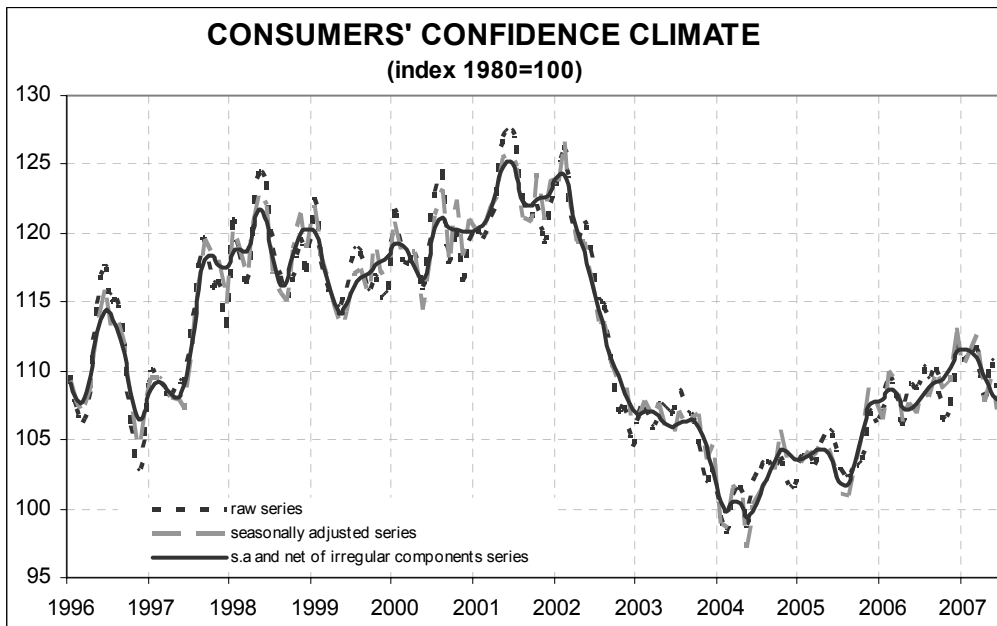




Date: **June 21, 2007**
TEL.: **06/444821**

CONSUMER CONFIDENCE DECLINES IN JUNE

- The seasonally adjusted consumer confidence index decreased from 109.4 to 107.2. The index also adjusted for irregular components lowered from 108.5 to 107.9. In both cases, the indicators neared the levels posted in June 2006. The raw index moved from 110.9 to 108.8
- The downturn was especially marked for the evaluation of the country's economic situation and of future saving opportunities. On the other hand, positive indications characterized the durable goods market and in particular the current convenience to save, which remained at a record high level
- The indicator referring to the general economic situation declined from 95.8 to 89.3, the one for expectations lowered from 101.6 to 97.9. The confidence indicator for the current situation moved from 116.5 to 115.6, while the gauge measuring the respondents' sole personal situation rose slightly from 116.9 to 117.1
- Consumers confirmed the pick up of present and mainly future inflation
- Confidence declined all over the country, but at different rates. The setback was the worst in the North East and the *Mezzogiorno* (where the indicator decreased from 111.8 to 108.4 and from 108.8 to 106, respectively), while it was more moderate in the North West and the Centre (from 110.8 to 108.4 and from 109.2 to 107.5)



Data on July shall be released on July 24, 2007

The next ISAE surveys are scheduled as follows:

June 26: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: June)

June 27: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: June), ISAE Monthly Business Services Survey (reference period: June), and ISAE Monthly Survey on Construction (reference period: May)

July 5: ISAE International Comparison of Consumer and Business Surveys (reference period: June)

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)

