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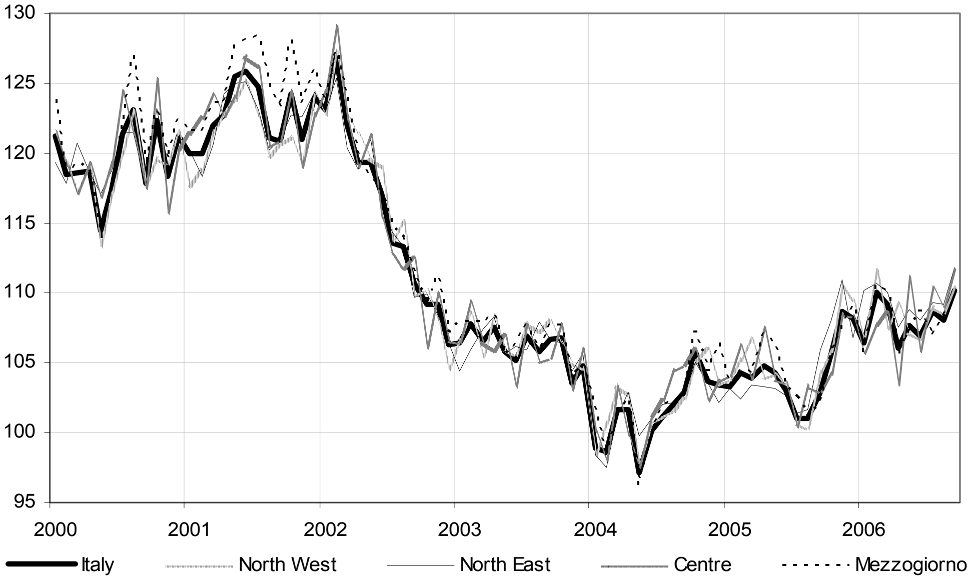
IN SEPTEMBER CONSUMER CONFIDENCE SURGES TO THE HIGHEST LEVEL IN THE LAST FOUR YEARS

- **In September the seasonally adjusted index reached 110.1, improving two points since August. The indicator also adjusted for irregular components increased to 109.4 (from 108.8), the highest level since October 2002, and the raw index hit 110.3 (from 109.4)**
- **The improvement was mainly backed by a more favourable appraisal of the general economic conditions. The related index climbed more than five points, moving from 95.1 to 100.3. The indicator for the respondents' personal situation stayed, instead, the same at 115.6, amid cautious assessments on savings and consumer durables**
- **Higher optimism, which characterised the opinions on the country's overall situation, may be related to the cyclical improvement posted over the first half of the year and to the resulting upward revisions to growth forecasts for Italy carried out by the main international institutions**
- **The breakdown of opinions according to the current and the expected situation showed that the rise in confidence was, above all, ascribable to higher optimism about the future (the indicator rose from 103.7 to 106.6, its best result since May 2003). However, also the assessment on the current situation bettered (the related index rose from 112.8 to 113.3)**
- **The improvement in confidence was widespread across the country, turning out particularly strong in the Centre and less robust in the *Mezzogiorno***



Data on October shall be released on October 24, 2006

The next ISAE surveys are scheduled as follows:
September 27: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: September)*
September 28: *ISAE Monthly Business Services Survey (reference period: September); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: August-September) and ISAE Monthly Survey on Construction (reference period: August)*
October 5: *ISAE International Comparison of Consumer and Business Surveys (reference period: September)*

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)

