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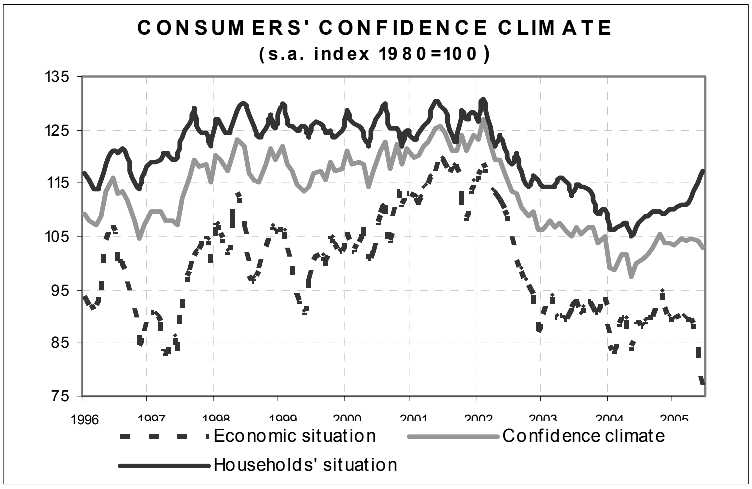
# THE JUNE CONSUMERS' CONFIDENCE DECREASES

- **The seasonally adjusted indicator falls from 104.3 to 102.9, thus getting close to the troughs of September 2004; the raw index diminishes from 105.7 to 104.7, while the indicator adjusted for the seasonal and irregular components goes from 104.0 to 103.4, which is also the lowest value since September 2004**
- **The fall mirrors a further deterioration in the evaluations on the country's economic situation (the index falling from 83.9 to 76, which is close to the minimum values of the past decade). Conversely, the index concerning the respondents' own situations rises from 115.3 to 117.1, which is near the maximum peaks since April 2003**
- **The deterioration of opinions on the general economic framework is due to unfavourable evaluations on the overall situation and on the labour market in particular; the growing index of the respondents' own situation is positively affected by a better convenience and more opportunities to save**
- **On the other hand, ISAE respondents confirm their rosier opinions on the current situation, while short-term economic expectations are cautious**
- **In Europe, the May consumers' confidence registers a deterioration owing to the unfavourable French trend, in spite of the recovering signals coming from Germany**
- **In the United States, contradictory indications come from the Conference Board data (providing positive results) and from the Michigan University figures (indicating a confidence fall). However, according to the latter source, the index should grow again in June, thanks to a renewed optimism of American consumers into their own financial situations**




*Data referring to July shall be diffused on* ***July 21, 2005.***

*Next ISAE surveys are scheduled as follows:*
**June 28, 2005:** ***ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: June***
**June 30, 2005:** ***ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: May)*** and ***ISAE Monthly Business Service Survey (Reference month: June)***
**July 4, 2005:** *Comparative Business Surveys for Italy, Germany and France (reference month: June)*

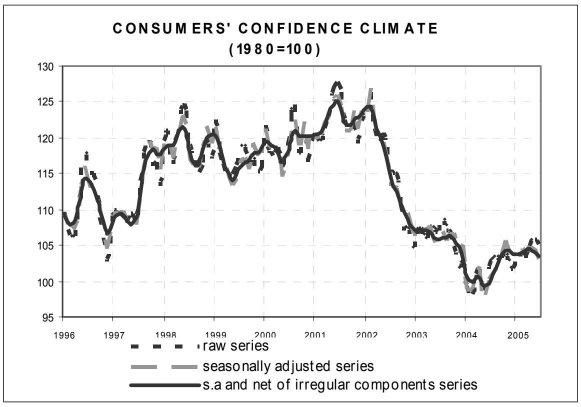
**The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)**

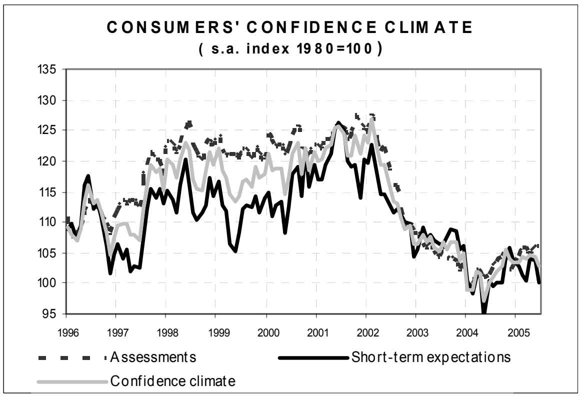
## Confidence in Italy, in the euro area and in the United States

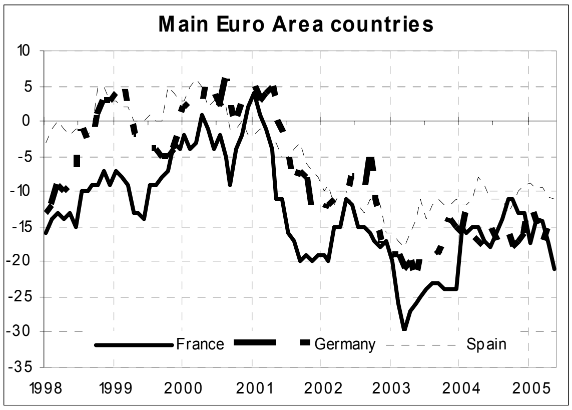
According to the ISAE Consumer Survey carried out between June 3 and 16 on a sample of 2,000 respondents, the confidence indicator decreases from 104.3 to 102.9 in June, thus going back to the September 2004 figures. The raw index diminishes from 105.7 to 104.7, while the indicator adjusted for the seasonal and irregular components goes from 104.0 to 103.4, which is also the lowest trough since September 2004.

