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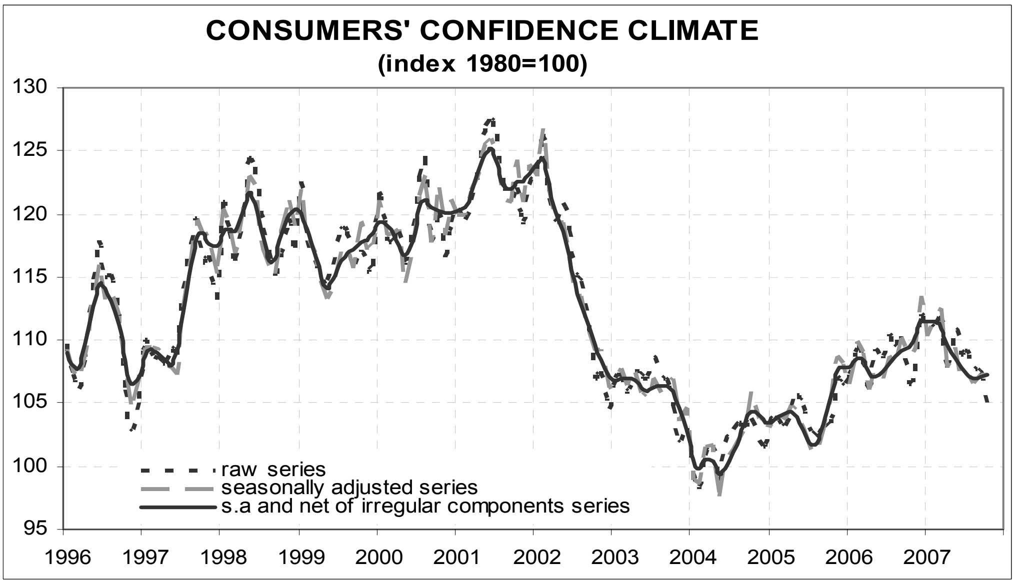
CONSUMER CONFIDENCE HOLDS STEADY IN OCTOBER

- **The seasonally adjusted confidence index stayed constant at 107.3, slightly above its third quarter average. The index also adjusted for irregular components increased from 107.1 to 107.3, while the raw index declined instead from 107.4 to 105.1**
- **Valuations of general economic conditions improved slightly (from 92.1 to 92.3), whereas those related to the respondents' personal situation deteriorated (from 115.4 to 113.2)**
- **Both the present situation indicator and the gauge measuring the future trend also moderately lowered (from 114.1 to 113.8 and from 99.9 to 98.7, respectively)**
- **An improvement characterized short-term prospects for the country's economic situation, the evaluation of the current state of the family budget and the convenience to save. In contrast, expectations for labour market developments and for purchases of consumer durables as well as assessments on future saving opportunities deteriorated**
- **As for inflation, consumers continued to worsen their perception of the current trend, but slightly scaled down their opinions of an acceleration of inflation in the following twelve months**
- **According to the ISAE traditional quarterly survey, the trend in the housing market did not show particular strains: consumers' home buying intentions remained unchanged at their July level, though prospects for house maintenance expenditures were revised downwards**
- **Stability in consumer confidence posted at the national level was the result of diverging trends across the country: the indicator improved in the North West and the Centre, but worsened in the North East and the *Mezzogiorno***



Data on November shall be released on November 21, 2007

The next ISAE surveys are scheduled as follows:

October 24: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: October)*

October 25: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: October), ISAE Monthly Business Services Survey (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

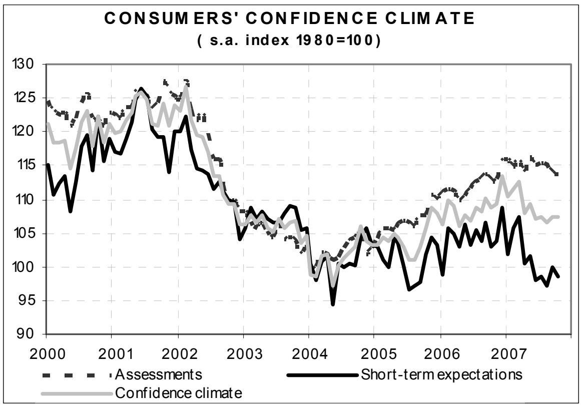
According to the ISAE Survey, carried out between October 1 and October 12, Italian consumers' confidence held steady in October relative to the previous month, remaining slightly above its third quarter average. The seasonally adjusted index came in at 107.3 (as in September). The index also adjusted for irregular components increased from 107.1 to 107.3, while, in contrast, the raw indicator declined from 107.4 to 105.1. Valuations of general economic conditions improved slightly (from 92.1 to 92.3), whereas those related to the respondents' personal situation deteriorated (from 115.4 to 113.2). Both the current situation indicator and the gauge measuring the future trend moderately lowered as well (from 114.1 to 113.8 and from 99.9 to 98.7, respectively).

