



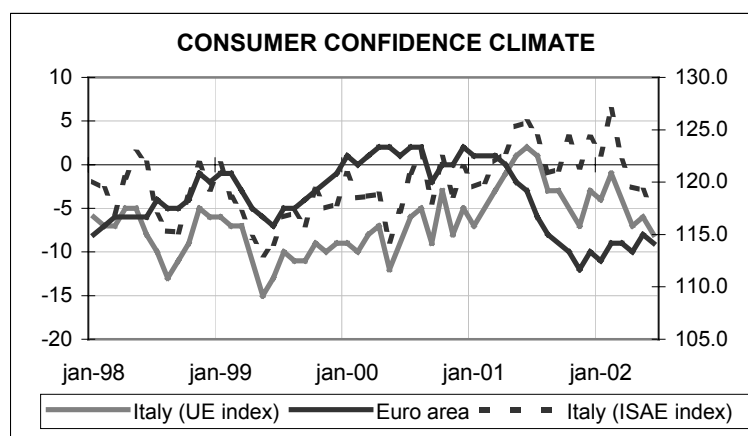
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## ISAE CONSUMER SURVEY

Reference month: July

- **The July confidence climate of Italian consumers (seasonally adjusted data) is decreasing again, reaching its lowest levels since Spring 1999. The seasonally adjusted index (1980=100) falls down to 113.4 from 117 in June; the one adjusted for the seasonal and irregular component diminishes from 117.7 to 114.6, while the raw figure passes from 118.8 in June to 115.2**
- **The confidence deterioration is particularly marked in the assessments on the country's general economic situation and on the households' own situations. Negative opinions on the present situation are accompanied by less favourable short-term expectations: indeed, expectations on the labour market, on the households' own budgets and on the intentions to purchase cars also worsen**
- **Few improvements are signalled in the forecasts on the households' own situations and on their intentions to purchase a house. Consumers confirm the gradual easing of inflationary pressures after the strong rise perceived in the past few months**
- **Over the past few months, the Italian confidence climate had a worse trend than the euro area average figure. This mostly mirrors the fact that short-term expectations on the households' own situations and on the country in general have been worsening in Italy since February, having registered instead a modest improvement in the rest of Europe**



Data referring to August shall be diffused on **September 3, 2002**. Next ISAE Surveys are scheduled as follows:

**July 24, 2002:** Monthly ISAE Business Survey on Manufacturing and Extractive Firms.

**July 31, 2002:** Comparative Business Surveys for Italy, Germany and France.

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see website [www.isae.it](http://www.isae.it)).

## I - ISAE CONSUMER SURVEY FOR ITALY

July 2002

### General results

The ISAE Consumer Survey carried out between July 1 and 15 on a sample of 2,000 respondents points out a further contraction in the consumers' confidence: the seasonally adjusted index decreases from 117 down to 113.4, which is the lowest level since May 1999; the index corrected for the seasonal and irregular component goes from 117.7 to 114.6, which is the smallest figure since June 1999. The raw index diminishes from 118.8 in May to 115.2 in June.

The confidence-building series are worsening, particularly the assessments on the general economic and personal situation. A slight improvement is only signalled in the respondents' intentions to purchase durables. The evaluations on the present convenience to save are slightly improving, while the saving convenience in the next twelve months remains unchanged.

In July, consumers - though confirming a clear price rise compared to last year - think it is less marked compared to the previous Survey. For the next twelve months, forecasts pointing to a slowdown in inflationary pressures are strengthening.

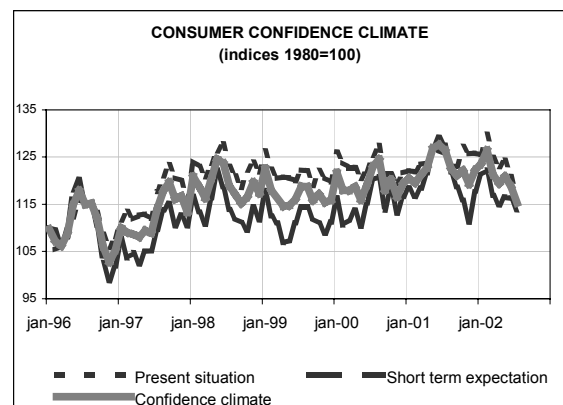
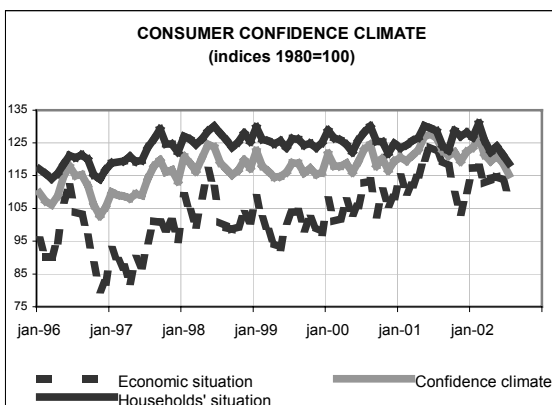
### Overall situation

With regard to the country's overall situation, both assessments (the July balance equalling -45 as against -33 in June) and - though to a lesser extent - short-term expectations are worsening (their July balance equalling -6, -3 in the previous Survey). Also expectations on the labour market are not favourable: the share of those feeling the unemployment rise is "moderate" passes from 22 in June to 24 in July.

