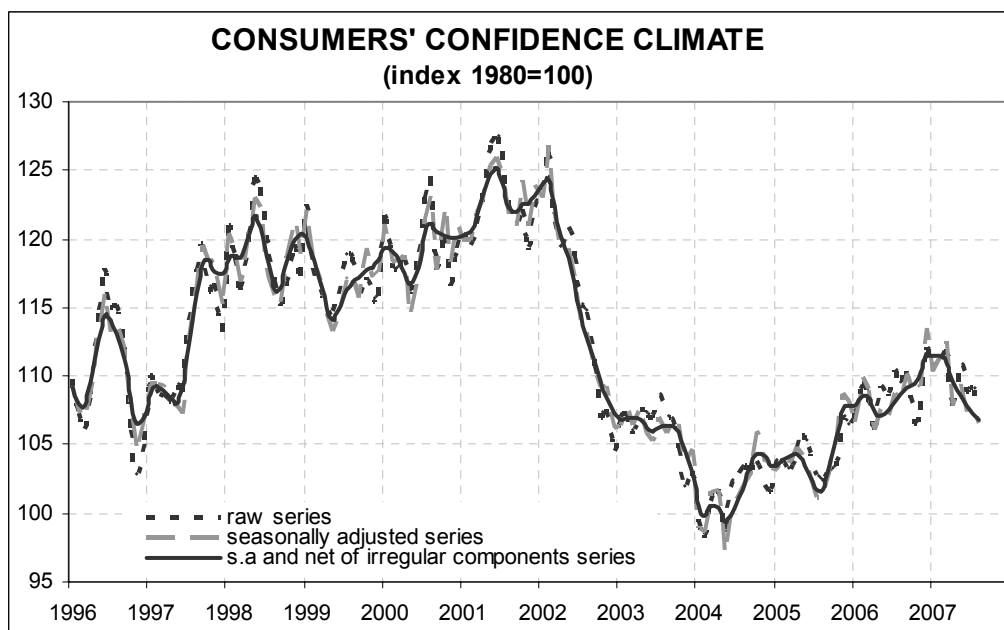


CONSUMER CONFIDENCE WEAKENS IN AUGUST

- The seasonally adjusted consumer confidence index turned down from 107.4 to 106.5, the lowest level since April 2006. Similarly, the raw index declined from 109.1 to 107.8 and the one also adjusted for irregular components lowered from 107.2 to 106.8
- The survey was carried out between August 1 and August 10 (on a panel of about 1550 consumers) and later between August 21 and August 23 (when surveyed consumers were approximately 450). However, the indicator barely changed in the face of the upheavals recorded in mid August by world financial markets
- The indicator referring to the general economic situation increased from 90.6 to 91.3, but the one for the respondents' sole personal situation lowered from 117 to 115.2. The confidence indicator for the opinions on the current situation declined to 115.4 and the gauge measuring short-term expectations declined from 98.4 to 97.1
- Concerns about an acceleration of current and, mainly, future inflation increased, but buying attitudes toward consumer durables recovered slightly
- The worsening in confidence recorded at the national level was the result of highly diverging trends across regions: the indicator actually increased in the North East (from 108.3 to 110.1) and the Centre (from 107.8 to 109.3), but declined in the North West (from 108.9 to 107.6) and, above all, in the *Mezzogiorno* (from 106.5 to 102.6)



Data on September shall be released on September 25, 2007

The next ISAE surveys are scheduled as follows:

August 31: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: August)

September 5: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: August), ISAE Monthly Business Services Survey (reference period: August), and ISAE Monthly Survey on Construction (reference period: July)

September 6: ISAE International Comparison of Consumer and Business Surveys (reference period: August)

