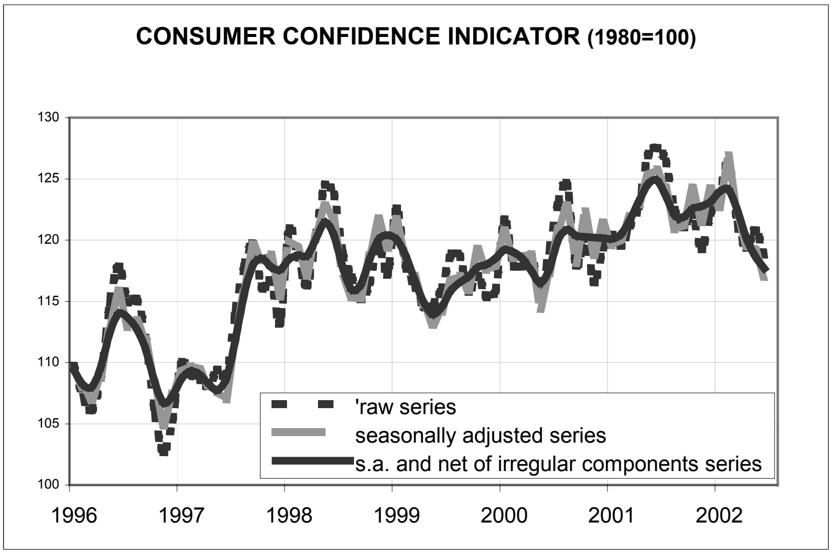
ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482325

June 19, 2002

ISAE CONSUMER SURVEY

Reference month: June

- **The Italian consumers' confidence climate (seasonally adjusted data) falls again in June and reaches 117 (119.2 in May); the index adjusted for seasonal and irregular factors goes down from 118.7 to 117.7. The raw index decreases from 120.8 in May to 118.8**
- **Consumers are markedly more pessimistic on their own situations. The confidence deterioration is particularly visible in respondents' present convenience to save and intentions to purchase durables. Negative assessments might be linked to the strong increase in the number of those thinking prices rose significantly over the past few months**
- **A general worsening of assessments on the present situation goes alongside with a substantial stability in short-term expectations. Labour market expectations are worsening, while expectations for the households' own situations are recovering, as are (though modestly) intentions to purchase cars. Indeed, in the critical framework following upon the strong price rise occurred in the past few months, consumers expect a gradual slowdown of inflationary pressures**



Data referring to the next Consumer Survey shall be diffused on July 19, 2002.
Next ISAE surveys are scheduled as follows:
June 21, 2002: ISAE Monthly Business Survey on Manufacturing and Extractive Firms
June 26, 2002: ISAE Quarterly Business Service Survey

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see website www.isae.it)

I – ISAE CONSUMER SURVEY FOR ITALY

June 2002

General results

The survey carried out by ISAE between June 3 and 17 on a sample of 2,000 respondents shows a further weakening in the Italian consumers' confidence climate. The June seasonally adjusted index falls down to 117 (119.2 in May), the lowest level since May 2002; the index adjusted for seasonal and irregular factors decreases from 118.7 to 117.7, the lowest level since June 2002. The raw decreases from 120.8 in May to 118.8 in June.

Among the indicator-building series, expectations on the short-term labour market trend are worsening, as are assessments on the present convenience to save and intentions to purchase durables. Conversely, evaluations, as well as expectations, on the households' own situations are favourable.

Separating confidence climate components concerning the respondents' current situation from those concerning their short-term expectations, a marked deterioration emerges in the assessments on the current situation. That negative signal is probably influenced by the strong June rise in the number of those feeling prices strongly rose over the past few months.

Overall situation

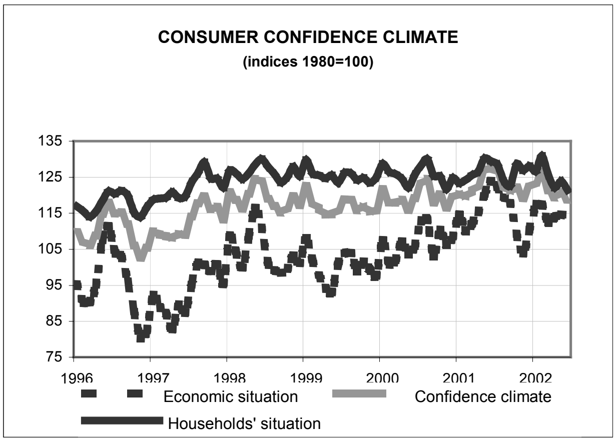
The confidence climate raw index on the general economic situation signals a moderate worsening, passing from 114.8 in May to 113.5 in June, following upon less rosy expectations on unemployment. The share of those expecting a strong unemployment rise increases in June from 3% to 6%, while the share of those expecting an unemployment fall goes from 24% to 23%.

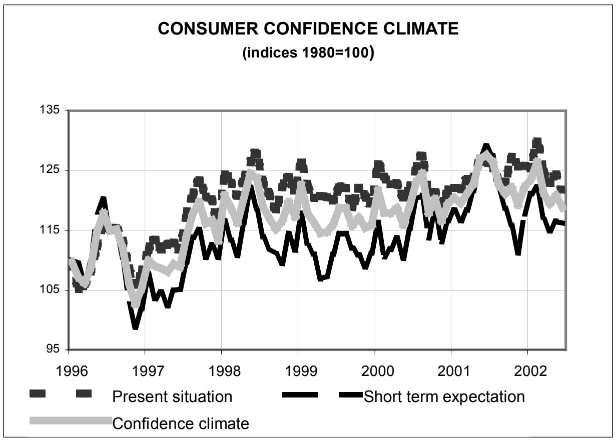
With regard to evaluations on the general economic situation, figures are less favourable: indeed both assessments (the June balance equalling -33, as against -32 in May) and expectations deteriorate (the June balance being -3, -1 in May).

