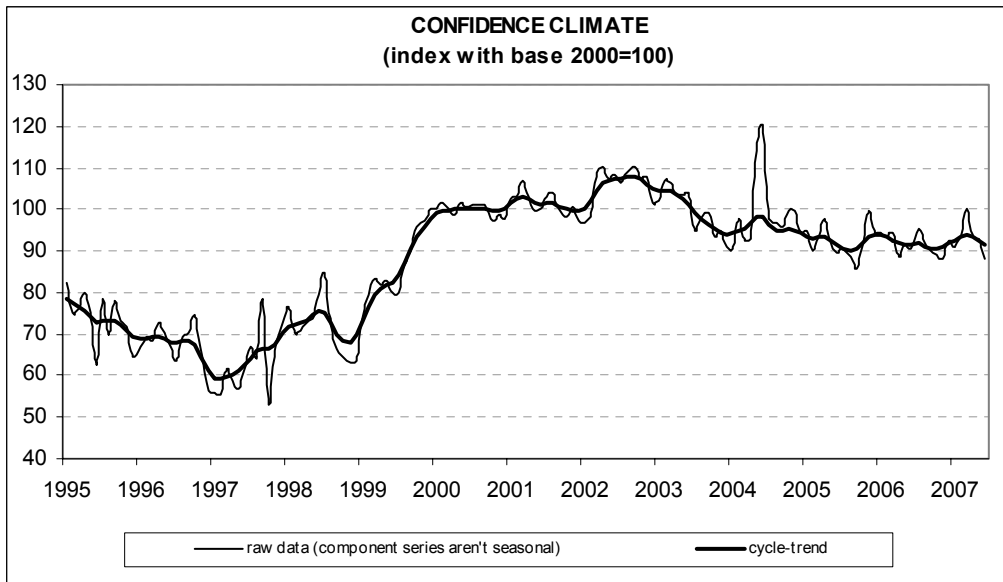




Date: July 26, 2007  
TEL.: 06/444821

## CONSTRUCTION FIRMS' CONFIDENCE DECLINES IN JUNE

- According to the ISAE Survey carried out on a panel of around 500 firms, the seasonally adjusted confidence index (2000=100) deteriorated for the third straight month in June, moving from 93.1 to 88.1 and returning to its November 2006 level. Among the underlying components of the indicator, both opinions on construction plans and, mainly, prospects for employment worsened
- The balance for the opinions on current construction activity plunged, turning negative and reverting to the level posted in June 2006. Pessimism characterized also prospects for construction plans. The related balance diminished, remaining nevertheless positive and nearing the level recorded last February. Furthermore, the number of entrepreneurs predicting a rise in prices charged in the sector increased
- The share of entrepreneurs who did not find obstacles limiting their construction activity declined. As major constraint, firms mentioned insufficient demand
- Pessimism characterized also the forecasts on the length of assured production (a seasonally adjusted variable, surveyed quarterly), compared to the first quarter of 2007
- The worsening in confidence was homogeneously spread across sectors: for the third month running, confidence deteriorated in both civil engineering and, mainly, residential and non-residential building



**Data on July shall be released on September 5, 2007**

The next ISAE surveys are scheduled as follows:

**August 7, 2007: 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

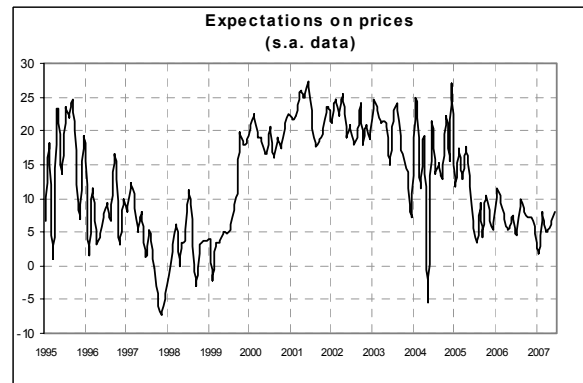
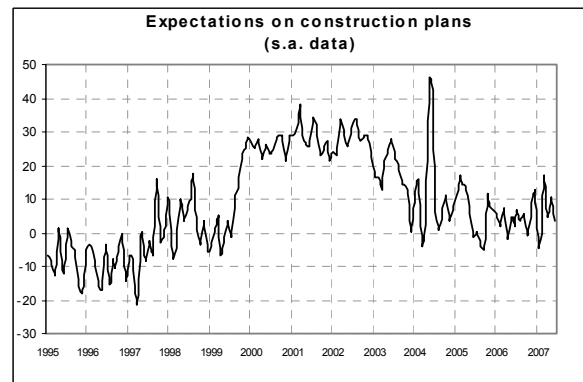
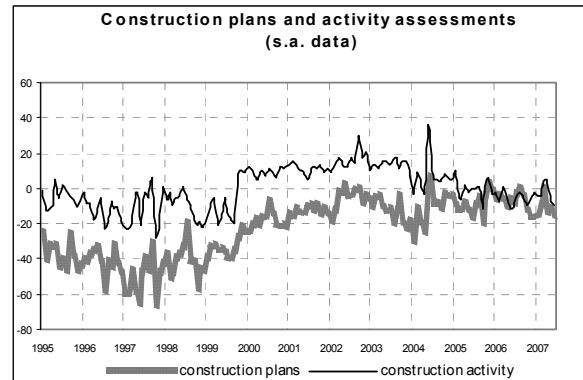
According to the ISAE Survey carried out on a panel of around 500 firms, in June the seasonally adjusted confidence index (2000=100) worsened for the third consecutive month, moving from 93.1 to 88.1 and returning to its November 2006 level. Among the underlying components of the indicator, both the opinions on construction plans and, above all, prospects for employment deteriorated.