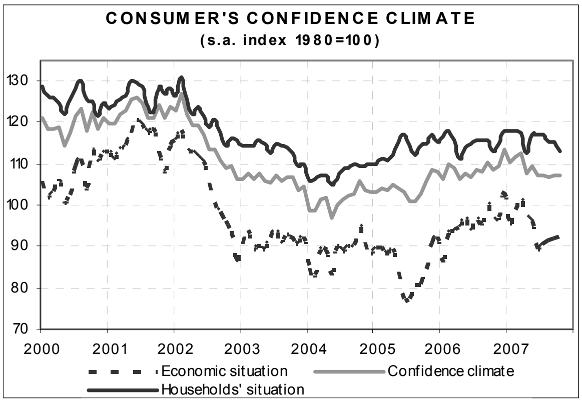
Among the underlying components of the confidence indicator, an improvement characterized short-term prospects for the country's economic situation, the evaluation of the current state of the family budget and the convenience to save. On the contrary, expectations for labour market developments and for purchases of consumer durables as well as the assessments on future saving opportunities worsened.

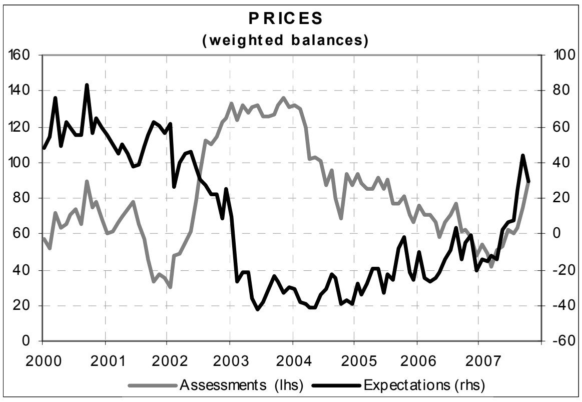
As for inflation, consumers continued to worsen their perception of the current trend, but slightly scaled down their opinions of an acceleration of inflation in the following twelve months.

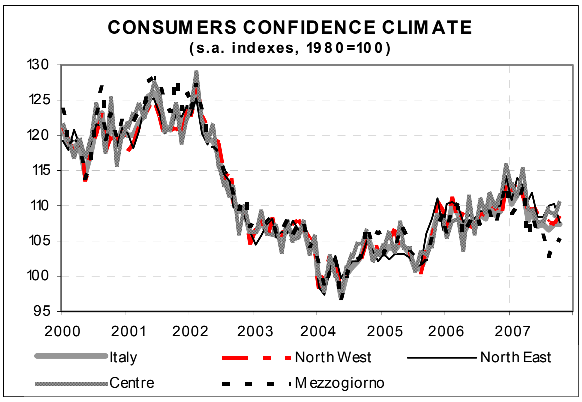
According to the ISAE traditional quarterly survey, the trend in the housing market did not show particular strains: consumers' home buying intentions remained unchanged at their July level, though prospects for house maintenance expenditures were revised downwards.

Stability in consumer confidence posted at the national level was the result of diverging trends across the country: the indicator improved in the North West and the Centre, but worsened in the North East and the *Mezzogiorno.*







