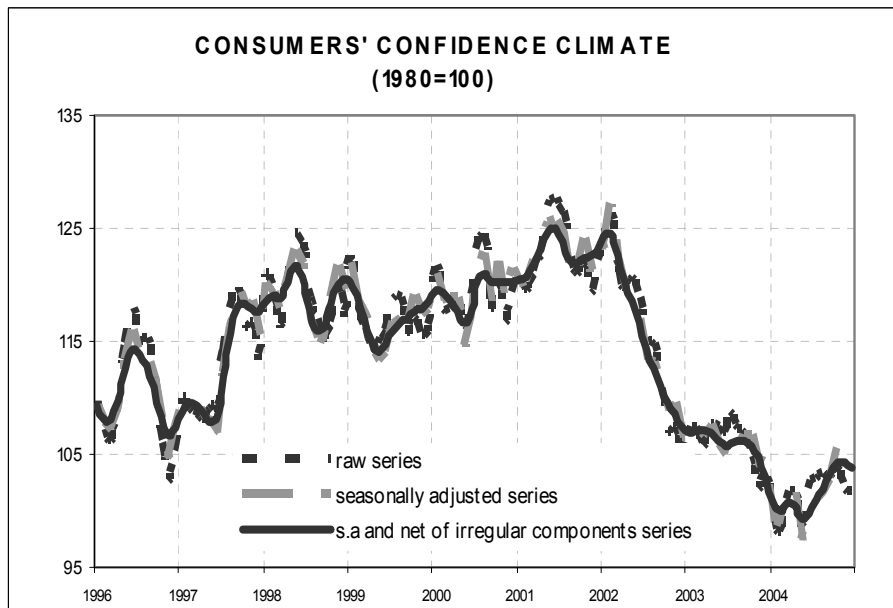




Date: December 21, 2004
TEL.: 06/444821

THE CONSUMERS' CONFIDENCE FALLS IN DECEMBER

- The seasonally adjusted indicator diminishes in December from 103.9 to 103.5, thus remaining above the average figures of Q3 2004. The indicator adjusted for the seasonal and irregular component – which is more sensible to the past trend of the historical series – equals 103.7, which is also decreasing compared to the November figure (104.2). Finally, the raw index falls from 102 to 101.6
- The contraction is mainly due to darker short-term forecasts and to worsening evaluations on the country's economic situation, while assessments on the respondents' own situations are improving
- Turning to judgements on the current and future situations, slightly rosier assessments on the current situation (the sub-index passing from 101.4 to 102.1) are offset by darker short-term forecasts (the sub-index falling from 106 to 103.7)
- Expectations on the labour market evolution and on future saving opportunities worsen and evaluations on the convenience to purchase durables further decrease, while the present convenience to save is improving
- With regard to prices, assessments on the inflation trend of the past twelve months fall again, as do forecasts on the next twelve months



Data referring to January shall be diffused on **January 25, 2005**.

Next ISAE surveys are scheduled as follows:

December 28, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: December)

December 29, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: November)
and **ISAE Monthly Business Service Survey (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

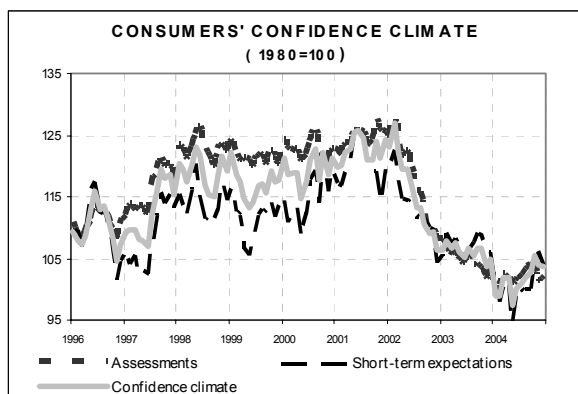
December 2004

According to the Consumer Survey carried out by ISAE between December 1 and 16 on a sample of 2,000 respondents, the consumers' confidence falls again in December and passes from 103.9 to 103.5. The raw index falls from 102 to 101.6, while the indicator adjusted for the seasonal and irregular component – which is more sensible to the past trend of the historical series – diminishes from 104.2 to 103.7.

