

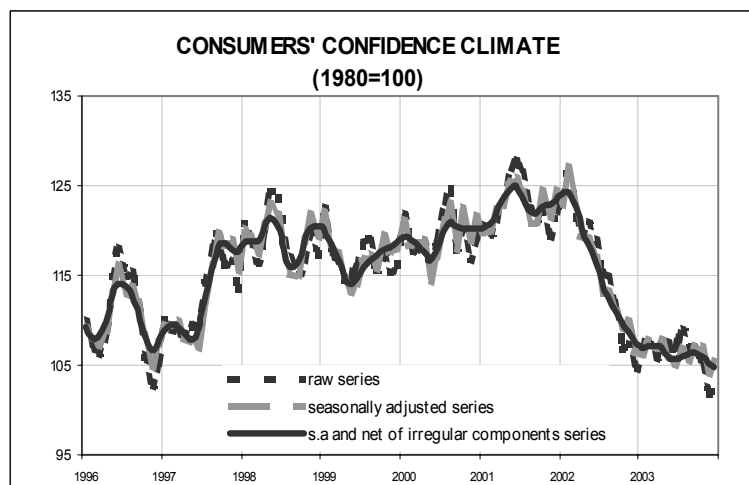


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THE CONSUMERS' CONFIDENCE INDICATOR RECOVERS IN DECEMBER

- The raw index goes from 101.8 in November to 103 in December, while the seasonally adjusted indicator rises from 104 to 105.2. Conversely, the indicator adjusted for the seasonal and irregular component - which is affected by the past trend of the historical series - falls from 105.1 to 104.8
- The improvement concerns in particular assessments and forecasts on the overall economic situation of Italy (in particular with reference to the labour market) and the assessments concerning the personal situation (thanks in particular to the growing convenience to purchase durables)
- Favourable signals come from the price side: indeed the perception that strong rises took place in 2003 is diminishing and expectations for a substantial inflation stability for the next 12 months are confirmed
- The average figures for the euro area show that the November consumers' confidence reaches the highest values since December 2002: among the major countries, positive indications come in particular from Germany, while in France and Spain the confidence stabilises on the October figures
- The early Michigan University data show that in the United States, after the strong November growth, confidence is worsening and is about to reach the figures of October 2003



Data referring to January shall be diffused on January 22, 2004.

Next ISAE surveys are scheduled as follows:

December 22, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: December)

January 7, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: November) and ISAE Monthly Business Service Survey (Reference month: December)

January 8, 2004: Comparative Business Surveys for Italy, Germany and France (Reference Month: December)

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 2003

According to the Consumer Survey carried out by ISAE between December 1 and 16 on a sample of 2000 respondents, the Italian consumers' confidence indicator – after the strong November contraction – shows signals of recovery. Indeed, the raw index goes from 101.8 in November to 103 in December, while the seasonally adjusted indicator rises from 104 to 105.2. Conversely, the indicator adjusted for the seasonal and irregular component - which is affected by the past trend of the historical series - falls from 105.1 to 104.8.

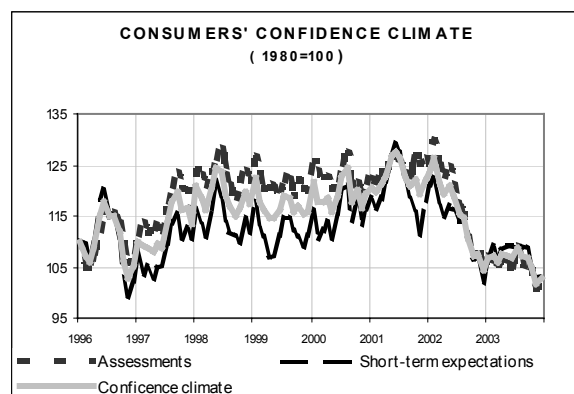
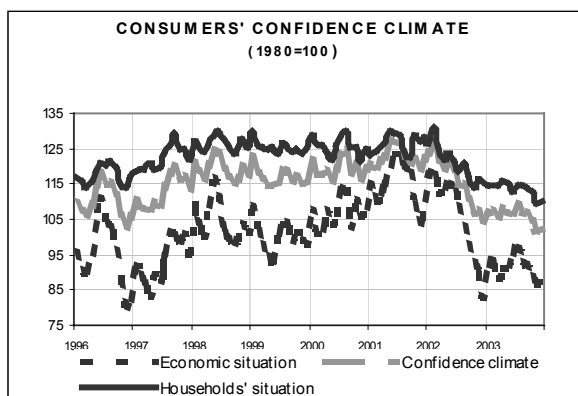
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Overall situation

In December, the confidence climate raw index on the general economic situation alone grows again after a four months' contraction, passing from 86.6 to 88.9. The recovery is mainly due to the improved labour market prospects: the percentage of those fearing a "strong" or "moderate" unemployment rise goes in December from 45 to 38%, while the share of those expecting no variation at all rises from 38 to 44% and the number of those forecasting a contraction in the share of unemployed in the next few months grows from 11 to 12%. Assessments and forecasts on Italian economic situation remain substantially stable: the balances respectively equal to -76 (-75 in November) and -29 (as in the previous survey).

