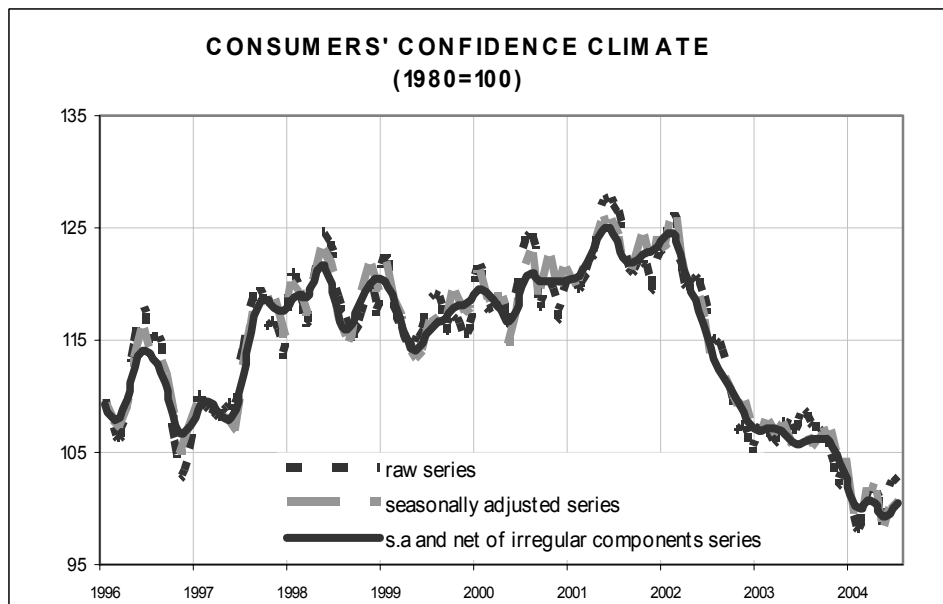




Date: July 21, 2004  
TEL.: 06/444821

## THE CONSUMERS' CONFIDENCE CONTINUES TO GROW IN JULY

- The seasonally adjusted indicator rises from 100 in June to 100.8 in July, while the indicator adjusted for the seasonal and irregular component – which is more affected by the past historical series – grows from 99.6 to 100.4. Finally, the raw index increases from 101.9 to 102.9, which is close to the peaks of 2004
- The disaggregated index of assessments and forecasts on the respondents' own situations grows from 106.5 to 108.6, thus getting close to the maximum levels ever reached since November 2003. The index referring to the country's general economic framework slightly contracts after the strong leap forward of June 2004, passing from 88.2 to 87.5, probably because of the uncertainty raised by the domestic political situation
- Consumers are more optimistic in their assessments on the current situation, while they are cautious in expectations for their near future. Indeed, the current index grows from 101.1 to 102.5, which is close to the maximum values reached in 2004, while the indicator referring to the next future falls from 100.3 to 99.5
- Among non confidence-building variables, the perception of a gradual slowdown in the current and expected price dynamics is strengthening, while the convenience to purchase durables seems to rise
- In June, the consumers' confidence of the euro zone improves: positive signals come from Germany, while in France and Spain the index decreases compared to the previous month. In the USA, according to the early Michigan University data, the American consumers' confidence continues to grow after the strong rise observed in June



Data referring to August shall be diffused on **September 7, 2004**.

Next ISAE surveys are scheduled as follows:

