



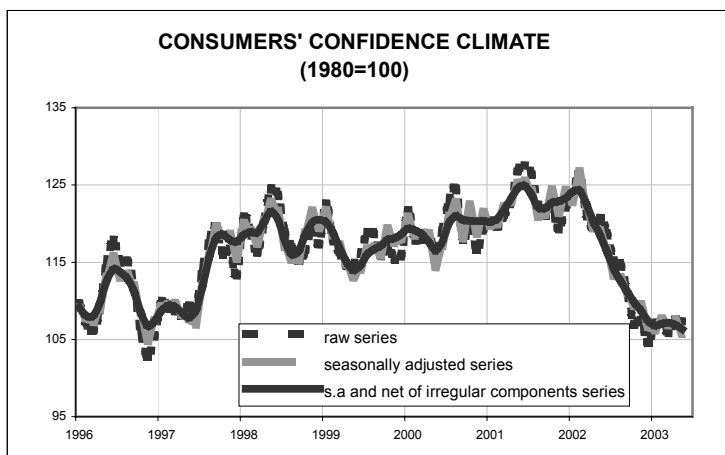
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## ISAE CONSUMER SURVEY

Reference month: May

- After the slight recovery registered in April, the Italian consumers' confidence climate falls again in May: all in all, in the first five months of 2003, the index oscillated around the depressed figures registered in the late-2002, thus confirming the strong uncertainty characterising the present phase
- In May the raw index equalled 107.3 (107.6 in April), while the seasonally adjusted index falls from 107.7 in April to 105.6 in May, thus reaching the minimum levels of November 1996. The indicator adjusted for the seasonal and irregular component goes from 106.9 to 106.3, which is the lowest figures since March 1994
- The worsening mainly concerns assessments and forecasts on the respondents' own situations: indeed intentions to purchase durables diminish, assessments on the households own situations worsen and the evaluations on the households' economic situations deteriorate, as do those on the present and future convenience to save
- Conversely, the index referring to the Italian households' opinions on the general economic situation of the country continues to show modest signals of improvement: assessments on the Italian economic situation slightly deteriorate, while short-term forecasts improve, within a framework characterised by less optimistic labour market prospects
- With regard to prices, in spite of cautious assessments on price dynamics, inflation is expected to stabilise in the next twelve months
- The April consumers' confidence climate shows on average some signals of recovery in the euro countries (as signalled by the ISAE Survey of April 2003 on Italy), while it considerably grows in the United States. According to the early-May data, the confidence recovery in the United States goes on in May as well



Data referring to June shall be diffused on **June 24, 2003**.

Next ISAE surveys are scheduled as follows:

**May 27, 2003:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: May)

**May 29, 2003:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: April) and ISAE Monthly Business Service Survey (Reference month: May)

**June 3, 2003:** Comparative Business Surveys for Italy, Germany and France (Reference Month: May)

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site [www.isae.it](http://www.isae.it))

## I – ISAE CONSUMER SURVEY FOR ITALY

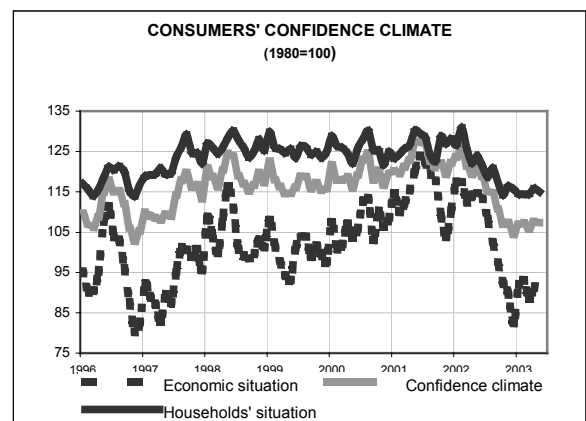
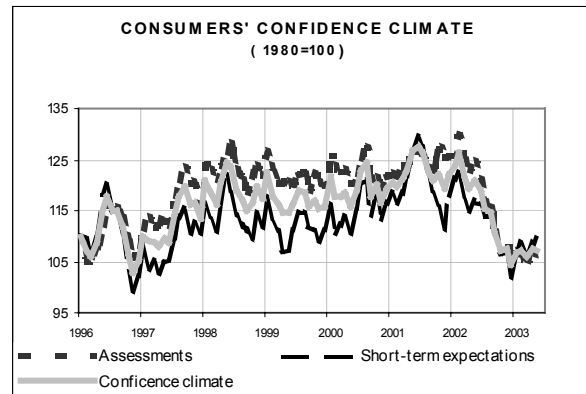
May 2003

