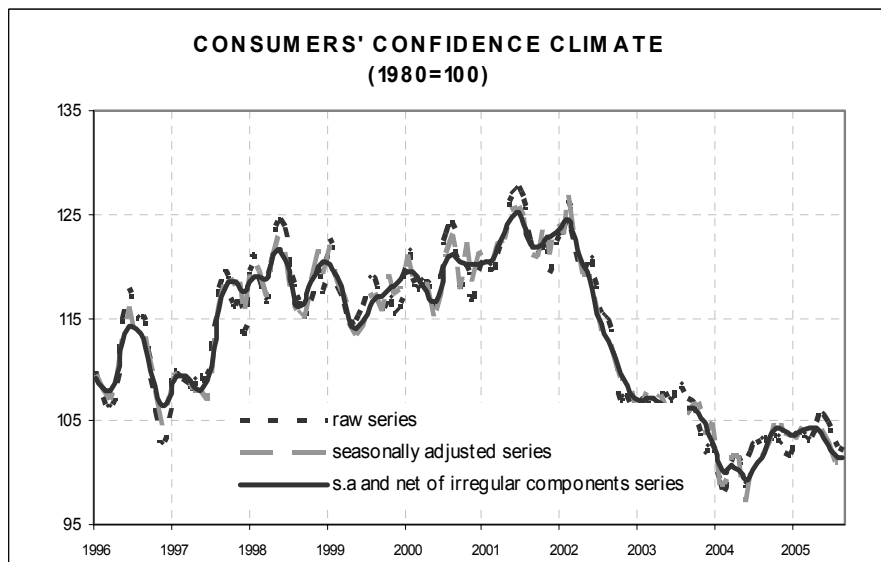




Date: **September 7, 2005**
TEL.: **06/444821**

CONSUMERS' CONFIDENCE REMAINS SUBSTANTIALLY STABLE IN AUGUST

- The seasonally adjusted indicator goes from 100.9 in July to 100.8 in August, thus remaining on the minimum values since June 2004: the raw index diminishes from 102.8 to 102.3, while the indicator adjusted for the seasonal and irregular components goes from 101.5 to 100.9
- Assessments on the overall economic situation definitely improve and short-term expectations slightly recover. The respondents' opinions on their own situations and on the current situation are however less favourable than in July
- In particular, the contraction is observed in evaluations on the present convenience to save. A particularly strong recovery is observed in assessments and forecasts on the country's economic situation
- The European consumers' confidence remains stable, showing signals of moderate recovery in France and Spain and providing negative indications in Germany
- In the United States, data from the Conference Board and from the Michigan University provide inconsistent information: indeed, the former indicator shows signals of recovery, while the Michigan University index undergoes a seven-point contraction, which is among the strongest ever registered over the past 25 years



Data referring to September shall be diffused on **September 22, 2005**.

Next ISAE surveys are scheduled as follows:

September 8, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: August)

September 28, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: September)

September 29, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: July-August) and ISAE Monthly Business Service Survey (Reference month: August-September)

October 3, 2005: Comparative Business Surveys for Italy, Germany and France (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)

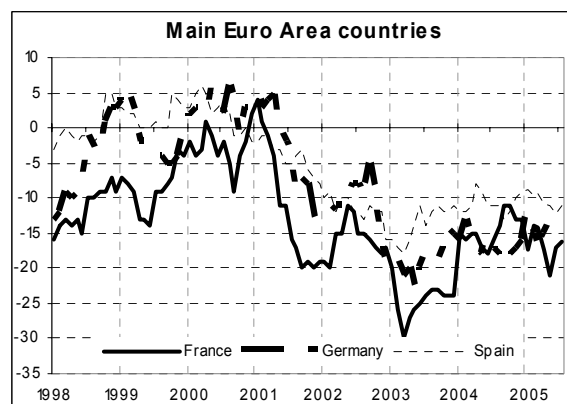
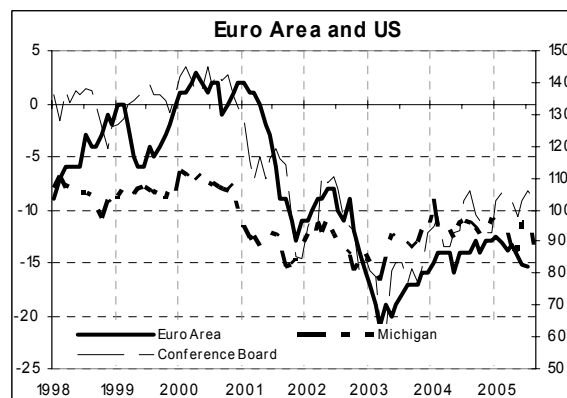
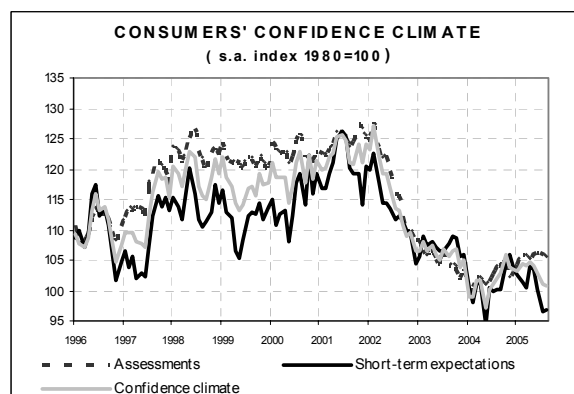
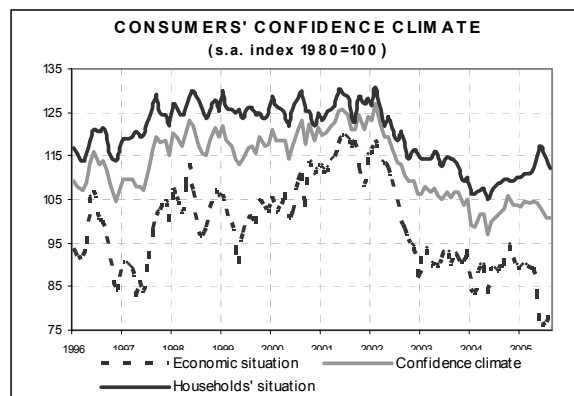
Confidence in Italy, in the euro area and in the United States