**July 27, 2004:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: July)

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

**August 2, 2004:** Comparative Business Surveys for Italy, Germany and France (Reference Month: July)

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

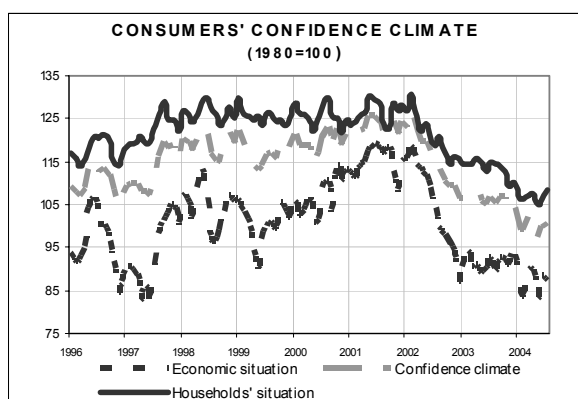
## I – ISAE CONSUMER SURVEY FOR ITALY

July 2004

According to the Consumer Survey carried out by ISAE between July 2 and 15 on a sample of 2,000 respondents, the Italian consumers' indicator grows in July for the second month in a row. Indeed, the seasonally adjusted indicator rises from 100 in June to 100.8 in July, while the indicator adjusted for the seasonal and irregular component grows from 99.6 to 100.4 and the raw index increases from 101.9 to 102.9, which is close to the peaks of 2004.

The improvement is mainly due to the rosier sub-index on assessments and forecasts on the respondents' own situations, which grows by almost two percentage points (from 106.5 to 108.6), thus getting close to the maximum levels ever reached since November 2003. Conversely, the index referring to the country's general economic framework slightly contracts after the June leap forward, passing from 88.2 to 87.5, probably because of the uncertainty raised by the domestic political situation. Turning to the assessments on the current situation and to short-term expectations, the current index grows from 101.1 to 102.5, which is close to the maximum values reached in 2004, while the indicator referring to the next future falls from 100.3 to 99.5.

Among non confidence-building variables, the perception of a gradual slowdown in the current and expected price dynamics is strengthening, while the convenience to purchase durables seems to be growing.

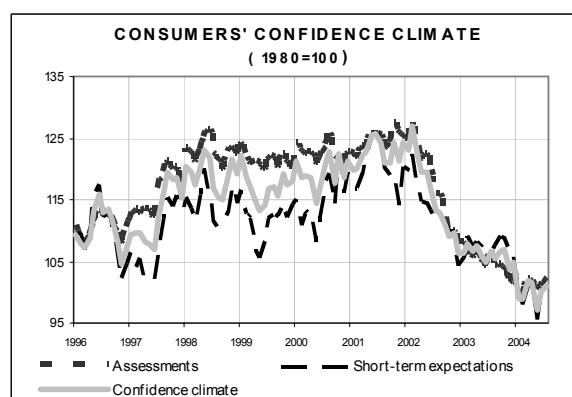


## General economic situation

In July, the seasonally adjusted confidence index on the general economic situation alone decreases from 88.2 to 87.5.

Assessments on the general economic situation stabilise, while expectations on that variable and those on the labour market slightly worsen. In particular, evaluations on the country's economic situation pass from -102 to -101 (seasonally adjusted weighted balances); expectations on the general economic situation decrease from -33 to -35 and those on unemployment rise from 38 to 40.

Signals that the current inflationary dynamics is slowing down are getting stronger: the share of respondents considering prices rose "very much" in the past 12 months falls from 30 to 23%; the percentage of those considering prices slightly grew rises from 7 to 12% and the number of respondents considering prices rose enough over the past 12 months remains stably above 50 % (from 52 to 53%). Unlike what observed in the previous Survey, the perception of a slowing down in the current price dynamics goes alongside with an inflationary tension easing for the next future. Indeed, the share of respondents expecting prices to increase "less" than in the past rises from 19 to 24%, while the percentage of those expecting a stable inflation rate falls from 16 to 15%.



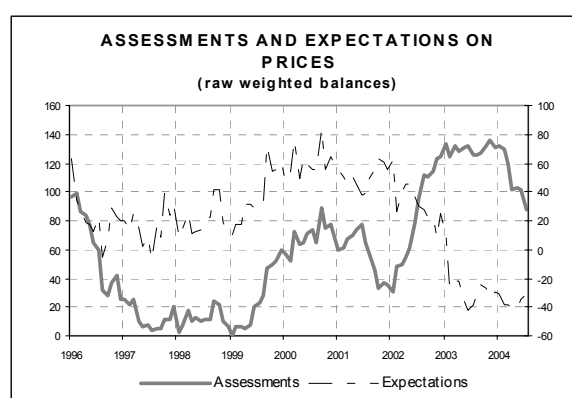
## Households' situations

In July, the seasonally adjusted confidence index referring to the respondents' own situations alone increases from 106.5 to 108.6, which is close to the peaks of 2004.