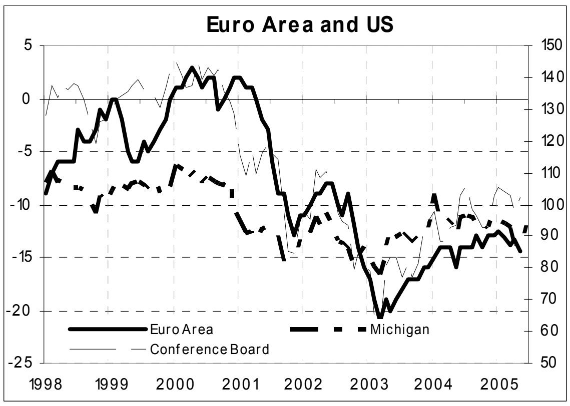
The fall mirrors a further deterioration in the evaluations on the country's economic situation (the index falling from 83.9 to 76, one of the minimum values of the past decade). The index of the respondents' own situations rises from 115.3 to 117.1, which is near the maximum peak reached since April 2003. The deteriorating opinions on the general economic framework are due to unfavourable evaluations on the overall situation and on the labour market in particular; the growing index concerning the respondents' own situation is positively affected by better saving convenience and opportunities. On the other hand, ISAE respondents confirm their rosier opinions on the current situation (the sub-index passing from 105.8 to 106.2, which is the highest value since April 2003), while short-term economic expectations are cautious (the sub-index falling from 103.6 to 100.1). Finally, with reference to the inflation dynamics, evaluations on the current dynamics decrease, as do short-term expectations.

In the euro area, the May average consumers' confidence registers a further deterioration, going back to the May 2004 figures, with negative signals coming from France in particular. In the United States, contradictory indications come from the Conference Board data (providing positive results) and from the Michigan University figures (indicating a confidence fall), but - according to the latter source - the index should grow again in June.



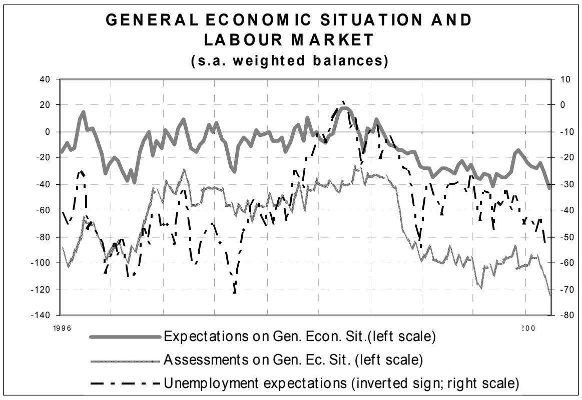



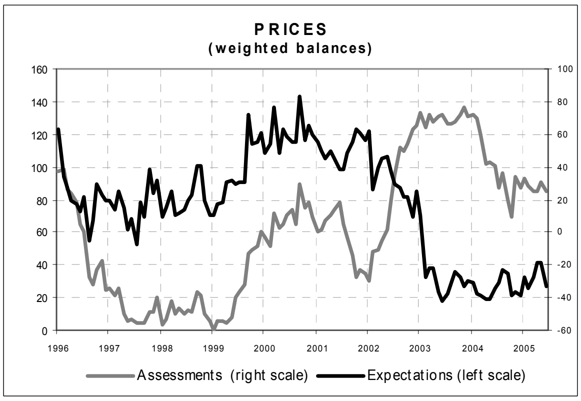



### The ISAE Survey; the overall economic situation

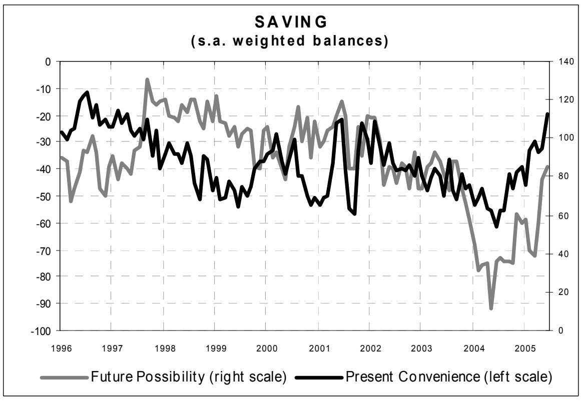
In June, both assessments and forecasts on the overall economic situation deteriorate (the weighted balances passing from -111 and -30 to -125 and -43 respectively) and expectations for an unemployment rise intensify (from 55 to 64, which is the worst figure since May 1999). The inflationary dynamics is slowing down: the raw weighted balance of the past 12 months falls from 91 to 85, with a stabilisation at 34% of the share of those considering prices rose “very much”, a fall from 40 to 35% of respondents considering prices grew “little” and an enlargement from 13 to 16% of the share of those deeming prices remained stable. Even the raw weighted balance of inflationary expectations diminishes (from -19 to -33), as more than half of respondents expect stable prices in the next 12 months.

