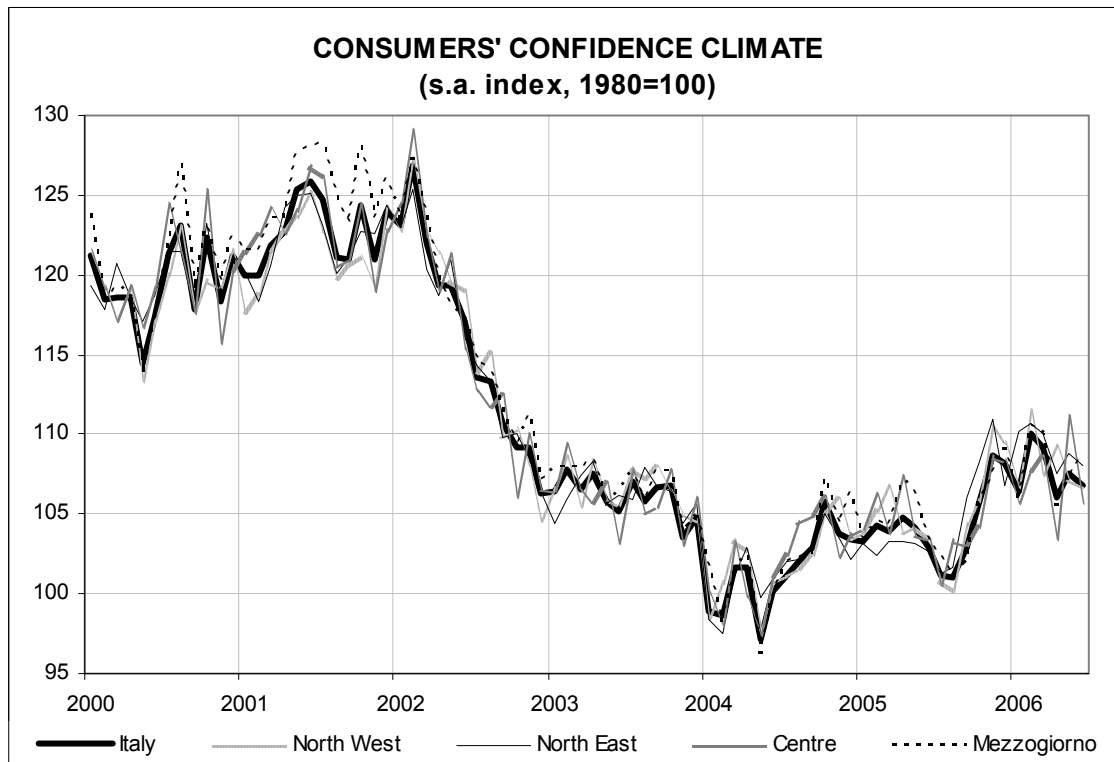




Date: **June 22, 2006**  
TEL.: **06/444821**

## CONSUMER CONFIDENCE WEAKENS IN JUNE

- Confidence confirmed the wavering course already recorded in the last months: after recovering in May, the seasonally adjusted index declined to 106.8 in June (from 107.6), returning clearly below its first quarter average. The raw index lowered from 109.1 to 108.6, while the indicator adjusted for both seasonal and irregular components stayed virtually the same (moving to 107 from 107.1 in May)
- The worsening was principally driven by the deterioration in the opinions on the country's economic situation and, in general, in short term forecasts, which might have been affected by the news on the poor state of public finances
- Respondents, instead, improved the assessment on their personal situation and on current conditions, mainly because a more favourable evaluation of the convenience to buy consumer durables
- Consumers showed increasing worries about current and future prices, probably due to ongoing inflationary pressures for international energy prices
- On a regional basis, consumer sentiment worsened in the North and, principally, in the Centre, while it showed signs of improvement, for the second month running, in the *Mezzogiorno*



**Data on July shall be released on July 20, 2006**

*The next ISAE surveys are scheduled as follows:*

**June 27, 2006:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: June 2006)

**June 28, 2006:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: May 2006), ISAE Monthly Business Services Survey (reference period: June 2006) and ISAE Monthly Survey on Construction (reference period: May 2006)

