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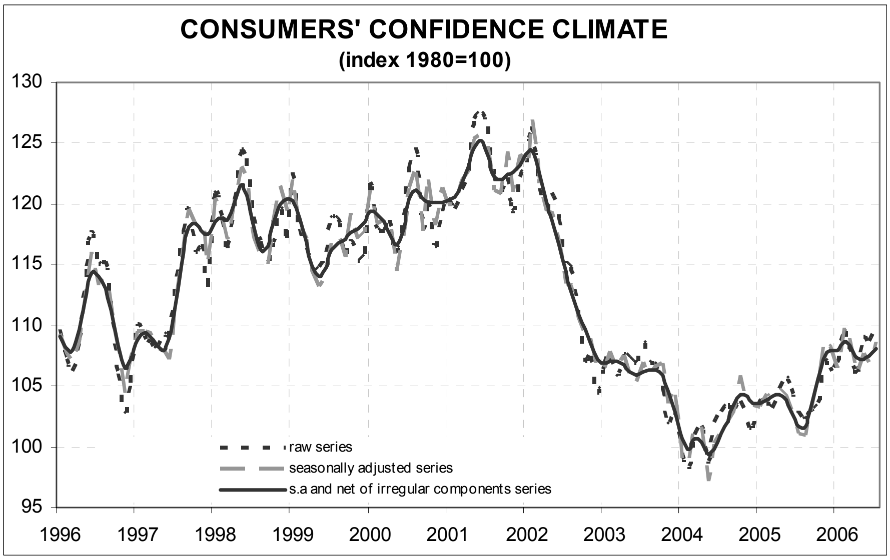
CONSUMER CONFIDENCE RISES IN JULY

- **Following the fluctuating trend recorded in the previous months, in July the seasonally adjusted index improved to 108.7 (from 106.9), returning close to the level posted last March. Likewise, the indicator also adjusted for irregular components rose to 108.1 (from 107.5), and the raw index increased from 108.6 to 110.4, reaching the highest level since September 2002**
- **Higher optimism characterized mainly the opinions on the economic situation and short term expectations: particularly, major improvements were recorded by the assessment and the forecasts on Italy's situation, which might have been positively affected by the euphoria related to recent sports events**
- **Confirming this assumption, optimism about these variables was evenly spread across the country. On the contrary, the opinions on the personal situation and on current conditions, though recovering overall, showed a mixed picture: they improved in the North West and the Centre, while they worsened in the North East and the *Mezzogiorno***
- **Nevertheless, respondents were more reserved regarding consumer durables: mainly, the quarterly survey on buying intentions for housing and cars showed an increase in the share of consumers firmly excluding such purchases**
- **Concerns about an increase in inflationary pressures were confirmed, probably because of oil price developments and ongoing international crises: a growing number of respondents considered prices to be currently "rising strongly", while the share of those forecasting at least stability for the price trend in the next 12 months decreased**
- **On a regional basis, consumer sentiment on the whole improved in the North and the Centre, while it worsened in the *Mezzogiorno* following a recovery in the last two months**



Data on August shall be released on August 29, 2006
The next ISAE surveys are scheduled as follows:
July 25, 2006: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: July 2006)*
July 26, 2006: *ISAE Monthly Business Services Survey (reference period: July 2006)*
July 27, 2006: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: June 2006), and ISAE Monthly Survey on Construction (reference period: June 2006)*
August 3, 2006: *ISAE International Comparison of Consumer and Business Surveys (reference period: July 2006)*

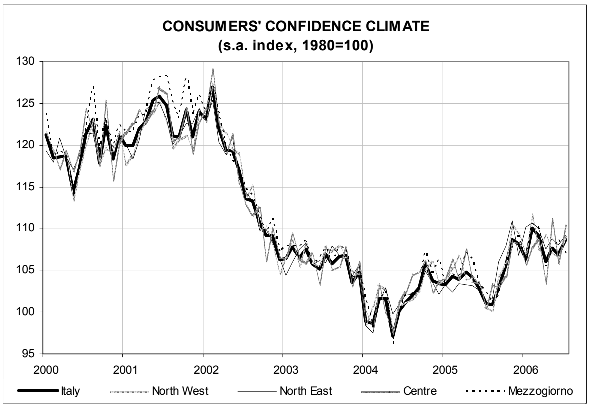
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