Consumers continue to perceive a price dynamics step-up, though to a lesser extent compared to June. Indeed, the number of those thinking prices "rose moderately" grows to 54% (47% in June). However, for the future, consumers confirm they expect more stability: 31% of respondents (29% in June) deem prices will not change in the next twelve months.

### Households' situation

In a darker households' budget situation (the July balance equalling 19, while it was 26 in June), the assessments on the households' own situations also worsen (the balance equalling -19 as against -12 in the previous Survey), while expectations for the next future are recovering (the balance being +2 compared to 0 in June).



Also the share of those feeling the present period be "certainly" or "probably" favourable to saving slightly increases, reaching 76% (it was 75% in June); the percentage of respondents feeling it likely to allocate part of their income for saving in the next twelve months remains stable at 37%, as in the previous Survey.

Also evaluations on the market of durables remain stable: the number of consumers deeming the present situation "indifferent" in terms of likelihood to purchase durables rises to 39% (36% in May). Purchasing intentions for the next twelve months are diminishing: the share of those declaring their intentions not to make any purchase goes up to 53% (46% in the previous Survey).

With regard to major purchases, in July consumers express their growing intentions to purchase a house (6% as against 4% in the previous month), but they have no intentions to spend for home maintenance or improvement or to buy new cars. The share of those deeming it likely to buy a car in the next twelve months deteriorates to 18% (20% in June).

## **II - THE EUROPEAN COMMISSION CONSUMER SURVEY<sup>2</sup> AND THE AMERICAN CONSUMER SURVEYS**

### **June and early-July 2002**

In June, the average consumers' confidence climate slightly deteriorates in the euro area, while it sensibly diminishes in the United States. According to the European Commission Consumer Survey, the average confidence climate in the euro area falls down to -9 from -8 in May. The result mirrors more cautious expectations on the general economic situation (the balance diminishing from -7 in May to -8) and

substantially stable prospects on the households' own situations (the balance remaining null). Also the share of those feeling it unlikely to allocate part of their income to saving is increasing (the balance going from -4 to -5). With regard to the labour market, unemployment rate expectations remain unchanged (the balance remaining at 21). Among the non-confidence-building series, a modest worsening is registered in the opinions on the households' budget situations (the balance going from -11 to -12), alongside with a slight improvement in the assessments on the general economic prospects (from -29 to -28). With regard to durables, opinions on the present purchasing convenience are more cautious (the balance going from -22 in May to -25), while prospects for expenditure for the next twelve months remain stable (the balance remaining unchanged at -17). Finally, the share of those expecting a price rise continues to diminish: indeed the balance - decreasing from 16 in May down to 13 (which is the lowest figure since September 1998) - confirms that inflationary tensions are limited.

In June, the confidence climate trend in the euro area mirrors the confidence deterioration observed in almost all euro countries: in particular, a marked pessimism is observed in the Netherlands and in Portugal. Conversely, Belgium, Denmark and particularly Germany show positive variations in their indicator; the situation remaining stable only in Austria.

Among the major countries, the German confidence climate is favourably developing, by gaining three points: the index goes from -11 in May to -8, thus going back to last October's levels. The prospects of the households' own situations are improving (the balance going from -5 to -4) and, more sensibly, those concerning the economic activity in general (the balance rising from -14 to -10, which is the same figure of June 2001). German consumers are more optimistic also with regard to the labour market evolution: the

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<sup>2</sup> Since September 2001, the European Commission computes its confidence climate on different series compared to the past. For further details, see the Methodological Note.

balance going from 27 to 22, which means that the percentage of those expecting an unemployment rate growth is diminishing. Besides, concerns on a possible inflation rekindling are decreasing: the balance of replies on price dynamics goes from 18 in May to 12 in June, which is close to the June 1987 levels. Also the convenience to save in the next twelve months is increasing (the balance going from 4 to 5). Conversely, the French confidence climate slightly worsens, reaching -12 from -11 in May. Among the index-building components, expectations on the general economic situations (from -3 to -7), on the unemployment rate trend (from 26 to 27) and on the saving convenience (from -15 to -16) seem all more pessimistic. Expectations on the households' budget situations are stable. Among other indicators, the evaluations on the general economic situation and on the households' own situations remain stable. Indeed, the figure revealing households' intentions to purchase durables in the next twelve months remains null (since October 2001). In Spain, the confidence climate deteriorates more sensibly (from -10 in May to -12 in June, which is closer to the March levels), thus absorbing the negative variations of all confidence-building components. In particular, the balance concerning prospects on the general economic situation (from -5 to -8, which is a negative peak since September 1996) and that gathering expectations on future saving opportunities (from -15 to -18, which is the May 1997 level) are both worsening.

