



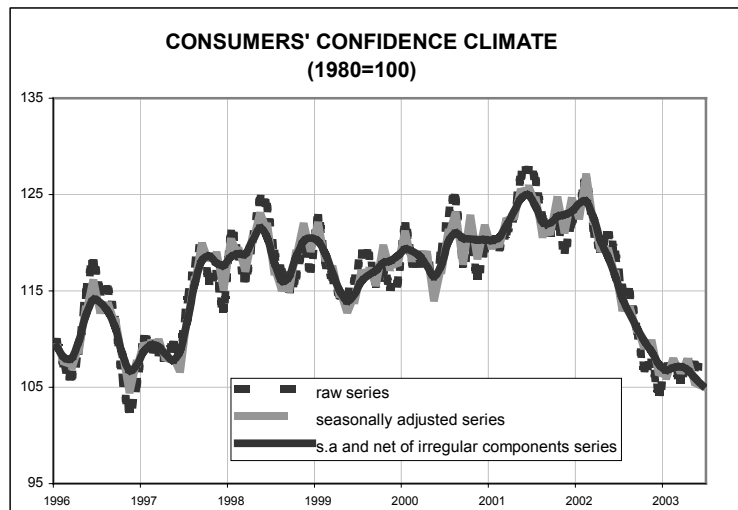
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June 24, 2003

## ISAE CONSUMER SURVEY

Reference month: June

- In June, the Italian consumers' confidence climate registers a further slight worsening and goes below the low figures observed in late-2002
- The raw index falls from 107.3 in May to 106.9 in June, while the seasonally adjusted index equals 104.9 (105.6 in May) and the indicator adjusted for the seasonal and irregular component goes from 106 in May to 105.2 in June
- However, the worsening exclusively concerns forecasts on the respondents' personal situation. The contraction concerns in particular expectations on the respondents' economic situation and opinions on the present and future convenience to save. In this last case, a role may have been played by the recent further reduction observed in official rates, now close to the minimum levels of the past few years
- Conversely, both assessments and – to a lower extent – short-term forecasts on the general economic situation are improving, within a framework characterised by favourable labour market prospects
- With regard to prices, though in the presence of some concerns on current price dynamics, inflation is expected to stabilise in the next twelve months
- The May consumers' confidence climate shows a slight deterioration in the average of euro countries (as signalled also for Italy by the ISAE Survey of May 2003), while it considerably grows in the United States. According to the early-June data, the confidence recovery in the United States seems to stop suddenly, even though the index remains clearly above the minimum values registered in March 2002



Data referring to July shall be diffused on July 22, 2003.  
Next ISAE surveys are scheduled as follows:

June 25, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: June)

June 26, 2003: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: May) and ISAE Monthly Business Service Survey (Reference month: June)

June 30, 2003: Comparative Business Surveys for Italy, Germany and France (Reference Month: June)

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

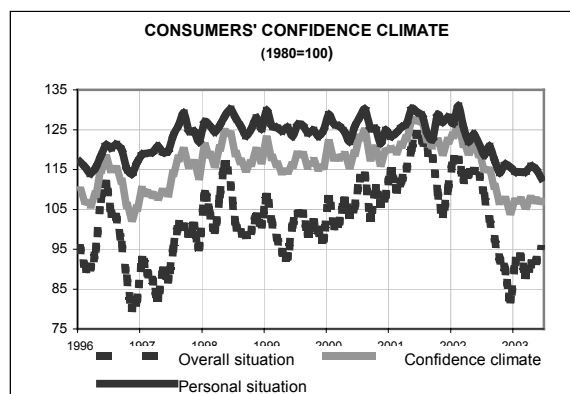
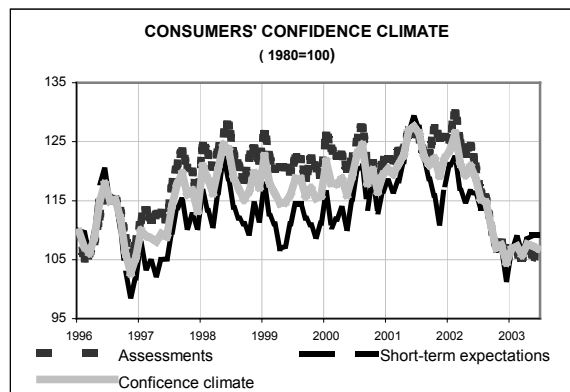
June 2003

