

**July 29, 2010**

## CONSTRUCTION FIRMS' CONFIDENCE CLIMATE RECOVERS IN JUNE

Data on July shall be released on August 31, 2010

The next ISAE surveys are scheduled as follows:

**August 26, 2010:** ISAE Monthly Consumer Survey (reference period: August)

The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the website [www.isae.it](http://www.isae.it))

- In June, the seasonally adjusted construction firms' confidence index (2005=100) rose from 71.5 to 72.8
- However, individual variables gave opposing signals: employment prospects clearly improved, but opinions on construction plans worsened
- Likewise, assessments on construction activity were more pessimistic, whereas prospects for construction plans posted a recovery
- Expectations for prices to be charged in the sector declined markedly, hovering slightly below the low level recorded in March
- For the second month running, the number of surveyed entrepreneurs who found constraints limiting their construction activity continued to increase: among declared obstacles, insufficient demand was considered one of the main difficulties, followed by financial constraints
- The length of current or future assured construction activity (a seasonally adjusted variable, surveyed quarterly and measured in months) diminished slightly compared to the previous quarter
- The recovery in confidence characterized all three main sub-sectors. In particular, the rise was sharp for the construction of buildings and civil engineering, and more modest for specialized construction

**CONFIDENCE CLIMATE** (index 2005=100, seasonally adjusted data)



## General results

According to the ISAE Survey carried out on a panel of approximately 500 firms, in June the seasonally adjusted confidence index (2005=100) recovered, moving from 71.5 to 72.8.

Among the variables included in the calculation of the confidence climate, prospects for employment markedly improved over the previous month. Opinions on construction plans deteriorated instead: the related balance came in only slightly above the low level posted in February 2010.

Pessimism distinguished opinions on construction activity: following the improvement recorded in May, the related balance started to worsen noticeably once more, reaching its January 2010 level.

Prospects for construction plans showed signs of optimism in June: the balance hit the highest value since December 2009. Expectations for prices to be charged in the sector declined sharply, coming in slightly below the low level hit

in March 2010. Notwithstanding the upturn recorded in April and May, the decreasing trend, ongoing since 2009, was confirmed.

For the second straight month, the number of surveyed entrepreneurs signalling the existence of obstacles hampering their construction activity increased and, among declared obstacles, insufficient demand was considered a major limitation, followed by financial constraints.

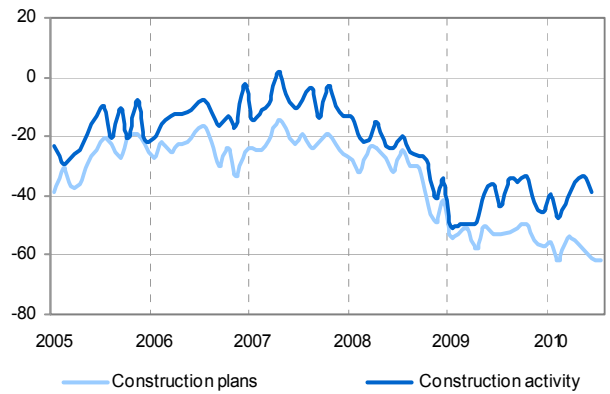
The length of current or future assured construction activity (a seasonally adjusted variable, surveyed quarterly and measured in months) diminished slightly in the second quarter of 2010 compared to the previous quarter.

The recovery in overall confidence characterized all three main sub-sectors. In particular, the rise was sharp for the construction of buildings and civil engineering and more modest for specialized construction.