In the United States, the June Conference Board index loses four points, reaching 106.4 from the May figure of 110.3. The result mirrors negative expectations and assessments on the labour market conditions and strong concerns on the short-term economic prospects. The consumers' confidence is probably shaken by failures and accounting scandals which involved major American companies (Enron, Worldcom and, lastly,

Merck), all quoted on the Stock Exchange. Even the confidence climate elaborated by the Michigan University witnessed a serious deterioration, going from 96.6 in May to 92.4 in June, thus getting close to the June 2001 levels. Consumers are more cautious in their spending intentions; the economic growth rate is expected to slowdown, and opinions on the current households' own situations have not been so pessimist since the early-nineties.

According to the first available data, market tensions and the confidence crisis which hit the financial markets are mirrored in July in a further consumers' confidence worsening: the Michigan University index falls down by almost six percentage points, reaching 86.5 as against 92.4 in June.

#### **A comparison between recent confidence climate trends in Italy and in the euro area**

Consumers' confidence in the euro area reaches its peak at the end of 2000, markedly falls till last November and then starts recovering in December 2001 and during the first half of 2002, even if with ups and downs. In Italy, confidence indicators (both the ISAE figure and the European Commission indicator<sup>2</sup>) starts decreasing with a six months' delay, thus registering a less sharp fall than the one observed in Europe (particularly looking at the ISAE index). Between late-2001 and early-2002, the Italian confidence climate grows as in the rest of Europe, falling again since March, reaching in July its smallest figure of the past three years.

The delay registered in Italy is mainly due to the different trends of the forecasts on unemployment and on the general economic and personal situation. Indeed, those three variables continue to improve in Italy

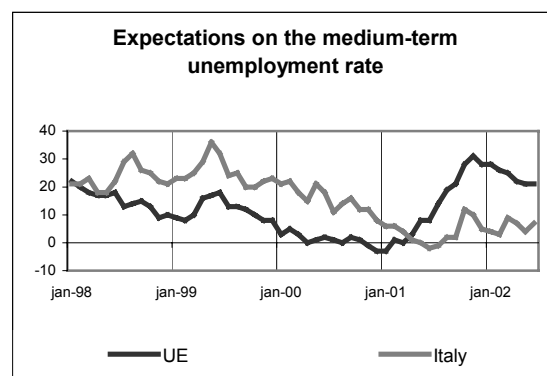
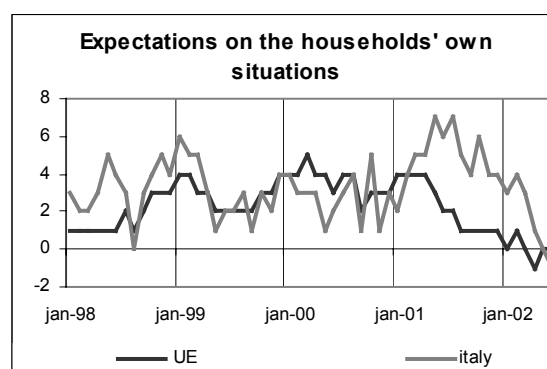
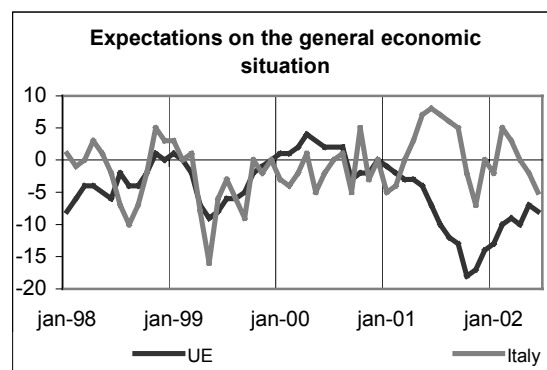
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<sup>2</sup> *The European Commission confidence climate is the outcome of the simple mean between the balances of the answers to four questions, namely expectations on the general economic and on the households' own situations, expectations on the unemployment rate and on the convenience to save.*

during the early-2001, which runs counter the trend observed in the rest of the euro area.

The same variables also explain the worsening observed in the Italian confidence climate during the first half of 2002 compared to the euro area. Indeed, since December 2001 and for the first half of this year, average expectations on the general economic situation, on the households' own and on the labour market situations in the euro area have become more favourable. Conversely, in Italy - after the improvement registered between December and February - expectations on the country's economic and on the households' own situations have been markedly worsening, while expectations on the labour market trend have shown a slight worsening.

Finally, the smaller EU index concerning the 2001 fall in Italy compared to the ISAE figures may be explained by the different composition of two indicators. The ISAE indicator comprises nine variables concerning both assessments and expectations on the general economic and on the households' own situations, while the EU index only considers four variables concerning short-term expectations. After the Sept. 11 shock, expectations are worsening, while assessments remain relatively more positive, which corroborates the confidence climate level in the ISAE definition.



## Consumer confidence climate in euro area