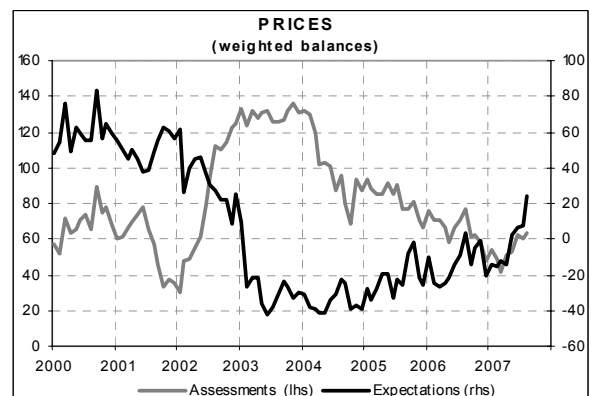
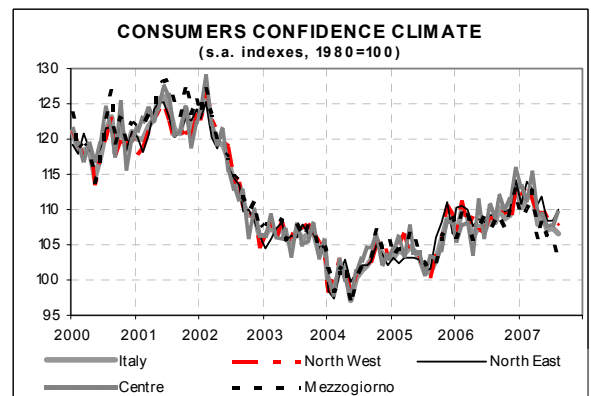
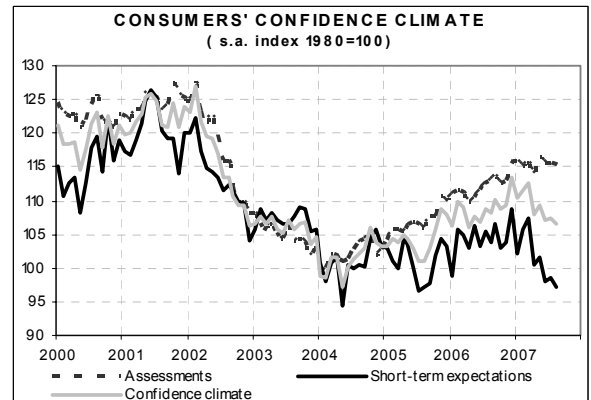
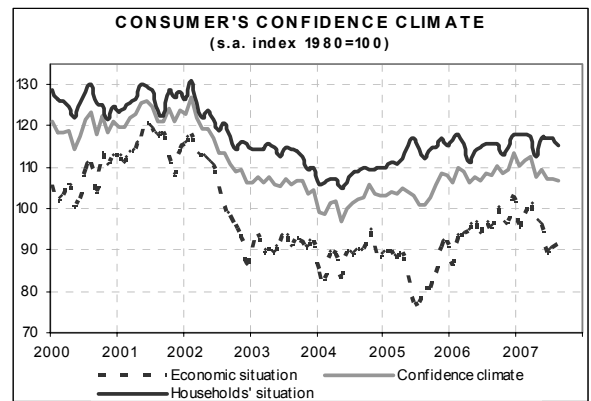
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

Italian consumers' confidence

According to the ISAE Survey, carried out between August 1 and August 23, consumer confidence worsened in August. The seasonally adjusted index decreased from 107.4 to 106.5, the lowest level since April 2006. Similarly, the raw index declined from 109.1 to 107.8 and the one also adjusted for irregular components lowered from 107.2 to 106.8. The survey was conducted between August 1 and August 10 (on a panel of about 1550 consumers) and later between August 21 and August 23 (when surveyed consumers were approximately 450). However the indicator barely changed in the face of the upheavals recorded in mid August by world financial markets.

The breakdown of data showed that consumers gave rather inconsistent assessments on general and personal economic conditions. The indicator for the overall economic situation actually increased from 90.6 to 91.3, but the one for the respondents' personal situation declined from 117 to 115.2. The index related to opinions on current conditions lowered to 115.4 and the one for short-term expectations decreased from 98.4 to 97.1. Concerns about an acceleration of current and, mainly, future inflation increased, but buying attitudes toward consumer durables recovered slightly.

The worsening in confidence recorded at the national level was the result of diverging trends also across regions: the indicator actually increased in the North East (from 108.3 to 110.1) and the Centre (from 107.8 to 109.3), but declined in the North West (from 108.9 to 107.6) and, above all, in the *Mezzogiorno* (from 106.5 to 102.6).



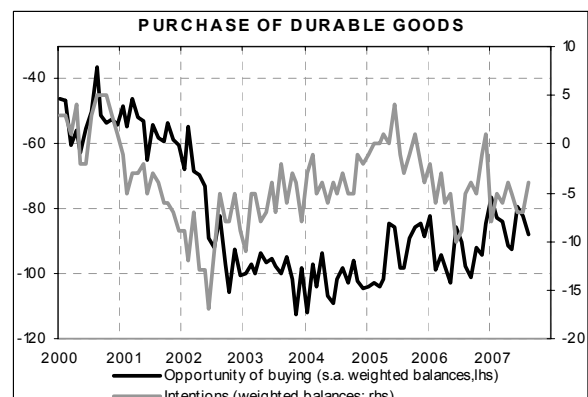
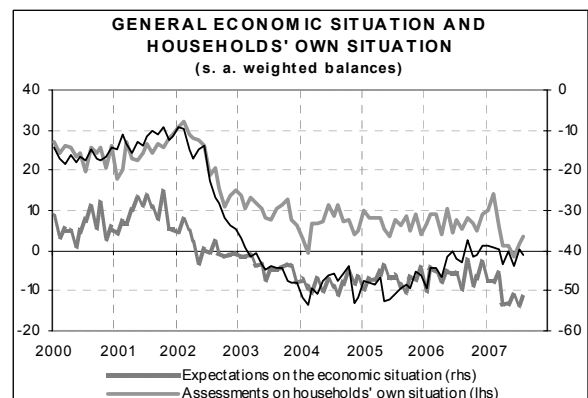
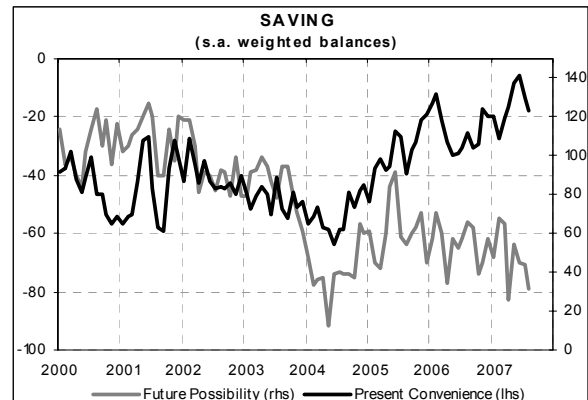
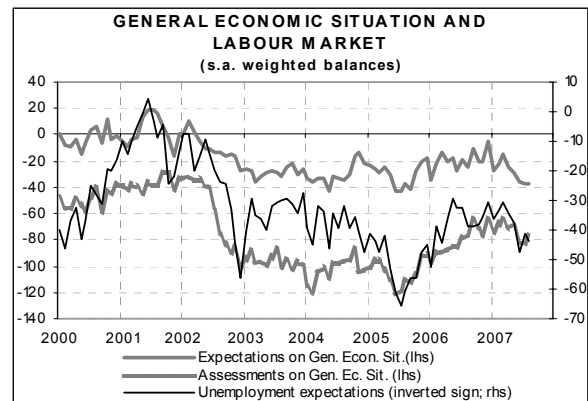
Overall economic situation