According to the ISAE Consumer Survey carried out between August 1 and 12 on a sample of 2,000 respondents, the consumers' confidence is substantially stable in August and remains on the July levels (from 100.9 to 100.8), thus remaining on the minimum values since June 2004: the raw index diminishes from 102.8 to 102.3, while the indicator adjusted for the seasonal and irregular components goes from 101.5 to 100.9, which is one of the lowest levels ever attained over the past thirteen months.

The respondents' opinions on their own situations are less favourable than in July, and the sub-index decreases from 114.4 to 112.2, thus losing more than two points. Also assessments on the current situation are falling from 105.7 to 105.2 (in terms of seasonally adjusted index). Conversely, the respondents' opinions on the overall economic situation definitely improve and confidence – though remaining quite modest - recovers by more than three points (from 76.6 to 80), while future expectations rise from 96.5 to 96.9. Finally, turning to the inflation dynamics, consumers express optimistic signals, both in their opinions on the current dynamics and in their short-term expectations, which are both slowing down.

In July, the European consumers' average confidence remains stable at -15 for the third month in a row. Moderately unfavourable signals emerge in Germany, while confidence recovers in France.

In the United States, data from the Conference Board and from the Michigan University provide inconsistent information: indeed, the former indicator shows signals of recovery (from 103.6 to 105.6), while the Michigan University index witnesses a seven-point contraction (going down to 89.1), which is among the strongest ever registered over the past 25 years.

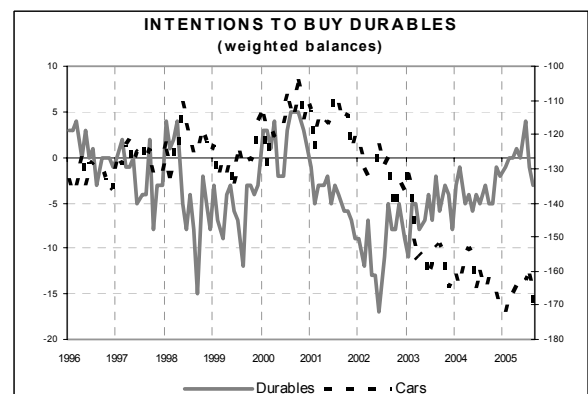
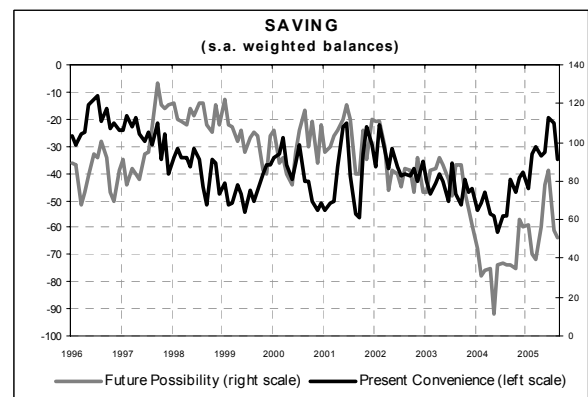
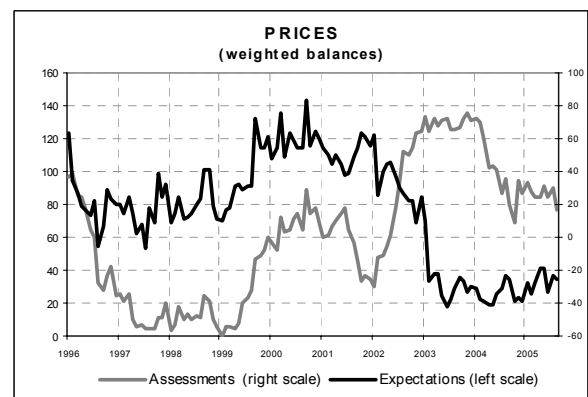
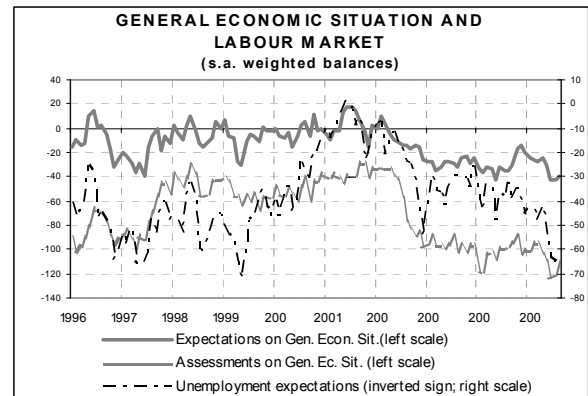


