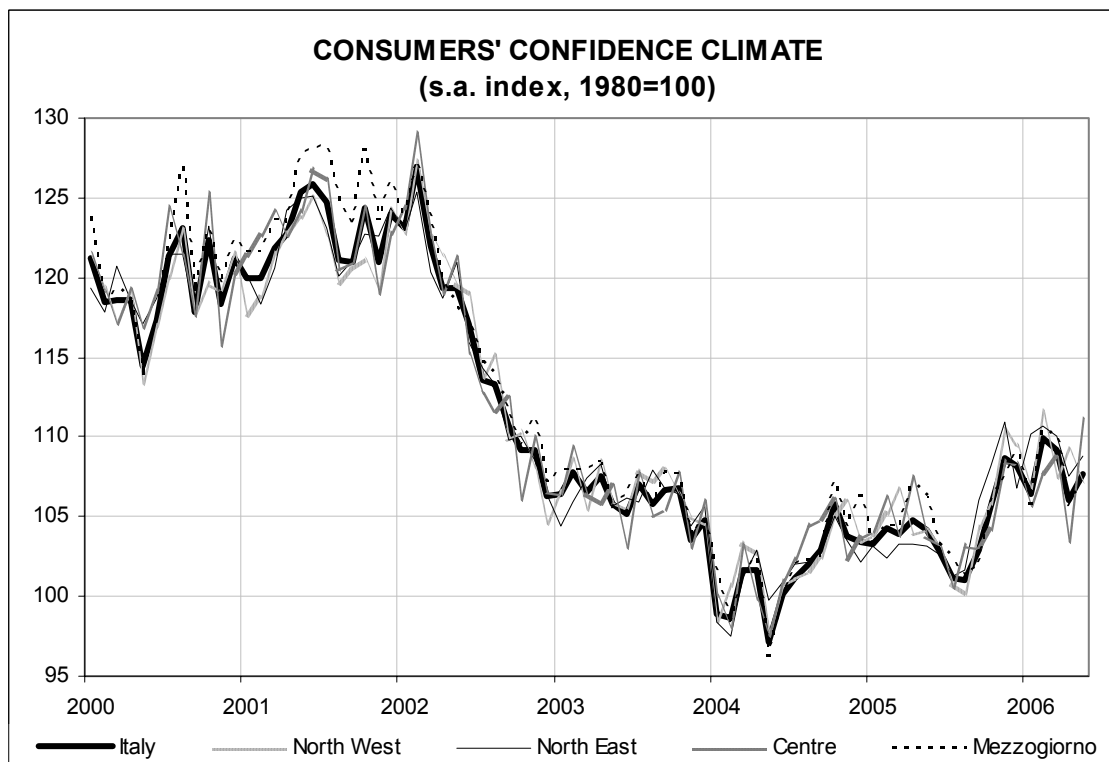


CONSUMER CONFIDENCE RISES IN MAY

- The seasonally adjusted index increased to 107.6 (from 106 in April). The raw index grew even more significantly, rising from 106.1 to 109.1, while the indicator adjusted for both seasonal and irregular components moved from 107.4 to 107.2
- The improvement was mainly due to more favourable expectations for the following months, principally with respect to the labour market and future saving opportunities. Respondents were more cautious only regarding their assessment on the present convenience to save and to purchase consumer durables
- With regard to the variables excluded from the definition of confidence, consumers further reinforced their belief of a slowdown in current inflation, though to some extent they continued to be concerned about the following twelve months
- On a regional basis, consumer sentiment improved markedly in the Centre and only moderately in the *Mezzogiorno* and in the North East, while it showed signs of deterioration in the North West



Data on June shall be released on June 22, 2006

The next ISAE surveys are scheduled as follows:

May 25, 2006: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: May 2006) and ISAE Investment Survey on Manufacturing and Extractive Firms (reference period: January-June 2006)

May 29, 2006: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: April 2006) and ISAE Monthly Business Services Survey (reference period: May 2006)

May 30, 2006 : ISAE Monthly Survey on Construction (reference period: April 2006)

June 8, 2006: ISAE International Comparison of Consumer and Business Surveys (reference period: May 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)