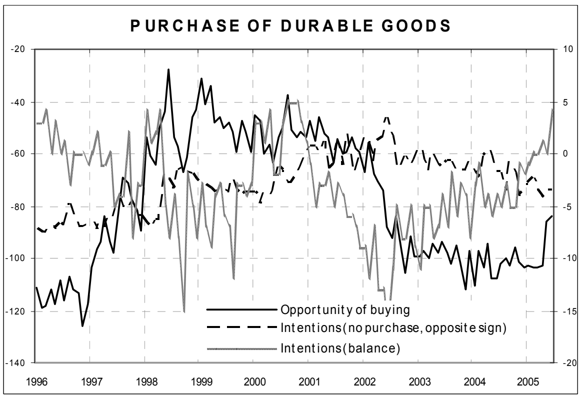



### The ISAE Survey: the households' situations

The June evaluations on the present convenience and future opportunities to save are improving: the balances grow from 95 and -44 to 113 and -39 respectively, while assessments on the households’ financial situations are slightly decreasing (the balance passing from 5 to 3) and those on the respondents’ own situation are stable (-53), within a framework characterised by concerns on the short-term evolution of the households’ situations (the balance passing from -4 to -7). Divergent signals come from durables: consumers are slightly more pessimistic on the present convenience to purchase them (the weighted balance falling from -84 to -86), while short-term purchasing intentions are improving and the raw weighted balance increases from 0 to 4. As for major purchases, the share of those “definitely” or “probably” buying a car in the next twelve months remains at 9%, the percentage of those intending to buy a house goes from 5 to 4%, while the number of respondents referring they will have expenses for home maintenance and improvement decreases from 15 to 13%.



**The Surveys on the euro area and the United States (May and early-June data)**

The average consumers' confidence in the euro area decreases in May, passing from -13 to -15 and thus reaching the lowest figure since May 2004. Almost all confidence-building components are worsening, with the exception of future saving opportunities, which slightly recover compared to the previous Survey. In particular, consumers express their growing concerns on the country's general economic situation (the balance falling from -14 to -17) and on the labour market trend (the share of those expecting an unemployment rise grows from 29 to 31), which is close to the March 2005 levels). Among non confidence-building variables - according to the Commission –, assessments on the convenience to purchase durables slightly improve, but spending prospects for the next 12 months are worsening, within a framework characterised by expectations for a slight future price rise (the balance passing from 10 to 12, which is one of the peaks since April 2003).

The average confidence worsening in the euro area mirrors diversified trends in the major countries: indeed, the German confidence climate slightly recovers in May (from -15 to -14) thanks in particular to less unfavourable labour market perspectives (the balance of the unemployment rise decreasing from 37 to 31, which is one of the troughs since November 2002). Also expectations on the overall economic situation slightly grow, though those referring to the respondents' own situations fall (from -4 to -6) and those regarding the inflation dynamics are stable (at 9, as in the previous month).

In France, the confidence climate index considerably falls from -17 to -21, as a consequence of a worsening of all almost all confidence-building components, with the exception of saving opportunities (the balance passing from -18 to -15, which is close to the February 2005 level). As for the euro area average figures, also French consumers are particularly concerned about the overall economic situation (the balance diminishing from -17 to -26, which is one of the lowest levels since November 2003) and about the labour market trend (the share of those expecting an unemployment rise grows from 32 to 40, which is one of highest figure since December 2003). With regard to prices, further inflationary thrusts are expected (the balance passing from 11 to 17, which is the all-time high since June 2004).

The Spanish confidence indicator remains unchanged at -11, as in the previous month, while prospects on the country's economic situation worsen (the balance going from -7 to -9), as do those referring to the labour market. Conversely, future saving opportunities slightly improve and expectations on the respondents' own situations grow. Turning to prices, concerns for new inflationary tensions are growing and the balance passes from 23 to 28, which is one of the highest levels since November 2002.

In the United States of America, according to the Conference Board indicator, the consumers' confidence recovers from 97.5 of April to 102.2 in May, thanks to an improvement of the sub-index referring to expectations alone (passing from 86.7 to 92.5) and of the one referring the present situation (from 113.8 to 116.7). That result is however not confirmed by the Michigan University data, whereby the index decreases in May from 87.7 to 86.9. According to the Michigan University early figures, the American consumers' confidence is strongly recovering in June thanks to a renewed optimism of American consumers on their own financial situations.