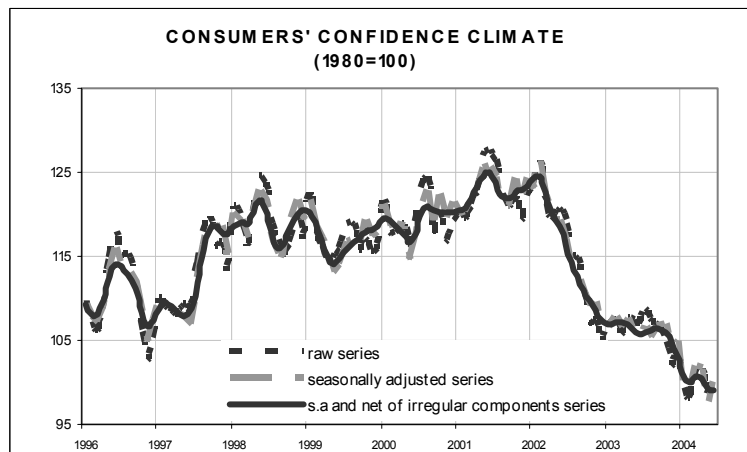




DATA/Date: **June 22, 2004**
TEL. : **06/444821**

THE CONSUMERS' CONFIDENCE GROWS IN JUNE

- The seasonally adjusted indicator rises from 97.2 in May to 99.9 in June, while the indicator adjusted for the seasonal and irregular component – which is more affected by the past trend of the historical series – remains substantially stable at 99.1 (99.2 in May). The raw index marks a strong leap forward and rises from 98.6 to 101.9
- The improvement is particularly evident in short-term forecasts both on the general economic situation and on the respondents' own situations. The sub-index grows from 94.5 in May to 100.3, while the indicator concerning evaluations on the current situation equals 100.8, which is slightly better than the May figure (100.3)
- The disaggregated index concerning assessments and forecasts on the respondents' own situations increases from 104.9 to 106.5: the one referring to the country's general economic framework goes up from 83.2 to 88.2, probably thanks to the partially favourable news coming from the critical areas of the world
- Furthermore, the perception of a gradual slowdown in the current price dynamics is strengthening, even though some new reasons for future concern are emerging, maybe due to the ongoing tensions on energy prices
- In keeping with what stated in the May ISAE Consumer Survey, the May consumers' confidence has been worsening in most European countries. In the USA, according to the early Michigan University data on June, the American consumers' confidence is expected to rise after the marked contraction registered in May



Data referring to July shall be diffused on **July 21, 2004**

Next ISAE surveys are scheduled as follows:

June 24, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: June)

June 28, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: May) and ISAE Monthly Business Service Survey (Reference month: June)

June 30, 2004: 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)

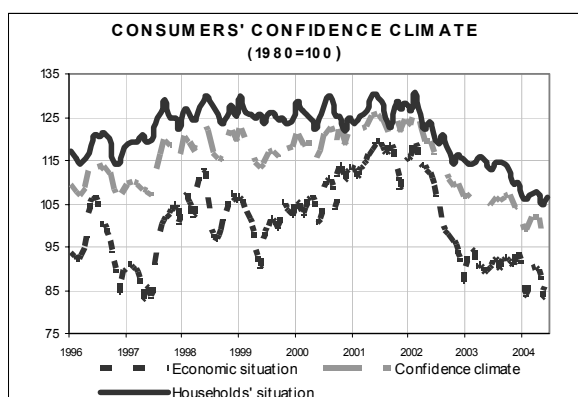
I – ISAE CONSUMER SURVEY FOR ITALY

June 2004

According to the Consumer Survey carried out by ISAE between June 1 and 16 on a sample of 2,000 respondents, the Italian consumers' indicator in June is recovering compared to the May figures. The raw index marks a strong leap forward and rises from 98.6 to 101.9, thus getting close to the April values. The seasonally adjusted indicator also shows a growth, passing from 97.2 in May to 99.9, which is slightly above the average figures of the past 5 months. The indicator adjusted for the seasonal and irregular component – which is more affected by the past trends of the historical series – remains substantially stable at 99.1 (99.2 in May), thus remaining close to the minimum figures reached in the late-1993.

The improvement is particularly evident in short-term forecasts, the index of which grows from 94.5 to 100.3. Indeed, the indicator concerning assessments on the current situations goes from 100.3 in May to 100.8 in June. The partially favourable news coming from the critical areas of the world have definitely contributed to raise the sub-index referring to the general economic framework, going from 83.2 in May to 88.2 in June. The one concerning the ISAE respondents' own situations also grows and passes from 104.9 to 106.5.

Finally, the indications of a gradual slowdown in the current price dynamics are strengthening, even though some reasons for future concern are emerging, maybe due to the ongoing tensions on energy prices.



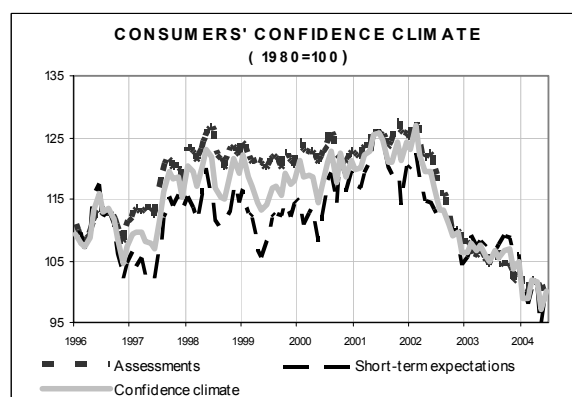
General economic situation

In June, the seasonally adjusted confidence index on the general economic situation alone grows by almost 5 percentage points and rises from 83.2 to 88.2, which is above the average figures of the first 5 months of the year.

