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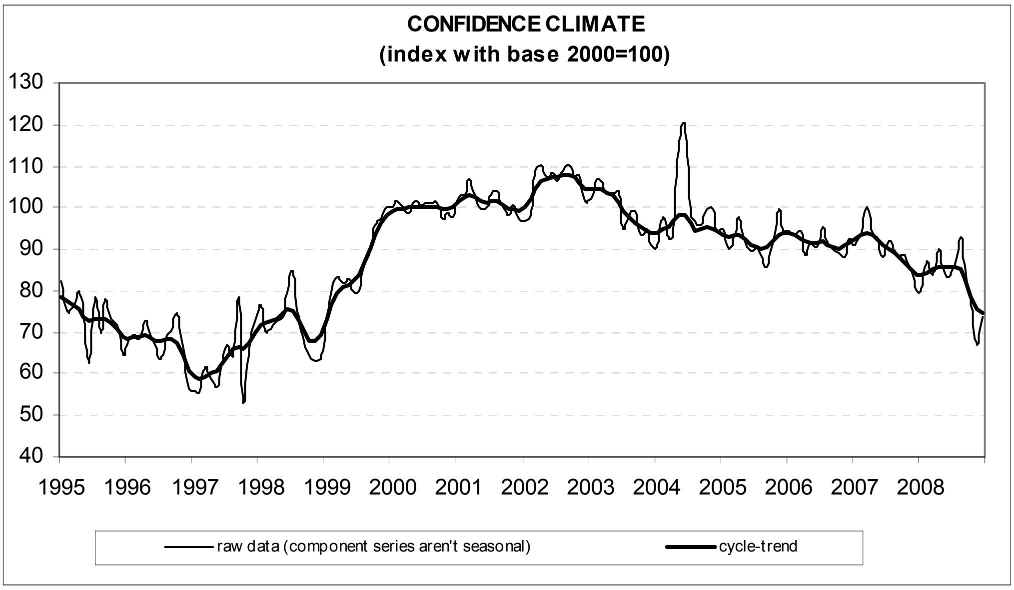
CONSTRUCTION FIRMS' CONFIDENCE RECOVERS IN DECEMBER

- **According to the ISAE Survey carried out on a panel of around 500 firms, in December the seasonally adjusted confidence index (2000=100) recuperated, moving from 67 to 73.9, but remaining at the lowest level since the end of 1998**
- **Regarding the variables included in the calculation of the confidence indicator, firms were less pessimistic about construction plans and employment prospects**
- **Opinions on construction activity and prospects for construction plans recovered. The balance related to forecasts for prices charged in the sector increased slightly, staying however at a historical low value. Projections for the length of assured production, a seasonally adjusted variable surveyed quarterly and measured in months, were slightly optimistic compared to the previous quarter**
- **The number of firms stating they found obstacles limiting their construction activity edged down slightly (though the percentage was again markedly higher than the one of those that declared they did non find any limitation). Insufficient demand was the major constraint to business activity, followed by adverse weather conditions and the shortage of labour force**
- **The improvement of the overall index was not homogenous across sectors. In residential and non-residential building the confidence climate recovered, whereas in civil engineering it deteriorated**



Data on January shall be released on February 27, 2009

The next ISAE surveys are scheduled as follows:
February 11, 2009: *ISAE International Comparison of Consumer and Business Surveys (reference period: January)*

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)

General results

According to the ISAE Survey carried out on a panel of around 500 firms, in December the seasonally adjusted confidence index (2000=100) recovered, moving from 67 to 73.9. The indicator remained however at the lowest level since the end of 1998, confirming the sector's ongoing clearly negative trend.

Among the variables included in the calculation of the confidence indicator, lower pessimism distinguished both the opinions on construction plans and employment prospects.

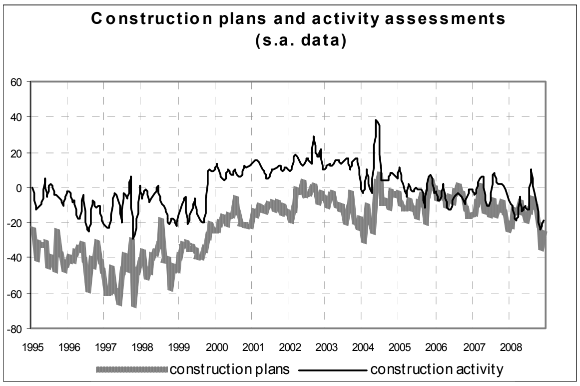
The opinions on construction activity and prospects for construction plans recovered. The balance related to the forecasts for prices charged in the sector increased slightly, remaining however at a record low. Projections for the length of assured production, a seasonally adjusted variable surveyed quarterly and measured in months, were slightly optimistic compared to the previous quarter.

