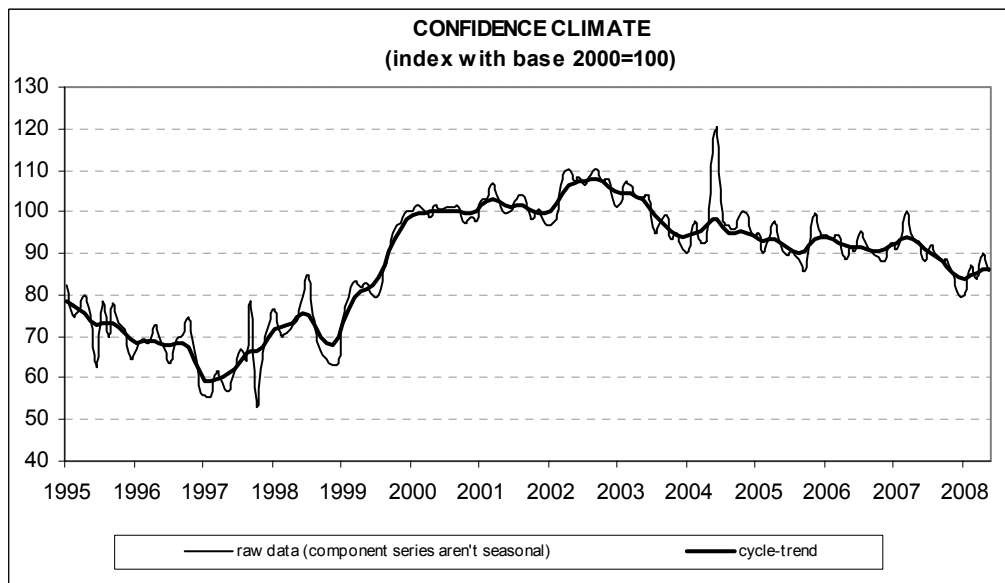




Date: June 27, 2008
TEL.: 06/444821

CONSTRUCTION FIRMS' CONFIDENCE WORSENS IN MAY

- According to the ISAE Survey carried out on a panel of around 500 firms, in May the seasonally adjusted confidence index (2000=100) declined to 85.8 (89.9 in April), coming in, however, above the low level recorded at the end of 2007
- The run-down in confidence was driven, in equal measure, by the fall in the balance for the opinions on construction plans and the deterioration in employment expectations
- Pessimism also characterized surveyed entrepreneurs' assessments on construction activity. Less negative signals came instead from expectations for construction plans (which remained stable) and for prices (which declined slightly)
- The number of entrepreneurs who stated they found obstacles limiting their construction activity increased. Among considered obstacles, insufficient demand was the main constraint
- The deterioration in the overall confidence index did not record same patterns across sectors. The confidence climate dropped sharply in residential and non-residential building, but showed signs of recovery in civil engineering



Data on June shall be released on July 25, 2008

The next ISAE surveys are scheduled as follows:

July 3, 2008: *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) declined to 85.8 (89.9 in April), coming in, however, above the low level recorded at the end of 2007. The run-down in confidence was driven, in equal measure, by the fall in opinions on construction plans and the deterioration in employment expectations.

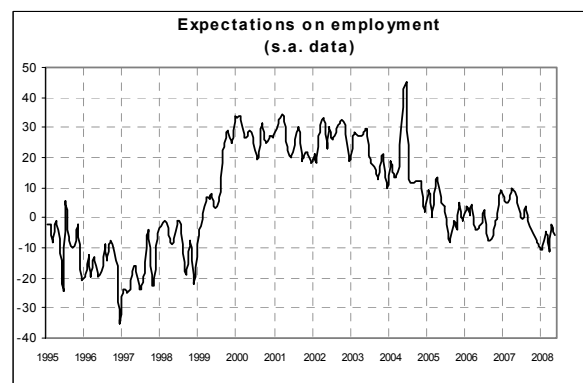
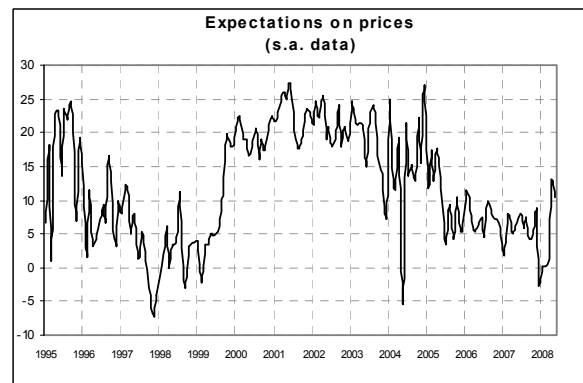
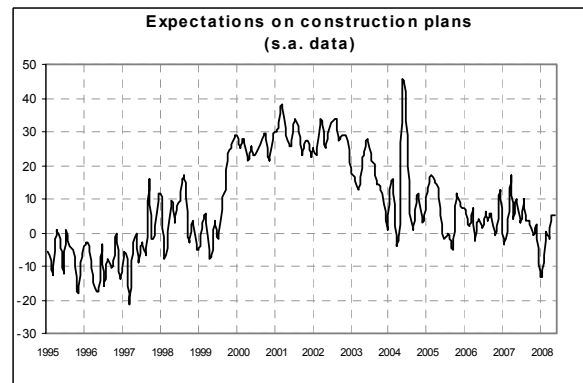
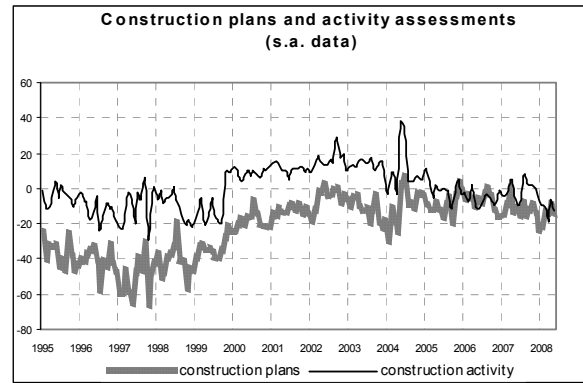
Pessimism also characterized surveyed entrepreneurs' assessments on construction activity. Following the recovery posted in the previous month, the related balance started to markedly worsen, thus remaining in negative territory. Short-term expectations gave less pessimistic indications: forecasts for construction plans remained virtually stable, while the balance for the trend in prices charged in the sector began to decline, staying however at a high level.

