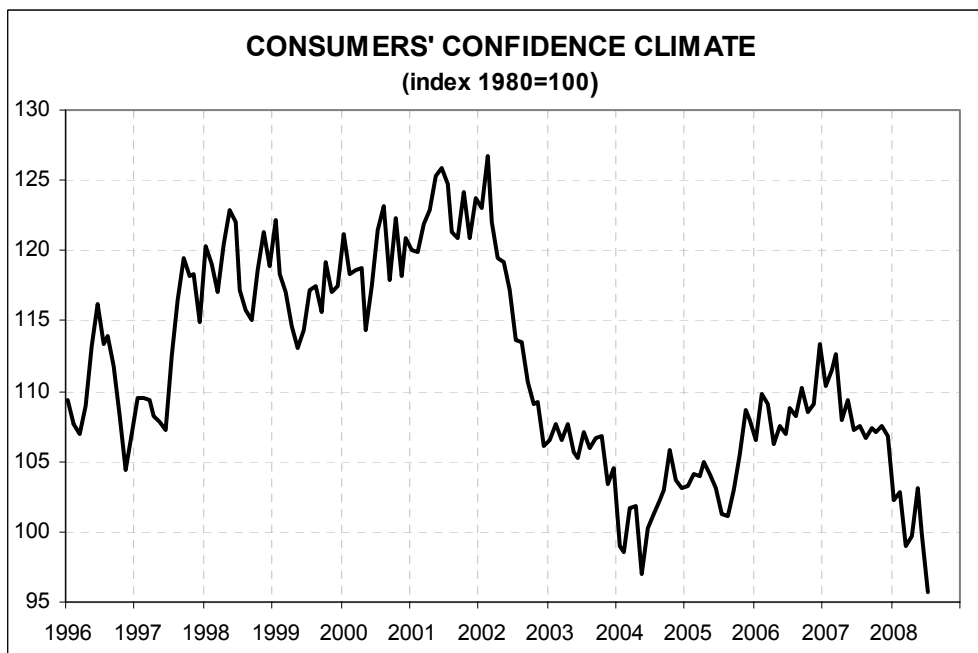




Date: July 22, 2008  
TEL.: 06/444821

## CONSUMER CONFIDENCE PLUNGES IN JULY

- The confidence index fell back from 99.9 (in June) to 95.8, its lowest level since November 1993
- The indicators related to the general economic situation and short-term expectations recorded the sharpest decline, dropping from 81.6 to 72.2 and from 97.6 to 88.4, respectively. Confidence about the respondents' personal situation moved from 109.9 to 108.9, while the one for the current economic situation remained basically unchanged at 103 (103.1 in June)
- Deterioration mainly characterized forecasts for the country's economic conditions and labour market developments. Among the other variables, in an opposing trend with the rest of the survey results, assessments on current purchases of consumer durables recovered, but future buying intentions diminished
- As for prices, respondents partly scaled down their estimate of inflation in the last twelve months, but increased their inflation expectations for the following year
- According to the ISAE traditional quarterly survey, consumers revised down their intention of purchasing a car, but enhanced their plans to buy a house and, above all, carry out extraordinary maintenance
- Confidence worsened all over the country, but mostly in the North East and the *Mezzogiorno*



**Data on August shall be released on August 27, 2008**

*The next ISAE surveys are scheduled as follows:*

**July 24:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: July)

**July 25:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: July), ISAE Monthly Business Services Survey (reference period: July), and ISAE Monthly Survey on Construction (reference period: June)

