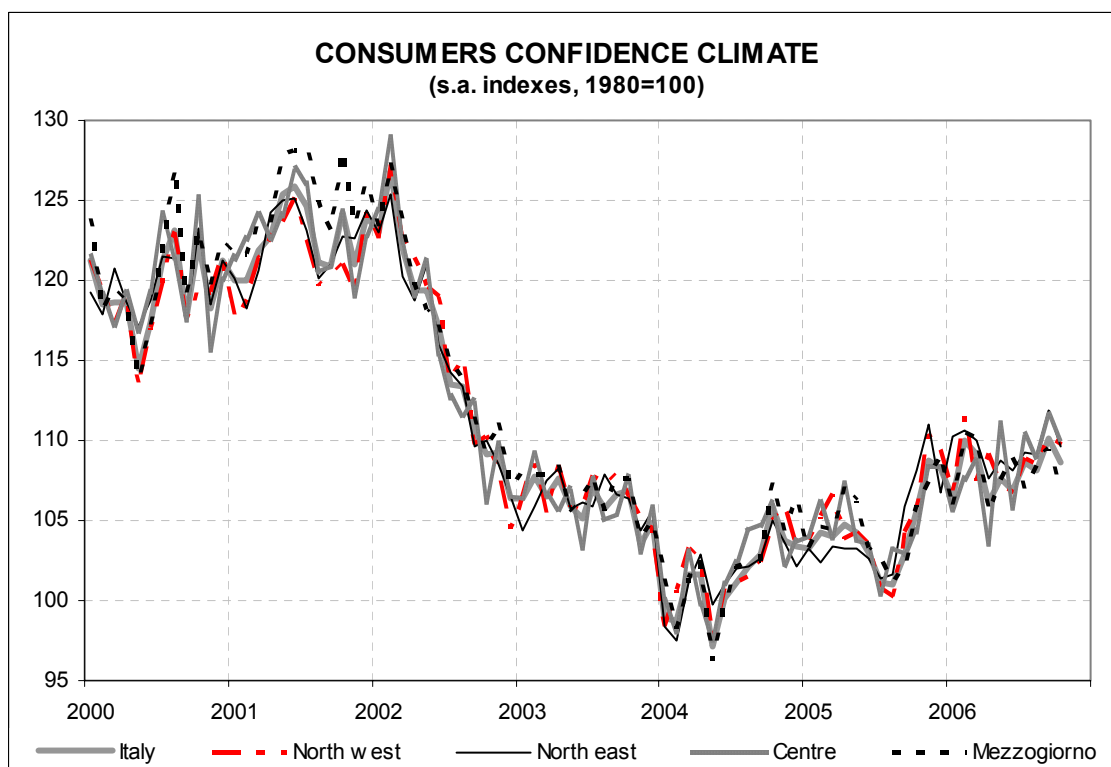


Date: **October 24, 2006**
 TEL.: **06/444821**

CONSUMER CONFIDENCE DECLINES IN OCTOBER

- The seasonally adjusted index lowered to 108.6, decreasing 1.5 points with respect to the high level reached in September, and coming in slightly lower than its third quarter average value
- The indicator also adjusted for irregular components (which is most affected by the past data of the time series) remained unchanged at 109.1. The raw index decreased from 110.3 to 106.5, close to the level posted last April
- The opinions on both the general economic conditions and the respondents' personal situation deteriorated. The related indices declined from 100.1 to 97 and from 115.6 to 113, respectively
- The evaluation of the current situation worsened somewhat. The indicator moved from 113.1 to 112.2. Respondents became more worried also about short-term prospects, the related index declining from 106.6 to 103
- Buying intentions for consumer durables sent instead positive signals, though, according to the ISAE quarterly survey, consumers slightly scaled down their opinions for major purchases (home buying and maintenance, and car purchase)
- The assessment on current prices stabilized, but short-term expectations started to rise again notwithstanding the recent fall in energy prices
- The worsening in consumer confidence was widespread across the country, turning out comparatively more marked in the *Mezzogiorno*