In August, the opinions on Italy's general economic situation were slightly more favourable than in the previous month. In particular, the balance for the evaluation of the current situation recovered, rising from -82 to -78, and the one for expectations turned up slightly, moving from -38 to -37 and remaining, however, close to the low level posted in September 2005. Assessments on the labour market started to deteriorate once more: the balance for expectations of a rise in unemployment increased from 41 to 44.

As for prices, concerns about an acceleration of inflation returned. The raw balance for the opinions on the rise in prices recorded in the last twelve months increased from 60 to 63, the highest showing in the last year. The share of respondents who thought that prices remained "equal" decreased from 16% to 13%, while the proportion of those considering prices to be "rather" higher and of those who thought they increased "little" rose from 44% to 46% and from 22% to 25%, respectively. However, the percentage of respondents judging prices to be "markedly" higher in the last twelve months also declined (from 17% to 15%). As for short-term expectations, the raw balance surged from 8 to 24, probably due to seasonal factors: the number of consumers expecting "same" or "lower" inflation increased from 29% to 35% and from 30% to 35%; respondents anticipating virtual "stability" in prices in the following twelve months declined from 29% to 21%.

Personal situation

Consumers' assessments on the respondents' personal economic conditions and on the situation of their own family worsened. The decline was mainly prompted by the deterioration in the present convenience to save and future saving opportunities and in consumer durables buying intentions. More in detail, the balances for the respondents' current and future economic conditions of their own family remained practically unchanged at their July levels (at -41 and -12, respectively, compared to -40 and -14 in



the previous month). However, the assessments on the situation of the family budget improved slightly (from 2 to 3). The opinions on the present convenience to save declined instead from 130 to 123, the lowest showing since last March, and also the balance for future saving opportunities decreased, moving from -71 to -79. As for the consumer durables market, the balance for the current convenience to purchase decreased from -82 to -88, whereas the raw balance for future buying intentions recovered from -7 to -4.

Regional breakdown of consumer confidence

The deterioration in confidence posted at the national level was the result of diverging trends across regions. The index worsened in the North West and mainly in the *Mezzogiorno*, while it recovered in the North East and the Centre. In the North and the Centre opinions and forecasts on general economic conditions improved, whereas the opinions on the personal situation (both current and future) sent contrasting signals.

North West: following the improvement posted the previous month, in the North West the confidence indicator started to worsen again (from 108.9 to 107.6). The deterioration was mainly due to generally worsening opinions and forecasts on the personal situation and to pessimistic forecasts for future prospects. The deterioration in the evaluation of the current situation was instead more moderate, while the opinions on the general economic situation improved slightly.

North East: consumers' confidence in this area, sharply bettered, moving from 108.3 to 110.1. The recovery was mainly driven by the marked improvement in opinions on current conditions and on the personal situation. Moreover, widespread optimism characterized the evaluation of the general economic situation and future conditions.

Centre: also in this area the confidence indicator continued to improve for the second month running, rising from 107.8 to 109.3. The recovery in confidence was mainly caused by the improvement in opinions on

the general economic situation and on current conditions. General optimism characterized also the opinions on the personal situation and on future conditions.

Mezzogiorno: this is the areas where the fall in confidence was sharper: the indicator declined from 106.5 to 102.6, reaching the lowest level since September 2005. In this case, the deterioration was the result of generally negative opinions and forecasts on the personal situation and on current conditions. Pessimism characterized also the opinions on future conditions and on the general economic situation.

