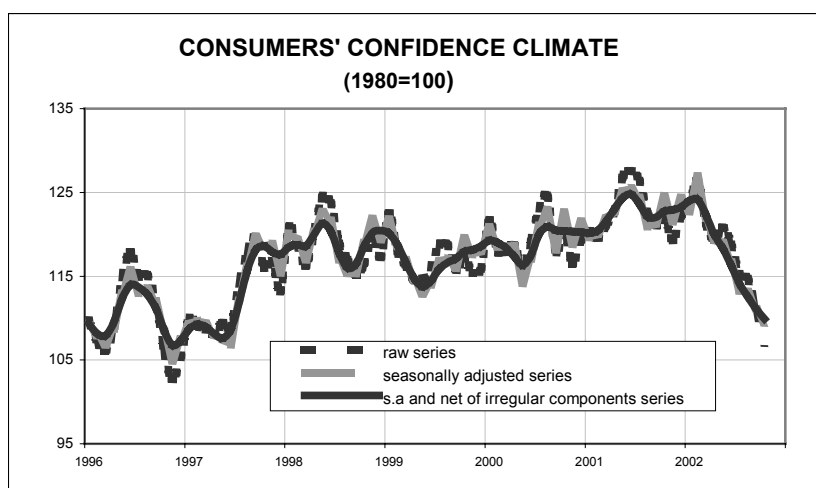




## ISAE CONSUMER SURVEY

Reference month: October

- **The Italian consumers' confidence climate (seasonally adjusted data) continues to fall in October and reaches 109.4 from the September value of 111.1. The indicator adjusted for the seasonal and irregular component decreases from 111.1 to 109.9, while the fall is sharper for the raw index which decreases from 110.8 to 107, that is by almost four points. The indexes however remain above the minimum values reached in late-1996**
- **The confidence deterioration is diffused both in the respondents' assessments on the general economic situation and in their opinions on their own situations. The worsening is particularly evident in labour market expectations and in the assessments on the present opportunity to make major purchases**
- **Conversely, respondents are more optimistic with regard to the present convenience to save and in their intentions to purchase durables and spend for home purchase and maintenance**
- **Consumers continue to perceive a strong inflation rise and expect an inflationary stabilisation in the forthcoming months**
- **In the United States, the Michigan University indicator registers a new worsening in the October consumers' confidence**



*Data referring to the next Consumer Survey shall be diffused on November 21, 2002.*

*Next ISAE surveys are scheduled as follows:*

**October 25, 2002: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: October)**

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

October 2002

### General results

The survey carried out by ISAE between October 1 and 15 on a sample of 2,000 respondents shows a further contraction of the Italian consumers' confidence climate. The October seasonally adjusted index falls down to 109.4 (111.1 in September); the indicator adjusted for the seasonal and irregular component decreases from 111.1 to 109.9, while the raw index diminishes from 110.8 in September to 117.0 in October, thus losing four points: however, the figures remain above the minimum values reached in late-1996.

The worsening is diffused in almost all confidence-building series and is particularly marked for the labour market and for assessments on the present opportunity to make major purchases. A slight improvement is observed in the present convenience to save.

Among other variables, favourable indications come from spending intentions for the next twelve months as well as from forecasts on home purchases.

With regard to prices, the share of consumers perceiving a strong inflationary acceleration over the past twelve months remains high. Also short-term expectations are not favourable, with price trend

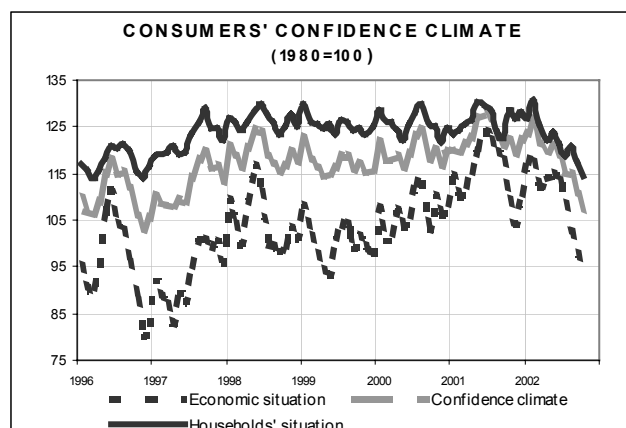
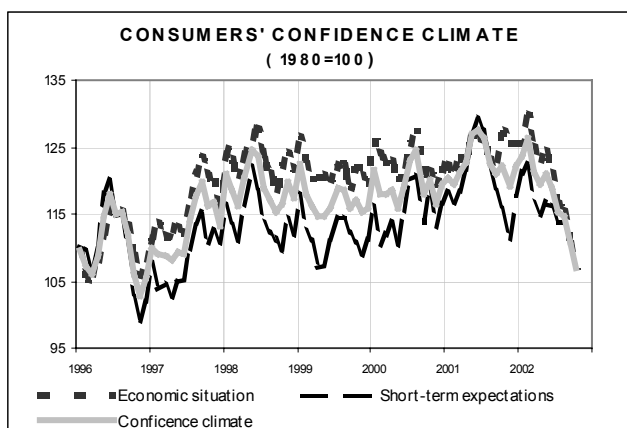
forecasts in the next twelve months in keeping with the just-observed tendencies.