Data on November shall be released on November 22, 2006

The next ISAE surveys are scheduled as follows:

October 25: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: October)

October 30: ISAE Monthly Business Services Survey (reference period: October); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: October) and ISAE Monthly Survey on Construction (reference period: September)

November 7: ISAE International Comparison of Consumer and Business Surveys (reference period: October)

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)

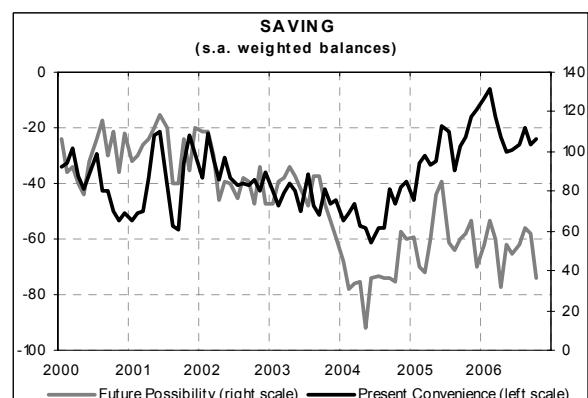
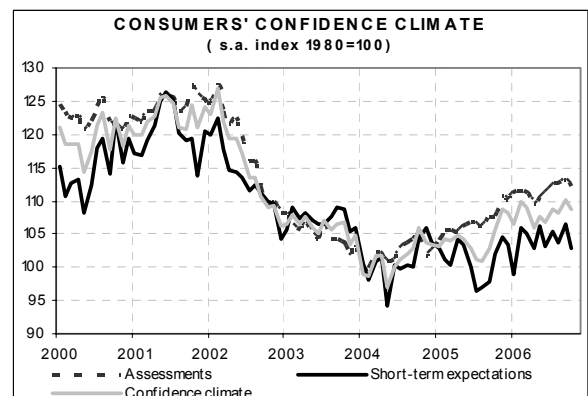
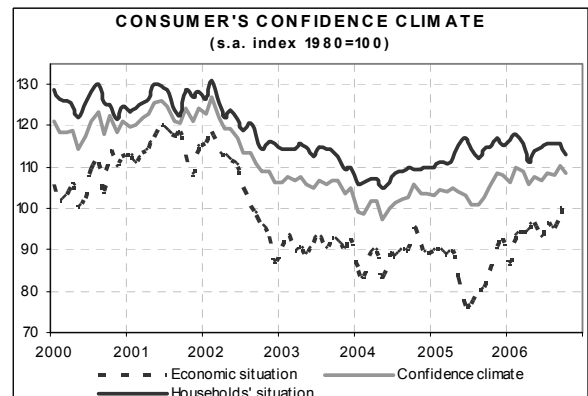
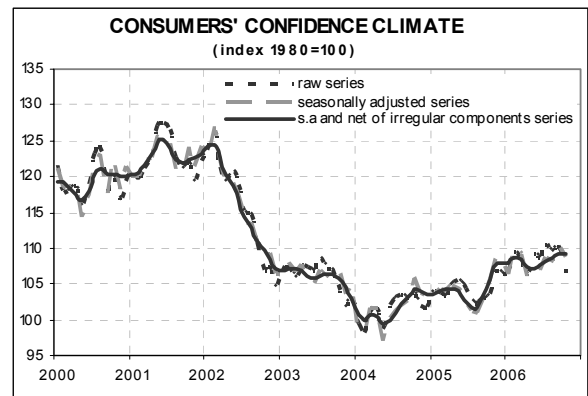
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between October 2 and October 13, Italian consumers' confidence declined in October to 108.6, falling 1.5 points from the high valued posted in September (when the index hit 110.1). The indicator also adjusted for irregular components remained unchanged at 109.1, while the raw index decreased from 110.3 to 106.5.

