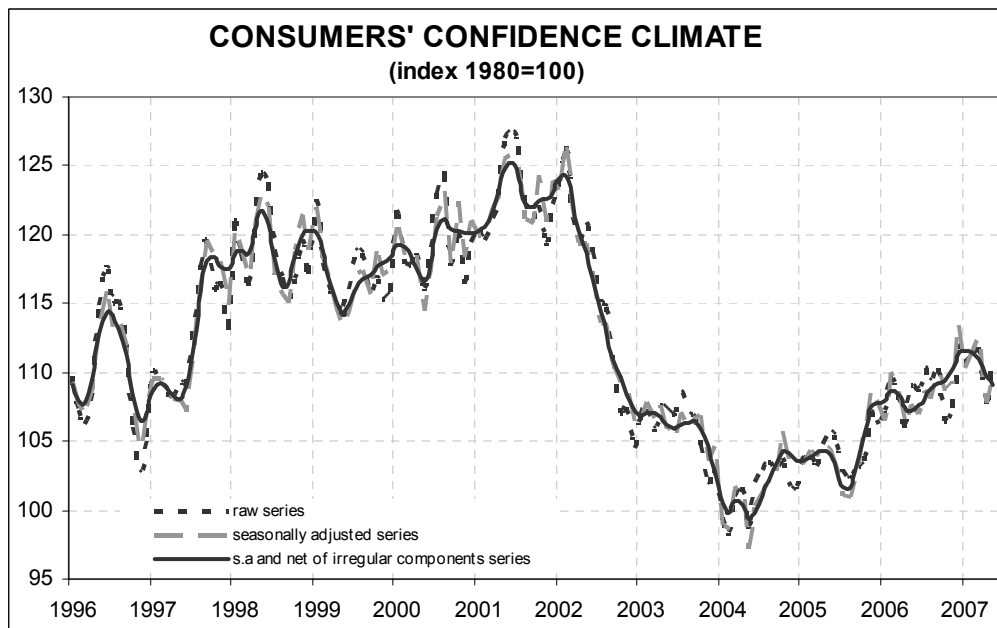




Date: May 22, 2007
TEL.: 06/444821

CONSUMER CONFIDENCE RECOVERS IN MAY

- The seasonally adjusted index increased in May from 107.9 to 109.5, partially retracing April's decline. The raw index moved from 107.8 to 110.9, while the indicator also adjusted for irregular components edged down from 109.6 to 109.1
- The recovery was widespread across all main underlying components of the confidence indicator, and was especially marked for opinions on savings: the evaluation of current saving opportunities reached a historical peak
- The indicator referring only to the consumers' personal situation increased from 112.5 to 116.9, and the one for the current situation moved from 114.3 to 116.6, the highest level since June 2002. The index for expectations rose from 100.6 to 101.7, while the gauge measuring future overall economic conditions slightly eased, lowering from 97.5 to 96.1
- Consumers confirmed the pick up of present and mainly future inflation.
- The recovery recorded at the national level was not widespread across the country: confidence improved in the North (rising from 109.3 to 110.8 in the North West and from 110.7 to 111.9 in the North East) and, above all, in the *Mezzogiorno*, increasing from 105.5 to 108.8. It slightly lowered, instead, in the Centre (from 109.6 to 109.2)



Data on June shall be released on June 21, 2007

The next ISAE surveys are scheduled as follows:

May 24: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: May) and ISAE Investment Survey on Manufacturing and Extractive Firms (reference period: January-June 2007)

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

June 6: ISAE International Comparison of Consumer and Business Surveys (reference period: May)

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)