Assessments on the households' economic situations and, in particular, on the present convenience to save contribute to that outcome; also the respondents' evaluations on the convenience to purchase durables is recovering.

Going in details, the seasonally adjusted weighted balance of the households' own situations falls from 11 to 8; also expectations on the households' economic situations slightly deteriorate (from -8 to -9 in terms of seasonally adjusted balance). Conversely, assessments on that same variable show a modest recovery from -46 to -45 (in terms of balance). With regard to saving, the balance of assessments on the present convenience to save is again 62 (as in May), after the strong contraction registered in June (54). Future saving opportunities remain almost stable and close to the June negative values (from -74 to -73). Assessments on the present convenience to purchase durables recover: their weighted and seasonally adjusted balance grows from -107 to -102, which remains a reason to be cautious. In the next 12 months, consumers' purchase expectations are however not positive: the share of those declaring they want to make more, less or as many purchases as in the past (raw data) remains at 33%, while the number of those declaring they wish to make no purchase at all remains high at 67%. Turning to major purchases, forecasts on the number of (certain or probable) car buyers rises from 6 to 7%. Moderately favourable signals for the car market come from the figures concerning the share of consumers declaring they want to make no purchases. Indeed, the share of households "definitely" excluding they will buy a new car in the next 12 months falls by three percentage points, while the number of those declaring they "probably" won't buy any car increases by two

points. 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 July 2% of respondents (as in the four previous months) are "certainly" or "probably" bound to buy a house. With regard to the latter item, the share of respondents expressing their will to spend for home maintenance or improvement decreases from 7 to 6%, while the percentage of those "certainly" excluding any purchase in this sector grows from 82 to 83%.



## II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

### *June and early-July data*

The consumers' confidence in the euro area recovers in June, thus getting close to the April figures<sup>1</sup>. Indeed, positive signals come from almost all European countries, with the exception of Spain and France, where confidence registers a slight worsening. According to the early Michigan University data on July, after the marked improvement registered in June, the American consumers' confidence should continue to grow, rising to the highest values ever observed since January 2004.

<sup>1</sup> 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.

Turning to details, the euro area indicator grows from -16 to -14, with a diffused improvement in all confidence-building components. In particular, with regard to the labour market, the share of those expecting an unemployment rise falls from 33 to 31 (close to the April figures). Among non confidence-building indicators (according to the Commission), spending prospects for the next few months worsen, while opinions on the present convenience to purchase durables slightly improve. Looking at prices, no further inflation dynamics harshening is signalled.

Among the major countries, the German confidence climate grows in June from -18 to -15; positive indications come from almost all confidence-building components, with the exception of future saving opportunities, which remain stable as against the previous month. In particular, prospects on the country's general economic situation markedly improve (the balance rising from -23 to -18), while the number of those expecting an unemployment growth decreases from 41 to 37 (in terms of balance). With regard to prices, a soft inflationary tension easing is observed (the balance passing from 14 to 13).

Conversely, negative signals come from France and Spain. In particular, the French confidence climate continues to decrease from -17 to -18. Expectations on the general economic situations slightly improve, while the prospects on the respondents' own situations, as well as future saving opportunities, remain unchanged. Conversely, expectations on the labour market worsen, as the number of those expecting an unemployment growth rises from 36 to 38, which is the highest figure witnessed since the beginning of the year. Unlike what happens in Germany and in the average of the euro-area countries, a further rise is observed in assessments on prices (the balance passing from 18 to 19). Also the Spanish confidence climate deteriorates in June (from -9 to -11), owing to a diffused worsening of all confidence-building components. In particular, the share of consumers expecting an unemployment growth increases from 10 to 12, which is close to the

August 2003 levels. Turning to prices, new inflationary thrusts are observed in Spain (as in France) and the balance passes from 13 to 15.

Both the Conference Board indicator and the Michigan University index had registered a strong consumers' confidence rise in June. According to the Conference Board indications, the index had jumped from 93.1 in May to 101.9 in June. Also the Michigan University data had shown a great leap forward (even though less than the Conference indicator), rising from 90.2 to 95.6. According to the early data of the Michigan University for July, confidence is further growing up to 96 in July, in the wake of a renewed optimism for the labour market prospects.