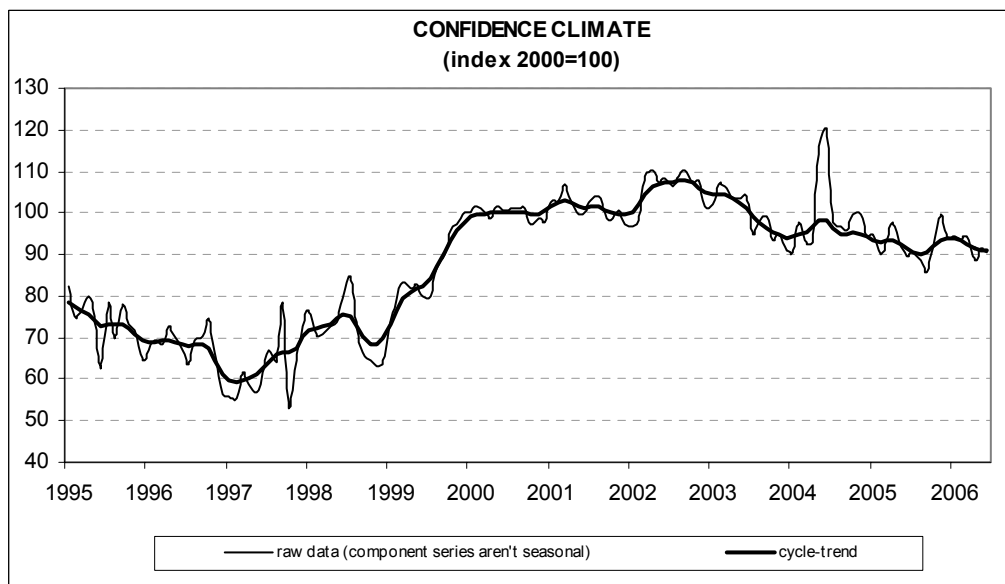




Date: July 27, 2006  
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## IN JUNE, CONSTRUCTION FIRMS' CONFIDENCE DECLINES TO ITS JULY 2005 LEVEL

- According to the ISAE Survey carried out on a panel of about 500 firms, in June the seasonally adjusted confidence index (2000=100) declined from 91.3 to 90.7, its lowest level since July 2005, confirming the stagnation ongoing in this sector since last year
- Among the underlying components of the indicator, the assessment on order books worsened, while employment prospects were improving
- The balance for the evaluation of construction activity recovered, though remaining at historically low levels, whereas pessimism characterized prospects for construction plans. Forecasts for prices charged in the sector remained virtually the same
- The proportion of entrepreneurs who did not find obstacles limiting their construction activity increased. Among the respondents that stated that constraints actually hindered their activity, the number of those that considered insufficient demand an obstacle increased. The seasonally adjusted length of assured production, which is surveyed quarterly, was supposed to have increased from 12.7 to 15.5 months
- The deterioration in the overall confidence index was in June the result of diverging trends at the industry level: confidence recovered, for the third month in a row, for civil engineering, while it recorded a decline for residential and non-residential building activity



**Data on July shall be released on September 5, 2006**

The next ISAE surveys are scheduled as follows:

**August 3, 2006:** *ISAE International Comparison of Consumer and Business Surveys (reference period: July)*

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))

