, consumers' pessimism about current buying convenience for durable goods increased (the balance declined from -84 in March to -92). Only the assessment on the present convenience to save gave a positive result: a growing number of respondents reported an improvement (the related balance rose from 119 to 125).

Even though consumers were fairly positive about future buying intentions (the raw weighted balance rose from -6 to -4), they were basically pessimistic with respect to big-ticket items. In particular, the share of respondents firmly excluding the possibility of buying a car rose from 85% to 88%, returning to the value posted last October. The proportion of those that didn't plan to purchase a house remained instead unchanged at 95%, and the number of those excluding the possibility of making extraordinary house maintenance slightly edged up (from 88% to 89%).



## Regional breakdown of consumer confidence

Confidence worsened in all areas, but at different rates. The decline was decidedly less striking in the North with respect to the Centre and the South of the country. The deterioration mainly characterized opinions and forecasts on the personal economic situation and the appraisal of current and future conditions, whereas the worsening was more moderate for opinions on the general economic situation.

North West: in this area confidence deteriorated for the second straight month in April, moving from 111.3 to 109.2. The decline was mainly prompted by the worsening in opinions on both personal and general economic conditions and in future prospects. The assessment on the current situation remained, instead, unchanged at its October-November 2006 average.

North East: the confidence indicator continued to deteriorate for the second month in a row, declining from 112.9 to 110.7 and returning to the value posted last January. The worsening stemmed from sweeping pessimism for opinions on the personal economic situation and, to a lesser extent, to a fall in confidence for current and future conditions. Optimism characterized, instead, the evaluation of the general economic situation.

Centre: the index declined from 115.5 to 109.8, attaining the average level posted last August. The deterioration was connected to the sharp drop in the appraisal of the personal situation and of current and future conditions. The opinions on the general economic situation showed, instead, lower pessimism.

Mezzogiorno: in this area the drop in confidence was the largest: the index decreased from 113 to 105.5, returning to its April 2006 reading. In this case, the deterioration was basically due to the worsening in opinions on general and personal economic conditions, whereas the drop for the evaluation of current and future situations was smaller.

