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Date: **October 21, 2004**
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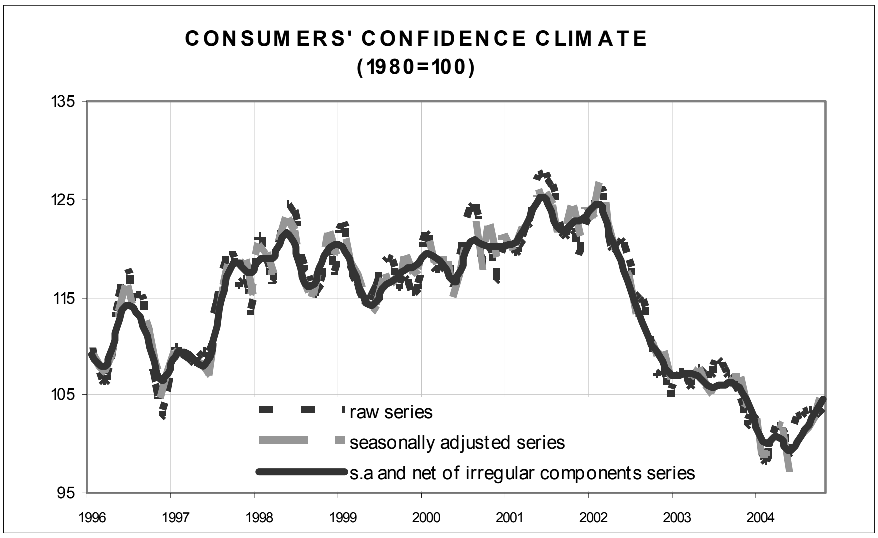
THE CONSUMERS' CONFIDENCE GROWS AGAIN IN OCTOBER FOR THE FIFTH MONTH IN A ROW

- **The seasonally adjusted indicator rises in October from 102.9 to 105.6: indeed confidence has almost fully offset the contraction occurred between the late-2004 and the early-2004, reaching again the average figures of H 1 2003 and the higher levels of the past twelve months. Positive indications also come from the indicator adjusted for the seasonal and irregular component - from 103.3 to 104.6 - and from raw data - from 103 to 103.7**
- **The growth is mainly due to the evaluations on the country's general economic framework, which increase from 89.9 to 95.1 (seasonally adjusted data), thus getting close to the maximum level ever reached since October 2002. Conversely, the disaggregated index referring to the respondents' own situations slightly decreases from 109.8 to 109.6, which is however above the average figures of H 1 2004**
- **Looking at the current and future situations, the growth is mainly evident from evaluations on future situations, passing from 100.1 to 104.3, while that on the current situation slightly improve, and the index grows from 104.5 to 104.8**
- **In spite of the recent oil price rises, positive indications come from prices, with decreasing assessments on the rises of the past twelve months and on forecasts for the near future**
- **In the USA, according to the early October data of the Michigan University, the American consumers' confidence index should strongly fall from 94.2 to 87.5, thus reaching the lowest level since April 2003**



Data referring to November shall be diffused on ***November 25, 2004.***

Next ISAE surveys are scheduled as follows:
October 27, 2004: ***ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: October)***
October 28, 2004: ***ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: September)*** and ***ISAE Monthly Business Service Survey (Reference month: October)***
November 2, 2004: ***Comparative Business Surveys for Italy, Germany and France (Reference Month: October)***
November 3, 2004: *Quarterly ISAE Business and Consumer Surveys (Q3 2004)*

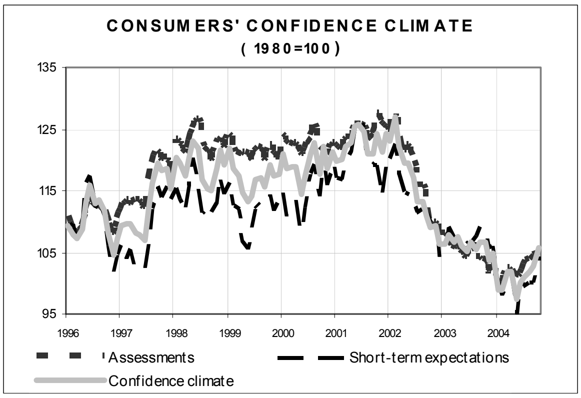
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