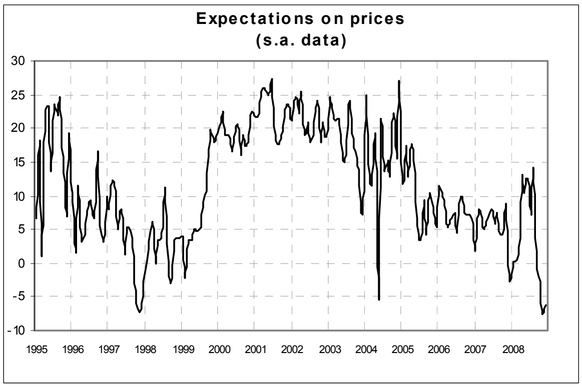
The number of firms stating they found obstacles limiting construction activity edged down slightly (though the percentage was again markedly higher than the one of those that declared they did non find any limitation). Among declared obstacles, insufficient demand was the major constraint, followed by adverse weather conditions and the shortage of labour force.

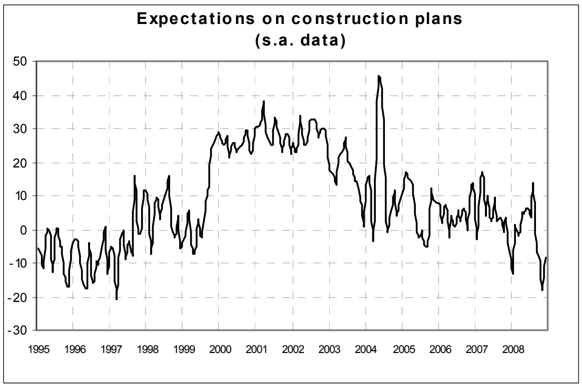
The improvement of the overall index was not homogenous at sector level. In residential and non-residential building the confidence climate recovered, whereas in civil engineering it deteriorated.

Situation in the reference period (December 2008)

In December, following the sharp worsening posted in the previous month, the opinions on construction plans started to improve. The related balance came in at -27 (-34 in November), remaining however at a historical low. Also assessments on construction activity bettered slightly. The related seasonally adjusted balance moved from -24 to -19, going back to its March 2008 level. Most surveyed entrepreneurs continued to find obstacles limiting their activity,



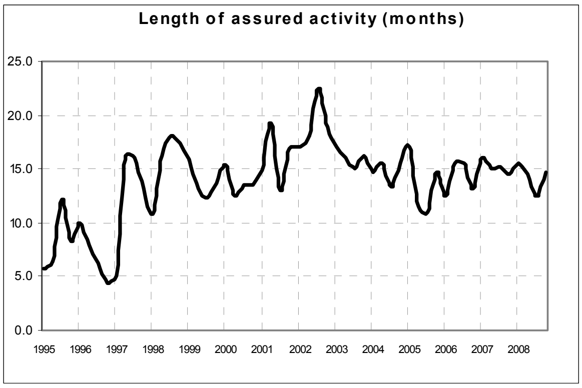


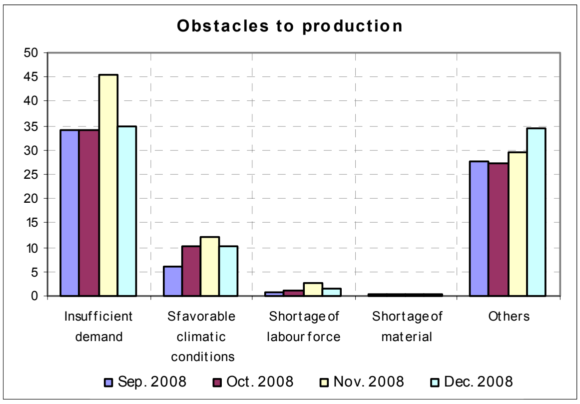


though in December the share of firms that did not find any limitation increased slightly (the percentage rose from 31% to 34%). Moreover, among declared obstacles, insufficient demand was again considered the major constraint, followed by adverse weather conditions and the shortage of labour force and of materials.

Forecasts for the following three months

Short-term prospects for construction plans gave less negative indications, compared to the previous month. Following the sharp drop posted in November, the balance started to rise once more (from -18 to -8), remaining however negative at a record low value. Moreover, the number of entrepreneurs considering a rise in prices charged in the sector moderately increased over the previous month (the balance rose from -8 to -6, staying negative and at record low). The share remained however below the one of those considering a decline. Employment prospects, a variable included in the calculation of the confidence climate, recovered in December. The related balance rose from -26 to -18, stagnating nonetheless at the low average level posted at the end of 1998. With regard to expectations for the length of assured production, a variable surveyed quarterly and measured in months, entrepreneurs forecast a modest increase compared to the previous survey.





Confidence climate and balances of the component series index (s.a. data)

	Confidence climate (index base 2000=100)	Assessments on construction plans	Expectations on employment
Sept. 2008	86.3	-12	-7
Oct. 2008	77.8	-22	-15
Nov. 2008	67.0	-34	-26
Dec. 2008	73.9	-27	-18