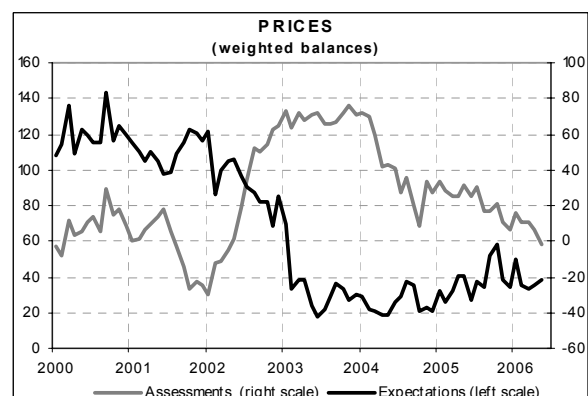
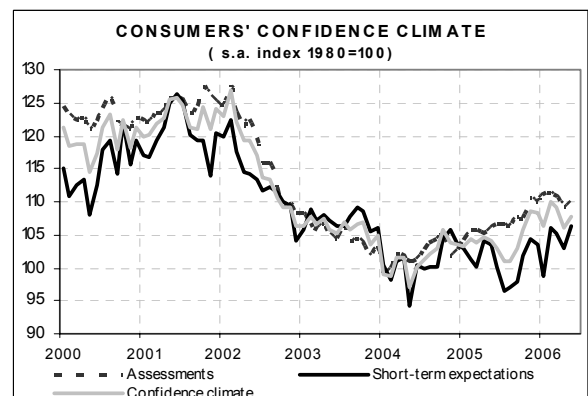
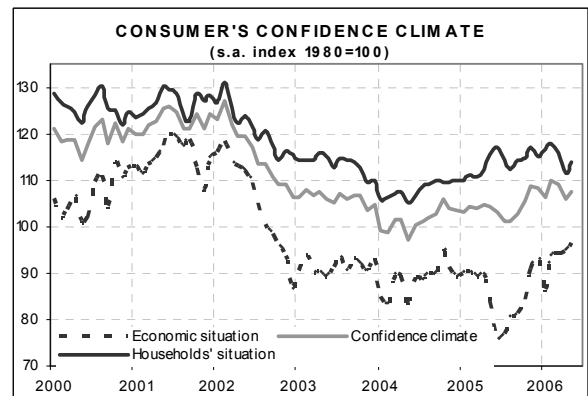
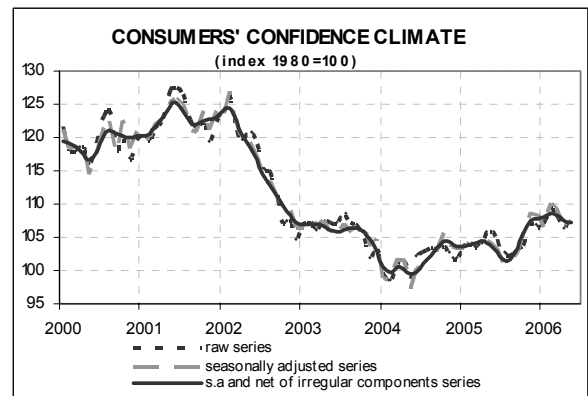
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between May 2 and May 15, Italian consumers' confidence increased from 106 in April to 107.6 in May, partially recovering from the decline posted in the previous survey. The raw index increased markedly from 106.1 to 109.1, while the indicator also adjusted for irregular components moved from 107.4 to 107.2.

The improvement, which was widespread, was mainly driven by more favourable expectations for the following months (the future climate improved from 102.8 to 106.3, hitting a peak since October 2003) principally regarding the labour market and future saving opportunities. Furthermore, consumers gave a much more confident appraisal of their personal situation (the personal climate rose from 111.4 to 113.8), but also opinions on the economic climate improved. Notwithstanding a more moderate monthly rise (the index moved from 94.9 to 96.8), the latter indicator climbed to its highest level since September 2002. Finally, the current climate picked up one point (from 109 to 110) due to the combined effect of more favourable opinions on the country's situation and on the consumers' personal situation and of more cautious views on the opportunity to save and purchase consumer durables.

With regard to the variables excluded from the definition of confidence, consumers further reinforced their belief of a slowdown in past inflation, though they confirmed their concerns, emerged in April, about a rise in the following twelve months.

On a regional basis, consumer sentiment improved noticeably in the Centre, moderately in the *Mezzogiorno* and in the North East, while it showed signs of deterioration in the North West.



Overall situation

In May, consumers considered that the country's economic situation was recovering (the balance rose to -85 from -88 in April) and were more optimistic about short term prospects (the related balance moved from -20 to -17). Furthermore, expectations on unemployment developments improved: the balance referring to unemployment fell from 35 to 31, regaining its August 2004 low.