I – ISAE CONSUMER SURVEY FOR ITALY

October 2004

According to the Consumer Survey carried out by ISAE between October 1 and 15 on a sample of 2,000 respondents, the Italian consumers' indicator grows in October for the fifth month in a row, passing from 102.9 to 105.6 (seasonally adjusted data). This means confidence has almost fully offset the contraction occurred between the late-2004 and the early-2004, reaching again the average figures of H 1 2003 and the higher levels of the past twelve months. Positive indications also come from the indicator adjusted for the seasonal and irregular component (passing from 103.3 to 104.6), and from raw data (from 103 to 103.7). The improvement – which is common to all variables – is particularly evident in evaluations on the country's general economic framework, on the one side, and in short-term prospects, on the other side. The seasonally adjusted sub-indices grow from 89.9 and 100.1 to 95.1 and 104.3 respectively, thus getting close to the maximum level ever reached since October 2002 (in the former case) and since December 2003 (in the latter case). Conversely, evaluations on the current situation mark a smaller improvement, as the sub-index rises from 104.5 to 104.8 and that on the respondents' own situations slightly decreases from 109.8 to 109.6.

Among non confidence-building variables, expectations on the inflation dynamics point to a (current and expected) slowdown, while the prospects for purchases of durables remain cautious.



General economic situation

In October, the seasonally adjusted confidence index on the general economic situation alone increases from 89.9 to 95.1. Consumers express rosier evaluations on all the sub-index-building variables, in particular in their expectations on the Italian general economic situation (the raw balance rising from -34 to -28, which marks an improvement, unlike what has always happened in the past three Octobers, alongside with the discussion on the budget law), passing from -31 to -17 in terms of seasonally adjusted data. Also assessments on this variable are more favourable (the seasonally ajdusted balance equalling -88 from -94 in September), while concerns on the labour market trend decrease from 39 to 34 (in terms of seasonally adjusted balance).

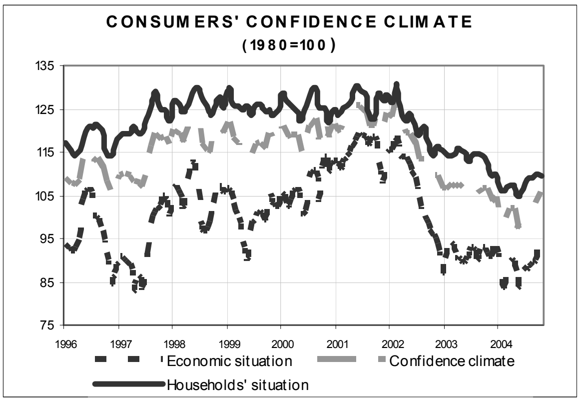
In spite of the recent oil price rises, expectations pointing to a present and future inflationary dynamics slowdown strengthen: the balance of assessments continues to decrease (raw data) from 80 to 69, thus getting close to the minimum figures reached since May 2002. In particular, the share of those deeming prices rose "very much" in 2004 falls from 24 to 21%, while the number of those feeling prices rose "enough" decreases from 48 to 46%. Conversely, the share of respondents feeling prices remained "stable" (on the maximum levels since the euro introduction in Juanuary 2002) grows from 14 to 19%. Also expectations on inflation for the next twelve months are slowing down. Indeed, the number of people expecting a price stabilisation over the next twelve months rises from 49 to 58%, while the share of those foreseeing smaller rises than in the past decreases from 25 to 17%, thus the weighted raw balance falls from -25 to -39.