The evaluation of both the overall economic situation and the consumers' personal situation deteriorated. The related indices lowered from 100.1 to 97 and from 115.6 to 113, respectively. Furthermore, the opinions on the current situation worsened somewhat: the indicator moved from 113.1 to 112.2. Consumers became more worried also about short-term prospects, the related indicator declining from 106.6 to 103. The negative trend posted in October was mainly due to the worsening of opinions and expectations on the country's overall situation (the balances went back to the levels posted in August, following the sharp improvements of the previous month), and especially to the sharp deterioration in the assessment on current saving opportunities (which returned close to last April's level).

Buying intentions for consumer durables sent instead positive signals, though, according to the ISAE quarterly survey, consumers slightly scaled down their opinions for major purchases (home buying and maintenance, and car purchase). Finally, the assessment on current prices stabilized, but short-term expectations started to rise again notwithstanding the recent fall in energy prices.

The worsening in confidence was widespread across the country, turning out comparatively more significant in the *Mezzogiorno*.



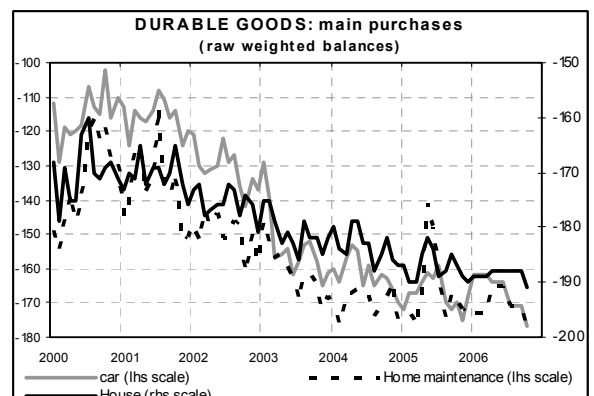
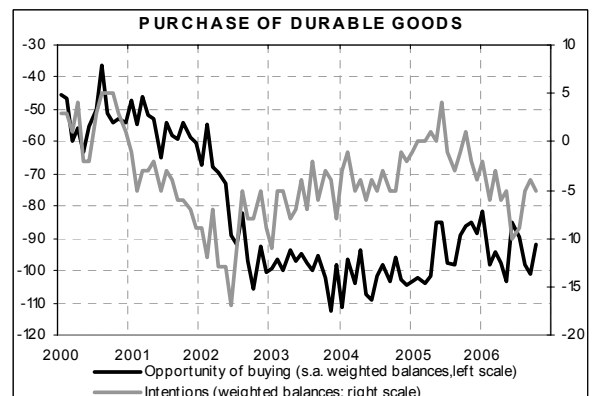
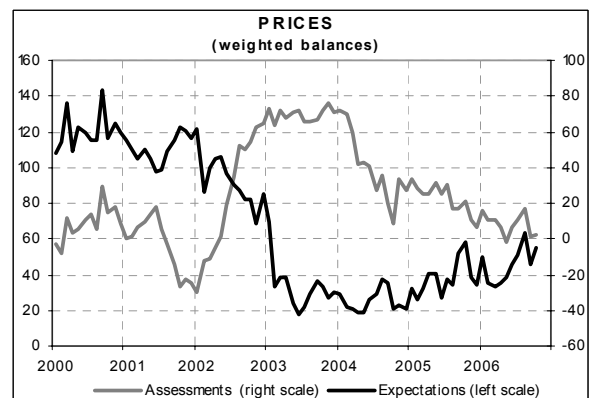
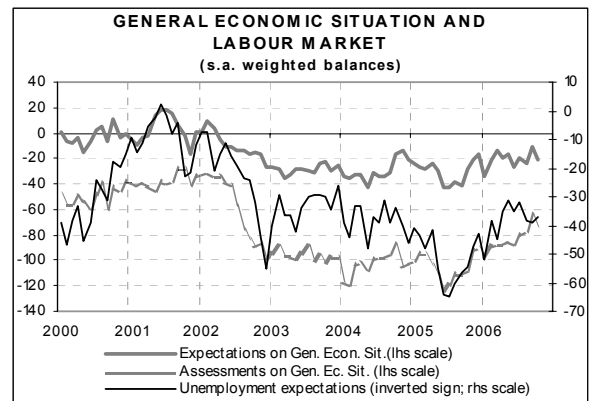
Overall situation

The nearly three-point fall in the index for the country's economic conditions was caused by the worsening in opinions and expectations on the economic situation, which came along with virtual stability for unemployment prospects.