### Overall situation

The confidence climate raw index on the general economic situation decreases by five points, passing from 97.6 in September to 92.4 in October (a lower level was only registered in June 1997). A fall is observed both in assessments (the balance falling from -65 to -68, which is the lowest figure since November 1996) and in short-term expectations on the country's general economic situation (the balance passing from -16 to -20, which is the smallest figure in the past five years).

The share of consumers expecting a strong or moderate unemployment rise increases to 41% (34% in September), while the number of those expecting a fall in the number of unemployed in the next twelve months is diminishing (from 16% in September to 13% in October).

In October, the number of consumers perceiving a marked price dynamics rise in the past twelve months continues to be high: 86% of respondents deem prices rose "very much" or "enough" (84% in September). Also future expectations seem unfavourable: the share of those expecting prices to rise or remain unchanged in the next twelve months equals 47% (46% in



September). Also the percentage of consumers expecting an inflation dynamics stabilisation on the present levels in the next twelve months remains stable (36%).

### **Households' situation**

The raw confidence index referring to respondents' own situations decreases in October from 117.3 to 114.2 mainly because of diffusely unfavourable opinions. A smaller value was only registered in March 1996, when the indicator fell down to 114.0. Also assessments on the households' own situations deteriorated (the October balance was 12, from 17 in September), while a pessimistic approach towards major purchases is emerging. Within the ISAE sample, the share of respondents deeming the present moment as unfavourable rises to 57% in October (53% in September). Also assessments on the households' economic situations continue to worsen (the October balance equalling -29, as against -27 in September), as do expectations for the next twelve months (the balance being -3, -1 in September).

Some favourable signals come from future intentions to spend and purchase a home: the percentage of consumers forecasting to purchase durables for the next twelve months rises to 38% (35% in September) 6% express their intentions to purchase a home in the next two years (5% in September).

Indeed, consumers seem to be more pessimistic in their expenses for home improvement and maintenance and less willing to buy a car. 8% of respondents declare they wish make purchases for home maintenance in the next twelve months (12% in the previous month), while the number of those deeming it probable to buy a car within the next two years decreases from 16% to 15%.

In this pessimistic context, consumers slightly strengthen their favourable assessments on the present convenience to save: 77% of respondents (76% in September) deem that the present period is "certainly" or "probably" convenient. Forecasts on the possibility to save are however negative: only 37% of the sample (39% in September) think it possible to save (certainly" or "probably") in the next twelve months.

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

### **September and early-October 2002**

In September, the consumers' confidence climate slightly increases on average in the euro area, while it further deteriorates in the United States.

According to the European Commission Consumer Survey, the consumers' confidence climate in the euro countries improves by two points, passing from -11 in August to -9 in September, mainly thanks to better expectations on the general economic situation (the balance rising from -12 to -10). Expectations on the households' own situations remain unchanged: the balance has almost uninterruptedly remained at -1 since April. European consumers seem less pessimistic on the possibility to allocate part of their incomes for saving in the next twelve months (from -4 in August to -2 in September). With regard to the labour market, the percentage of those expecting an unemployment growth increases (the balance passing from 27 to 24) Among non confidence-building indicators, assessments on the households' own situations remain stable (-11), while a moderate increase is observed in opinions on the general economic situation (the balance passing from -38 to -37). With reference to durables, opinions on the present convenience to

purchase them remain stable (the balance has been -25 since July). Conversely, prospects on purchases for the next twelve months are slightly less cautious (the balance passing from -18 to -17). Finally, with regard to prices, a considerable contraction is registered in the percentage of respondents expecting a price rise: the balance has fallen from 12 to 6, thus getting close to the January 1999 levels.

Among the major countries, the German confidence climate improves and gains five percentage points: the index rises from -10 in August to -5 in September, thus reaching again the July 2001 levels. The result mirrors the improvement of all index components, which are particularly sensitive to the prospects of the general economic situation (the balance passing from -13 in August to -8 in September), the only exception being the balance of expectations on the households' own situation, which remains stable at -3. Also concerns for prices diminish: the balance of replies on the inflation rate falls down from 15 to 10. Conversely, the French confidence climate slightly worsens going from -15 to -16, owing to a slight deterioration of the balance of replies on the prospects of the general economic situation and on the convenience to save (the balances passing from -12 to -13 and from -15 to -16 respectively). Indeed expectations on unemployment seem more pessimistic (the balance passing from 34 to 36), while the balance of intentions to purchase durables in the next twelve months has been null since October 2001. Fears for inflationary thrusts considerably decrease: the share of those expecting and inflation rate rekindling continues to diminish and the balance goes from 4 in August (the same figure of April 2000) to -1 in September. Also the Spanish confidence climate shows a favourable trend going from -13 in August to -11 in September. Among the confidence-building components, it is worth noticing the improvement of the balance of prospects of the general economic situation (passing from -9 to -5). Among other indicators, it is worth underlining the

marked improvement in the figure concerning purchases of durables for the next twelve months, equalling -12 in September (from -20 in June).

In the United States, the September Conference Board index diminishes again, going from 94.5 in August to 93.3, owing to negative opinions on the present economic situation and, particularly, to strong labour market concerns. Also the confidence climate indicator elaborated by the University of Michigan decreases from 87.6 in August to 86.1 in September. In spite of the measures adopted to stimulate domestic demand (such as car purchases at 0 interest rate), the fall is due to American consumers' smaller propension to spend. According to the Department of Commerce data, alongside with the fall in retail trade equalling 1.2%, according to the early data of the University of Michigan, there is a further confidence climate deterioration which is expected to stabilise at 80.4 in October, which is the smallest figure since nine years.