The improvement is due to both the recovery of current and future evaluations on the country's general economic situation – getting close to the April levels – and to the decreasing concerns on the labour market trend. In particular, assessments on the country's general economic situation pass from -109 to -102 (seasonally adjusted weighted balances), while expectations rise from -42 to -33 and expectations for an unemployment rise fall from 48 to 38.

Signals that the current inflationary dynamics is slowing down are getting stronger: the share of respondents considering prices rose "very much", "enough" or "not much" over the past 12 months equal 30, 52 and 7% respectively (they were 32, 50 and 7% in the previous Survey).

With reference to expectations for the next 12 months, consumers express slightly darker evaluations compared to May. Indeed, the share of respondents expecting prices to increase "more" than in the past rises from 3 to 4%, while the percentage of those expecting prices to rise "as much as nowadays" grows from 12 to 16%. Conversely, the number of those forecasting prices to rise "less than" in the past diminishes, as does the share of those expecting an



inflation stability for the next 12 months: the percentages go from 23 and 57% in May to 19 and 54% respectively. The (minimum) number of those expecting a price fall passes from 1 to 2%. Maybe in this phase consumers' expectations are negatively affected by the ongoing tensions on the international markets of raw materials.

Households' situations

In June, the seasonally adjusted confidence index referring to the respondents' own situations alone increases from 104.9 to 106.5, which means a return to the average figures of the first 5 months of the year.

Assessments on the households' economic situations contribute to that outcome, while evaluations on the convenience to purchase durables remain cautious. With regard to saving, the present convenience is worsening, but consumers expect more opportunities to save in the future.

Going in details, the seasonally adjusted weighted balance of the households' own situations rises from 7 to 11; besides, assessments and expectations on the households' economic situations increase and balances pass from -48 and -10 to -47 and -8. With regard to saving, assessments on the present convenience to save fall from 62 to 54, while those on the future saving opportunities nearly recover the May contraction passing from -92 to -74.

Indeed, assessments on the convenience to purchase durables remain stable and cautious: the (weighted and seasonally adjusted) balance remains at -107, as in May. Furthermore, consumers expect to reduce their purchases in the next 12 months: the share of those declaring they want to make more, less or as many purchases as in the past (raw data) falls from 38 to 33%, while the number of those declaring they wish to make no purchase at all rises from 61 to 67% of the sample.

Turning to major purchases, forecasts on the number of car buyers are worsening (from 8 to 6%), while the share of households "definitely" excluding they will buy a new car in the next 12 months rises from 74 to 79%. With reference to the home market, forecasts concerning both the opportunity to buy a new house and to spend for home maintenance initiatives remain substantially stable. With reference to the former, in June 2% of respondents are "certainly" or "probably" bound to buy a house (as in May), while the number of those "definitely" excluding they will ever spend on this item rises from 86 to 89%. With regard to the latter item, the share of respondents expressing their will to spend for home maintenance or improvement grows from 6 to 7%, while the percentage of those "certainly" excluding any purchase in this sector grows from 81 to 82%.

II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

May and early-June data

The average consumers' confidence in the euro area worsens in May and reaches figures below the average values of the I Quarter 2004¹. Indeed, negative signals come from almost all European countries, with some significant improvements in Portugal and Luxembourg. According to the early Michigan University data on June, after the marked contraction registered in May, the American consumers' confidence should grow.

Turning to details, the average euro area indicator decreases from -14 to -16, with a diffused worsening in all confidence-building components. In particular, with regard to the labour market, the share of those expecting an unemployment rise grows (the balance passing from 31 to 33).

¹ In January 2004, France reviewed its questionnaire for a better harmonisation of its Survey, which caused a structural break in the series. Thus, French data are neither seasonally adjusted, nor fully comparable with those of other countries, all of which has an impact on the average figure of the euro area.

Among non confidence-building indicators (according to the Commission), spending prospects for the next few months improve, while opinions on the present convenience to purchase durables worsen. Looking at prices, a further inflation dynamics harshening is signalled.

Among the major countries, the German confidence climate slightly worsens again in May (from -17 to -18). Unfavourable indications come from almost all confidence-building components, with the exception of future saving opportunities (from 0 to 1 in terms of balance). In this case too, the number of those expecting an employment contraction is rising (the balance passing from 40 to 41). With regard to prices, new inflationary thrusts are emerging (the balance increasing from 8 to 14).

With regard to France, the confidence climate decreases from -15 to -17, thus marking a worsening of almost all confidence-building components, with the exception of consumers' expectations on their country's general economic situation (rising from -19 to -18). In particular, future saving opportunities markedly diminish (their balance passing from -7 to -14). Turning to prices, a further price rise is emerging in France (as in Germany and on average in the euro area countries): indeed, the balance grows from 7 in April to 18 in May.

Also the Spanish confidence climate slightly deteriorates in May (from -8 to -9). According to Spanish consumers, prospects on the country's general economic situation become darker (passing from 0 to -2 in terms of balance), while expectations on the respondents' financial situations and on their future saving opportunities remain stable. With reference to the labour market, the share of those expecting an unemployment rise grows in Spain as well (the balance passing from 6 to 10). Turning to prices, the percentage of those forecasting an inflation growth in the next few months rises from 4 to 13.

According to the Conference Board, the confidence indicator in the United States equals 93.2, thus remaining substantially stable compared to April. Conversely, the sub-index concerning expectations alone improves from 94.8 to 95.2, while the one referring to the current situation goes from 90.4 in April to 90.3 in May. According to the early data of the Michigan University for June, confidence is expected to grow up to 95.2, thus fully recovering the May contraction, in the wake of a renewed optimism for the prospects of the country's general economic situation.