The balance for the opinions on current construction activity declined sharply, turning negative and reverting to the level posted in June 2006. Pessimism characterized also prospects for construction plans: the related balance diminished, remaining nevertheless positive and nearing the value recorded last February. The number of entrepreneurs predicting a rise in prices charged in the sector increased. Moreover, pessimism characterized the forecasts on the length of assured production (a seasonally adjusted variable, measured in months) compared to the first quarter of 2007. The share of entrepreneurs who did not find obstacles limiting their construction activity diminished. Among mentioned obstacles, firms considered insufficient demand as major constraint. The worsening in confidence was homogeneously spread across sectors: for the third month running, confidence deteriorated in both civil engineering and, mainly, residential and non-residential building.

### Situation in the reference period (June 2007)

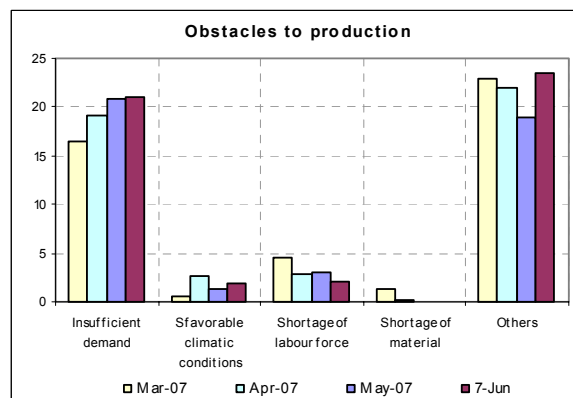
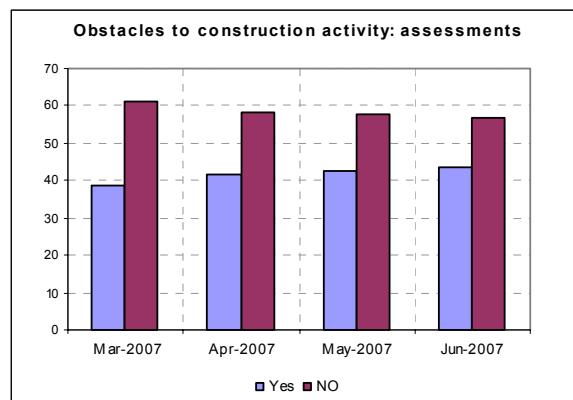
Following the moderate recovery posted in May, opinions on construction plans started to worsen once more: the related balance lowered to -15 from -12 in the previous month, remaining nevertheless around the average level posted in November 2006-January 2007. Also the opinions on construction activity sent negative signals: the seasonally adjusted balance reached -10 from -7 in the previous month, coming close to the average value of May-June 2006. In line with the negative assessments on construction plans and activity, the number of entrepreneurs who did not find

obstacles limiting their construction activity declined slightly (the percentage lowered from 58% to 57%). In addition, firms, who stated they did find obstacles (in this case the share rose from 42% to 43%), cited insufficient demand as major obstacle.



### Forecasts for the following three months

Prospects of surveyed entrepreneurs confirmed the rather unfavourable picture painted by the opinions on the current situation. In June, forecasts for construction plans worsened markedly (the balance moved from 11 to 3). Furthermore, the balance for employment prospects decreased for a third month in a row, lowering from 7 to 0 and returning to its October-November 2006 average. As for prospects for prices charged in the sector, the number of entrepreneurs predicting a rise increased: the related balance rose from 7 to 8. Finally, the length of assured production (a seasonally adjusted variable, surveyed quarterly and measured in months) declined to 15.1 from 16.3 in the first quarter.



### 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
March	100,1	0	10
April	93,3	-14	9
May	93,1	-12	7
June	88,1	-15	0