



ISTITUTO DI STUDI E ANALISI ECONOMICA

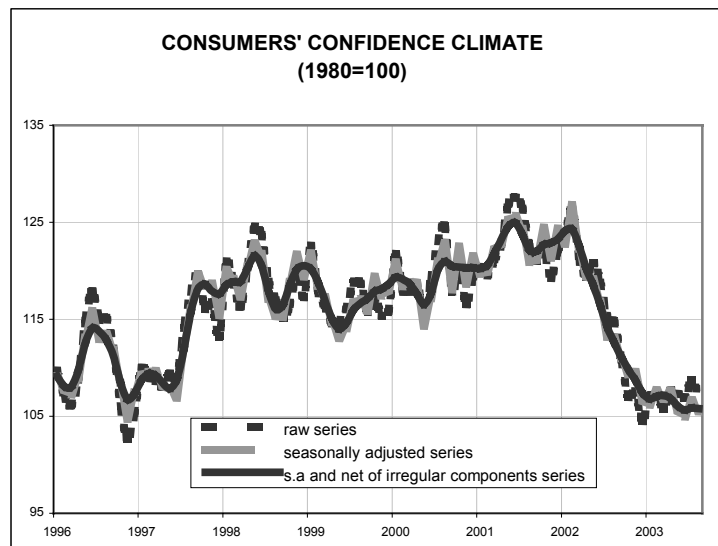
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482325

Date: September 4, 2003

ISAE CONSUMER SURVEY

Reference month: August

- In August, the Italian consumers' confidence climate continues to oscillate, which confirms the strong degree of uncertainty characterising the present cyclical phase. After the slight improvement witnessed in July, the index falls again from 108.7 to 107.1 (raw data) and from 106.6 to 105.5 (seasonally adjusted data). The indicator adjusted for the seasonal and irregular component remains stable at 105.8, that is even below the low average levels of the first half of the year
- The worsening concerns in particular assessments on the country's general situation, but it also affects the respondents' own situations, though to a lesser extent
- The darker assessments on the current situation go alongside with an improvement in the short-term expectations: in particular, Italian consumers are more optimistic on their opportunities to save and purchase durables
- With regard to prices, assessments on the current price trend remain substantially stable, while expectations for the next twelve months show signals of new price tensions
- The European Commission data – available until July – point to a consumers' confidence recovery for the second month in a row, particularly thanks to rosier assessments and forecasts on the general situation of the European economy and of the labour market
- In the United States, the consumers' confidence shows a partial recovery in August, according to the Conference Board, after the worsening observed in July, while the early data of the Michigan University point to a slight contraction



Data referring to September shall be diffused on September 23, 2003.

Next ISAE surveys are scheduled as follows:

September 9, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: August)

September 25, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: September)

September 26, 2003: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: July-August) and ISAE Monthly Business Service Survey (Reference month: August-September)

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

I – ISAE CONSUMER SURVEY FOR ITALY

August 2003

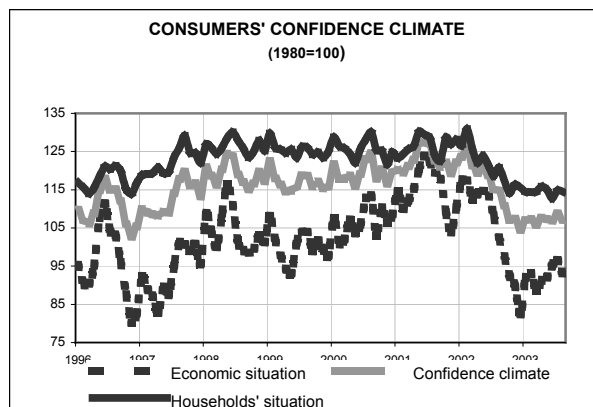
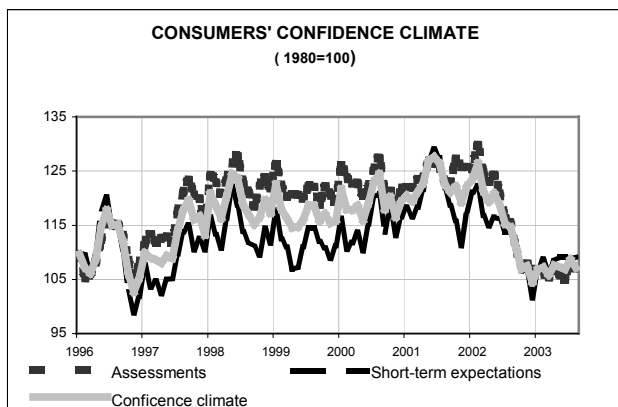
According to the Consumer Survey carried out by ISAE between August 1 and 18 on a sample of 2000 respondents, the Italian consumers' confidence climate continues to oscillate, which confirms the strong degree of uncertainty characterising the present cyclical phase. After the slight improvement witnessed in July, the index falls again from 108.7 to 107.1 (raw data) and from 106.6 to 105.5 (seasonally adjusted data). The indicator adjusted for the seasonal and irregular component – which is affected by the past trend of the historical series - remains stable at 105.8.

The worsening concerns in particular assessments on the country's general situation but it also affects the respondents' own situations, though to a lesser extent. The darker assessments on the current situation go alongside with an improvement in the short-term expectations: in particular, Italian consumers are more optimistic on their opportunities to save and purchase durables. With regard to prices, assessments on the current price trend remain substantially stable, while expectations for the next twelve months show signals of new price tensions.