According to the Survey carried out by ISAE between May 21 and 15 on a sample of 2,000 respondents, the Italian consumers' confidence climate weakens again in May, after the signals of recovery observed in April. All in all, in the first five months of 2003, the index oscillated around the depressed figures registered in the late-2002, thus confirming the strong uncertainty characterising the present phase. The raw index falls from 107.6 to 107.3, while the seasonally adjusted index goes from 107.7 in April to 105.6 in May, thus getting close to the minimum levels of November 1996. The indicator adjusted for the seasonal and irregular component diminishes from 106.9 to 106.3, which is the lowest figure since March 1994.

The worsening mainly concerns assessments and forecasts on the respondents' own situations: indeed intentions to purchase durables diminish, assessments on the households own situations worsen and the evaluations on the households' economic situations deteriorate, as do those on the present and future convenience to save. Instead, assessments on the convenience to purchase durables remain stable.

The index referring to the Italian households' opinions on the general economic situation of the country continues to show modest signals of improvement: assessments on the Italian economic situation slightly deteriorate, while short-term forecasts improve, within a framework characterised by darker labour market prospects.

With regard to prices, in spite of the cautious assessments on price dynamics, inflation is expected to stabilise in the next twelve months.



### Overall situation

In May, the confidence climate raw index on the general economic situation alone marks a recovery, growing from 91.2 in April to 92 in May.

The improvement is due to more optimism on the economic prospects of Italy, the balance of which recovers from -23 in April to -16 in May. Conversely, assessments on the country's economic situation worsen from -67 to -70. Indeed, less favourable prospects also emerge in the short-term labour market evolution: the percentage of those expecting a "strong" or "moderate" unemployment rise goes from 38% to 40%.

With regard to prices – which are not considered by the confidence indicator – slightly less favourable assessments emerge compared to the previous Survey. Alongside with a growing percentage of respondents deeming prices rose "very much" (from 45% to 49%),

the number of those feeling prices rose “enough” decreased from 42% in April to 38% in May. Conversely, signals of stabilisation are emerging on the future price dynamics: the share of respondents expecting a substantial price stability in the next twelve months grows from 49% to 55%, while the number of those expecting prices to rise more or in the same amount as in next year slightly decreases, passing from 24% in April to 19% in May, which confirms the decreasing trend observed in February.

### **Households' situation**

The raw confidence index referring to the respondents' own situations alone decreases in May, passing from 115.8 to 115, as the result of a moderate but diffused pessimism on almost all phenomena.

Assessments on the households' situations deteriorate (the balance going from 11 to 9), as do those on the households' economic situations (the balance decreasing from -35 to -37). Indeed, respondents express slightly less favourable assessments on the present convenience to save: the share of those deeming it “certainly” or “probably” convenient to save goes from 74% to 73%. Indeed also the opportunity to save in the next twelve months remains substantially stable: the share of those deeming it “certain” or “likely” to save in the next twelve months remains at 41%.

With regard to durables, consumers evaluations seem decreasing or substantially stable. Compared to April, the general framework on the convenience to make immediate major purchases remains unchanged (the balance equalling -48). However, after the optimism shown in April, a new caution emerges in future spending intentions: 64% of respondents (59% in April) expects not to make major purchases in the next twelve months.