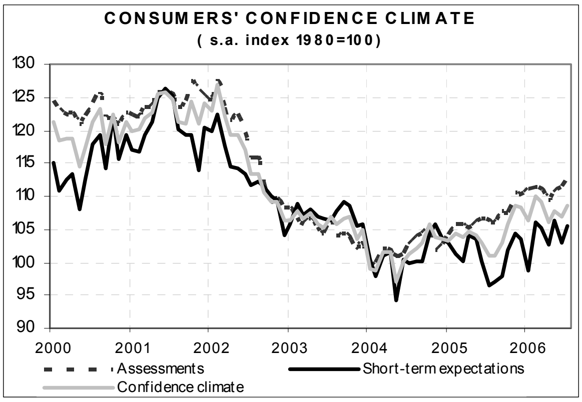
Italian consumers' confidence

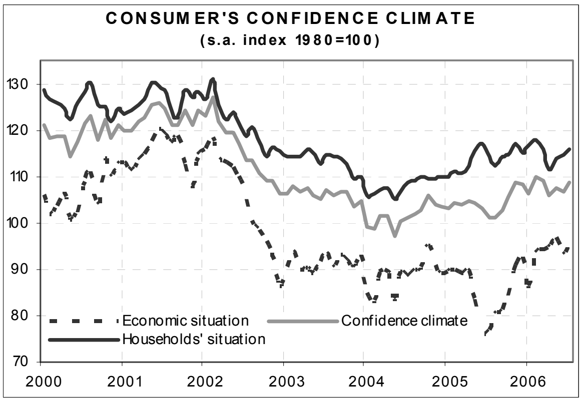
According to the ISAE Survey, carried out on a sample of 2,000 respondents between July 3 and July 14, Italian consumers' confidence increased from 106.9 in June to 108.7 in July, returning close to the level posted last March. Likewise, the indicator also adjusted for irregular components reached 108.1 (from 107.5), and the raw index improved from 108.6 to 110.4, attaining the highest level since September 2002.

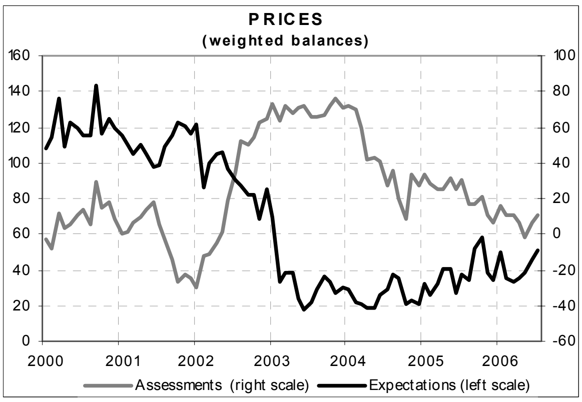
Optimism characterized nearly all the variables: after the negative signals recorded in the previous month, mainly opinions on the country's general situation and on conditions in the following months improved: the related indicators increased in fact from 93 and 103.1 to 96.6 and 105.4, respectively. Particularly, major improvements were recorded in the assessment and the forecasts on Italy's economic situation, which might have been positively affected by the euphoria related to recent sports events. For the third month running, the indicator for the current situation also bettered, moving from 111.3 to 112.5, its highest level since August 2002. Confirming this generally favourable situation, the indicator related to the respondents' personal conditions also improved, moving from 114.7 to 115.7. Among the variables excluded from the definition of confidence, however, worries of a rise in both current and future inflation, which had already emerged since last April, were confirmed.