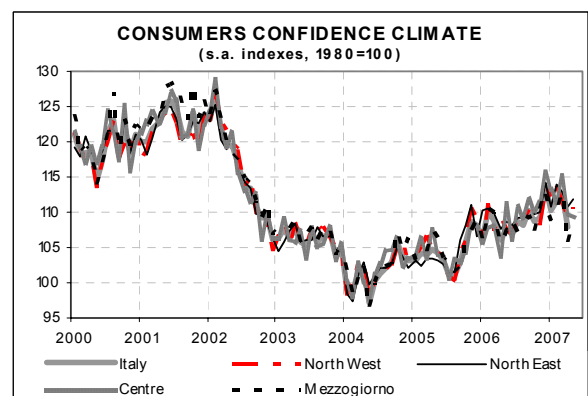
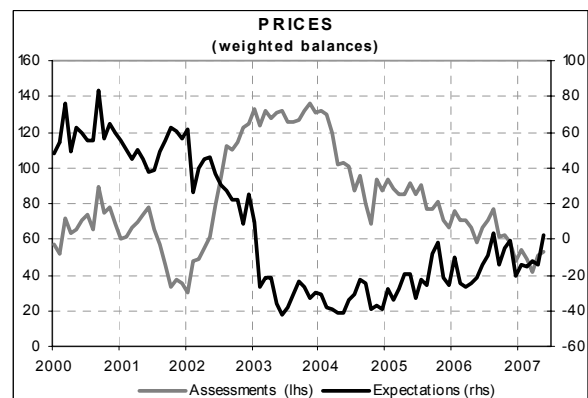
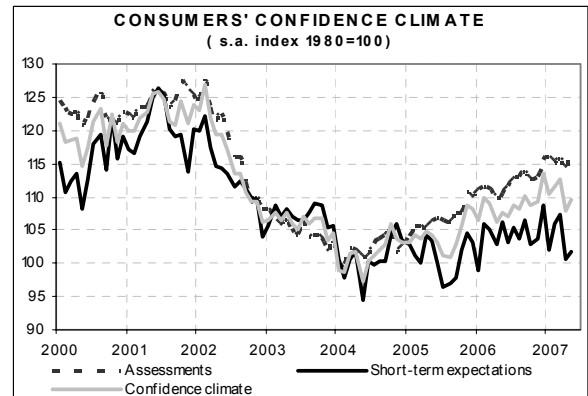
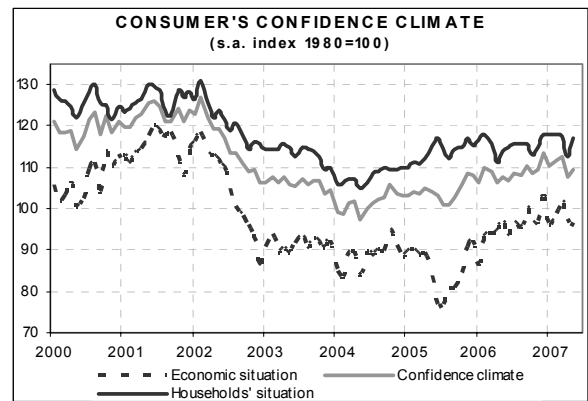
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between May 1 and May 15, consumer confidence retraced in May part of the abrupt fall recorded in the previous month, moving to 109.5 (from 107.9). The raw index increased to 110.9 (from 107.8), reaching the value posted at the start of the year, while the one also adjusted for irregular components – which is more influenced by the past trend of the time series – staged a further moderate decline, moving from 109.1 to 109.6.

The opinions on the personal situation clearly bettered, remaining nevertheless below the first quarter average level. The related indicator recovered more than four points, reaching 116.9 compared to 112.5 in April. Assessments on the current and future climate also improved, rising from 114.3 to 116.6 and from 100.6 to 101.7, respectively. The former indicator reached the best result since June 2002. On the other hand, the opinions on the general economic situation worsened from 97.5 to 96.1, nearing the level posted at the start of the year.

As for the price trend, consumers confirmed their opinions of an acceleration of current inflation and, above all, expressed expectation of a new pick up of inflation in the following twelve months.