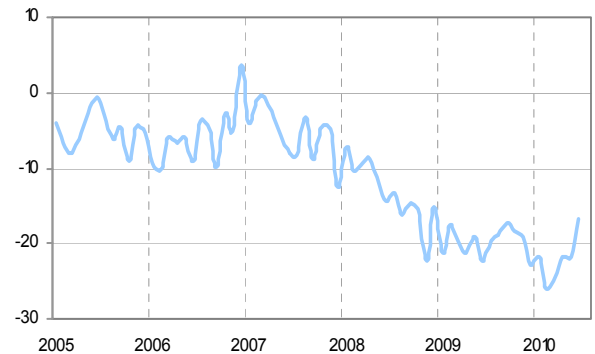
## Situation in the reference month (June 2010)

In June, the balance for firms' opinions on the trend for construction plans diminished once more, moving from -58 (in May) to -61, among the lowest levels posted in the last year. Also, entrepreneurs' assessments on construction activity worsened: following the recovery recorded in May, the seasonally adjusted balance reverted to a downward trend, dropping from -33 in May to -39 in June. The number of entrepreneurs who stated they did find obstacles hampering their construction activity continued to increase for the second consecutive month: the percentage rose from 67% to 70%, while the share of those that declared they did

### ASSESSMENTS ON ORDER BOOKS (OR CONSTRUCTION PLANS) AND CONSTRUCTION ACTIVITY (seasonally adjusted data)



### EXPECTATIONS FOR EMPLOYMENT (seasonally adjusted data)



### EXPECTATIONS FOR ORDER BOOKS (seasonally adjusted data)



not find any limitation lowered from 33% to 30%. Among declared obstacles, insufficient demand and financial constraints were considered major impediments. Lastly, the length of assured activity (a seasonally adjusted variable, surveyed quarterly and measured in months) diminished slightly, moving from 8.5 months (in the first quarter of 2010) to 7.1 months in the second quarter.

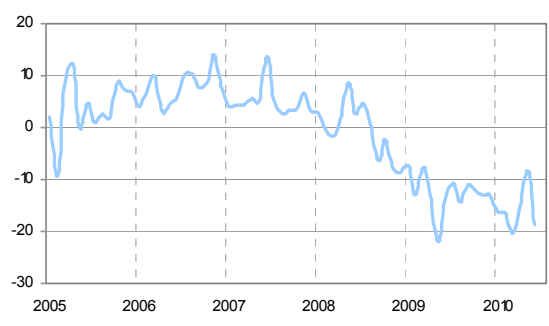
### Forecasts for the following three months

The framework of uncertainty highlighted by entrepreneurs' opinions was not confirmed by their prospects for main company variables. In June, expectations for construction plans improved with respect to the previous month (the balance rose from -30 to -27, slightly below its March 2010 level). Also prospects for employment bettered (moving from -22 to -17, around the value recorded in September-October 2009). With regard to the trend for prices charged in the sector, the number of entrepreneurs who forecast a cut in prices sharply increased: the related balance moved from -8 to -19, nearing the value posted in March 2010 (-20).

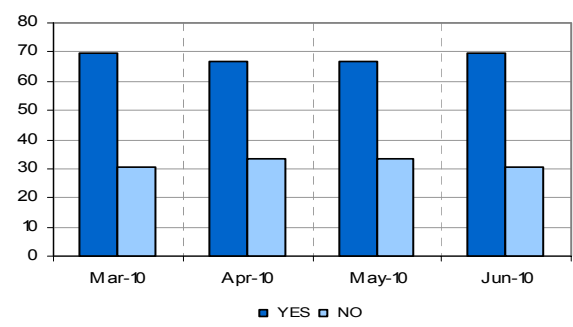
### CONFIDENCE CLIMATE AND BALANCES FOR THE INDEX-BUILDING SERIES (seasonally adjusted data)

Month	Confidence climate	Orders and/or construction plans (assessments)	Employment (expectations)
Jan. 2010	73.1	-56	-22
Feb. 2010	67.0	-62	-26
Mar. 2010	72.5	-54	-24
Apr. 2010	73.7	-55	-22
May 2010	71.5	-58	-22
June 2010	72.8	-61	-17

### EXPECTATIONS FOR PRICES (seasonally adjusted data)



### ASSESSMENTS ON OBSTACLES TO CONSTRUCTION ACTIVITY (raw data)



### OBSTACLES TO CONSTRUCTION ACTIVITY (raw data)

