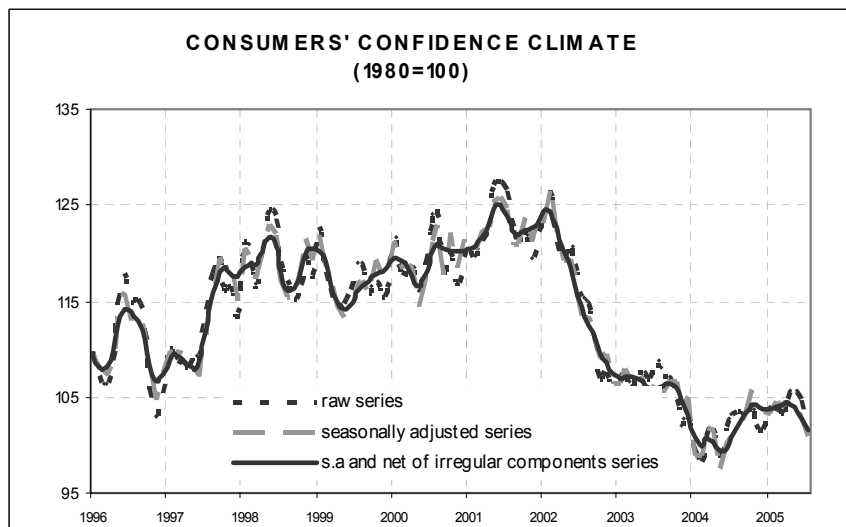




Date: July 21, 2005
TEL.: 06/444821

CONSUMERS' CONFIDENCE FALLS DOWN IN JULY

- The seasonally adjusted indicator decreases in July from 102.9 to 100.9, thus marking the lowest figure ever reached since June 2004. The raw index diminishes from 104.7 to 102.8, while the indicator adjusted for the seasonal and irregular components goes from 102.7 to 101.6, which is the lowest value of the past twelve months
- The fall is almost exclusively due to unfavourable evaluations on the future saving opportunities and on the present convenience to purchase durables
- The decreasing trend of the sub-index referring to opinions on the overall economic situation stops, while assessments on the respondents' own situations slightly diminish
- Looking at assessments and forecasts separately, evaluations on the current situation slightly decrease, while short-term expectations definitely diminish
- In Europe, the June consumers' confidence remains stable, with moderately unfavourable signals coming from Germany, while a strong recovery emerges in France
- In the United States, markedly favourable data on June stem from the Conference Board information and from the Michigan University figures. Besides, according to this latter source, the index should grow again in July, thanks to better expectations on the overall economy, on inflation and on the labour market



Data referring to August shall be diffused on **September 7, 2005**.

Next ISAE surveys are scheduled as follows:

July 26, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: July)

July 27, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: June) and ISAE Monthly Business Service Survey (Reference month: July)

August 1, 2005: 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)

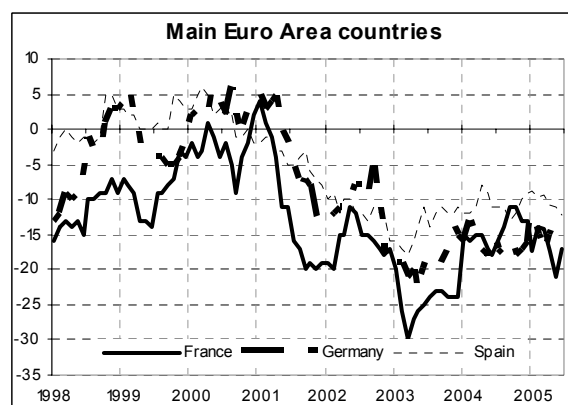
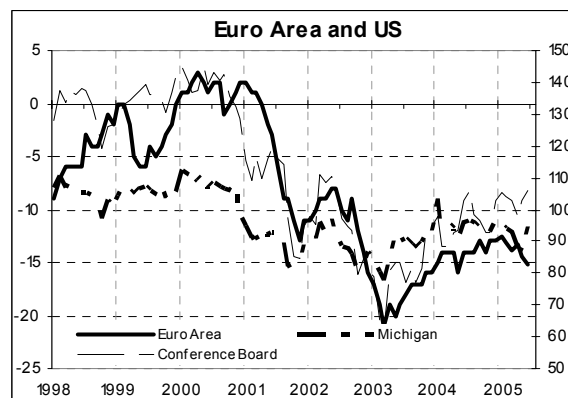
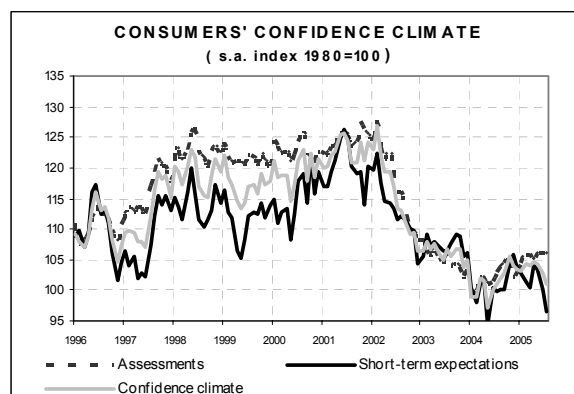
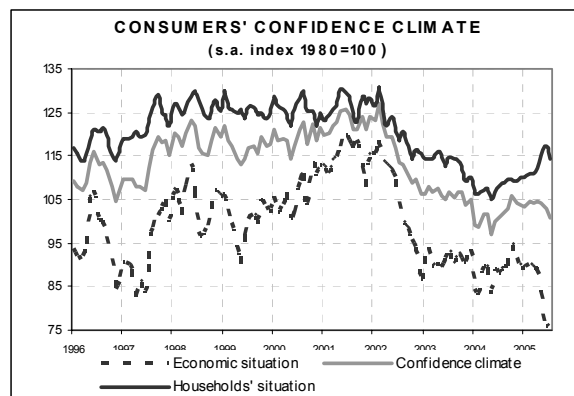
Confidence in Italy, in the euro area and in the United States

