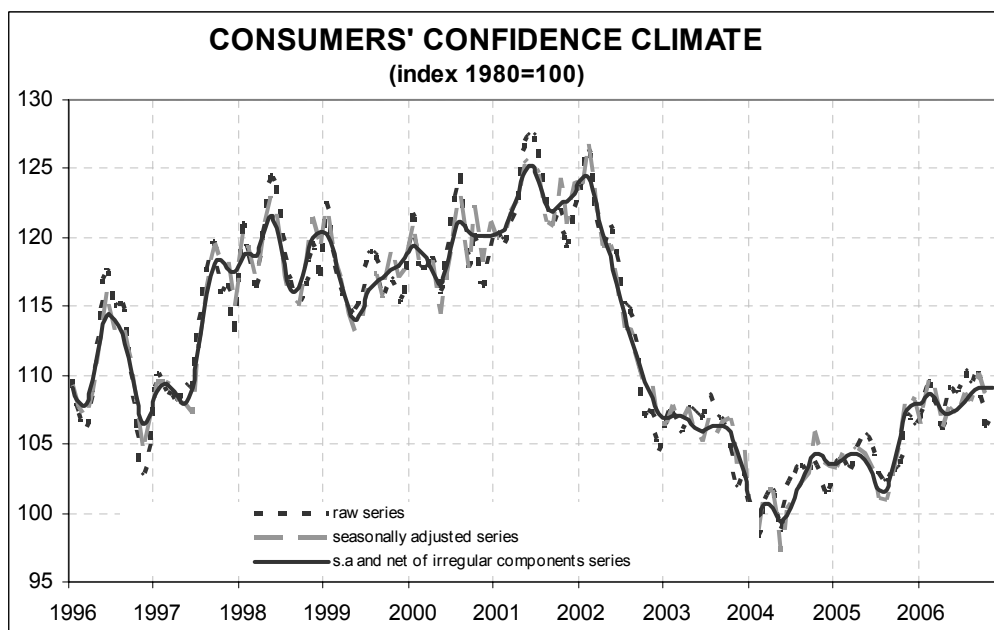


IN NOVEMBER CONSUMER CONFIDENCE IS BACK ON AN UPWARD PATH

- Following the decline posted in the previous month, in November the seasonally adjusted index grew to 109.2 (from 108.6), moving again slightly higher than its third quarter average. The raw index rose one point (from 106.5 to 107.5), and the indicator also adjusted for irregular components remained virtually unchanged at 109.1 (109.2 in October)
- The opinions on the overall economic conditions worsened for the second month running, and the related index lowered from 97 to 96.3, but the appraisal of the respondents' personal situation started to improve once more (from 113 to 115)
- Both the evaluation of the current situation and short-term expectations bettered somewhat. The related indicators moved from 112.1 to 112.5 and from 103 to 103.7, respectively
- Instead, the consumer durables market as well as the views on the price trend gave, to some extent, contrasting indications. The opinions on current buying convenience started to worsen again with respect to October, whereas short-term expectations slightly recovered
- As for prices, the assessment on the increase recorded in the last twelve months declined, but concerns about possible inflationary pressures in the following twelve months started to rise once more
- Confidence improved in the North East, the Centre and mostly in the *Mezzogiorno*, while it continued to worsen in the North West. The improvement in the opinions on the respondents' personal situation was widespread, while the assessment on the country's general situation painted a mixed picture



Data on December shall be released on December 21, 2006

The next ISAE surveys are scheduled as follows:

November 23: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (reference period: November)

November 28: ISAE Monthly Business Services Survey (reference period: November); ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: November) and ISAE Monthly Survey on Construction (reference period: October)

December 5: ISAE International Comparison of Consumer and Business Surveys (reference period: November)

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)