In more detail, following the sharp surge in September, consumers scaled down opinions and expectations on the country's economic situation. The related balances moved from -65 to -73 and from -11 to -21, respectively, remaining nevertheless above the values posted last August. Labour market expectations stayed largely unchanged: the balance referring to the rise in unemployment moved from 39 to 37. The assessment on current inflation diminished, though short-term worries lingered. The weighted balance for price increases in the last twelve months stood at 62 (compared to 61): the number of respondents who thought that prices rose "to some extent" held steady at 44%, and those who believed that prices "barely" increased with respect to the previous twelve months grew from 16% to 17%. The balance of inflation expectations for the following twelve months recovered, instead, rising to -5 (from -14): the share of consumers anticipating the "same" rise posted in the last twelve months actually increased from 21% to 25%, as against a fall (to 38% of the sample, from 43%) in the proportion of those expecting virtual stability for prices.

Personal situation

The respondents' evaluation of their personal situation was also worsening with respect to the previous month. In more detail, forecasts for future saving opportunities in the following months markedly deteriorated and the related balance dropped from -58 to -74, its lowest level since last April. On the other hand, consumers' current convenience to save



remained virtually stable: the balance edged up slightly to 106 (from 104). Greater pessimism about future saving opportunities was due to consumers' increased difficulty in balancing their financial budget. The balance for this variable actually declined from 9 to 7, remaining nevertheless close to its third quarter average value. Consumers became also more pessimistic with regard to the previous month about their family's current and future economic situation (the related balances lowered from -37 to -41 and from -2 to -8, respectively).

Lastly, the durable goods market showed some signs of recovery: the present convenience to buy actually improved and the balance recovered from -101 to -92, though consumers' short-term buying intentions stabilized (the related raw balance indeed slightly edged down to -5 from -4). Specifically, buying intentions for the following twelve months (surveyed quarterly) for homes (buying and maintenance) and cars worsened. Compared to the July survey, the balances lowered in the order from -188 to -191, from -171 to -177 and from -171 to -177.

Regional breakdown of consumer confidence

The deterioration in consumer confidence experienced at the national level was evenly spread across the country. The index worsened in all regions and mostly in the *Mezzogiorno*.

North West: in the North West, the confidence index started to worsen again slightly (from 110.3 to 109.7). Above all, the deterioration was due to generally more negative views about future conditions, whereas the decline was more moderate for the opinions and forecasts on the general economic and personal situations. The evaluation of current conditions sent also negative signals, falling for the third month running.

North East: in this region confidence deteriorated more markedly: the index moved down from 111.8 to 109.6, remaining nevertheless close to the average value posted in the last few months. The situation of pessimism was the result of an overall deterioration in

assessments and forecasts on the general economic situation and, particularly, on the personal situation. Pessimism also characterized the appraisal of future and mainly current conditions.

Centre: also in this region the confidence indicator abated, moving from 111.5 to 110.1 and returning to last July's level. Noteworthy was the clear deterioration in the opinions and the forecasts on the general economic situation. The decline for the personal situation was instead less marked. Pessimism portrayed both the opinions on current conditions and those on future prospects.

Mezzogiorno: this was the region that witnessed the sharpest decline in confidence. The index lowered from 109.5 to 107.1. The worsening was essentially due to the deterioration in the opinions on the general economic situation and on future conditions. The assessments on the personal economic situation and on current conditions were instead relatively less pessimistic.