According to the Survey carried out by ISAE between June 3 and 16 on a sample of 2,000 respondents, the Italian consumers' confidence climate registers a further slight worsening in June and goes below the low figures observed in late-2002. The raw index falls from 107.3 in May to 106.9 in June, while the seasonally adjusted index equals 104.9 (105.6 in May) and the indicator adjusted for the seasonal and irregular component goes from 106 in May to 105.2 in June.

However, the worsening exclusively concerns forecasts on the respondents' personal situation. The contraction affects in particular expectations on the respondents' economic situation and assessments on the present and future convenience to save. Conversely, assessments on the respondents' economic situation, those on the households' financial situation and those on the convenience to purchase durables remain stable.

The raw index – comprising the Italian consumers' opinions on the overall situation - registers an improvement for the third month in a row. Indeed, both assessments and – to a lower extent – short-term forecasts on the general economic situation are improving, within a framework characterised by favourable labour market prospects.

With regard to prices, though in the presence of some concerns on price dynamics, inflation is expected to stabilise in the next twelve months.



### Overall situation

In June, the confidence climate raw index on the overall economic situation alone marks a recovery for the third month in a row, growing from 92 in May to 95.1 in June.

The improvement is due in particular to the rosier assessments and forecasts on the general economic situation: the balances of assessments and expectations recover from -70 and from -16 to -66 and -14 respectively. Besides, more favourable prospects also emerge in the short-term labour market evolution: the percentage of those expecting a "strong" unemployment rise goes from 9 to 6%, all other percentages remaining unchanged. With regard to prices – which are not part of the confidence-building series – slightly darker assessments emerge compared to the previous Survey. Alongside with a stable share

of those deeming prices rose "very much" (40%, as in May), after a three months' reduction, a new rise is observed in the percentage of those deeming prices rose "enough" (from 38% in May to 40% in June). However, signals of stabilisation of the future price dynamics strengthen: the share of those foreseeing a substantial price stability for the next twelve months grows up to 57% (55% in April), which marks a new record. Conversely, the number of those expecting prices to rise more or in the same amount in next year as against the past twelve months further decreases, passing from 19% in May to 17% in June, which is the fifth contraction in a row. This confirms the inflation-decreasing trend observed since February.

### **Personal situation**

The raw confidence index referring to the respondents' personal situation alone decreases in June, passing from 115 in May to 112.8 in June, as the result of much less favourable assessments on the possibility and convenience to save, of substantially stable convenience to purchase durables and of slightly favourable signals or signals of standstill in the households' economic and financial situations.

The share of those deeming it convenient to save (certainly or likely) falls from 73% in May to 71% in June, probably also in connection to the further decrease in official rates, which have reached the minimum values of the past few years. Besides, greater concern is emerging on the real possibility to save in the next twelve months: the number of those deeming their future saving "certain" or "likely" diminishes from 41% to 37%.

Even the balance concerning the assessments on the present financial situation passes from 9 to 10, while the figure referring to the households' economic situation recovers from -37 to -36.

While the general convenience to purchase durables remains unchanged compared to May (the balance equalling -48), the respondents' intentions to purchase durables seem more cautious: 65% of respondents (64% in May) expect not to make major purchases in the next twelve months.

Turning to details, consumers' evaluations are even more cautious: while the number of respondents declaring their intentions to purchase a home in the next twelve months remains at 4%, the share of those definitely excluding any major purchase goes up to 92% (as against 90%). Furthermore, the share of those intending to spend for home maintenance and improvement in the next twelve months falls from 10 to 9%. Finally, the number of consumers considering it probable or certain to buy a car next year decreases from 11 to 9%.