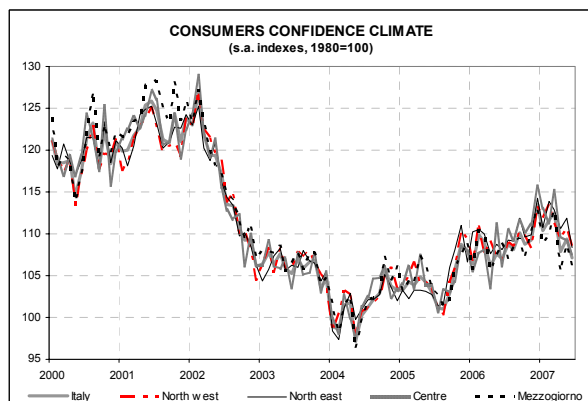
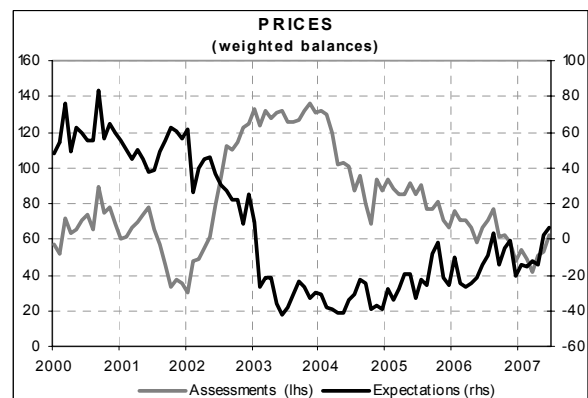
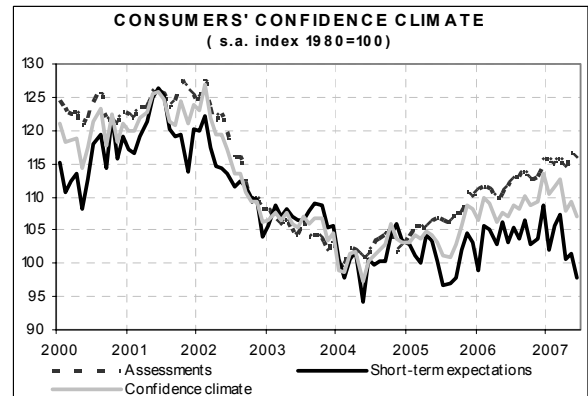
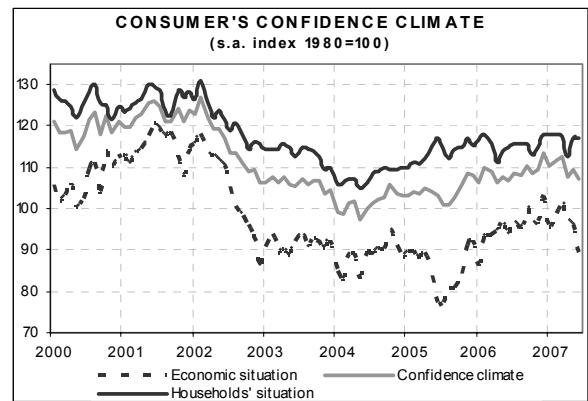
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between June 1 and June 14, consumer confidence posted a new decline in June which wiped out May's recovery. The indicator moved to 107.2 from 109.4. The index also adjusted for irregular components – which is more influenced by the past trend of the time series – lowered to 107.9 from 108.5. Both indicators neared the level recorded in June 2006. The raw index declined to 108.8 (from 110.9).

The evaluation of the general economic situation sent the most unfavourable signals: the related indicator dropped six and a half points (to 89.3 from 95.8 in May), hitting the lowest level since January 2006. Short-term expectations markedly declined as well, moving from 101.6 to 97.9, the worst reading since September 2005. A fallback in confidence also characterized the opinions on the current situation (the indicator lowered to 115.6 in June from 116.5 in May). On the other hand, the evaluation of the personal situation slightly improved over the previous month (to 117.1 from 116.9).

As for the price trend, consumers stepped up their opinions of an acceleration of current inflation and expressed expectations of a further increase in prices in the following twelve months.