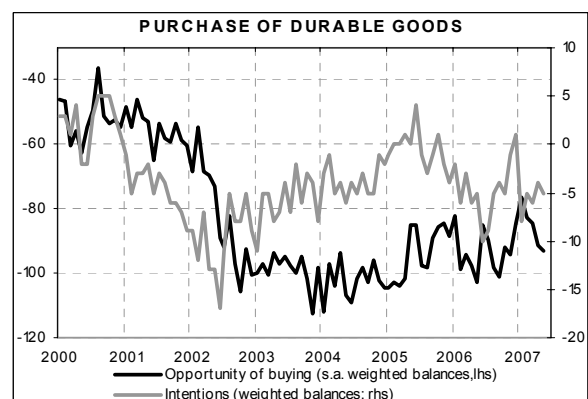
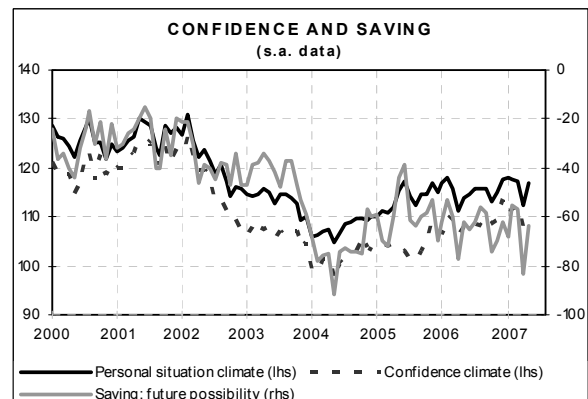
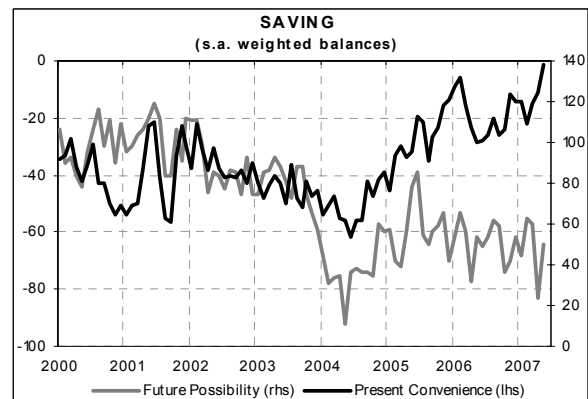
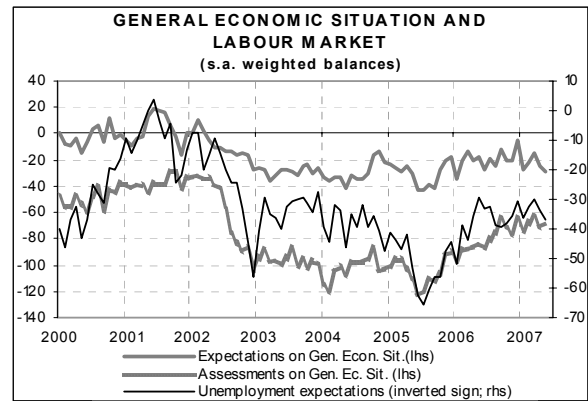
However, behind the recovery in confidence at the national level were diverging trends across areas: the index improved in the North (rising from 109.3 to 110.8 in the North West and from 110.7 to 111.9 in the North East) and, above all, in the *Mezzogiorno*, increasing from 105.5 to 108.8. It slightly lowered, instead, in the Centre (from 109.6 to 109.2).



Overall situation

With regard to the country's economic situation, expectations became more pessimistic, notwithstanding a slight recovery recorded by opinions in May with respect to April. In particular, the balance for opinions on the current situation recuperated from -71 to -68, but the one for expectations worsened from -25 to -29, its lowest level since January 2006. The appraisal of the labour market also deteriorated: the balance for expectations of higher unemployment actually grew from 34 to 37, the worst result since last October.

As for inflation, the balance for the opinions on the rise in prices recorded in the last twelve months increased from 51 to 53, nearing the level staged at the start of the year. Though the share of respondents who thought that prices were "markedly" higher declined from 18% to 16%, the percentage of those believing that they remained "equal" decreased by a larger extent (from 22% to 18%), and the proportion of those considering prices to have "fairly" increased with respect to the previous twelve months rose from 39% to 41%. Furthermore, evidence of great concern over an acceleration of inflation in the following twelve months emerged: the related balance surged from -14 to 2, going back in positive territory for the first time since August 2006. In particular, despite the fact that consumers expecting a "sharp increase" in prices lowered from 6% to 4%, also the share of those anticipating "stability" decreased markedly (from 45% to 33%), while the number of those expecting same or lower inflation increased (from 23% to 31% and from 17% to 22%, respectively).



Personal situation

Assessments and forecasts for the respondents' personal situation recorded, instead, a decisive improvement over the previous month, mainly due to the opinions on savings. The improvement in the prospects for future saving opportunities made up for nearly the entire slump recorded in April, moving to -64 from -83 (in March the balance came in at -57). Moreover, consumers gave markedly favourable assessments on the present convenience to save: the balance surged from 125 to 138, an all time record for ISAE Consumer Surveys.