The contraction is due to worsening evaluations on the country's economic situation (the sub-index passing from 91.4 to 89.7) and, in particular, to deteriorating prospects on the future situation. Indeed, the index referring to expectations loses more than two percentage points, falling from 106 to 103.7. Conversely, opinions on the current general economic situation and on the respondents' own situations are improving: the sub-indices grow from 109.4 and 101.4 to 109.9 and 102.1 respectively.

Looking at single variables, expectations on the labour market evolution and on future saving opportunities worsen and evaluations on the convenience to purchase durables seem rosier, while the present convenience to save further deteriorates.

Favourable signals come from prices: after the November peak, the concerns on the current and expected inflationary dynamics decrease.



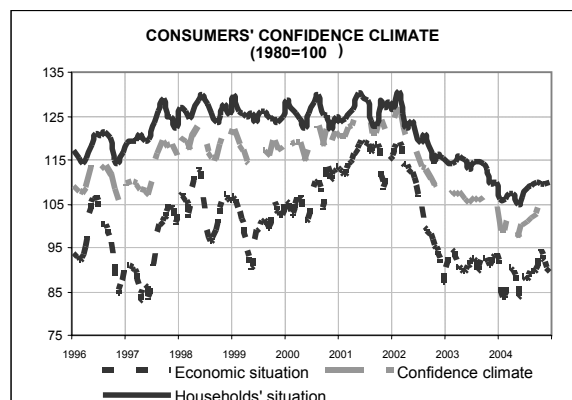
General economic situation

In December, the seasonally adjusted confidence index of the general economic situation alone falls from 91.4 to 89.7, thus coming back to the September figures.

The worsening of forecasts on the country's general economic situation, as well as new concerns on the labour market situation contribute to that deterioration. Expectations on the general economic situation pass from -14 to -20 (seasonally adjusted weighted balance) and forecasts on the unemployment growth fall from 45 to 40. Assessments on the general economic framework seem however favourable and the balance recovers from -104 to -100.

With reference to inflation, the November concerns are decreasing: indeed, the raw weighted balance – which in November had peaked up to 94 after one year of unstoppable contraction – decreases again and goes down to 87. In particular, the share of those deeming prices rose “very much” in 2004 falls from 35 to 30% and the number of those feeling prices remained “stable” stops at 12%.

With regard to expectations for 2005, consumers express substantially unchanged expectations compared to November. In particular, the share of those expecting a price rise remains stable (the figure of those expecting a larger rise equalling 6%, while the percentage of those expecting a smaller rise is worth 17%). Thus, the number of those expecting inflation stability passes from 52 to 53%.



Households' situations

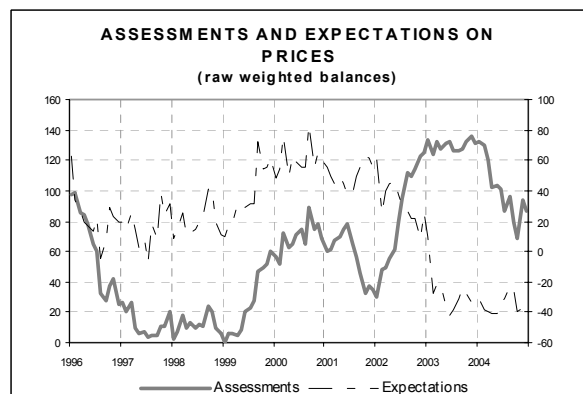
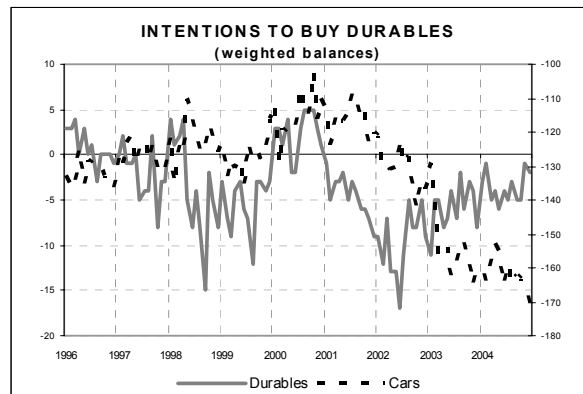
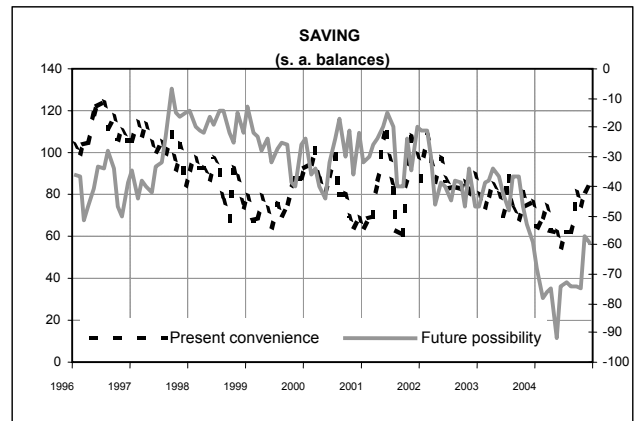
In December, the seasonally adjusted confidence index referring to the respondents' own situations alone slightly increases from 109.4 to 109.9, which is the highest figure of 2004.

