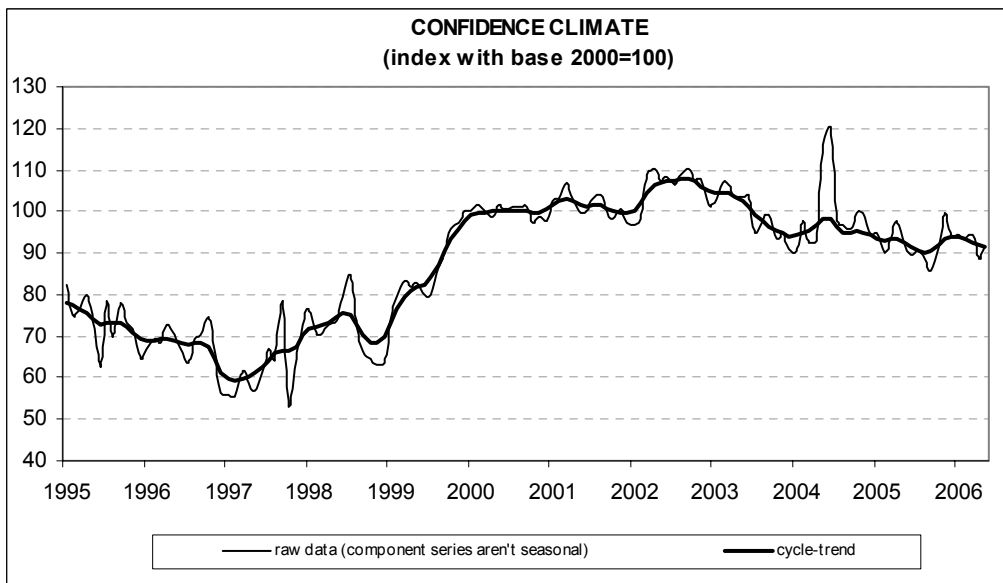




Date: June 28, 2006  
TEL.: 06/444821

## CONSTRUCTION FIRMS' CONFIDENCE DECIDEDLY IMPROVES IN MAY

- According to the ISAE Survey carried out on a panel of about 500 firms, in May the seasonally adjusted confidence index (2000=100) rose from 88.5 to 91.3, owing to the improvement in both the evaluation of construction plans and employment prospects
- Also expectations on order books confirmed the optimism showed by the confidence indicator: the balance was back on an upward path, though remaining at historical low levels. The assessment on current activity worsened instead, and the balance of the forecasts for prices charged in the sector rose for the second straight month
- The proportion of entrepreneurs who did not find obstacles limiting their construction activity lowered slightly with respect to the previous month. Among the respondents that stated that constraints actually hindered their activity, insufficient demand was considered a major obstacle
- The improvement in the overall climate was homogeneous across sectors: confidence recovered for both residential and non-residential building activity and civil engineering



**Data on June shall be released on July 27, 2006**

The next ISAE surveys are scheduled as follows:

**July 6, 2006:** *ISAE International Comparison of Consumer and Business Surveys (reference period: June)*

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 May the seasonally adjusted confidence index (2000=100) was back on an upward path, rising from 88.5 to 91.3. Nevertheless, the indicator still hovered around its May-June 2005 average value, confirming the stagnation which had been taking place since the second half of 2004. The recovery of the index was mainly backed by an improvement in the assessment on construction plans and by a moderate increase in the balance for employment prospects. Also expectations on order books confirmed the optimism showed by the confidence indicator: the related balance recovered, though remaining at record low levels. The assessment on current construction activity markedly worsened instead, and the balance of the forecasts for prices charged in the sector rose for the second month running.

The number of entrepreneurs who did not find obstacles limiting their construction activity declined slightly with respect to the previous month. Among the respondents that stated that constraints actually hindered their activity, insufficient demand was considered a major obstacle.

The improvement in the overall climate was homogenous across sectors. Confidence recovered for both residential and non-residential building activity and civil engineering.

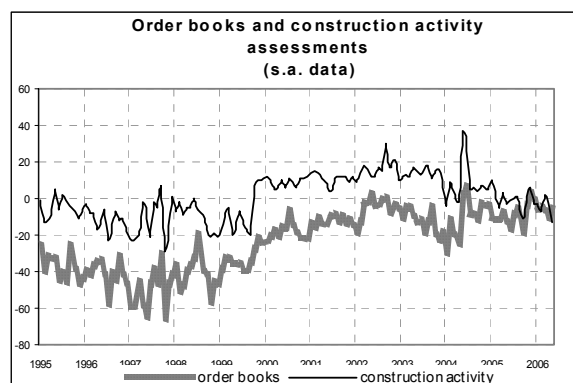
### Situation in the reference period (May 2006)

In May, the assessment on construction plans sharply recovered: the related balance moved to -6 from -11 in the previous month, reaching its 2005 year-end average. The appraisal of current construction activity instead worsened for the second month in a row: the seasonally adjusted balance amounted to -13, compared to -3 in the previous month, remaining at historical low levels. The number of firms which did not find obstacles limiting construction activity lowered slightly (the share moved from 59% to 58%).

Furthermore, among the respondents that believed that constraints actually hindered their activity (in this case the percentage rose from 41% to 42%), insufficient demand was considered a major obstacle to business activity.

### Forecasts for the following three months

Optimism by and large characterized entrepreneurs' forecasts: expectations on construction plans were recovering (the balance increased from -2 to 5). Also the proportion of entrepreneurs who forecast a rise in employment for their firm moderately increased: the balance grew from -4 to -3, staying nonetheless in negative territory and at record low levels. Finally, also prospects for prices charged in the sector improved: the related balance rose from 5 to 7, remaining however 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
Feb. 2006	93.7	-5	1
Mar. 2006	94.3	-7	4
Apr. 2006	88.5	-11	-4
May. 2006	91.3	-6	-3