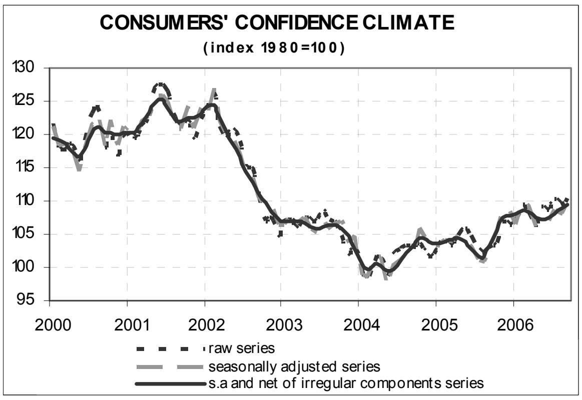
Italian consumers' confidence

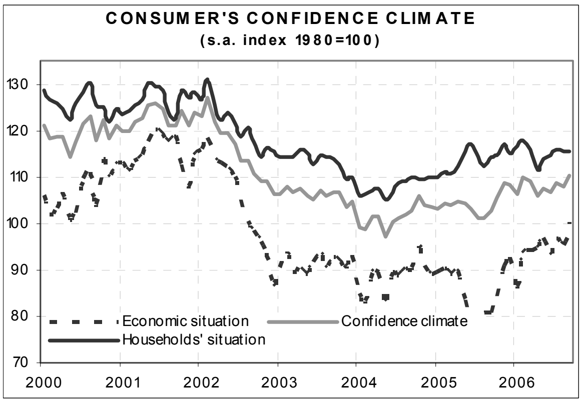
According to the ISAE Survey, carried out on a sample of 2,000 respondents between September 1 and September 12, Italian consumers' confidence rebounded in September to 110.1, gaining two points since August and reaching the highest level in the last four years. The indicator also adjusted for irregular components increased, though more moderately, to 109.4 (from 108.8) posting nevertheless a record high since October 2002. Finally, the raw index grew to 110.3 compared to 109.4 in August.

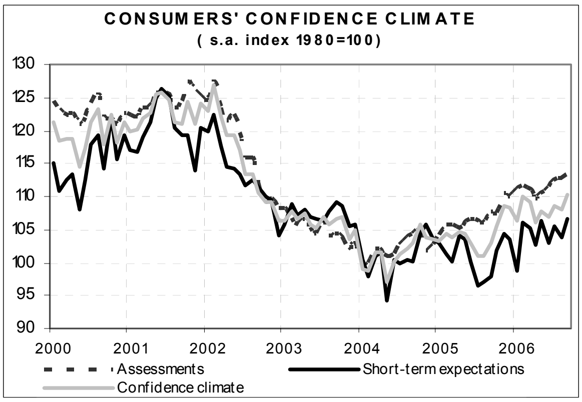
Particularly, the indicator for the country's overall situation showed a marked improvement, rising more than five points, from 95.1 to 100.3, the best result since August 2002. Also the index regarding future prospects surged from 103.7 to 106.6, its highest level since May 2003. The improvement in the perception of the country's overall situation may be related to the cyclical improvement recorded in the first half of the year and to the resulting upward revisions to growth forecasts for our country carried out by the main international institutions. A more moderate increase characterized the index for the current situation, which reached however 113.3 (from 112.8), also hitting a record high since August 2002. The indicator for the respondents' personal situation remained instead unchanged at 115.6.

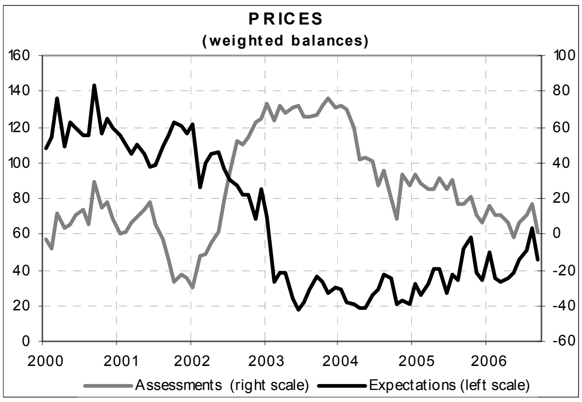
Finally, concerns about new inflationary pressures, highlighted in the recent months, eased: the opinions on price increases over the last twelve months returned close to the value recorded in May, whereas for future prices the number of respondents expecting stability increased markedly, and the related balance went back in negative territory, near the value posted last June.

The regional breakdown of data showed that the rebound in confidence, experienced at the national level, was evenly spread across the country, turning out particularly strong in the Centre and less robust in the *Mezzogiorno*.









Overall situation

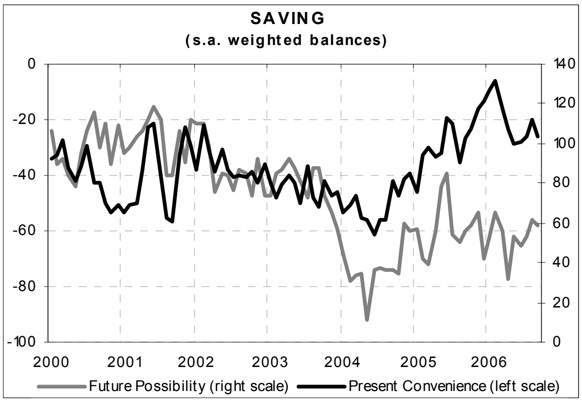
The marked improvement in the index for the country's economic conditions was due to the huge enhancement in opinions on the current and expected economic situation, notwithstanding some worries about the labour market.