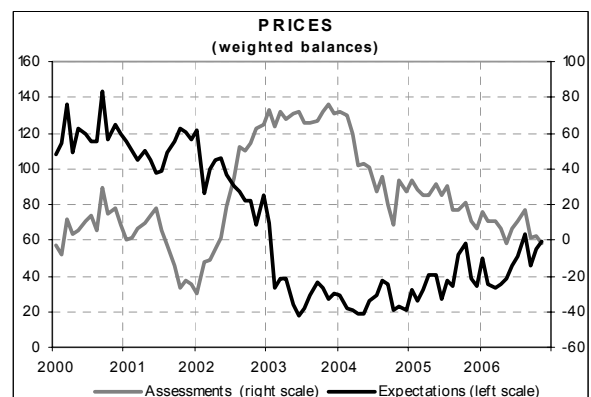
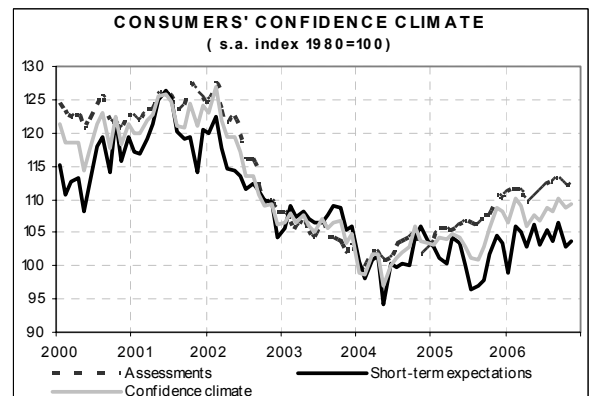
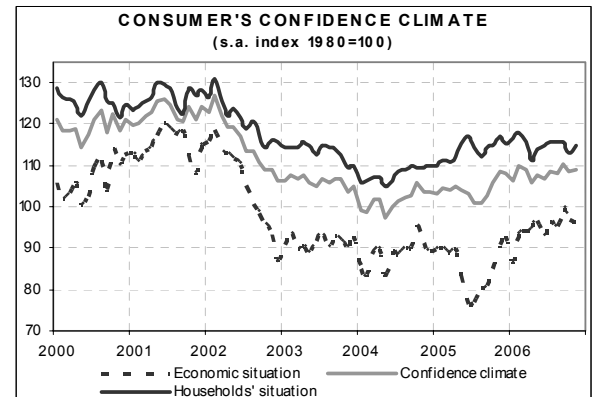
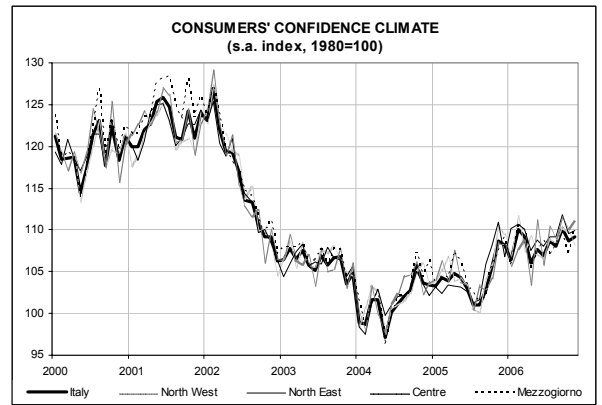
Italian consumers' confidence

According to the ISAE Survey, carried out on a sample of 2,000 respondents between November 2 and November 15, Italian consumers' confidence resumed its upward path in November, rising to 109.2 from 108.6 in October, and moving again slightly higher than its third quarter average. The indicator also adjusted for irregular components remained virtually unchanged (at 109.1, compared to 109.2 in October), and the raw index increased from 106.5 to 107.5.

The evaluation of the overall economic situation declined for the second month in a row (the related index went down from 97 to 96.3), while the assessment on the consumers' personal situation started to improve once more (from 113 to 115). Both the opinions on the current situation and short-term expectations slightly bettered: the related indices rose from 112.1 to 112.5 and from 103 to 103.7, respectively.

The durable goods market and the views on the price trend sent, to some extent, contrasting signals: compared to October, the appraisal of current buying convenience declined again, while short-term expectations recovered somewhat. As for prices, the evaluation of the rise recorded in the last twelve months declined, but worries about an increase in inflationary pressures in the following twelve months started to grow once more.

The regional breakdown of the data showed that the confidence index improved in the North East, the Centre and mostly in the *Mezzogiorno*, while it continued to deteriorate in the North West. The recovery in the opinions on the respondents' personal situation was widespread, whereas the views on the country's general situation showed a mixed picture.