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









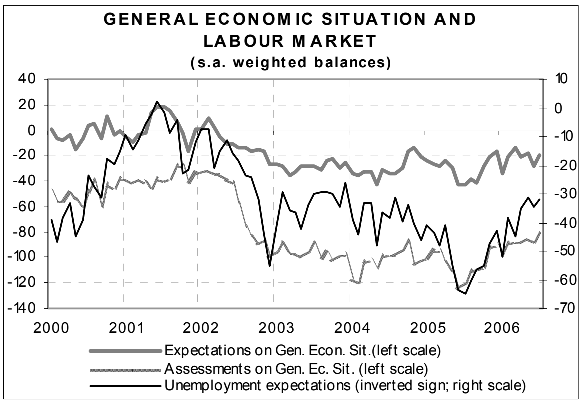
Overall situation

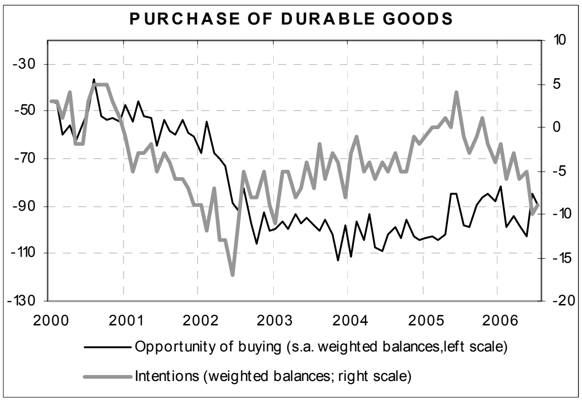
In July, the opinions on the country's economic situation decidedly improved: the balance rose from -88 in June to -81, the highest level since August 2002. Consumers were remarkably more optimistic also about short term economic prospects. The related balance bounced from -28 to -19, almost entirely recouping the fall posted in the previous month. Furthermore, expectations of a rise in unemployment lowered, with the related balance declining from 35 to 32. However, inflationary pressures increased: the raw weighted balance of price developments in the last twelve months grew to 71 from 66 in June. Particularly, the percentage of respondents that considered prices to have increased "much" rose from 19% to 22%, the number of those who thought that they rose "somewhat" remained at 45%, while the share of respondents who believed that prices stayed the "same" or rose a "little" declined to 16% (from 18% and 17%, respectively). Also for inflation expectations in the next twelve months, signals weren't favourable: the raw weighted balance increased for the fourth month in a row, moving from -14 to -9 because of a climb (from 47% to 48%) in the proportion of those who feared higher inflation, and because of a decrease (from 46% to 44%) in the percentage of those expecting prices to remain unchanged or diminish.

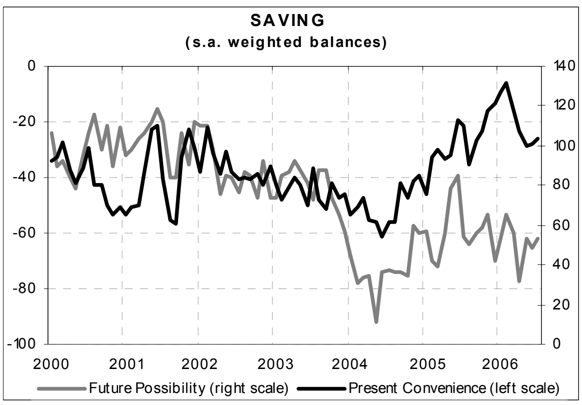
Personal situation and consumer durables buying intentions

Generally favourable indications characterized the respondents' evaluation of their personal situation. They in fact improved their opinion on current savings (the balance moved from 101 to 104) and on short term future saving opportunities (recovering from -65 to -62), as well as on the family budget (the related balance increased from 4 to 7).

Consumers were instead more reserved regarding the evaluation of their family's economic situation: the related balance declined in fact from -41 to -42, whereas expectations remained unchanged at -6. Respondents were also cautious with respect to consumer durables: the present convenience to buy declined from -85 to -90, while expectations for the next months, though remaining at their lowest level since January 2003, fairly recovered (the raw weighted balance edged up from -10 to -9). More in detail, in July the balance for house buying intentions in the next twelve months (surveyed quarterly) remained virtually unchanged with respect to April, while the balance for house extraordinary maintenance and car purchase decreased. In both cases, the percentage of respondents firmly excluding these expenditures significantly increased (the shares rose from 86% and 83% to 89% and 88%, respectively).







Regional breakdown of consumer confidence

The improvement in the confidence indicator experienced at the national level was the result of diverging trends across regions. The index grew, though at different rates, in the North and the Centre, while it declined in the *Mezzogiorno*. In line with the developments at the national level and with the assumption that special events during the survey might have positively affected these results, the assessment and the forecasts on the general economic situation and the evaluation of future conditions improved in all regions, whereas the opinions and the forecasts on the personal situation and on current conditions sent contrasting signals.

North West: after edging down in June, the confidence index increased in this region (from 106.7 to 108.9), owing to the improvement in the assessment and the forecasts on the general economic situation and, above all, to the opinions on current conditions. The appraisal of the respondents' personal situation and conditions also contributed to this situation of widespread optimism: the percentage of respondents who considered an improvement in the family's current and future situation increased.

North East: the index grew from 108 to 109.2, at a slower pace than in the North West. The improvement in the confidence climate came, also in this case, from widespread optimism on the evaluation of the general economic situation and on future conditions. Respondents, instead, worsened their assessment on their personal situation and on current conditions.

Centre: this was the region that witnessed the sharpest improvement in confidence: the index rose from 105.8 to 110.3, regaining its May reading. The improvement is the result of overall positive assessments and forecasts regarding both the general economic situation and the personal situation. The evaluation of the current and future situation was markedly optimistic as well.

Mezzogiorno: in contrast with the other regions, the consumer confidence index started to decline once again: the indicator lowered from 108.8 to 106.9. The worsening was mainly caused by a deterioration in the opinions on the personal economic situation and on current conditions. The assessment on the general economic situation and on future conditions improved instead.