With regard to the inflation dynamics, the share of those considering prices rose "very much" in the past 12 months falls from 49 to 46%, while the number of those deeming prices grew "enough" slightly rises to 44% of the sample (43% in November), and the percentage of respondents considering prices grew "little" or even diminished increases to 5% (from 4% in November). Signals of substantial stability come from inflationary expectations for the next 12 months: indeed, alongside with a slight increase in the share of those fearing prices will rise more than in the past (passing from 5 to 7%), a strengthening is registered in expectations for a substantial stability in the next 12 months (from 51 to 52% of respondents).



Households' situation

In December, the raw confidence index referring to the respondents' own situations alone increases from 109.4 to 110. The result is the synthesis of the favourable trends of the present convenience to save and purchase durables, which prevail on the stability and pessimism characterising all other confidence-building variables.

Within a framework of substantial stability of the households' economic situations (the balance remaining at 7, as in November), consumers show a more pessimistic approach to their own economic situations, and both assessments and forecasts are worsening and reach -43 and -8 respectively (from -42 and -5 in November).

Favourable signals emerge on the present convenience to save, while future opportunities continue to worsen. Indeed, the share of those declaring they "certainly" consider the present phase as favourable to saving rises from 37 to 38%, while the number of those showing an opposite stand is decreasing (from 11 to 10%). Quite the reverse, the overall number of respondents "certainly or probably" saving in the next 12 months decreases from 33 to 31% (the fourth contraction in a row), while the percentage of those "certainly or probably" excluding any saving rises from 63 to 66%.

With regard to durables, ISAE respondents express in December slightly rosier assessments and expectations, even though the overall framework is characterised by partially opposing indications on durables. 7% of respondents consider the present phase as favourable to purchase durables (5% in November), while the number of those expressing negative assessments goes from 61 to 57% and the percentage of those who cannot express a real assessment grows from 27 to 29%. For the next twelve months, the share of those intending to make no purchase at all falls from 66 to 63%, but the number of respondents expecting to make at least as many purchases as in the recent past slightly decreases (from 25 to 24%). The percentage of those intending to make less purchases than in the past also

increases. Indeed, the approach to major purchases decreases as well: the share of respondents excluding any possibility to buy a home or a car and spending for home maintenance decreases from 90, 86 and 83 to 87%, 82% and 79% respectively.

II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

November and early-December data

In November, the average confidence climate indicator in the euro area stabilises on the highest figures since December 2002. Conversely, in the United States, the early Michigan University data on December surprisingly provide unfavourable signals on the American consumers' confidence climate.

Turning to details, the average confidence indicator in the euro area slightly recovers and stabilises at -16, after equalling -17 for three months in a row. All the index-building components signal an improvement: in particular, rosier expectations of the general economic situation (the balance going from -18 to -16) and of the labour market trend (from 36 to 34) are registered among consumers.

Similar indications also emerge from non confidence-building series: in particular, inflationary thrusts continue to slow down (the balance passing from 5 to 4). With regard to durables, the purchasing prospects for the next 12 months are improving (from -18 to -17 in terms of balance), as do opinions on the present convenience to purchase durables (from -23 to -22).

Among the major countries, positive signals come from Germany, while in France and Spain the index remain on the same levels of the previous month. In Germany, the confidence climate goes from -17 to -14, which is the highest figure since November 2002. As happens on average in the euro area countries, in Germany too the result is due to an improvement of all confidence-building components: in particular, expectations on

unemployment become rosier (from 42 to 36), as do the economic prospects for the next few months (from -21 to -18). Conversely, the number of those expecting an inflation growth in the next 12 months remains unchanged at 9.

The French confidence indicator remains at -24: indeed, almost all confidence-building components worsen, with the only exception of future saving opportunities (the balance passing from -23 to -21, unlike what happened in October). Indeed, the concerns for future inflationary thrusts diminish (the balance passing from 14 to 11), in keeping with what happens on average in the euro countries.

In Spain, the confidence climate remains at -12: unfavourable indications come from the labour market (the balance passing from 7 to 11), while expectations on both the general and the households' own situations as well as those on the future saving opportunities recover. In terms of prices, the number of those expecting an inflation growth in the next few months is growing (the balance passing from 7 to 12).

In the United States, the particularly favourable indications emerged in November had partially been disappointed by the December data. The Conference Board index equalled 91.7 in November – which marked a ten-point rise compared to October -, in the presence of a considerable improvement in the current situation (from 67 to 80.1) due in particular to the labour market trend. The Michigan University indicator, which rose to 93.7 in November, had fallen down to 89.6 in December (on the October levels), owing to growing concerns on the part of American consumers on their own situations and on their opportunities to purchase durables.