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

### *May and early-June 2003*

In May, the consumers' confidence climate slightly worsens in the euro area: the worsening is particularly evident in Germany, Austria and Finland, while it is smaller in Greece and Ireland. Confidence improves in the Netherlands, Luxembourg, Portugal, Spain and – to a lesser extent – France. According to the early June data of the University of Michigan, the American consumers' confidence, which had shown signals of improvement in May, dramatically falls again.

According to the European Commission Consumer Survey, the confidence climate indicator for the euro area on average falls in May from -19 to -20, as it was mainly affected by the European consumers' growing concern for the labour market. The balance concerning expectations on unemployment in the next twelve month grows from 40 to 43. Also prospects on the general economic situation seem more pessimistic,

and the balance passes from -22 to -23, while expectations on the households' economic situation slightly recover. Indeed, expectations on future saving opportunities have remained stable on the December 2002 level for six months (the balance equalling -9). Among non confidence-building series, inflationary expectations for the next twelve months are expected to diminish (the balance passing from 12 to 5, that is on the minimum figures of 2002). Conversely, assessments on the general economic situation are worsening from -47 to -50, which is close to the low figures of March 1994. With regard to durables, the number of households still perceiving the present moment as favourable for immediate major purchases is slightly increasing (the balance goes from -27 to -26) while caution on the prospects of future expenses for the next twelve months is increasing (from -19 to -20).

Among the major countries, Germany shows a sensible confidence contraction, from -20 to -23, which is close to the minimum level registered in Summer 1996. As already highlighted for the euro area average figures, the worsening is observed in particular in expectations on the short-term prospects of the unemployment rate (the balance going from 39 to 49), while expectations on the general economic situation considerably deteriorate (the balance passing from -26 to -31). Indeed, prospects of the households' economic situation seem less critical, while forecasts on the saving opportunities remain unchanged for the third month in a row.

Among other components, it is worth signalling the strong fall of inflationary expectations (from 16 to 11), alongside with a worsening in assessments on the general economic situation (the balance of which goes from -54 to -60), getting close to the minimum figures of December 1993. With regard to durables, assessments on the convenience to purchase them slightly deteriorate (from -23 to -24).

The French confidence indicator slightly increases from -27 to -26: the balance expressing expectations on the households' economic situation recovers, while the share of those expecting an unemployment rise in the next twelve months diminishes for the second month in a row (which runs counter what happens in the euro area and in Germany). Conversely, prospects on the general economic situation are deteriorating, though to a small extent.

Among other components, the percentage of those considering the present phase as non favourable for major purchases decreases and concerns on price dynamics markedly diminish (the balance falling from 16 to 11, as in Germany).

In Spain, the confidence climate marks a recovery and goes to -14 (from -16), mainly because Spanish consumers – as French ones – express smaller concerns on the short-term evolution of unemployment, while – unlike what happens in Germany and France – their prospects on the general economic situation are less pessimistic (from -12 to -8). Indeed, perplexities on the opportunity to devolve part of their incomes to saving slightly increase (the balance going from -29 to -30, close to the Summer 1994 levels).

Finally, non favourable signals come from non confidence-building indicators, with the exception of assessments on the convenience to purchase durables. In Spain too a strong reduction is signalled in expectations on inflation and the balance passes from 22 to 8.

In the United States, the Conference Board index – which markedly grew in April - registers a modest growth from 81 in April to 83.8 in May. The figure mirrors a rosier approach of American households to their own short-term prospects and to those of the general economic situation. Indeed, the sub-index concerning expectations alone rises from 84.8 to 94.4, which more than offsets the contraction of the sub-

index concerning the current situation, which falls from 75.2 to 67.9. The confidence improvement registered in May is also confirmed by the University of Michigan confidence indicator, which rises from 86 in April to 92.1 in May. According to the early data on June, however, the American consumers' confidence climate should be negatively affected and should equal 87.2, which reflects further concerns, particularly on the expected labour market evolution. However, the index remains about 10 points above the minimum figures reached in March 2002, getting near to his own long-term average value.