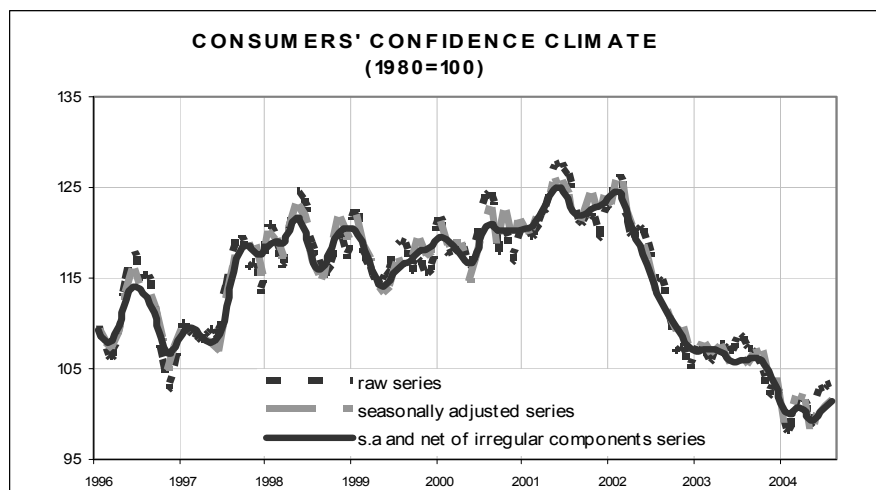




Date: September 7, 2004  
TEL.: 06/444821

## THE CONSUMERS' CONFIDENCE GROWS IN AUGUST FOR THIRD MONTH IN A ROW

- The seasonally adjusted indicator rises from 100.9 in July to 101.7 in August, while the indicator adjusted for the seasonal and irregular component grows from 100.7 to 101.4. Finally, the raw index increases from 102.9 to 103.4, which is one of the highest figures since October 2003
- The disaggregated index of assessments and forecasts on the respondents' own situations grows from 108.6 to 109 (seasonally adjusted data); the index referring to the country's general economic framework shows a largest rise passing from 87.6 to 89.4, thanks in particular to less negative forecasts on the labour market
- Consumers are more optimistic in their assessments on the current situation, as well as in expectations for their near future. Indeed, the current index (seasonally adjusted figures) grows from 102.8 to 103.7 and the one referring to expectations goes from 99.5 to 100
- Turning to prices, both the perceived and the expected inflations grow again for the first time in 2004, probably because of the general concerns due to oil price rises
- In July, the average consumers' confidence of the euro zone remains stable: positive signals come from France and Ireland, while a contraction is observed in Germany and in Belgium. In the USA, after two favourable months, confidence decreases according to both the Conference Board indicator (7 points) and the Michigan University index (about 1 point), mainly because of the growing concerns on the labour market



Data referring to September shall be diffused on **September 22, 2004**.

Next ISAE surveys are scheduled as follows:

**September 8, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: August)**

**September 27, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: July-August) and ISAE Monthly Business Service Survey (Reference month: August-September)**

**September 30, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: September)**

**October 1, 2004: Comparative Business Surveys for Italy, Germany and France (Reference Month: September)**

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

August 2004

According to the Consumer Survey carried out by ISAE between August 2 and 13 on a sample of 2,000 respondents, the Italian consumers' indicator grows in August for the third month in a row. Indeed, the seasonally adjusted indicator rises from 100.9 in July to 101.7 in August (close to the April figures), while the indicator adjusted for the seasonal and irregular component rises from 100.7 to 101.4 and the raw index increases from 102.9 to 103.4, which is one of the highest figures since October 2003.

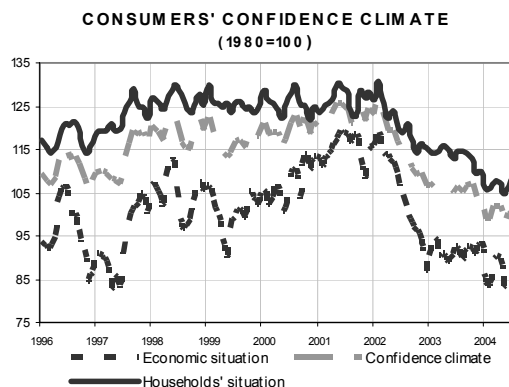
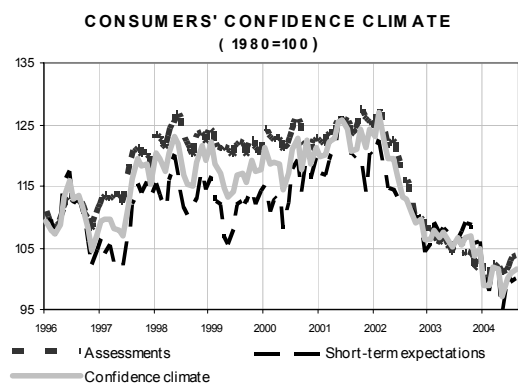
The improvement is mainly due to the opinions on the general economic framework: the sub-index grows by about 2 points, passing from 87.6 to 89.4 (seasonally adjusted data). The index on the respondents' own situations increases from 108.6 to 109, which is close to the peaks of 2004. Both current assessments and short-term expectations are growing: the seasonally adjusted sub-indices rise from 102.8 and 99.5 to 103.7 and 100 respectively.

Among non confidence-building variables, both the perceived and the expected inflations markedly increase again for the first time in 2004, probably because of the general concerns for the oil price rises. Also purchases of durables are becoming more uncertain: in particular, data on the expenditure for home maintenance and car purchases are worsening.