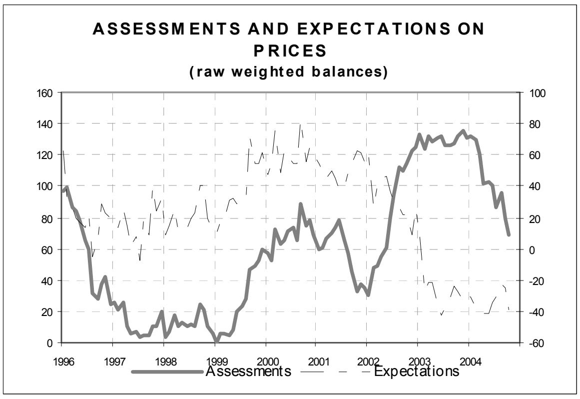
Households' situations

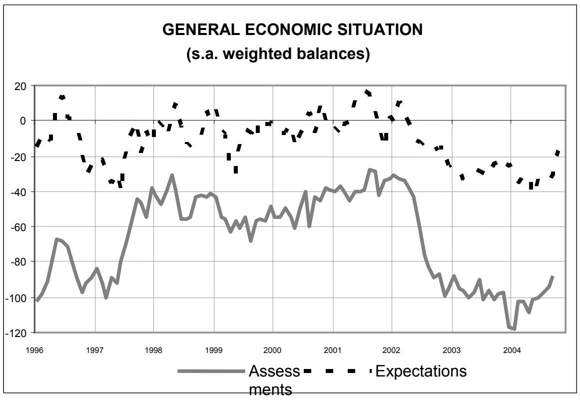
In October, the seasonally adjusted confidence sub-index referring to the respondents' own situations alone slightly decreases from 109.8 to 109.6, which is still close to the peaks of 2004.

That result comes from the synthesis of all the sub-index-building variables. Evaluations on the present convenience to purchase durables signal a marked recovery: the seasonally adjusted weighted balance passes from -102 to -95. Also the balance of evaluations on the households' economic situations recovers from -45 to -43 and the one concerning forecasts increases from -8 to -5. However, evaluations on the households' financial situations remain stable (the balance equalling 8) and evaluations on saving remain cautious altogether. Indeed, the perception of the present convenience to save diminishes (the balance passing from 81 to 74), though remaining above the average figures of 2004. Finally, consumers remain pessimist on their future saving opportunities, as the balance slightly deteriorates from -74 to -75.

Purchasing intentions for the next twelve months remain cautious. Indeed, the share of consumers excluding they will make major purchases in the short term grows from 63 to 67%, and the prospects of major purchases remain unchanged. In the next twelve months, the share of those "definitely" excluding they will buy a new car equals 79% and the share of respondents convinced they will buy no home equals 89%, while the number of those reporting they will have no extraordinary expenditure for home maintenance is worth 83%.







II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

September and early-October data

The average consumers' confidence in the euro area slightly recovers in September, thus getting close to the highest figures of 2004[1]. Indeed, particularly positive signals come from France and Ireland and, to a smaller extent, from Germany. According to the early Michigan University data on October, the American consumers' confidence should strongly deteriorate and reach the lowest levels since April 2003.

Turning to details, the average euro area indicator grows to -13 in September: indeed, the prospects on the general and on the respondents' own situations slightly improve and rosier expectations on the labour market trend are emerging (the balance of unemployment passing from 30 to 28). Conversely, future saving opportunities remain stable at -7, as in August (though under the July figures).

Among non confidence-building indicators (according to the Commission), opinions on the present convenience to purchase durables slightly improve, though spending prospects for the next few months remain stable. Looking at prices, an inflationary tension easing is looming ahead (the balance decreasing from 9 to 8).

Among the major countries, the German confidence climate slightly recovers in September, passing from -18 to -16, thanks in particular to the rosier prospects of the general economic situation (the balance rising from -24 to -21) and to a less dark labour market trend (indeed, the share of those expecting an unemployment rise in the next few months falls from 40 to 36). Conversely, future saving opportunities remain unchanged at 2 (as in the average of the euro countries). With regard to prices, a soft inflationary tension easing is expected (the balance passing from 13 to 12).

Quite the reverse, the confidence climate considerably recovers in France, passing from -14 to -11, which is close to the maximum figures of 2004, thanks to a generalised improvement in all confidence-building variables. Particularly favourable signals come from the respondents' own situations (the balance being positive again after four months) and from the labour market trend (the balance passing from 32 to 29). Turning to prices, the number of those expecting a price rise in the next few months falls in France too (from 10 to 8) as happens in Germany and in most euro-area countries.

The Spanish confidence indicator worsens in September, falling from -11 to -13, as a consequence of the deterioration of all confidence-building variables, with the only exception of the prospects on the country's general economic situation. With regard to the labour market, the share of those expecting an unemployment growth increases, and the balance rises from 11 to 15. As for prices, new inflationary thrusts are emerging in Spain (the balance remaining at 17, as in August).

In the United States of America, according to the Conference Board indicator, the consumer confidence index falls from 98.7 in August to 96.8 in September: indeed, the sub-index concerning the current situation decreases (from 100.7 to 95.5), while the one referring to expectations alone remains unchanged (from 97.5 to 97.3). According to the early Conference Board indications on October, the American consumers' confidence indicator should strongly fall from 94.2 to 87.5, mainly because of the growing concerns of American consumers on their own financial situations.

[1] 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 comparable with those of other countries, all of which has an impact on the average figure of the euro area.