That result stems from the optimism expressed by consumers both in their opinions and in their expectations on the households' economic situations (the seasonally adjusted weighted balances passing from -53 and -8 to -52 and -6 respectively) and from improved assessments on the respondents' own financial situations (the balance passing from 4 to 5). Also the balance referring to the present convenience to save is growing from 82 to 85.

However, consumers are still pessimistic on their present convenience to purchase durables: indeed their seasonally adjusted weighted balance decreases from -101 to -103. In the short run, spending intentions deteriorate: the share of respondents wishing to purchase less than in the past rises from 6 to 7%, while the percentage of those intending to spend as much as in the past increases from 13 to 14%, though the number of consumers declaring they will make no purchase at all falls from 76 to 74%.

Besides, the share of consumers "definitely" excluding they will buy a new car in the next twelve months slightly rises from 86 to 87%, as do respondents reporting they will have no extraordinary expenditure for home maintenance and improvement (from 86 to 89%). Forecasts on the number of consumers intending to buy a new home remain stable.

Finally, prospects on the future opportunities to save are worsening and the weighted balance decreases from -57 to -60.



II - THE EUROPEAN COMMISSION CONSUMER SURVEY AND AMERICAN CONSUMER SURVEYS

November and early-December data

The average consumers' confidence in the euro area slightly recovers in November, thus exceeding the average figures of 2004¹. Indeed, the index improvement concerns all euro area economies, with the exception of France, who is witnessing a confidence deterioration. According to the early Michigan University data, the American consumers' confidence is decreasing in November but should rise again in December.

Turning to details, the average euro area indicator slightly improves in November, passing from -14 to -13, particularly thanks to rosier saving opportunities for the next twelve months. Conversely, expectations on the respondents' own situations remain unchanged, as do those on the labour market situation (where the balance stabilises at 29, as in the previous month, which is however below the average figures of 2004). Among non confidence-building indicators (according to the Commission), opinions on the present convenience to purchase durables slightly worsen, as do spending prospects for the next few months, within a framework where a slight inflationary tension easing is expected (the balance passing from 7 to 8).

Among the major countries, the German confidence climate recovers in November, passing from -18 to -17, thanks to a diffused recovery of almost all confidence-building components, with the exception of the labour market prospects. With reference to prices, German consumers – unlike what happens on average in the whole euro area - expect a marked inflationary tension weakening (the balance passing from 11 in October to 7 n November).

Quite the reverse, the French confidence climate falls from -11 to -13. Almost all confidence-building

components decrease in France, with the exception of the labour market trend (indeed, the share of consumers expecting a future unemployment rise falls from 26 to 25). With regard to prices - as indeed it happens in all euro area countries except for Germany - further expectations for an inflation rekindling emerge, and the balance grows from 43 to 12, which is close to the July levels.

The Spanish confidence indicator grows from -12 to -10, thanks in particular to rosier labour market prospects. Conversely, expectations on the country's general economic situation and on future saving opportunities worsen, within a framework characterised by stable expectations on the respondents' own situations. Turning to prices, an inflationary thrust weakening is registered in Spain as well (as in Germany).

In the United States of America, according to the Conference Board indicator, the consumer confidence index further decreases (for the fourth month in a row) from 92.9 to 90.5. According to the early Michigan University indications on December, the American consumers' confidence indicator should rise again up to 95.7, thanks in particular to more favourable prospects on the country's general economic situation.

¹ In January 2004, France reviewed its questionnaire for a better harmonisation of its Survey, which caused a structural break in the series. Thus, French data are neither seasonally adjusted, nor fully comparable with those of other countries, all of which has an impact on the average figure of the euro area.