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December 19, 2002
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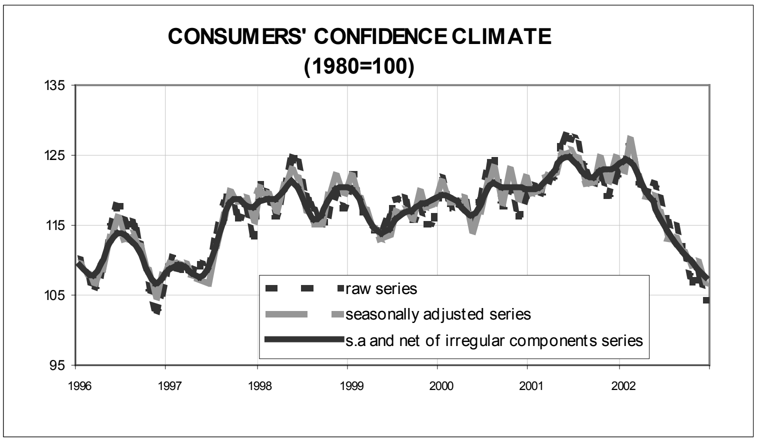
ISAE CONSUMER SURVEY

Reference month: December

- **In December, the Italian consumers' confidence climate decreases again and reaches the lowest levels ever registered over the past few years. The raw index falls to 104.5 (107.5 in November), while the seasonally adjusted index decreases to 106.7 (109.7 in November) and the indicator adjusted for the seasonal and irregular component goes down to 107.5 (from 108.7 in November)**
- **Maybe the confidence deterioration was significantly influenced by the serious crisis hitting the Italian automobile industry: indeed, the main worsening is observed in short-term expectations on the Italian economic trend in general and on employment in particular**
- **With reference to the households' own situations, the immediate convenience to make major purchases decreases, as do saving opportunities for the next twelve months: however, consumers consider their own situations slightly better than the November ones. Finally expectations on inflation for the next twelve months grow again**
- **In the euro area, consumers' confidence decreased in November and reached the low figures of Summer 1997. The fall is particularly strong in Germany, Ireland and Denmark and smaller in France. In Italy (as already outlined by ISAE in its Survey of November 21), Finland; Austria and Portugal, a slight confidence growth was registered**



Data referring to December shall be diffused on **January 21, 2003.**

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

December 2002

General results

According to the Survey carried out by ISAE between December 2 and 13 on a sample of 2,000 respondents, the Italian consumers' confidence climate decreases again in December, after the recovery signals registered in November: the raw index fall from 107.5 to 104.5, the seasonally adjusted index goes from 109.7 to 106.7. The contraction is smaller for the indicator adjusted for the seasonal and irregular component, equalling 107.5 (108.7 in November).

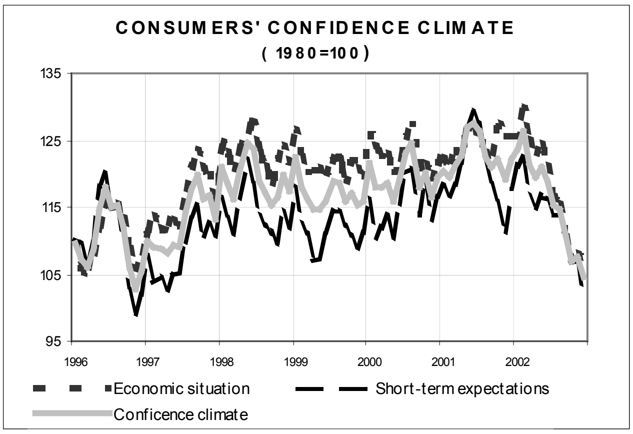
The confidence contraction is mainly due to a worsening in short-term expectations both on the country's general economic situation and on the households' own situations. Assessments on the current situation - though slightly decreasing - remain close to the figures reached over the past few months. Maybe consumers' opinions are significantly influenced by the bad crisis hitting the main Italian automobile industry.

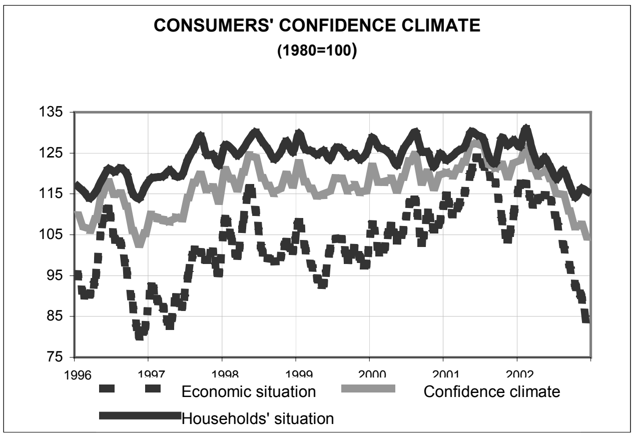
With reference to the households' own situations, ISAE respondents consider the present phase as unfavourable to major purchases, while forecasts on the households' financial and economic situations slightly improve. Finally, for the first time since last May, the share of consumers expecting price rises in the next twelve months - after the tensions registered in 2002 - grows again.

Overall situation

The confidence climate raw index on the general economic situation decreases from 89.7 in November to 82.3 in December, which is the minimum figure since late-1996. The fall is particularly strong in expectations on unemployment – going from -40 in November to -47 in December - and in assessments and expectations on the country's general economic situation (the formers falling from –69 to –75, the latters from –18 to –28). With regard to expectations on unemployment, that is the minimum figure ever reached since December 1996; with reference to forecasts on the country's general economic situation, a smaller figure was only reached in late 1993.

