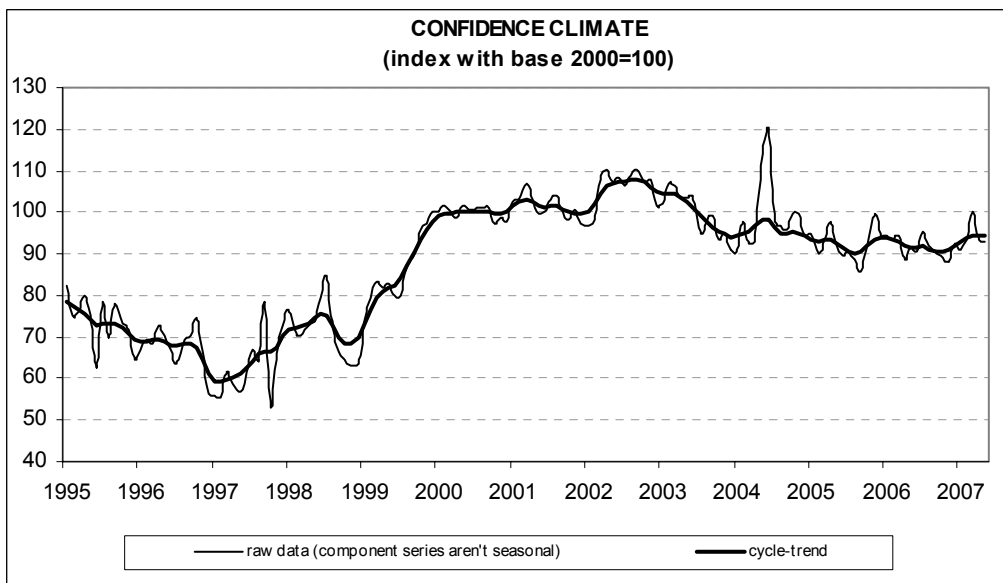




Date: June 27, 2007
TEL.: 06/444821

CONSTRUCTION FIRMS' CONFIDENCE EDGES DOWN SLIGHTLY IN MAY

- According to the ISAE Survey carried out on a panel of around 500 firms, the seasonally adjusted confidence index (2000=100) notched down in May, moving to 93.1 from 93.3 in the previous month. Among the underlying components of the indicator, prospects for employment worsened, whereas the opinions on construction plans moderately improved
- The balance for the opinions on construction activity declined, returning in negative territory after two consecutive months of positive data. Optimism characterized instead prospects for construction plans. Moreover, the number of entrepreneurs predicting a rise in prices charged in the sector increased: the balance reverted to the average value posted at the end of 2006
- The share of firms that did find obstacles limiting their construction activity remained virtually stable over the previous month. As major constraint, firms continued to mention insufficient demand
- The slight decline in the overall confidence index was the result of diverging trends across sectors: confidence recovered for residential and non-residential building activity, but headed lower, for the second month running, for civil engineering



Data on June shall be released on July 26, 2007

The next ISAE surveys are scheduled as follows:

July 5, 2007: *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)

General results

According to the ISAE Survey carried out on a panel of around 500 firms, in May the seasonally adjusted confidence index (2000=100) decreased slightly, moving from 93.3 to 93.1. Among the underlying components of the indicator, prospects for employment worsened, whereas assessments on construction plans improved moderately.

The balance for the opinions on construction activity declined, going back in negative territory after two consecutive months of positive data. Optimism characterized instead prospects for construction plans. Moreover, the number of entrepreneurs predicting a rise in prices charged in the sector increased: the balance reverted to the average value posted at the end of 2006.