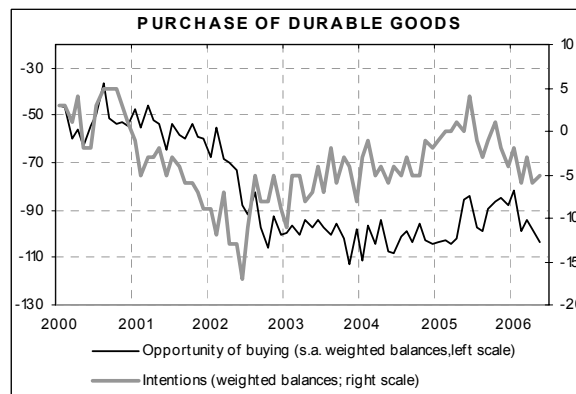
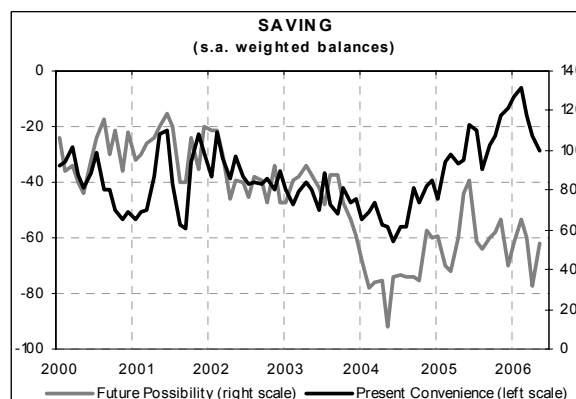
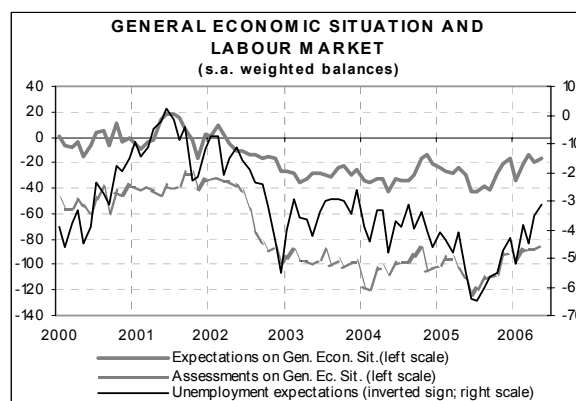
As for the inflation trend, the raw weighted balance on price developments in the last twelve months decreased from 66 to 58, nearing the April 2002 reading: particularly, the percentage of respondents that considered prices to have increased "much" or "somewhat" declined from 21% to 18% and from 44% to 43%, respectively, while the number of those who thought that prices increased "little" or remained "unchanged" rose from 16% to 18% and from 18% to 19%. Consumers confirmed some concerns about the inflation trend in the following twelve months: the raw weighted balance increased from -25 to -22, because of a rise (from 39% to 44%) in the proportion of those that feared a price increase, though in various measures with respect to the past ("higher", "equal" or "lower"), and of a decrease (from 48% to 47%) in the percentage of those that expected prices to remain unchanged, confirming last month's fears related to the rise in energy products prices.

Personal situation and consumer durables buying intentions

In general, favourable indications characterized the respondents' evaluation of their personal situation, though in part they seemed somewhat more cautious regarding savings and purchases of consumer durables.

Particularly, respondents improved both their evaluation of household finances (the balance moved from 4 to 10) and their opinions and forecasts on the economic situation of their family (from -47 to -42 and from -8 to -5, respectively). The balance of the current convenience to save declined for the third month running (moving from 107 to 100, near the level

recorded last August). Nevertheless, the forecasts on future saving opportunities improved (the balance increased from -77 to -62), nearly compensating the fall posted last month. As for consumer durables, respondents gave a less confident appraisal of both their present convenience to purchase (the related balance declined from -98 to -103, the worst result since March 2005) and their future intentions to buy (the raw weighted balance moved from -100 to -102, the lowest level since April 2005). As for future buying intentions, the proportion of respondents excluding major purchases in the following twelve months increased from 67% to 71%.



Regional breakdown of consumer confidence

The improvement in confidence experienced in May at the national level was not equally spread across regions. The indicator improved, though at different rates, in the North East, the Centre and the South, while it worsened in the North West. Larger improvements characterized the assessments and the forecasts on the general economic situation and on the personal one, while contrasting signals were sent by current and future opinions.

North West: in contrast with the other regions, the confidence index decreased in the North West (from 109.2 to 107.2) owing mainly to the deterioration in the assessment and the forecasts on the personal economic situation and, above all, in the opinions on current conditions. Instead, consumers were optimistic about the appraisal of the current general economic situation and of future conditions, in line with the other regions.

North East: in this region the index edged up (increasing from 107.6 to 108.8). The improvement came from widespread optimism on the general economic situation and on future conditions. Respondents were more cautious about the assessment on their personal situation, while they were pessimistic about current conditions.

Centre: this was the region that witnessed the largest improvement in confidence: the index bounced from 103.5 to 111.1. The rise reflected great optimism regarding the personal situation and current conditions. The balances of the evaluation of the general economic situation and of the future situation increased more moderately, compared to the previous assessments.

Mezzogiorno: following the slowdown started in March, the index picked up in May, rising from 105.5 to 107.3. Even in this case, the recovery was mainly backed by an improvement in the opinions on the general economic situation, on personal conditions and on the future situation. The assessment on future conditions worsened instead.