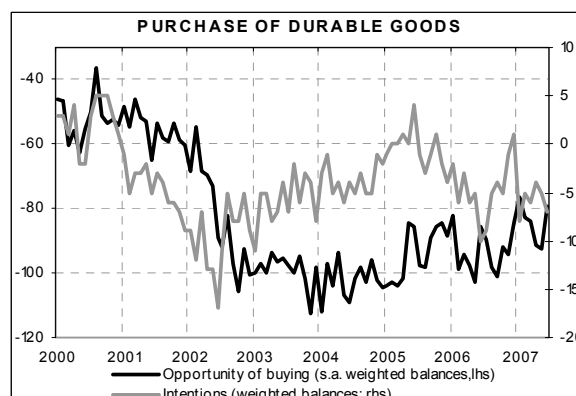
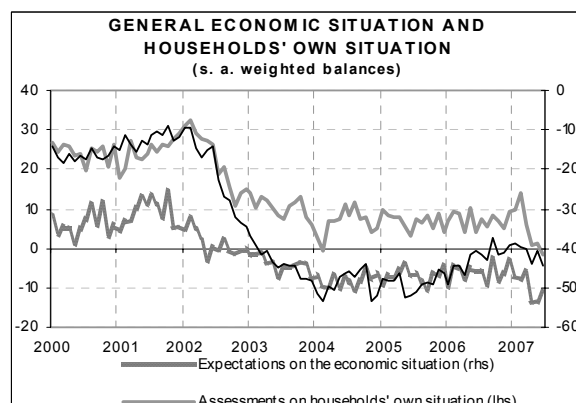
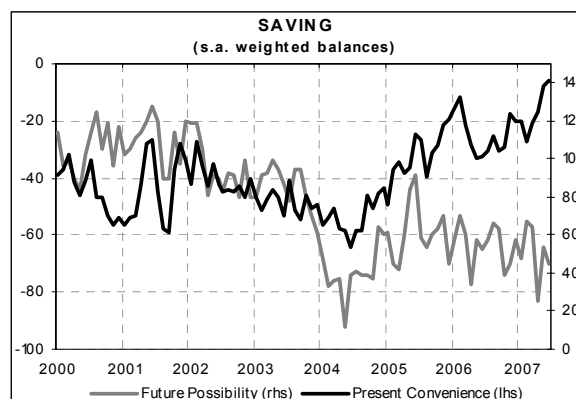
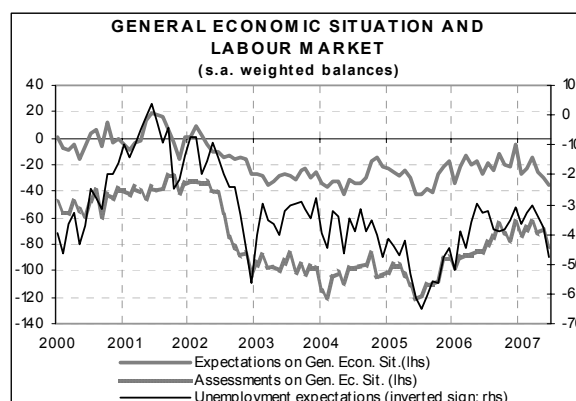
The wavering of confidence posted at the national level was widespread across the country: the indicator worsened in all areas, though at different rates. The decline was the worst in the North East and the *Mezzogiorno* (where the relative indicators lowered from 111.8 to 108.4 and from 108.8 to 106, respectively), while it was more moderate in the North West and the Centre (from 110.8 to 108.4 and from 109.2 to 107.5).



Overall economic situation

In June, all the opinions on the country's general situation were widely negative. In particular, the balance for the opinions on the current situation declined from -69 to -83, reaching the lowest level since June 2006, the one for expectations deteriorated, moving from -29 to -35, the minimum value since September 2005. Also the assessments on the labour market worsened: the balance for expectations of a rise in unemployment increased from 38 to 47, the most unfavourable evaluation since January 2006.

As for inflation, the raw balance for the opinions on the rise in prices recorded in the last twelve months rose from 53 to 62, reaching the value staged in October 2006. The share of respondents who thought that prices were "markedly" higher actually increased from 16% to 19%, and the percentage of those believing that they were "rather" higher rose from 41% to 43%. On the contrary, the proportion of respondents considering prices to have increased "little" declined (from 23% to 20%), and those who thought that they remained "equal" compared to the previous twelve months edged down from 18% to 17%. Moreover, for the second month running, marked concerns over an acceleration of inflation in the following twelve months were evident. The related balance moved from 2 to 6, the worst showing since January 2003. In particular, notwithstanding a reduction in the values for intermediate conditions, namely for respondents anticipating "same" inflation (from 31% to 28%) or "stability" in prices (from 33% to 32%), the percentage of those expecting a "sharp increase" in prices rose from 4% to 7%.