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

**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](http://www.isae.it))**

## Italian consumers' confidence

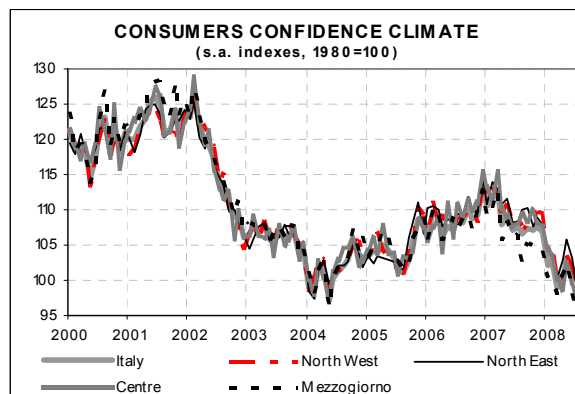
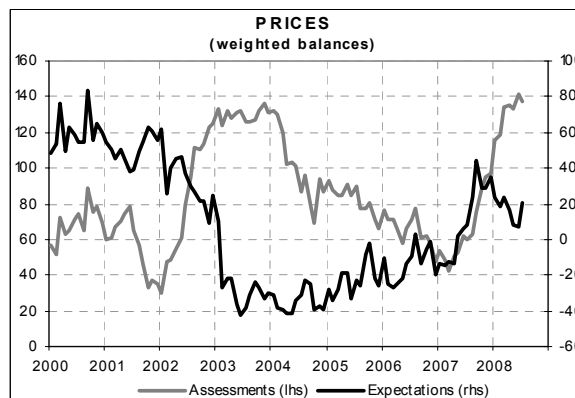
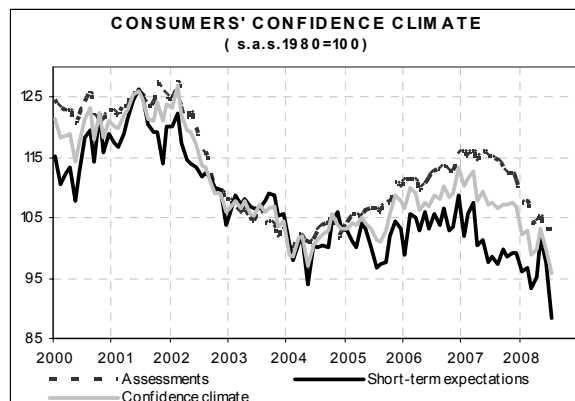
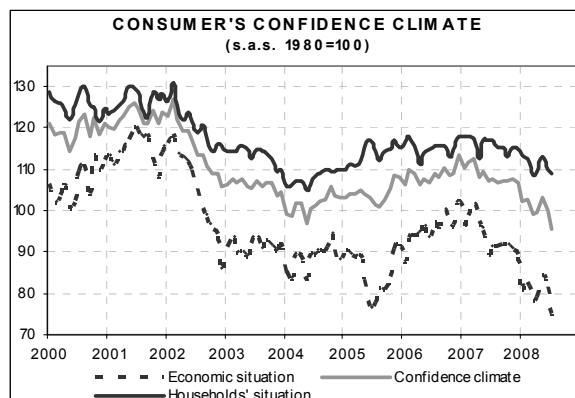
According to the ISAE Survey, carried out between July 1 and July 16, Italian consumers' confidence decreased in July from 99.9 to 95.8, the lowest level since November 1993. The indicators related to the general economic situation and short-term expectations recorded the sharpest decline, moving from 81.6 to 72.2 and from 97.6 to 88.4, respectively. The former indicator dropped to a minimum last reached in March 1994, and the latter came in at a low unseen since December 1993. Confidence about the respondents' personal situation moved from 109.9 to 108.9, while the one for current economic conditions remained basically unchanged at 103 (103.1 in June).

In particular, deterioration mainly characterized forecasts for the country's general economic conditions and labour marked developments. Also assessments on the family budget and future saving opportunities markedly worsened. The opinions on the convenience to buy consumer durables recovered instead. As for prices, respondents partly scaled down their estimate of inflation in the last twelve months, but increased their inflation expectations for the following year.

Confidence worsened all over the country, but mostly in the North East and the *Mezzogiorno*.

## Overall economic situation

In July, sharply unfavourable evaluation of general economic conditions mainly distinguished opinions and, above all, short-term expectations for the country's economic situation. The balance for assessments on the current economic situation declined from -134 to -137, while short-term expectations lowered from -34 to -56 (in both cases their lowest reading since November 1993). Very strong concerns also emerged about labour market prospects: the balance related to expectations for the following twelve months bounced from 33 to 59 (26 points, the highest leap ever recorded for this survey question), surging to a record last reached in August 2005.