Turning to details, the number of respondents declaring their intentions to purchase a home in the next twelve months goes from 3 to 4%, and the share of those intending to spend for home maintenance and improvement in the next twelve months remains at 10%. Finally, the number of consumers considering it probable or certain to buy a car in the next twelve months remains at 11%.

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

### *April and early-May 2003*

In April, the consumers' confidence climate shows on average some signals of recovery in the euro area, while it markedly grows in the United States. According to the early May data, the American consumers' confidence recovery goes on.

According to the European Commission Consumer Survey, the confidence climate indicator for the euro area on average falls in April from -21 in March to -19 in April, which is close to the pre-war figures. Short-term prospects on the households' own situations and on the general economic prospects – though remaining generally pessimistic - show signals of improvement (the balances passing from -6 to -5 and from -26 to -22 respectively). Unemployment expectations for the next twelve months are decreasing (the balance going from 42 to 40), while European consumers' expectations on their saving opportunities remain unchanged for the fifth month in a row (the balance equalling -9).

Among non confidence-building series, assessments on the general economic situation are improving (from -49 to -47), while the perception of an inflation rekindling for the next twelve months is diminishing. With regard to durables, prospects for future expenses slightly improve (the balance going from -20 in March to -19

in April), while the share of those expecting more inflation in the next twelve month is decreasing.

In April, the consumers' confidence climate is rising in all countries, with the exception of Ireland and Austria (where it remains unchanged) and of the Netherlands (where a slight contraction is registered). The growth is particularly sustained in Belgium, France, Greece and Spain and more moderate in the remaining countries.

Among the major countries, Germany shows a slight confidence improvement, after two months of substantial stability and equals  $-20$  in April ( $-21$  in March). German consumers appear more confident in the general and in the households' economic situations for the next twelve months, while concerns on the labour market remain unchanged, as do future opportunities to allocate part of the income for saving. With regard to durables, the percentage of those perceiving the present phase as "non favourable" for major purchases is falling (the balance passing from  $-21$  to  $-23$ ).

The French confidence indicator markedly improves and equals  $-27$  ( $-30$  in March) as the result of a positive approach observed in almost all the indicator components, with the exception of the prospects of the households' own situations showing a substantial stability (the balance being  $-3$ ). Particularly favourable signals come from the labour market: the number of those expecting an unemployment rise falls from 64 to 57. With regard to prices, fears for inflationary tensions in the next twelve months diminish and the balance passes from 28 to 16.

In Spain, the confidence climate slightly improves and goes from  $-18$  to  $-16$ : indeed the balances concerning prospects of the households' own situations and of the general economic situations improve (passing from  $-4$  to  $-2$  and from  $-18$  to  $-12$  respectively). Favourable signals also come from the labour market: the percentage of those expecting an unemployment rise goes from 23 to 19. Conversely, the balance concerning the future possibility to allocate part of the

income for saving is worsening (from  $-25$  to  $-29$ ). Finally, a positive trend of all non confidence-building components is emerging.

In the United States, the Conference Board index registers a marked improvement after four months of continuous fall and reaches 81 from 61.4 in March. This is the largest growth since the Gulf War end of March 1991. The figure mirrors the rise of both the sub-index concerning expectations (rising from 61.4 to 84.8) and of the index concerning the present situation (from 61.4 to 75.3).

Similarly, the University of Michigan confidence indicator equals 86 in April (from 77.6 in March), which is the largest growth since November 1992. The growth mirrors the improvement in both expectations and opinions on the general economic situation and on the households' own situations. Also intentions to purchase durables are slightly improving.

According to the early University of Michigan data on May, the American consumers' confidence climate continues to grow, which mirrors a more optimistic approach on the recovery of the American economy: the index should equal 93.2, thus going back to the high levels registered in Summer 2002.