Personal situation

Assessments and forecasts for the respondents' personal situation recorded, instead, a slight recovery over the previous month, mainly due to positive opinions on the durable goods market and on the present convenience to save, which more than offset the sharp pessimism coming from the evaluation of the personal economic situation, the family budget and saving opportunities. In particular, the balance for the current convenience to buy consumer durables recovered from -93 to -79, the best result in the last six months, and favourable opinions on current saving opportunities improved for the fourth month in succession. The related balance rose from 138 to 141, posting, for the second consecutive month, an all time record for ISAE Consumer Surveys.

The opinions on the family budget were instead markedly unfavourable: the balance turned negative, moving from 1 in May to -2, a record low. In particular, the raw percentages of those who managed to save and of those who, on the contrary, had to draw down on their savings in order to balance their budget were equal for the first time, amounting both to 17%. However, the former percentage reached its historical low (already hit in April), while the latter one was at his highest level.

Also the opinions on the economic situation of the consumers' own family showed signs of distress, with the related balance worsening from -41 to -44, while expectations for their personal situation seemed slightly less pessimistic (the balance inched up from -13 to -12). Nevertheless, consumers didn't expect either to save in the short term (the balance lowered from -64 to -70) or to be in the condition of making major purchases (the raw weighted balance declined from -5 to -7).

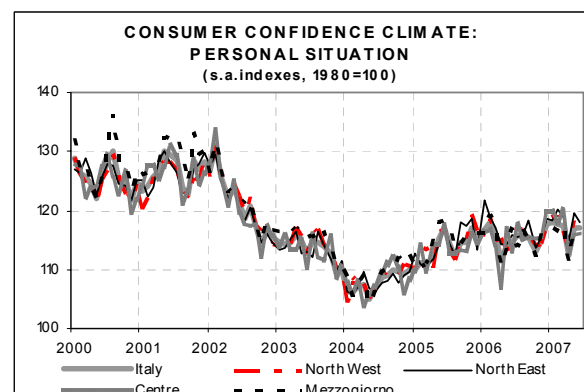
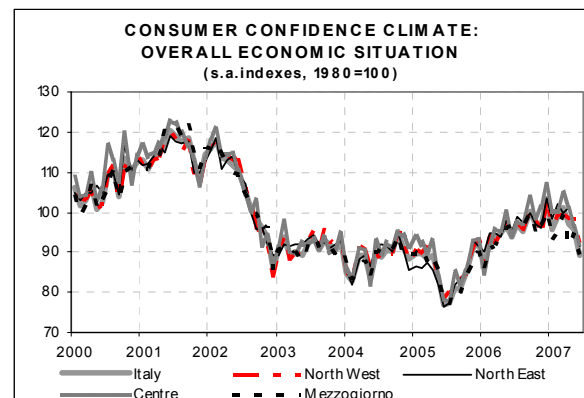
Regional breakdown of consumer confidence

The wavering of confidence posted at the national level was widespread across the country: the indicator decreased in all areas, though at different rates. The decline was the worst in the North East and the

Mezzogiorno, while it was more moderate in the North West and the Centre. The underlying components of the confidence climate showed a general worsening in the opinions on the overall economic situation and on future prospects, whereas the opinions on the personal situation and on current conditions sent less negative indications.

North West: in this area the decline in confidence was more moderate than in the North East. The indicator lowered from 110.8 to 108.4, returning to the average level recorded in November 2006. The deterioration was mainly prompted by the marked worsening in opinions on both the general economic situation and future conditions. Less negative signals came from the personal situation and current conditions.

North East: consumers in this area were the most pessimistic in the country. The index lost more than three points, moving from 111.8 to 108.4 and returning, also in this case, to the level recorded in November 2006. The negative picture painted by the confidence index was the result of decidedly worse indications mainly for the general economic situation and for current conditions.



Centre: in the central areas, the decrease in confidence was more moderate compared to the rest of the country. The index declined from 109.2 to 107.5, reaching the lowest level since June 2006. Consumers in the Centre gave negative assessments on the general economic situation and on current and future conditions, whereas the evaluation of the personal situation was slightly optimistic.

Mezzogiorno: in this area the confidence indicator dropped nearly three points. The index declined from 108.8 to 106, nearing the level recorded last April. The worsening in confidence was essentially due to widespread pessimism in opinions on both the general economic situation and current and future conditions, whereas positive indications came from the evaluation of the personal situation.