The number of entrepreneurs who stated they found obstacles limiting their construction activity increased. Among considered obstacles, insufficient demand was the main constraint.

The deterioration in the overall confidence index did not record same patterns across sectors. The confidence climate dropped sharply in residential and non-residential building, but recovered in civil engineering.

Situation in the reference period (May 2008)

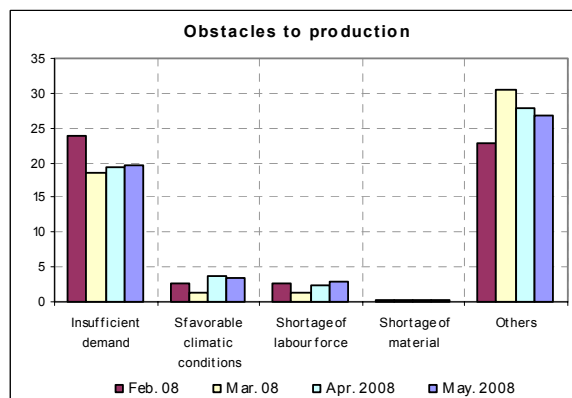
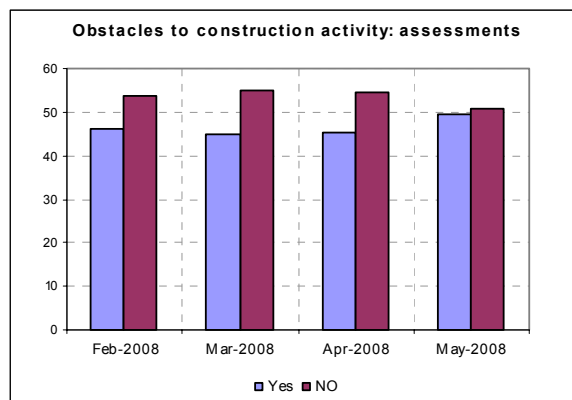
Following the improvement posted in April, the opinions on construction plans started to worsen once more: the related balance stood at -14 (-10 in the previous month), reverting to its March 2008 value. Negative assessments on construction plans came along also with the deterioration in the opinions on construction activity: the balance for the latter variable remained negative, settling however above the low level posted last March. In accordance with the respondents' negative evaluation of the current situation, the number of entrepreneurs who stated they found obstacles limiting their construction increased



(the share rose from 45% to 49%). Furthermore, among declared obstacles, insufficient demand was considered the main constraint, followed by shortage of labour force and adverse weather conditions.

Forecasts for the following three months

Short-term prospects did not confirm the pessimistic indications which emerged from entrepreneurs' appraisal of the current situation. In May, forecasts for construction plans did not give unfavourable indications: the balance remained at 5, one of the highest levels since July 2007. Moreover, the balance related to the forecasts for prices charged in the sector declined (from 13 to 10, coming in, however, among the highest values recorded since August 2006). Lastly, employment prospects (a variable included in the calculation of the confidence climate) started to worsen once more: the related balance moved from -2 to -6, remaining negative for the eighth month running, around its October-November 2007 average value.



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
Feb. 2008	86.9	-13	-5
March 2008	83.7	-14	-11
April 2008	89.9	-10	-2
May 2008	85.8	-14	-6