**July 6, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: June 2006)

**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](http://www.isae.it))**

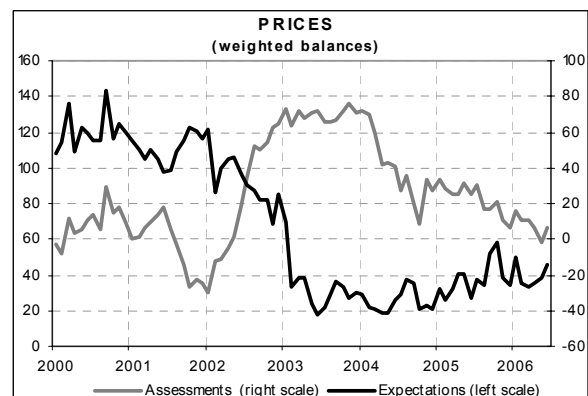
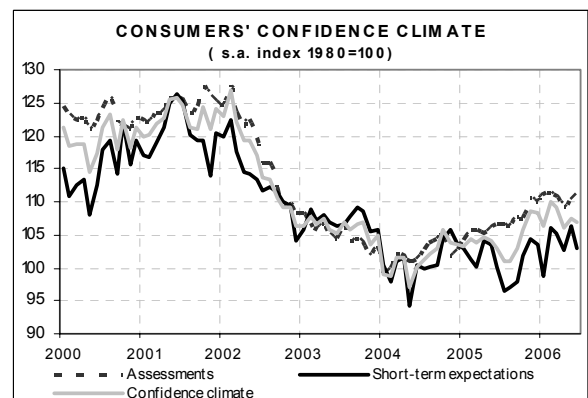
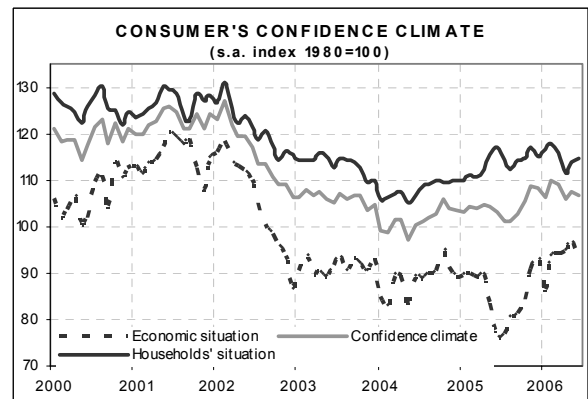
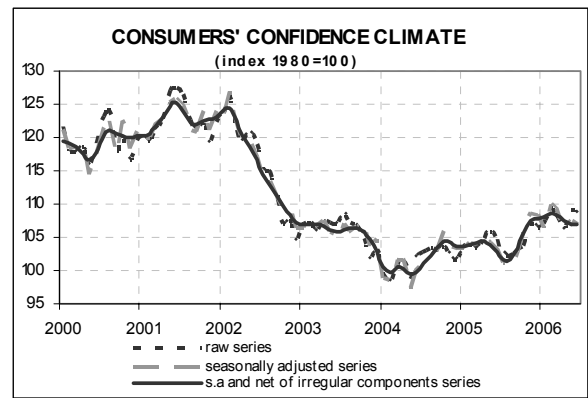
### Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between June 5 and June 16, Italian consumers' confidence edged down from 107.6 in May to 106.8 in June. The raw index moved from 109.1 to 108.6, while the indicator adjusted for both seasonal and irregular components remained virtually unchanged (at 107, compared to 107.1 in May).

Pessimism mainly characterized the country's general economic climate and short term expectations (the related indicators actually lowered from 96.6 and 106.2 to 92.9 and 103.1, respectively, both reaching the lowest level since the start of the year). Forecasts for the Italian economic situation were mostly revised downwards. In contrast with rising worries about the country's economic situation, the respondents' evaluation of current conditions and of their personal situation was slightly more optimistic (the index improved from 110.2 to 111 and from 113.8 to 114.7, respectively). In both cases the respondents gave a decisively more confident appraisal of the consumer durables market.

With regard to the variables excluded from the definition of confidence, consumers stopped believing that inflation had slowed and, consistently, their concerns of a rise in inflation in the following twelve months, which had already emerged last April, increased.

On a regional basis, the indicator worsened, albeit to varying degrees, in the North and the Centre, while it improved in the *Mezzogiorno*.