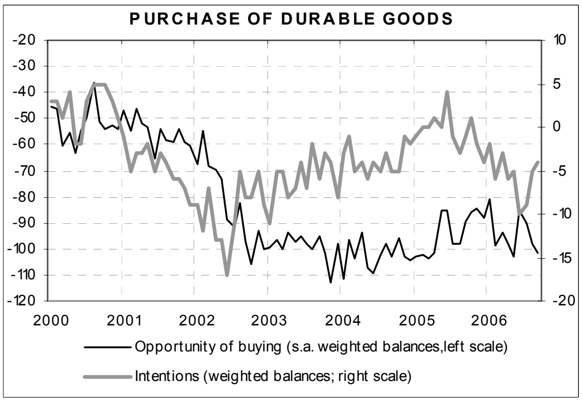
In more detail, both opinions and expectations on the economic situation witnessed a thirteen-point rise, moving, in the order, from -77 to -64 and from -24 to -11, and reaching a record high compared respectively to July and June 2002. At this stage, Italian consumers may have been positively influenced by the upward revisions to growth forecasts and by the better results for fiscal revenue. Expectations on labour market developments sent, instead, some negative signals: the balance referring to the increase in unemployment moved from 38 to 39. Fears of acceleration in inflation, which characterised consumers in the recent months, also decreased: the raw weighted balance of price developments in the last twelve months lowered from 77 to 61, close to the level showed last May. The number of respondents who thought that prices rose "to some extent" declined from 50% to 44%, whereas those who believed that they stayed the "same" with respect to the previous twelve months increased from 13% to 19%. Furthermore, the raw weighted balance of inflation expectations for the following twelve months plummeted from 3 to -14: also in this case the number of consumers anticipating virtual stability posted a steep rise (from 34% to 43% of the sample), compared to a widespread reduction in the share of those that expected increases of any kind also in the following twelve months (which lowered overall from 58% to 47% of the sample).

Personal situation

The generally unchanged indications which characterized the respondents' evaluation of their personal situation were the sum of diverging trends for the various underlying components of the variable.

On the one hand, consumers' assessment on their family's economic situation clearly bettered, showing a rise from -43 to -37 for the present-day situation and from 2 to 10 for the future situation (their highest level since January and March 2003, respectively). Also the opinions on their family's financial situation posted an improvement: the balance grew from 6 to 9. On the contrary, consumers gave a less optimistic appraisal of both savings and consumer durables. In more detail, the balance for the assessment on current convenience to save declined from 112 to 104, and the one for future saving opportunities lowered from -56 to -58. For the fourth month running, consumers remained rather cautious with regard to the durable goods market, showing divergent opinions regarding the current convenience to purchase and short-term buying intentions: the balance for the former variable declined from -98 to -101, while expectations for the following months recovered from -5 to -4 (on a raw basis). In the latter case, nevertheless, a strong increase was posted by the percentage of respondents declaring that they did not plan to make any new purchase (from 64% to 68%) and by the share of those that were unable to formulate a forecast (up to 11% of the sample, a historical peak).





Regional breakdown of consumer confidence

The recovery in consumer confidence experienced at the national level was evenly spread across the country. The index improved in all regions, though at different paces. Particularly, in the *Mezzogiorno* the upturn was less robust than in the rest of the country, while, on the contrary, it was the strongest in the Centre. The opinions on the general economic situation and on future conditions improved everywhere. The assessment and the forecasts on the personal situation and the opinions on current conditions sent, instead, contrasting signals.

North West: after the deterioration recorded in August, in the North West the confidence index started to better again, rising from 108.5 to 110.3. The recovery was due to generally positive views and forecasts for the overall economic situation and to widespread optimism about current conditions. The evaluation of the personal situation sent though negative signals, while short-term expectations remained virtually unchanged.

North East: also in this region confidence decidedly increased: the index picked up from 109.1 to 111.9, returning to the average value posted in the summer of 2002. The situation of widespread optimism showed by the indicator was the result of an overall improvement in assessments and forecasts on both the general economic situation and the personal situation. Optimism also portrayed the appraisal of the future and the current situation.

Centre: this was the region that witnessed the sharpest increase in confidence: the index rose from 109 to 111.5, reaching the highest level since August 2002. Noteworthy was the clear improvement in the opinions and the forecasts on the general economic situation. The progress in the personal situation was instead less marked. Finally, higher optimism characterized both the opinions on current conditions and those on future prospects.

Mezzogiorno: consumer confidence improved more moderately than in the other regions: the index increased from 108.5 to 109.5. The recovery in confidence was essentially due to an improvement in the opinions on the general economic situation and on future conditions. The assessment on the personal economic situation and on current conditions worsened instead.