Overall situation

In August, the confidence climate raw index on the overall situation alone shows a clear deterioration, after a four months' growth, passing from 96.6 in July to 92.4. The worsening is particularly evident in the assessments on the Italian economic situation: the balance concerning assessments on this variable goes from -63 to -67, while the one concerning expectations falls from -18 to -21. Quite the reverse, expectations on the short-term labour market evolution remain substantially stable: the share of those expecting a "strong" or "moderate" unemployment rise or an unemployment fall stabilises at 34% and at 14% respectively.

With regard to prices, the number of respondents deeming prices rose "very much" or "enough" in the past twelve months slightly diminishes and passes from 88% to 86%. However, the number of those feeling prices rose "very much" grows from 44 to 48%. At the same time, expectations for the next twelve months are worsening: after a four months' contraction, the share of those expecting prices to rise more or in the same amount as in next year is growing to 21%, (16% in July) while the percentage of those expecting a smaller price rise falls from 21 to 18%. Indeed, the number of those expecting prices to remain substantially stable for the next twelve years (at 55%, as in July) remains close to the peaks.



Personal situation

The raw confidence index referring to the respondents' own situations alone slightly falls in August, passing from 114.8 to 114.5, which is close to the low average levels of the first half of the year.

Assessments on the respondents' own situations remain substantially stable (the balance going from -36 to -35), while those concerning the households' economic situations improve – the balance passing from 9 to 12 –, thanks in particular to a rise in the share of consumers expecting to save in the next twelve months, even though the present convenience to save is worsening, probably due to the current low interest rates (70% of the sample consider the present situation as “favourable”, as against 76% in July).

Most respondents (55%, as in July) continue to consider the present phase as not so favourable for major purchases. However the share of those expecting to spend “less” than the past year in the next twelve months falls from 9 to 6%, while the number of those planning to spend as in the past year increases from 22 to 27%.

Data on purchases of cars and dwellings point to a slightly rosier approach to the trend of the expenditure for major purchases in the next few months. Indeed, the number of respondents declaring their readiness to purchase a car in the next twelve months rises from 9 to 11%, while the share of those intending to buy a home goes from 3 to 4% and the share of respondents intending to spend for home maintenance and improvement in the next twelve months goes from 6 to 7%.

II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

July and early-August data

The European Commission data – available until July – point to a consumers' confidence recovery for the second month in a row, particularly thanks to rosier assessments and forecasts on the general situation of the European economy and of the labour market. The index recovery is particularly favourable in Luxembourg, in Germany and in Finland, while it is smaller in France, Austria and Portugal. Conversely, the consumers' confidence registered a clear worsening in the Netherlands and in Spain (and to a smaller extent in Belgium), while remaining stable on the previous months' figures in the remaining countries.

In particular, the average confidence climate indicator in the euro area equals -18 in July (-19 in June), thus getting close to the early-2003 levels. European consumers show a less pessimistic approach to the economic recovery: indeed, the prospects of the general economic situation are improving (the balance passing from -22 in June to -21 in July, close to the early-2003 figures), while the share of those expecting an unemployment rise slightly diminishes for the second month in a row (from 40 to 39). The prospects for the respondents' own situations are stable, while expectations on the saving opportunities are worsening. Among non confidence-building series, assessments on the respondents' own situations continue to improve for the third month in a row (the balance equalling -15, which is close to the September 2002 figures). Indeed, opinions on the general economic situation are stable (the balance being worth -47). With regard to durables, unlike what happened in June, the number of households still perceiving the present moment as favourable for immediate major purchases is worsening, though to a small extent, (the balance passing from -17 to -18, close to the August 2002 figures), as do prospects for the next twelve months

(from -23 to -24, which is near the level of January 2003). With regard to prices, an inflation rekindling is observed and the balance passes from 3 to 5, which is close to the May levels.

Among the major countries, Germany shows a confidence recovery (from -20 to -18): in this case too - as for the whole euro area - this means getting close to the early-2003 levels. Favourable signals come from almost all confidence-building components: in particular, the general economic prospects continue to improve for the second month in a row (from -26 to -22), while expectations on the future saving opportunities considerably recover compared to the previous month (the balance going from -4 to -1). Indeed, the share of those expecting an unemployment rise in the next future remains stable (44, as in June).

The French consumers' confidence indicator slightly grows and passes from -25 to -24: the general economic prospects slightly recover, while expectations for the respondents' own situations remain stable on the June levels. Particularly unfavourable signals come from the labour market: unlike what happens in Germany, the share of those expecting an unemployment rise falls in France from 53 to 48%. Indeed, French consumers, unlike German ones, seem less ready to allocate a share of their incomes for saving in the next few months (their balance passes from -15 to -17).

In Spain, the consumers' confidence climate remarkably deteriorates and passes from -11 to -14, which is close to the May 2003 levels. Particularly favourable signals come from future expectations on saving (the balance passing from -27 to -32), though in the presence of a slight worsening of all other confidence-building components.

In the United States, according to the Conference Board index, the American consumers' confidence is improving, though it does not offset the July deterioration. The index equals 81.3, which is clearly above the June figure (77), particularly thanks to a new

wave of optimism for the future labour market development. The early University of Michigan data on August, however, point to a slight confidence climate worsening, going from 90.9 in July to 90.2 in August.