## Overall situation

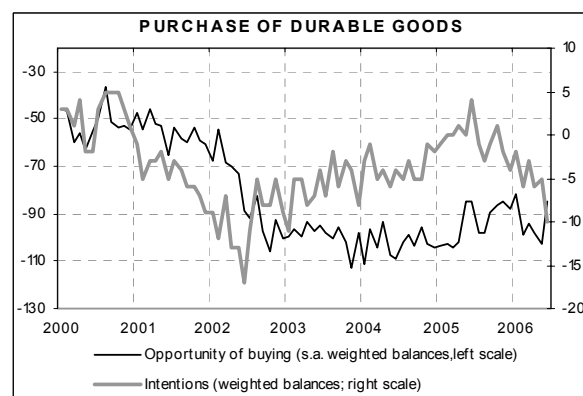
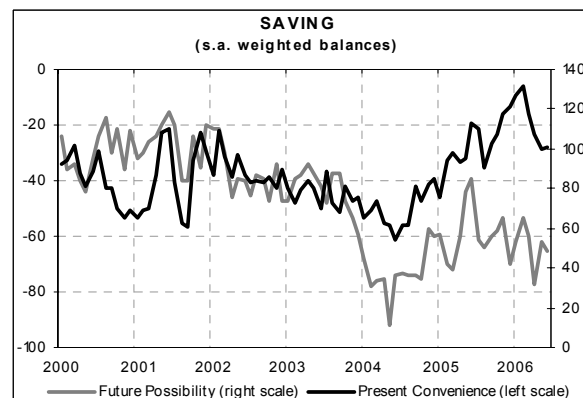
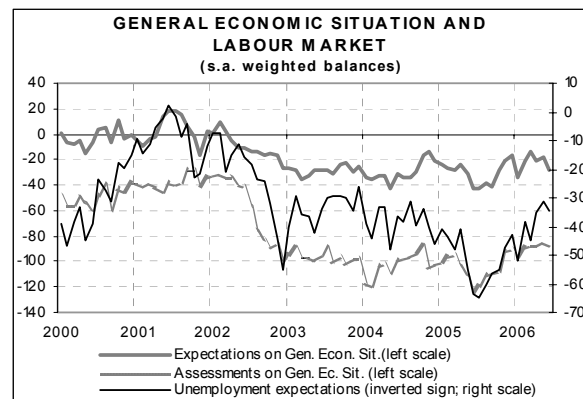
In June, consumers considered that the country's economic situation was deteriorating (the balance declined to -88 from -85 in May) and were sharply more pessimistic about short term prospects (the related balance moved from -17 to -28, the lowest level since January). Furthermore, expectations on unemployment deteriorated: the balance rose from 31 to 35, undoing the improvement posted the previous month.

As for the inflation trend, the raw weighted balance of price developments in the last twelve months reverted to 66 (as in April) from 58 in May: particularly, the percentage of respondents that considered prices to have increased "much" or "somewhat" rose from 18% to 19% and from 43% to 45%, respectively, the number of those who thought that prices rose a "little" remained at 18%, while the share of respondents that considered prices to have remained "unchanged" fell from 19% to 17%. Expectations on the inflation trend in the following twelve months sent particularly negative signals: the raw weighted balance increased from -22 to -13, because of a climb (from 44% to 47%) in the proportion of those that feared a price increase, and because of a decrease (from 47% to 43%) in the percentage of those that expected prices to remain unchanged.

## Personal situation and consumer durables buying intentions

In general, favourable indications characterized the respondents' evaluation of their personal situation: they decidedly improved their opinion on the current situation of the consumer durables market, balancing the widespread slight pessimism showed for most of the other variables. Particularly, the balance of the current convenience to buy consumer durables increased from -103 to -85, nearing the level recorded last January. Furthermore, the assessment on the present convenience to save slightly recovered (moving from 100 to 101 on balance); an improvement also

portrayed the evaluation of the family's economic situation (the balance moved from -42 to -41, remaining at the lowest level since April 2003). Nevertheless, in both cases related expectations worsened: forecasts on future saving opportunities declined from -62 to -65, while those on the family's economic situation lowered from -5 to -6 in the context of a deterioration in the household budget (the balance dropped from 10 to 4). Also with respect to the consumer durables market, respondents gave a more pessimistic appraisal of future buying intentions (the raw weighted balance declined from -5 to -10, the lowest reading since January 2003).



### Regional breakdown of consumer confidence

The decline in the confidence indicator experienced at the national level was the result of diverging trends across regions. The index worsened, though at different rates, in the North and the Centre, while it improved in the *Mezzogiorno*. In all regions, the assessment and the forecasts on the general economic situation and the evaluation of future conditions deteriorated, whereas the opinions on the personal situation and on current conditions sent contrasting signals.

North West: the confidence index decreased in this region (from 107.2 to 106.7), owing mainly to the worsening in the assessment and the forecasts on the general economic situation and, above all, also to the opinions on future conditions. Instead, consumers in the North West were optimistic about the appraisal of their personal situation and of current conditions.

North East: confidence deteriorated in this region as well. The related indicator declined from 108.8 to 108. The worsening in the confidence climate came, also in this case, from widespread pessimism on the general economic situation and on future conditions. Respondents, instead, improved their evaluation of their personal situation and of current conditions.

Centre: this was the region that witnessed the sharpest deterioration in confidence; the index dropped from 111 to 105.7. The fall in this case reflected overall negative assessments and forecasts regarding both the general economic situation and the personal situation. The evaluation of the current and future situation was decisively pessimistic as well.

Mezzogiorno: in contrast with the other regions, the consumer confidence index improved in this region for the second straight month. The indicator rose from 107.3 to 108.9, regaining the level posted in December 2005. The recovery was mainly backed by an improvement in the opinions on the personal economic situation and, chiefly, on current conditions. The assessment on future conditions and on the general economic situation worsened instead.