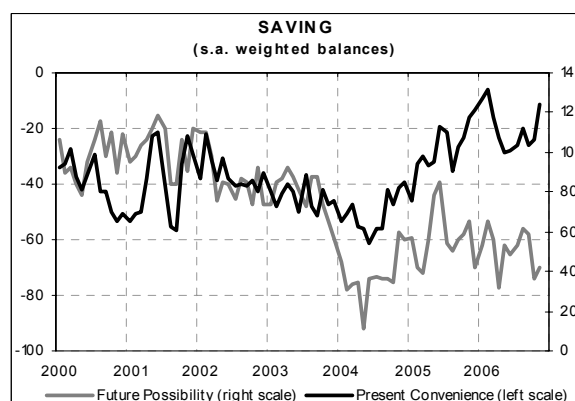
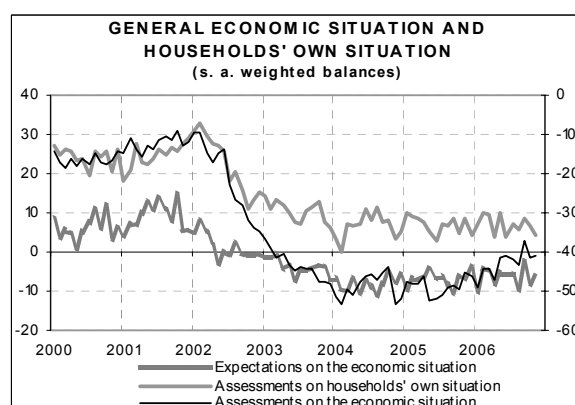
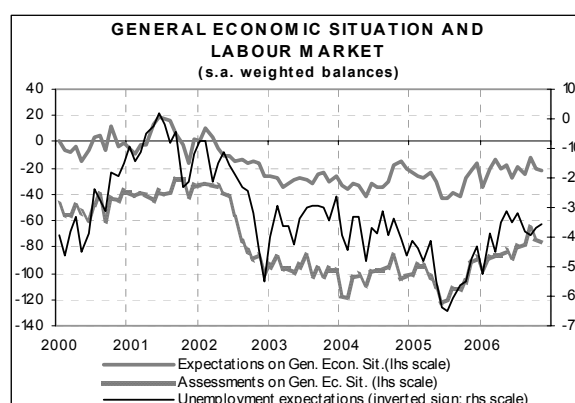
Overall situation

The fall in the index for Italy's economic conditions was entirely due to the worsening in the opinions on the present economic situation, which came along with virtual stability for short-term expectations and a moderate improvement for unemployment prospects. In more detail, following the worsening posted in October, consumers again scaled down their opinions on the country's economic situation. The related balance lowered from -73 to -77, close to the value recorded last August. On the contrary, the balance for short-term expectations for the same variable remained stable at -21, and the one referring to the rise in unemployment moved from 37 to 35, showing that consumers were less concerned about labour market prospects. The opinions on current inflation continued to diminish. The raw weighted balance for price increases in the last twelve months declined to 58 from 62: the number of respondents who thought that the rise in prices was "fairly high" and "very high" lowered from 44% to 43% and from 19% to 18%, respectively, whereas the share of those believing that prices increased "little" with respect to the previous twelve months edged up from 18% to 19%. The balance of inflation expectations for the following twelve months recovered, instead, rising to -1 (from -5): the percentage of consumers anticipating a sharp increase in prices in the short term actually rose from 6% to 9%, as against a fall in those expecting a rise "equal" or "slightly lower" than the present one.

Personal situation

The respondents' evaluation of their personal situation, instead, clearly improved with respect to the previous month, backed mainly by a sharp increase in the current convenience to save. In more detail, the balance for consumers' opinions on their family's present economic situation remained unchanged at its previous month level (-41), while that for their future conditions slightly edged up (from -8 to -7). However, respondents stated increased difficulties in "balancing" their family budget, and the related balance declined

from 7 to 4, around the level posted last June. Consumers surveyed by ISAE also scaled down their assessment on consumer durables buying convenience. Finally, savings sent positive signals: the balance for future saving opportunities recovered from -74 to -70, and the one for the current convenience to save surged from 106 to 124, its highest level since February 2006.



Regional breakdown of consumer confidence

The improvement in consumer confidence experienced at the national level was the result of diverging trends across regions. The index bettered in the North East, the Centre and the South, while it worsened in the North West. In particular, growth in confidence was mostly strong in the *Mezzogiorno*, where the index recovered more than three points, compared to the North East and the Centre, where the indicator rose less than one point. The underlying components of the confidence climate pointed to a generalized, strong improvement in opinions on the personal situation, while partly contrasting signals characterized the evaluation of the general economic conditions.

North West: in the North West, the confidence index worsened for the second straight month, lowering from 109.7 to 108.2 and returning to the level posted last August. The deterioration was mainly due to overall negative views about the general economic situation (the worsening was ongoing since last October), which also came along with less positive opinions on current and future conditions. The improvement in the opinions on the personal situation was the only positive indication.

North East: the rise in the index from 109.6, to 109.9 was the result of contrasting assessments and forecasts. The opinions on the general economic situation and on future conditions actually worsened, whereas the views on the personal and current situations were more optimistic.

Centre: the confidence indicator rose from 110.1 to 110.9, remaining around the average value posted in the last four months. Noteworthy was the clear improvement in the opinions and the forecasts on the general economic situation; that for the personal situation was instead less marked. Major optimism also characterized the evaluation of current conditions, while future prospects deteriorated for the second consecutive month.

Mezzogiorno: this was the region that witnessed the sharpest improvement in confidence. The index rose

from 107.1 to 110.4. The progress was essentially due to the net optimism recorded for the opinions on the general economic conditions and, mainly, on the personal situation. Optimism was more moderate concerning the appraisal of current and future conditions.