The ISAE Survey: the overall economic situation

In August, assessments and forecasts on the country's general economic situation improve, as assessments rise from -121 to -112 (in terms of balance), thus getting near to the May figures. Besides, expectations for an unemployment rise decrease (from 65 to 61). The inflationary dynamics is slowing down: the raw weighted balance of the past 12 months decreases from 90 to 77, which is the all-time low since June 2002. Indeed, the share of those considering prices rose "very much" decreases from 33 to 29%, and the number of respondents considering prices "slightly" increased falls from 39 to 38%, while the share of those deeming prices remained stable goes from 13 to 17%. Even the raw weighted balance of inflationary expectations is diminishing from -23 to -26, while the share of those fearing a similar or larger growth in the future remains at 24%, though more than half of respondents (52%, as against 50% in July) expect stable prices in the next twelve months, which is the best score of 2005.

The ISAE Survey: the households' situations

Unfavourable or, at best, stable indications come from the evaluations on the households' own situations. Indeed, assessments on future opportunities and, in particular, on the present convenience to save deteriorate and balances fall from -61 and 110 to -64 and 91 respectively. This last, in particular, is the lowest value ever reached since January 2005. Within a substantially unchanged framework in terms of perception of own financial situations (the balance equalling -50 compared to -51 in July), consumers are slightly more pessimistic in their expectations for the next twelve months (passing from -7 to -9). Cautious signals come from durables: consumers are indeed pessimistic on the immediate convenience to purchase them (the balance passing from -98 to -99).



Short-term spending intentions fall and the raw weighted balance diminishes from -1 to -3, which is the lowest figure since October 2004. Indeed, the number of those declaring they intend to buy a car or have expenses for home maintenance and improvement falls from 10 to 7%, while the share of those planning to buy a house remains at 3%. Assessments on the households' situations and on their own financial situations are improving (the former balance going from 3 to 7 and the latter from -53 to -52), within a stable framework for the short-term evolution of the respondents' own situations (the balance equalling -7, as in June).

The Surveys on the euro area and the United States (July and August data)

In July, the average consumers' confidence in the euro area is stable at -15 for the third month in a row, thus marking one of the lowest levels since May 2004. The respondents' forecasts on the general economic situation are worsening (from -17 to -19), as do saving opportunities, while labour market expectations improve (the number of those expecting an unemployment rise passes from 33 to 30, which is close to the February 2005 data). Among non confidence-building variables, assessments on the convenience to purchase durables stabilise, while spending prospects for the next twelve months slightly worsen, within a framework characterised by a further price rise (the balance passing from 13 to 17).

However, the overall euro area stability mirrors different situations in the various countries. The German confidence climate slightly worsens (from -15 to -17), owing to a deterioration in expectations on the respondents' own situations and, in particular, on the country's general economic situation (the balance falling from -21 to -24, which is one of the lowest figures of 2005). With reference to the labour market, the share of those expecting an unemployment rise in the next twelve months slightly diminishes (from 35 to

34). Finally, new inflationary tensions are expected, and the balance grows from 11 to 19 (which marks a hike since March 2005).

Confidence slightly rises in France and in Spain. Indeed, in France, the confidence climate index recovers from -17 to -16, while expectations on the country's overall economic situation considerably deteriorate (from -15 to -22), though expectations on the labour market trend improve from 27 to 38 (close to the highest figure of 2005). In this case too, new inflationary tensions emerge and the balance grows from 15 to 20, thus getting close to the June 2004 figures. The Spanish confidence indicator passes from -12 to -11 thanks to a wide-spread improvement of almost all confidence-building components. In particular, the percentage of those expecting an unemployment rise in the next few months falls (though slightly) from 13 to 12. No variations emerge in the inflationary dynamics and the July balance remains at 27, as in June.

In the United States, indications coming from the two major Surveys – namely the Conference Board data and the Michigan University figures – are dishomogeneous. Indeed, the Conference Board indicator dramatically falls in July (from 106.2 to 103.6) and partially recovers in August (to 105.6). Conversely, the Michigan University index consolidates in July (rising from 96 to 96.5), but it loses seven points in August and falls down to 89.1 (thus marking one of the strongest crash over the past 25 years). The sub-index of short-term expectations falls in Summer for both the Conference Board and the Michigan University, while the index measuring the current situation rises according to the former source and drastically falls according to the latter.