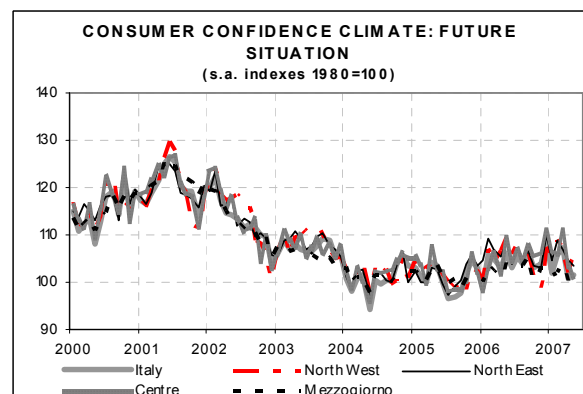
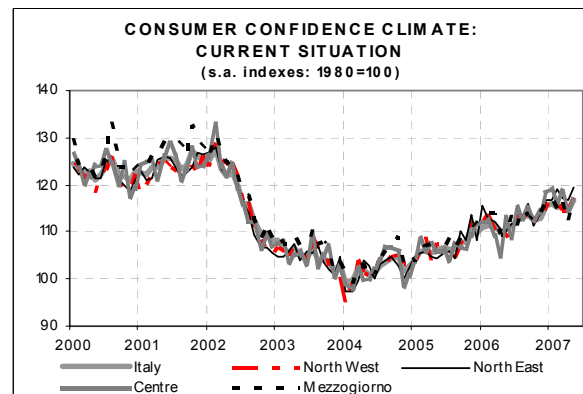
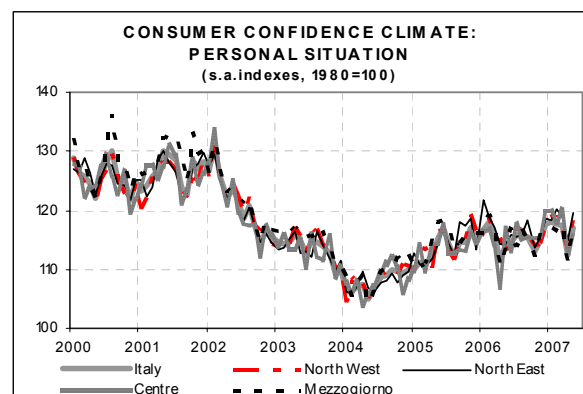
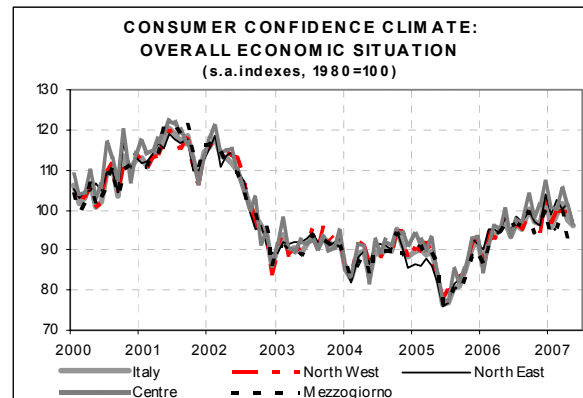
The opinions on the family budget remained unchanged, showing consumers' caution (the balance stayed at 1, as in April). However, both the opinions on the economic situation of the consumers' own family and the expectations for their personal situation in the following twelve months slightly recovered (rising from -44 to -40 and from -14 to -13, respectively). Nevertheless, consumers remained pessimistic about current buying convenience for durable goods (the balance settled at -93, compared to -92 in April). They also didn't show any progress with regard to future buying intentions (the raw weighted balance declined from -4 to -5).

Regional breakdown of consumer confidence

The recovery in confidence posted at the national level is the result of diverging trends across areas. The index bettered in the North and the *Mezzogiorno*, while it declined slightly in the Centre. The improvement mainly characterized the opinions and the forecasts for the personal economic situation and the opinions on current conditions, while the evaluation of the general economic situation and of future conditions sent contrasting signals.

North West: in this area confidence recovered, moving from 109.3 to 110.8 and returning to its September 2006 level. The rise was mainly prompted by the marked improvement in opinions on the personal economic situation and on current and future conditions. The evaluation of the general economic

situation, though optimistic, increased more moderately.



North East: in this area as well, the confidence indicator started to improve once more: it rose from 110.7 to 111.9, returning, also in this case, to the value posted last September. The recovery in confidence was due to widespread optimism in opinions on the personal economic situation and to a recovery in confidence for the current situation. Pessimism characterized, instead, the evaluation of both the general economic situation and future conditions.

Centre: the index declined for the second month running, moving from 109.6 to 109.2 and still remaining around its last August average value. The worsening in the indicator was related to the sharp deterioration in the evaluation of the general economic situation and of future conditions. Opinions on the personal situation and on current conditions were instead optimistic.

Mezzogiorno: this is the area where the confidence indicator increased mostly: the index rose from 105.5 to 108.8, reaching the level recorded in June 2006. In this case, the improvement was essentially due to widespread optimism in opinions on the personal economic situation and on current conditions, while the recovery in the evaluation of the general economic situation and of future conditions was more moderate.