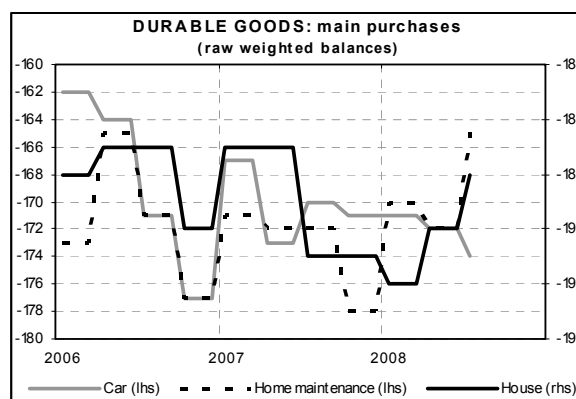
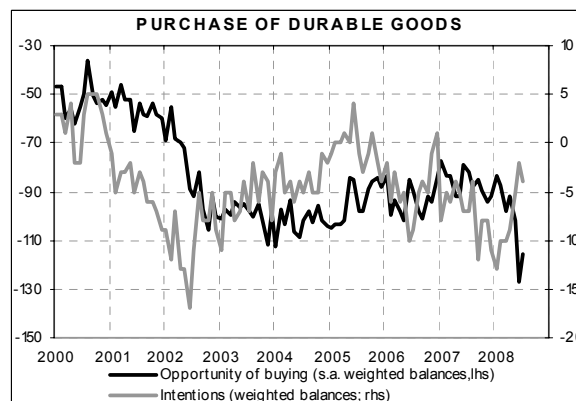
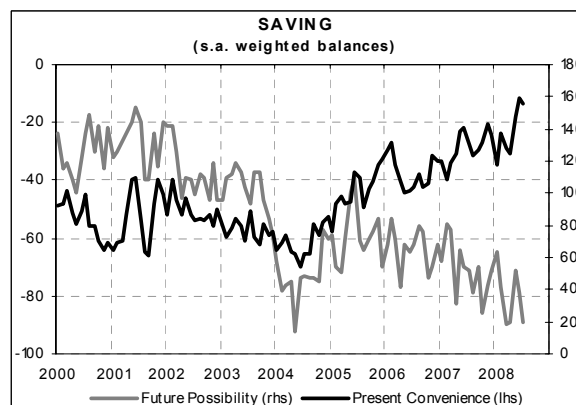
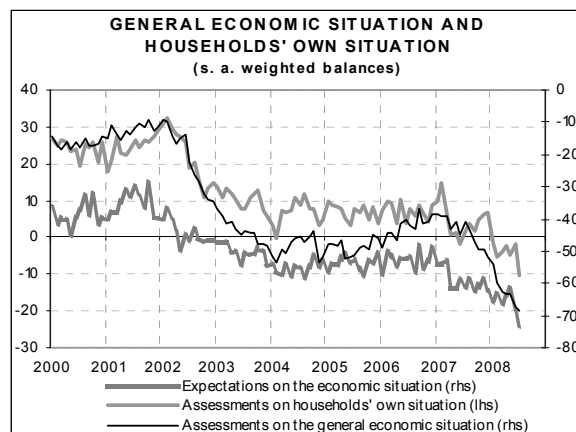
As for price developments and forecasts, consumers slightly reduced their perception of inflation in the last twelve months. The related balance declined from 141 to 137, though remaining at a historical high level. However, forecasts for the following twelve months started to worsen once more. After declining for three consecutive months, the related balance surged from 13 to 26, going back to the level posted last March.

### Personal situation

Respondents were slightly pessimistic also about their personal situation. In particular, the opinions on the family budget and future saving opportunities worsened, but the evaluation of the convenience to buy consumer durables recovered.

More in detail, the balance for the family budget declined from -2 to -10, and the number of those declaring they had drawn down on their savings to cover current expenditures further increased (to 18% of the sample), to the detriment of those who declared instead that they were, to some extent, able to save (the related percentage lowered from 16% to 14% of the sample). Accordingly, the balances for the present convenience to save and for future saving opportunities declined from 159 to 156 and from -79 to -89, respectively, returning, in the latter case, to the low recorded last April. Also the balances related to opinions and forecasts for the family's economic situation diminished (from -67 to -68 and from -20 to -24). Though the decreases were moderate, the former variable reached a record low since the start of the ISAE consumer survey, and the latter declined to a minimum last posted in November 1993.

In an opposing trend, assessments on current purchases of consumer durables recovered from -127 to -116. However, future buying intentions diminished (the balance lowered from -2 to -4). Lastly, the traditional ISAE quarterly survey on car and house expenditures showed that consumers scaled down their intention of purchasing a car (the balance lowered from -172 to -176), but enhanced their plans to buy a house (from -191 to -189) and, above all, to carry out extraordinary house maintenance (from -172 to -165).



### Regional breakdown of consumer confidence

Confidence deteriorated all over the country, though at different rates. The decline in confidence was the sharpest in the North East and the *Mezzogiorno*, and more moderate in the North West and the Centre. The underlying components of the indicator showed a marked deterioration in the opinions on the general economic situation and future conditions. Assessments on the personal situation and on current conditions sent instead less negative signals.

North West: confidence declined from 101.7 to 98.4, hitting the lowest value since May 2004. Deterioration mainly stemmed from the sharp worsening in the opinions on both the general economic situation and future conditions. Less negative indications came instead from the personal situation and current conditions.

North East: consumers in this area gave overall negative assessments as well: the index decreased from 103.3 to 97.8, recording, also in case, the lowest level since May 2004. This pessimistic picture was the result of a sharp deterioration mainly in the general economic situation and future conditions. Assessments on the personal situation and current conditions lowered more moderately.

Centre: in this central area, the confidence indicator decreased in June from 99.6 to 96.6, hitting also in this case a record low since May 2004. In line with the rest of the country, consumers in the Centre gave a decidedly negative evaluation of both future conditions and the general economic situation. Though to a lesser extent, pessimism also characterized the opinions on the personal situation, whereas the evaluation of current conditions improved slightly.

Mezzogiorno: in the South, confidence lost 5 points: the indicator diminished from 98.2 to 93.3. In this area as well, the fall in confidence was mainly prompted by widespread pessimism for the opinions on the general economic situation and future conditions. The evaluation of the personal situation gave less negative indications, whereas optimism distinguished assessments on current conditions.