In December, the share of consumers perceiving a marked price dynamics rise continues to grow: the percentage of respondents deeming prices rose "very much" or "enough" rises from 88% to 89%. Indeed, for the first time since May 2002, also short-term expectations grow: the number of those expecting prices to rise more or in the same amount as in 2002 increases from 39 to 47%, thus getting close to the October 2002 levels. Conversely, 34% of respondents (40% in November) expect a substantial price stability in the next twelve months.





Households' situation

The raw confidence index referring to respondents' own situations decreases in December from 116.3 to 115.6, mainly because of the lower convenience to make major purchases and to the smaller saving opportunities available in the next twelve months: between November and December, the balances fall from –47 to –51 and from –15 to –22 respectively. Assessments and forecasts on the households' own situations remain substantially stable on the low November levels (the balances passing from -33 and –3 to –30 and –3 respectively). Indeed, consumers' perception of their own financial situations is improving: the share of those declaring they succeed in remaining within their balances increases from 60 to 67%, while the number of those reporting they had to resort to debts or draw from their own reserves to honour normal daily needs is diminishing from 14 to 10%.

Short-term prospects on the expenditure trend remain stable, even though the percentage of consumers forecasting to purchase durables for the next twelve months slightly rises again (from 34% in November to 37% in December). The number of respondents declaring their wish to purchase a home in the next two years falls down to 5% (6% in November), while the share of those intending to spend for home maintenance and improvement (in the next twelve months) goes from 12% to 10%. Finally, the number of consumers deeming it probable or certain to buy a car within the next two years remains stable (17%).

II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

November and early-December 2002

In November, the consumers' confidence climate worsens again in the euro area, while it improves in the United States.

According to the European Commission Consumer Survey, the consumers' confidence climate in the euro countries decreases on average from –12 to –14, thus reaching its lowest level since July 1997. The figure mirrors the deterioration of almost all components: European consumers express their concerns on the households' own situations (the balance falling from –2 to –4), while expectations on the general economic situation worsen (the balance going from –12 to –15) particularly those on the labour market (the balance of expectations on unemployment rise from 27 to 30, which is close to the high December 2001 figures). Only the balance gathering replies on the future saving opportunities shows no negative variations and remains stable at –7, as in October.

Among non confidence-building indicators, assessments on the households' own situations and on the general economic trend both deteriorate: the balances passing from -16 to -18 (which is the lowest level since early-1994) and from –39 to –40 respectively. With reference to durables, most respondents consider the present situation as unfavourable (the balance remaining at –26); indeed, even caution on expenditure in the next twelve months is increasing (the balance passing from –19 to –20). Finally, with regard to prices, the percentage of respondents expecting a further price rise in the next few months grows (the balance goes from 7 to 9), which is however a limited figure compared to the levels reached in early-2002.

In November, Germany, Ireland and Denmark and – to a smaller extent – France register an indicator contraction. Conversely, Italy (as already signalled by ISAE in its Survey of November 21), Finland and, in particular, Austria, Portugal and the Netherlands show positive variations. Finally, the indicator remains stable in Belgium, Spain and Greece.

Among the major countries, Germany witnesses a significant contraction in its confidence climate, which goes from –11 to –17 (close to the minimum figures of October 1997), thus repeating what happened in the previous month. All the indicator components deteriorate: in particular, a fall is registered in short-term expectations on the country's general economic situation, which go from –13 to –24.

German consumers also express doubts on their own financial prospects (the balance decreasing from -6 to –10, which is close to the figures registered in June 1997), while they express great concern on possible inflationary tensions (the balance going from 12 to 16, which is however lower than the figures observed in early 2002). Among non confidence-building indicators, German consumers' pessimistic approach emerges in their assessments on the general and on the households' economic situations (the balances going from –45 to –52 and from –25 to –30 – which is an unprecedented figure since 1985 - respectively).

The French confidence climate goes from -17 in October to -18 in November, thus mirroring the slight worsening in short-term prospects of the households' own situation (the balance going from 1 to 0) and of the future saving opportunities (the balance going from –19 to –20). Also the share of those expecting an unemployment rise is increasing, though to a lesser extent (the balance rising from 36 to 38), while expectations on the general economic trend register no variations. With regard to prices, a further easing of inflationary tensions emerges (the balance of expectations passing from –1 to –2). Finally, French consumers do not change their opinions on their future convenience to purchase durables, the balance of which is null since October 2001.

In November, the Spanish confidence climate remains at –12; however, all components register a contraction, with the exception of the balance referring to expectations on the households' own situations, which has been null for the third month in a row. Assessments on the present saving opportunities and on the convenience to purchase durables improve (though they are not included in the definition of confidence climate indicator adopted by the Commission). In keeping with what happens in Germany, inflationary expectations rise again: the balance rises from 23 to 30, thus getting close to the early 2002 values.

In the United States, the Conference Board index rises in November for the first time since five months and goes from 79.6 to 84.1. Assessments, and particularly, expectations, on the general economic trend and on the labour market improve (the sub-indicator concerning expectations rises from 81.1 to 88.4). Also the University of Michigan confidence indicator grows from 80.6 to 84.2 thanks to a more diffused optimism on the prospects of the American economic system, following upon the recent interest rate cuts. However, assessments expressed by consumers on their own situations remain critical; the opinions gathered seem to be the worse ever registered over the past decade and also expenditure intentions remain weak, in spite of the measure aimed at stimulating purchases of cars and durables.

According to the early Michigan University anticipations, the confidence climate increases again in December and rises to 87. In this case too, short-term forecasts on the future of the economy are improving.