Furthermore, consumers perceive a marked price dynamics upturn: the number of those deeming prices rose "very much" almost double (21% in June, 12% in May). However, future expectations seem stable: 29% of respondents (25% in May) expect prices to remain unchanged in the next twelve months.

Households' situation

The raw index referring to respondents' own situations falls in June from 123.9 to 121.4, particularly owing to darker evaluations on the present convenience to save





and purchase durables. The number of those deeming it is "definitely" or "probably" a favourable period to save falls down to 75% (80% in May). Similarly, the share of those (either surely or probably) forecasting to save in the next twelve months contracts from 39% to 37%.

Also opinions on the market of durables are pessimistic: the share of consumers deeming the present period is unfavourable to make major purchases equals 53% (44% in May). Partially contradictory signals come from the number of those forecasting to make purchases in the next twelve months: the share of those intentioned to make minor purchases increase to 21% (18% in the previous survey), but the number of those declaring they won't do any purchase at all falls (46% in June, as against 54% in May).

In June, households' own situations are substantially stable: alongside an unchanged balance (26 as in May) and stable assessments (-12, as in May), short-term expectations show a slight recovery (the June balance being null; -1 in May).

With regard to major purchases, figures remain stable with reference to respondents' intentions to purchase a house (4% as in May) and are worsening to spend for home maintenance. Modest signals of recovery come from the car market: the number of those declaring their (sure or probable) intentions to buy a car in the next twelve months goes from 18% to 20%.

II - THE EUROPEAN COMMISSION CONSUMER SURVEY[1] AND AMERICAN CONSUMER SURVEYS

May results and June preliminary data

In May, the consumers' confidence climate improves both in the euro area average and in the United States.

According to the European Commission Consumer Survey, the consumers' confidence climate in the euro countries increases by two percentage points: the indicator reaches -8 (-10 in April), thus getting close to the August 2001 levels. The optimistic approach is particularly evident in short-term expectations on the general economic situation and on the households' own situations: the balances rising in May to -7 (as in June 2001) from -10 and to 0 from -1 respectively. Expectations on the labour market trend slightly improve: the share of those expecting an unemployment rate rise in the next twelve months decreases (the balance falling from 22 in April to 21 in May). European consumers are also less pessimistic on their convenience to save (-5 in April and -4 in May). However, rosier expectations are offset by more cautious assessments. The balance concerning opinions on the households' own situations reached its all-time down (from -10 in April to -11, which is the smallest figure since September 1997). Similarly, also the balance of replies on the general economic situation falls down to -29 (-28 in April), that is the smallest figure over the past five years (equalled only in September 1997). With regard to durables, a balance reduction both in the convenience to spend and in purchasing intentions is observed.

As for prices, fears for inflationary thrusts have been dispelled: the share of those expecting a price rise is decreasing and the balance goes from 23 in April to 16 in May.

[1] Since September 2001, the European Union has been diffusing a confidence climate indicator computed on data series different from the past. For further details, see the Note to the Survey.

The May trend observed in the euro area reflects a substantial confidence stability in Germany and Spain, and an improvement in France, Italy, Greece, Ireland and the Netherlands. The consumers' confidence climate is however deteriorating in Belgium, Denmark, Austria, Finland and, more sensibly, in Portugal.

Among the major countries, the confidence climate of German consumers remains unchanged at -11 for the third month in a row. For German consumers, only prospects on the general economic situations (the balance going from -16 in April to -14) and the present convenience to purchase durables (from -26 to -24) improve. Among the indicator-building components, a considerable contraction is signalled in the balance of opinions on the households' own situations (from -19 to -23) alongside with more cautious expectations on the labour market. In Spain too, the confidence climate shows no variation and remains stable at -10, particularly owing to worse expectations on employment and to darker opinions on the general economic situation. In France, the confidence climate sensibly grows and goes up to -11 (-15 in April), thus reaching again last June's levels. With the exception of a slight worsening in assessments on the households' own situations (from -6 in April to -7 in May) and of stable expectations on the present convenience to save and purchase durables (the balances being -15 and 0 respectively), all other indicator-building components show balance rises. In particular, a considerable growth of balances on the general economic prospects is observed (from -15 to -3, which is the level of November 2000). Also concerns on possible inflationary thrusts are dispelled: the balance of replies falling from 27 in April to 5 in May.

In the United States, the May Conference Board indicator rises from 108.5 in April to 109.8 in May thanks to rosier assessments on the current economic situation. Favourable opinions on the labour market and on the financial situation go alongside with more cautious expectations on short-term economic developments. Also the Consumer Survey carried out by the University of Michigan shows a confidence climate increase in May (the index passing from 93.0 in April to 96.9 in May), particularly thanks to purchases of durables, also favoured by the recent Federal Reserve decision to maintain the interest rate level constant. However, concerns on the short-term employment trend remain.

According to the preliminary data of the University of Michigan, however, the confidence climate registered a brusque contraction in June, reaching 90.8 (96.9 in May). The worsening is observed in particular in short-term expectations on the evolution of the American economy (the relative sub-indicator on expectations passing from 92.7 to 86.7). Also evaluations on the current situation deteriorate (the index passing from 103.5 in May to 97.9 in June). The consumers' confidence contraction is probably due to fears for terrorist attacks and to the bad trend of financial markets registered over the past few months.

Consumer confidence climate in euro area