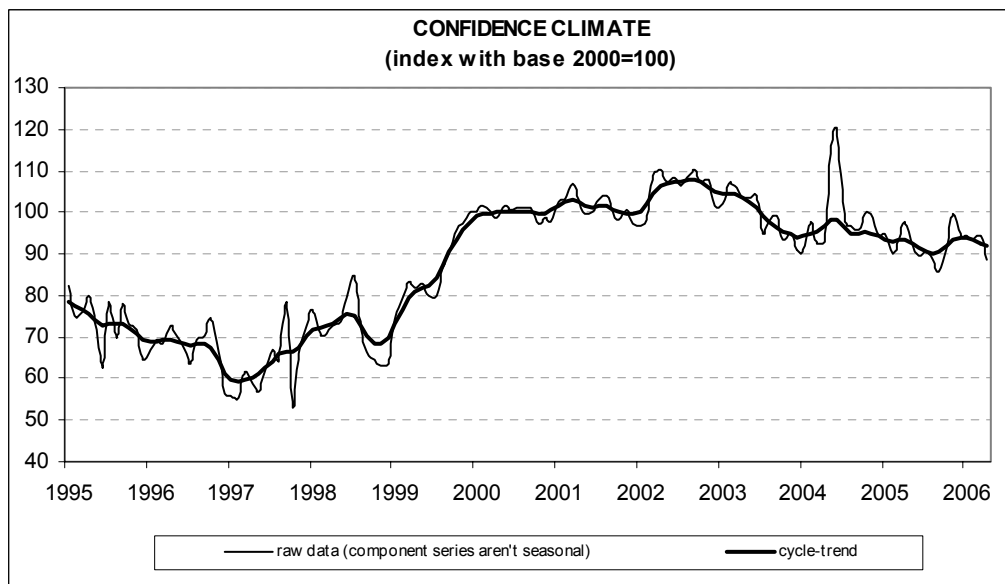




Date: May 30, 2006  
TEL.: 06/444821

## IN APRIL CONSTRUCTION FIRMS' CONFIDENCE SLIPS TO THE LOWEST LEVEL RECORDED OVER THE LAST MONTHS

- According to the ISAE Survey carried out on a panel of about 500 firms, in April the seasonally adjusted confidence index (2000=100) decreased from 94.3 to 88.5, its lowest level since September 2005: both the assessment on construction plans and the prospects for employment started to worsen again
- The deterioration in the confidence climate was confirmed also by the other recorded variables: both the assessment on current business activity and expectations on order books worsened; the balance of the forecasts for prices charged in the sector continued to decline for the third month running, thus remaining at a historical low level.
- The proportion of entrepreneurs who did not find obstacles limiting their construction activity remained nevertheless unchanged with respect to the previous month. Among the respondents that believed that constraints actually hindered their activity, the number of firms considering insufficient demand a major constraint diminished
- The deterioration in overall confidence was mainly caused by a worsening in residential and non-residential building activity, where the confidence indicator posted a slump, whereas for civil engineering the indicator edged up slightly



Data on May shall be released on June 28, 2006

The next ISAE surveys are scheduled as follows:

**June 8, 2006:** ISAE International Comparison of Consumer and Business Surveys (reference period: May)

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](http://www.isae.it))

## General results

According to the ISAE Survey carried out on a panel of around 500 construction firms, in April the seasonally adjusted confidence index (2000=100) started to worsen again, moving from 94.3 to 88.5, and returning to the level recorded in September 2005: both the assessment on construction plans and, to a larger extent, the prospects for employment deteriorated. The worsening posted by the confidence climate was also confirmed by the other recorded variables: the assessment on current business activity as well as expectations on construction plans worsened; the balance of the forecasts for prices charged in the sector continued to decline for the third month running, thus remaining at a historical low level. The number of entrepreneurs who did not find obstacles limiting their construction activity remained nevertheless unchanged with respect to the previous month. Among the respondents that believed that constraints actually hindered their activity, the percentage of firms considering insufficient demand a major constraint diminished.

At the sector level, the deterioration of the overall climate was essentially caused by a worsening in residential and non-residential building activity, where the confidence indicator posted a slump, whereas for civil engineering the indicator edged up slightly.

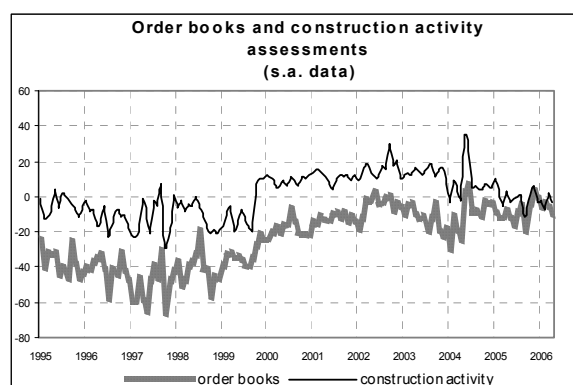
## Situation in the reference period (April 2006)

For the second straight month, the assessment on construction plans continued to deteriorate: the related balance declined to -11 from -7 in the previous month, returning to the level recorded in May 2005. The indicator for the assessment on construction activity also worsened once more: the seasonally adjusted balance came out at -3, compared to 2 in the previous month, turning negative and lowering to a historically low level. The number of firms which did not find obstacles limiting construction activity remained largely unchanged (the share held steady at 59%). Furthermore, among the respondents that believed that

constraints actually hindered their activity (41% in this case), the percentage of firms considering insufficient demand the most limiting constraint for construction activity diminished.

## Forecasts for the following three months

Short-term forecasts confirmed the negative picture painted by the builders' appraisal of business conditions: expectations on construction plans deteriorated (the balance declined from 8 to -2), and the proportion of entrepreneurs who forecast an increase in employment also decisively worsened: the balance declined from 4 to -4, going back in negative territory at its October 2005 low level. Finally, also price prospects continued to deteriorate for the third month in a row: the related balance moved from 7 to 5, returning near its 2005 year-end average.



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

	Confidence climate (index base 2000=100)	Order books assessments	Employment Expectations
Jan. 2006	94.3	-6	4
Feb. 2006	93.7	-5	1
Mar. 2006	94.3	-7	4
Apr. 2006	88.5	-11	-4