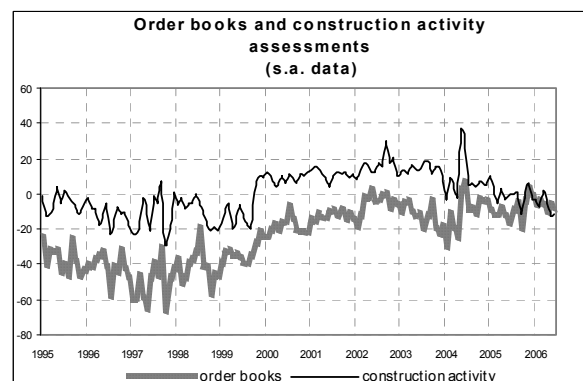
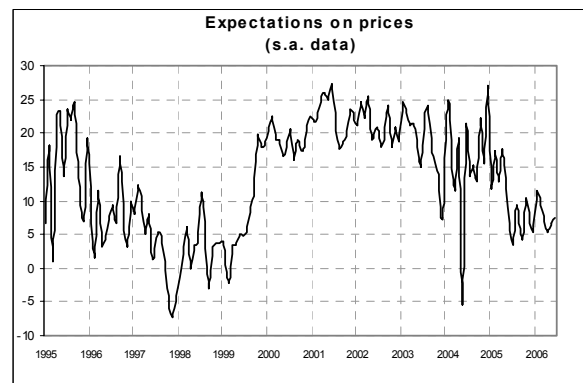
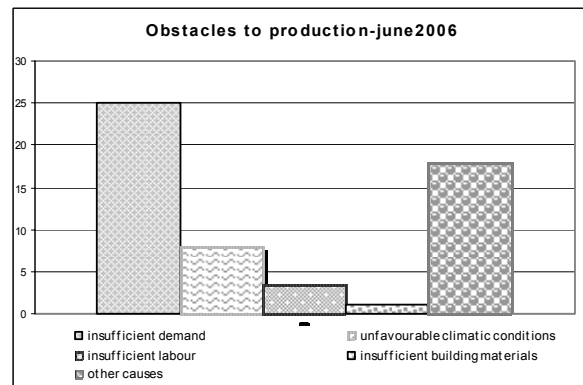
## General results

According to the ISAE Survey carried out on a panel of around 500 construction firms, in June the seasonally adjusted confidence index (2000=100) declined from 91.3 to 90.7. The indicator hit the level recorded in June 2005, confirming the stagnation ongoing since last year. Among the underlying components of the index, the assessment on construction plans worsened, while employment prospects were improving.

Following a sharp deterioration in the previous month, in June the evaluation of construction activity started to better once more: the balance recovered, though remaining at historically low levels. Pessimism characterized, instead, the prospects for construction plans. The related balance stayed however in positive territory. Forecasts for prices charged in the sector remained practically unchanged.

The number of entrepreneurs who did not find obstacles limiting their construction activity increased. Among the respondents that stated that constraints actually hindered their activity, the number of those considering insufficient demand an obstacle rose. The length of assured production, which is surveyed quarterly, was supposed to have increased from 12.7 to 15.5 months, on a seasonally adjusted basis.

The slight worsening in the overall indicator was the result of diverging trends at the industry level: confidence recovered, for the third straight month, for civil engineering, whereas it lowered for residential and non-residential building activity.



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

Following a recovery in the previous month, the assessment on construction plans worsened anew: the related balance lowered to -8 from -6, though it still remained at the level recorded on average in the first half of 2006. The appraisal of construction activity was recovering instead: the seasonally adjusted balance amounted to -11 in June, compared to -13 in the previous month, remaining nevertheless at historical low levels. The number of entrepreneurs who did not find obstacles limiting their construction activity increased, for the third month running (the percentage moved from 58% to 60%). Furthermore, among the respondents that stated that constraints actually hindered their activity, insufficient demand prevailed as a major obstacle. Finally, the length of assured production, which is surveyed quarterly and measured in months, increased from 12.7 in the first quarter to 15.5, on a seasonally adjusted basis.

### Forecasts for the following three months

In June, contrasting signals characterized forecasts for main company variables. Expectations on construction plans were deteriorating (the balance lowered from 5 to 1), while the number of entrepreneurs who forecast a rise in employment for their firm increased for the second month in a row: the balance grew from -3 to -2, staying, nonetheless, in negative territory and at record low levels. Finally, also the prospects for prices charged in the sector did not change: the related balance stayed at 7, still remaining at 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
Mar. 2006	94.3	-7	4
Apr. 2006	88.5	-11	-4
May 2006	91.3	-6	-3
June 2006	90.7	-8	-2