According to the ISAE Consumer Survey carried out between July 1 and 14 on a sample of 2,000 respondents, the confidence indicator decreases in July from 102.9 to 100.9, thus marking the lowest figure ever reached since June 2004. The raw index diminishes from 104.7 to 102.8, while the indicator adjusted for the seasonal and irregular components goes from 102.7 to 101.6, which is the lowest value of the past twelve months.

The fall is only due to the marked deterioration of evaluations on the future saving opportunities and on the present convenience to purchase durables. Hence, opinions on the respondents' own situations and expectations on the general economic situation worsen (from 117.1 and 100 to 114.4 and 96.5 respectively). Indeed, respondents express slightly darker evaluations on the current situation (the sub-index come back to the May figure, passing from 106.2 to 105.8, thus remaining above the average values of H1). Finally, assessments on the general economic situation remain cautious and register a slight improvement from 76.0 to 76.4, after the strong contraction of the past few months. Finally, turning to the inflationary dynamics, the consumers' opinions on the current dynamics and on their short-term expectations show signals of acceleration.

In the euro area, the June average consumers' confidence remains at -15, as in the previous month, thus confirming to be on the lowest levels ever registered since May 2004. Moderately unfavourable signals come from Germany, while a recovery emerges in France.

In the United States, markedly favourable data on June come from the Conference Board information and from the Michigan University figures. Besides, according to this latter source, the index should grow again in July.



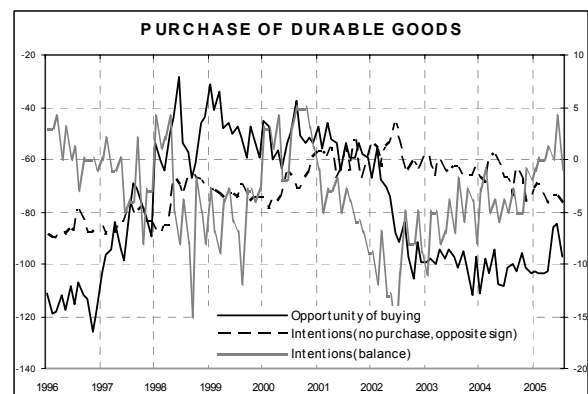
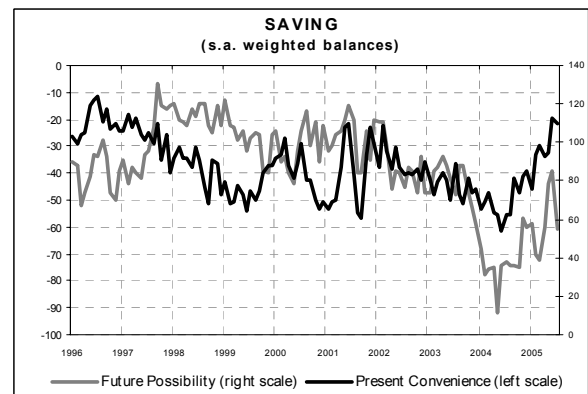
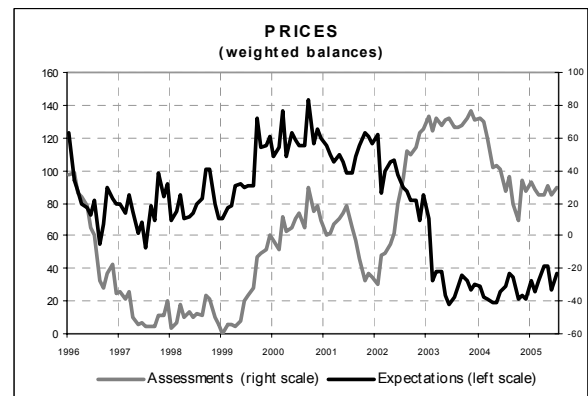
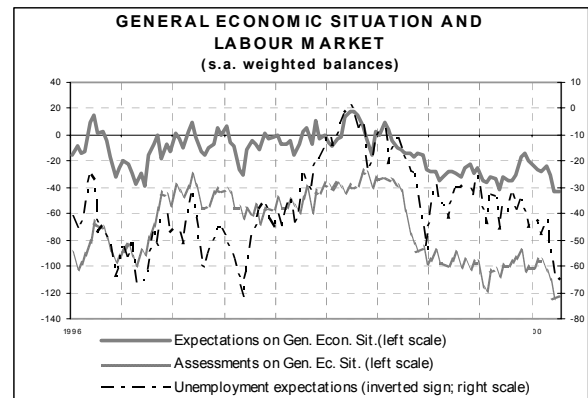
The ISAE Survey; the overall economic situation