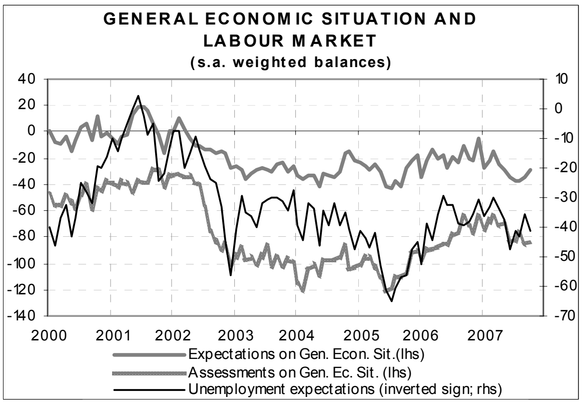


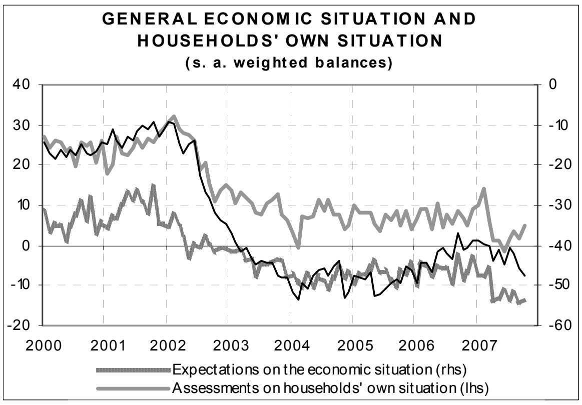
Overall economic situation

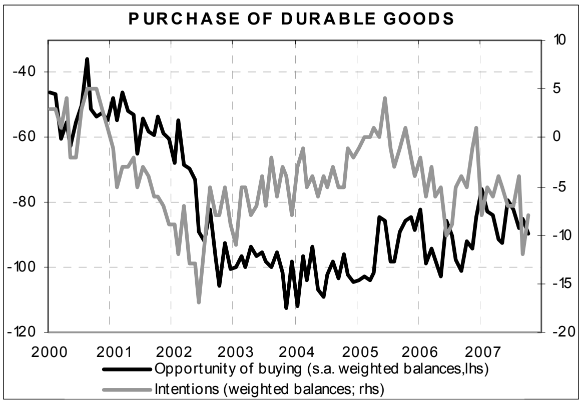
In October, evaluations of Italy's economic conditions were somewhat contradictory: the opinions on the economic situation remained virtually stable, whereas for the following twelve months consumers expected on the one hand an improvement in the general economic situation and on the other a worsening in labour market developments. As for the price trend, current inflationary pressures continued to increase, but expected inflation for the following twelve months eased.

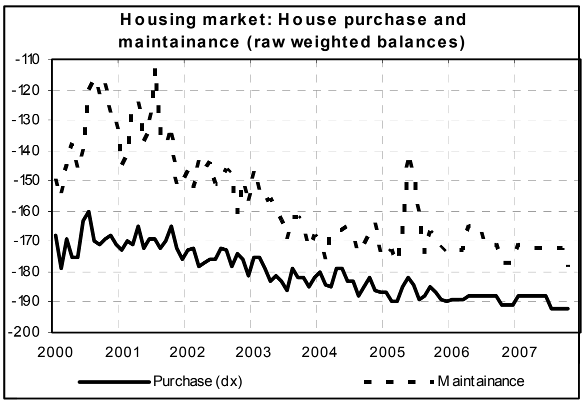
In more detail, the balance for the opinions on the current situation - following the sharp drop recorded the previous month - moved from -85 to -84, whereas the one for expectations recovered from -34 to -29. Anticipations for labour market developments started instead to deteriorate once more: the balance referring to unemployment rose from 36 to 41.

Consumers considered current inflation to have accelerated further: the balance related to the opinions on the rise in prices recorded in the last twelve months increased from 75 to 89, the highest showing in the last two years. As for the (raw) balances related to the various replies, the share of respondents judging prices to be "markedly" higher rose from 19% to 26%, while the percentages for all the other replies lowered instead. However, respondents were much less pessimistic than in the previous month about prospects for the following twelve months: the balance lowered from 37 to 20, returning below its third quarter average. In particular, the proportion of respondents expecting prices to rise "noticeably" lowered from 13% to 8%, while the share of those anticipating "stability" increased instead from 18% to 23%.









Personal situation

The worsening in consumers' assessments on the personal economic situation stemmed mainly from the deterioration in saving opportunities and in the convenience to buy consumer durables (the related balances lowered from -70 to -86 and from -85 to -90, respectively). However, opinions on the current convenience to save recovered from 127 to 132. On the whole, opinions and forecast on the economic situation of consumers' own families remained virtually stable in October (the balances stood at -48 and -13 respectively, compared to -46 and -14 in the previous month). In contrast, an improvement distinguished the assessments on the state of the family budget (the balance rose from 1 to 5) and those on future buying intentions for consumer durables (the raw balance grew from -12 to -8).

Finally, according to the traditional quarterly survey, home buying intentions for the following twelve months remained unchanged after the drop recorded in the last quarter, but prospects for special house maintenance worsened (from -172 to -178). Furthermore, car buying intentions remained stable (the balance stayed at -172).

Regional breakdown of consumer confidence

Stability in consumer confidence posted at the national level was the result of diverging trends across geographic areas. The index improved in the North West and the Centre, but worsened in the North East and the *Mezzogiorno*. Opinions and forecasts on the personal economic situation and assessments on future conditions worsened everywhere, whereas the evaluation of the general economic situation widely improved, mainly in the Centre and the South. The opinions on the current situation sent instead contrasting signals.

North West: the indicator increased from 107.4 to 108.4, regaining the level posted last June. Opinions and forecasts on the general economic situation improved and evaluations of current conditions remained virtually stable. On the contrary, the opinions on the personal economic situation and on future conditions decidedly worsened.

North East: the indicator declined from 110.3 to 107.6, going back to the low value recorded in April 2006. The deterioration was prompted by the general pessimism which characterized the opinions on the consumers' personal economic situation and by the fall in confidence for current and future conditions. The evaluation of the general economic situation worsened instead less markedly.

Centre: in this area the indicator recorded the sharpest improvement, rising from 108.6 to 110.1. The evaluation of for the trend for the general economic situation and current conditions showed widespread optimism. Opinions and forecasts on the personal economic situation remained basically unchanged, whereas the opinions on future conditions slightly worsened.

Mezzogiorno: following the rise posted in September, the confidence index resumed its downward trend, declining from 105.4 to 105. Also in this case, the deterioration was essentially due to a worsening in opinions on the personal situation, on current and on future conditions. Assessments and forecasts on the general economic situation moderately improved instead.