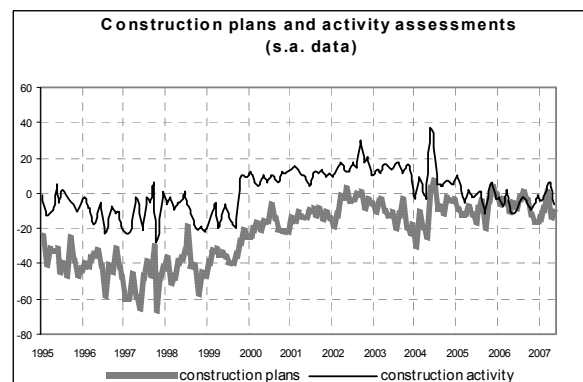
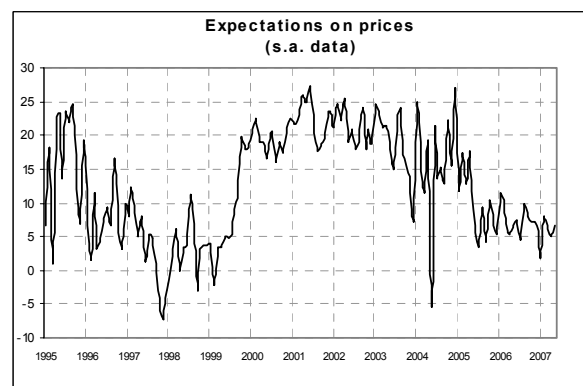
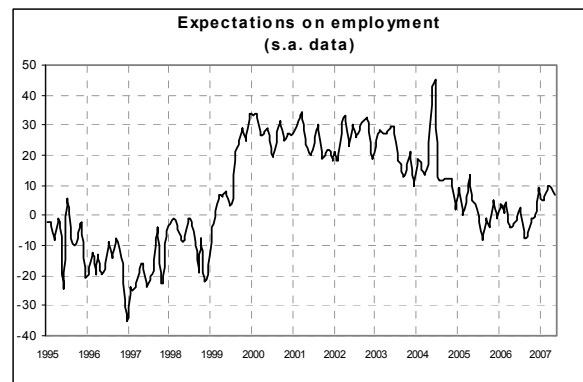
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The slight decline in the overall confidence index was the result of diverging trends across sectors: confidence recovered for residential and non-residential building activity, but headed lower, for the second month running, for civil engineering.

Situation in the reference period (May 2007)

Following the deterioration posted in April, opinions on construction plans started to improve once more: the related balance rose to -12 from -14 in the previous month, remaining nevertheless negative and going back to its October 2006 value. In May, also the importance of obstacles limiting production rose: in particular, the share of firms considering insufficient demand as the major constraint increased (from 19% to 21% of those perceiving the existence of factors limiting their activity). The number of respondents that stated that production was restricted by the shortage of labour force and of materials remained basically unchanged. Moreover, the proportion of firms that

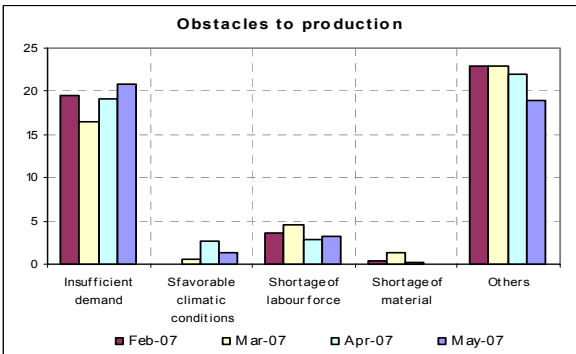
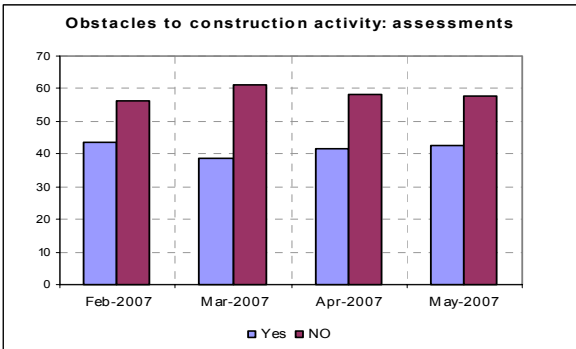
cited adverse weather conditions and other factors as obstacles to production declined.



The opinions on construction activity sent negative signals: the seasonally adjusted balance markedly shrunk, turning negative after two months of positive results.

Forecasts for the following three months

Short-term prospects of surveyed entrepreneurs painted a mixed picture. In fact, forecasts for construction plans sent favourable indications. The balance swelled markedly (from 4 to 11), returning to the level posted last December. As well, the balance related to the forecasts for prices charged in the sector increased (rising from 5 to 7, but stagnating also in May at a historical low average level). The employment trend (a variable included in the calculation of the confidence climate) continued to worsen instead for the second month in a row: the related balance moved from 9 to 7, remaining nevertheless among the best results since April 2005.



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
February	93.5	-10	5
March	100.1	0	10
April	93.3	-14	9
May	93.1	-12	7