In July, assessments on the overall economic situation point to a recovery from -125 to -121, while expectations remain at -43, which means they are both on historically low levels. Furthermore, expectations for an unemployment rise intensify (from 64 to 65, which is the worst figure since May 1999).

The inflationary dynamics is accelerating: the raw weighted balance of the past 12 months rises from 85 to 90, thus almost annulling the June favourable signals. Indeed, the share of those considering prices rose “very much” decreases from 34 to 33%, while the number of respondents considering prices “quite” grew increases from 35 to 39% and the share of those deeming prices remained stable falls from 16 to 13%. Even the raw weighted balance of inflationary expectations is rising (from -33 to -23), as more than half of respondents expect stable prices in the next twelve months and the share of those fearing a similar or larger growth for the future grows from 21 to 24%.

The ISAE Survey: the personal situations

Diverging signals come from the July evaluations on the present convenience to consumer and save, on the one side, and on the households’ own situations, on the other side, probably because of the uncertainty on the present and future respondents’ situations. Indeed, in July, opinions on the present convenience to save and on future saving opportunities deteriorate: balances fall from 113 and -39 to 110 and -61 respectively. In this latter case, the balance is back on the April 2005 figures, thus annulling the signals of recovery observed in the past two months. Unfavourable signals come from durables: consumers are generally more pessimistic on the present convenience to purchase durables (the weighted balance falling from -84 to -97) and their spending intentions in the short run worsen, while the raw weighted balance decreases from 4 to -1, thus becoming negative for the first time after five months. As for major purchases, the share of those



“definitely” or “probably” buying a car in the next twelve months increases from 9 to 10%, while the percentage of those intending to buy a house goes from 4 to 3%, and the number of respondents referring they will have expenses for home maintenance and improvement decreases from 13 to 10%.

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

The average consumers' confidence in the euro area is stable at -15 in June, thus remaining on one of the lowest levels since May 2004. Almost all confidence-building components are stabilising, with the exception of the labour market prospects (indeed, the share of those expecting an unemployment rise grows from 31 to 33%, which is one of the hikes since May 2004). Among other variables, assessments on the convenience to purchase durables deteriorate, while spending prospects for the next twelve months slightly improve, within a framework characterised by a small price rise (the balance passing from 12 to 13, which is one of the highest figure ever reached since March 2003).

The German confidence climate slightly worsens in June (from -14 to -15): German consumers express their growing concern on the country's overall economic situation and on future saving opportunities. With reference to the labour market, the share of those expecting an unemployment rise in the next twelve months grows from 31 to 35, while expectations for new inflationary tensions are confirmed (the balance passing from 9 to 11).

In France, the confidence climate index considerably recovers from -21 to -17, thanks in particular to less dark expectations on the country's overall economic situation (the figure rising from -26 to -15) and on the labour market (from 40 to 38 in terms of balance). Turning to prices, a slight inflation softening is observed (the balance decreasing from 17 to 15, which is close to the February 2005 levels).

The Spanish confidence indicator falls as in Germany and decreases from -11 in May to -12 in June, mainly because of the growing concern for the respondents' own situations and for future saving opportunities (passing from -22 to -25, which is close to the January 2005 figures). Conversely, prospects on the country's general economic situation and on the labour market trend remain unchanged (the percentage of respondents expecting an unemployment upturn remains at 13). Finally, as in France, a price inflation weakening is emerging (the balance falling from 28 to 27).

In the United States, according to the Conference Board indicator, the consumers' confidence index rises from 103.1 in May to 105.8 in June, thanks to an improvement in the sub-indices on the current situation (passing from 117.8 to 120.7) and on expectations alone (from 93.4 to 95.8). That result is also confirmed by the Michigan University data, whereby the index increases in June by ten percentage points, namely from 86.9 to 96. According to the Michigan University early figures, the American consumers' confidence is further growing in July, when the index should reach 96.5, thanks to better prospects for the overall economic situation, for the labour market and for inflation.