## General economic situation

In August, the seasonally adjusted confidence index on the general economic situation alone increases from 87.6 to 89.4. The improvement is mainly due to rosier short-term labour market prospects: indeed, the August balance of expectations on unemployment decreases from 39 to 32. Also assessments on the current general economic situation recover (the seasonally adjusted balance passing from -101 to -98), while short-term forecasts slightly decrease (from -35 to -36 in terms of balance).

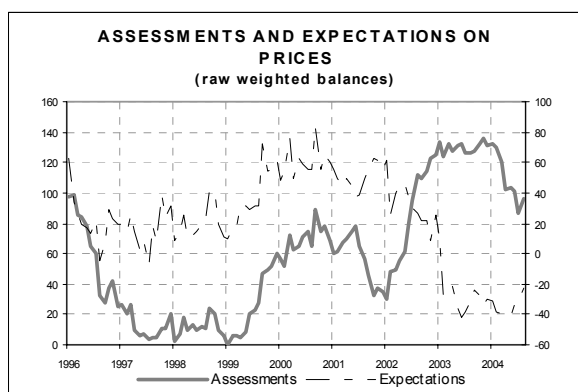
The oil price tensions cause an appreciable rise in the perceived and expected inflation for the first time in 2004: indeed the balance of current assessments (raw data) grows from 87 to 96, with a rise (from 23 to 27%) of the share of respondents considering prices rose "very much" in the last year. For the next twelve months, the percentage of those expecting rises equal to the present ones passes from 15 to 19%, while the number of those expecting a substantial price stability decreases from 52 to 48%. Hence, the weighted balance of that variable grows from -31 to -23 (raw data), which is close to the peaks of April 2003.



## Households' situations

In July, the seasonally adjusted confidence index referring to the respondents' own situations alone increases from 108.6 to 109, which is close to the all-time high for 2004.

In particular, that outcome is due to assessments on the households' economic situations: their seasonally adjusted weighted balance rises from 8 to 12. Quite the reverse, assessments and forecasts on the households' own situations slightly deteriorate (from -46 and -9 to -47 and -11 respectively, in terms of seasonally adjusted balance). The consumers' opinions on saving remain substantially unchanged compared to July: the balance of the current convenience to save stabilizes at 62, while future saving opportunities slightly deteriorate compared to July (from -73 to -74 in seasonally adjusted terms). A partially different picture is emerging in durables: indeed, assessments on the present convenience to purchase recover, as the (seasonally adjusted and weighted) balance increases from -102 to -100, while purchasing intentions for the next twelve months remain uncertain. As a matter of fact, the share of those intending to make purchases in the next twelve months grows from 67 to 74%, while the balance referring to the share of consumers intending to buy a car worsens from -159 to -165 (raw and weighted balance) and the one referring to real estate passes from -183 to -188 (home purchases) and from -168 to -174 (home maintenance).



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

### July and early-August data

The euro-area consumers' confidence remains stable in July compared to June<sup>1</sup>. Indeed, positive signals come from Ireland and, to a lesser extent, from the Netherlands and from France, while a worsening is registered in Belgium and Germany. In the United States, after the favourable trend observed over the past few months, confidence is considerably decreasing according to the Conference Board index and to a lesser extent according to the University of Michigan data.

Turning to details, the euro-area indicator remains at -14: expectations on the respondents' own situations and on future saving opportunities slightly worsen, while labour market expectations are rosier (the balance representing the share of respondents expecting an unemployment rise decreases from 31 to 30, which is close to the February 2004 levels). Conversely, short-term prospects on the country's general economic situation remain unchanged (the balance equalling -14). Among non confidence-building indicators (according to the Commission), opinions on the present convenience to purchase durables are moderately pessimistic, though this apparently does not depend on the price dynamics (as its balance falls from 10 to 8).

Among the major countries, the German confidence climate decreases in July from -15 to -17, particularly because of strongly deteriorated forecasts on the country's general economic situation (from -18 to -22 in terms of balance) and on the future saving opportunities (the balance – passing from 1 to -2 - becomes negative again for the first time since September 2003). With reference to the labour market,

<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

unemployment seems not bound to grow in the next twelve months (as the balance remains at 37, as in June). With reference to prices, new inflationary thrusts seem to be emerging (from 13 to 14, close to the May 2004 levels).

Turning to France, the July confidence climate registers a moderate recovery, passing from -18 to -16: almost all the confidence-building components improve, except for the prospects of the respondents' own situations, which slightly fall from -1 to -2 in terms of balance. With reference to the labour market, the share of those expecting an unemployment rise decreases (the balance passing from 38 to 35). With regard to prices - unlike what happens in Germany but in keeping with the situation in euro-area - France is witnessing a softening in inflationary tensions (from 19 to 13 in terms of balance, which is close to the March 2004 levels).

In Spain, as in the euro-area countries, the index remains unchanged on the June levels (-11). This is due to the heterogenous behaviour of all confidence-building components. Indeed, expectations on the country's general economic situation improve and a less pessimistic approach to the labour market trend is emerging. Conversely, future saving opportunities are worsening (from -27 to -31, which is close to the lowest figures since the beginning of the year) and expectations on the respondents' own situations remain unchanged. With regard to prices, the inflationary tensions are slowing in Spain too, in keeping with what happens in the euro-area countries (the balance passing from 15 to 12).

In the United States, after the favourable trend registered in July, the consumers' confidence indicator deteriorates in August: the Conference Board indicator falls by 7.5 points, passing from 105.8 to 98.2, which is above the average figure of H1 2004. The worsening is due to a fall in both assessments on the current

situation and - in particular - in short-term expectations, particularly with reference to the labour market trend. The Michigan University index passes from 96.7 to 95.9, which is however above the average values of H1.

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comparable with those of other countries, influencing the average figure of the euro area.