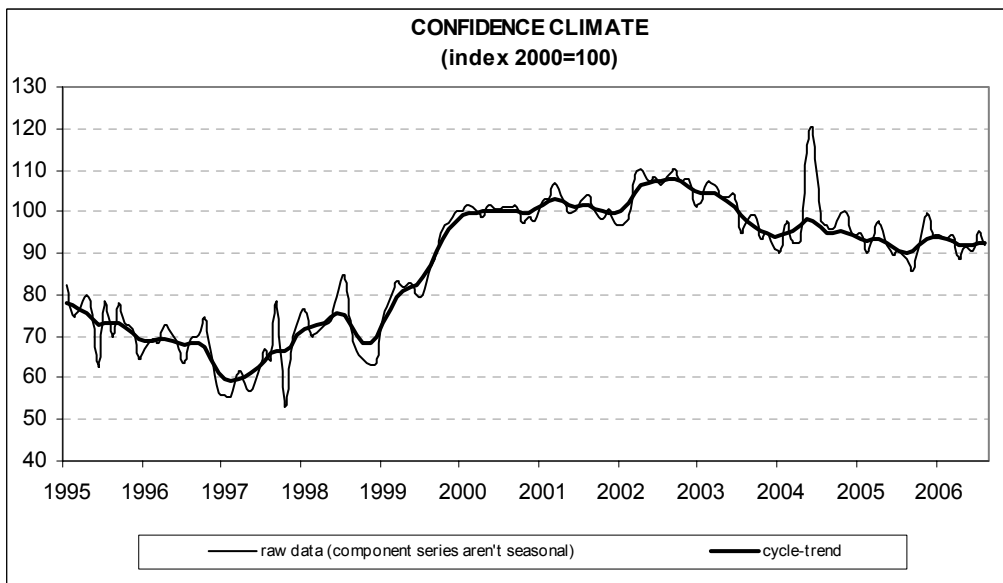




Date: September 28, 2006  
TEL.: 06/444821

## IN AUGUST CONSTRUCTION FIRMS' CONFIDENCE DETERIORATES

- According to the ISAE Survey carried out on a panel of about 500 firms, in August the seasonally adjusted confidence index (2000=100) decreased from 95.4 to 91.8, returning to the average level posted in the period May-June 2006
- Among the underlying components of the indicator, the assessment on order books continued to improve, while employment prospects sent negative signals
- As for the other surveyed variables, entrepreneurs improved their evaluation of construction activity, whereas the balance related to the prospects for construction plans diminished. Furthermore, the number of respondents forecasting a rise in prices charged in the sector increased: the balance remained positive and reached the level posted in February 2006
- Following two straight months of growth, the proportion of entrepreneurs who did not find obstacles limiting their construction activity diminished. Among the respondents that stated that constraints actually hindered their activity, insufficient demand was above all considered an obstacle
- In July the worsening in the overall confidence index was evenly spread across sectors: the deterioration characterized both civil engineering, where the decline was more moderate and amounted to one point, and building activity, where the fall was more significant



**Data on September shall be released on October 30, 2006**

The next ISAE surveys are scheduled as follows:

**October 5:** *ISAE International Comparison of Consumer and Business Surveys (reference period: September)*

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))

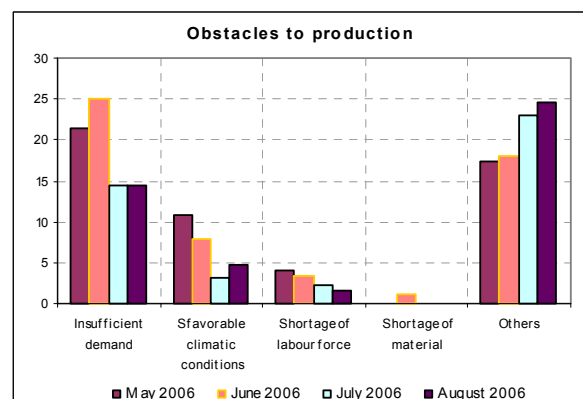
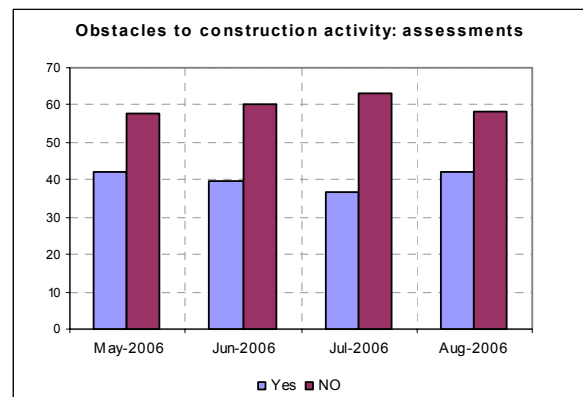
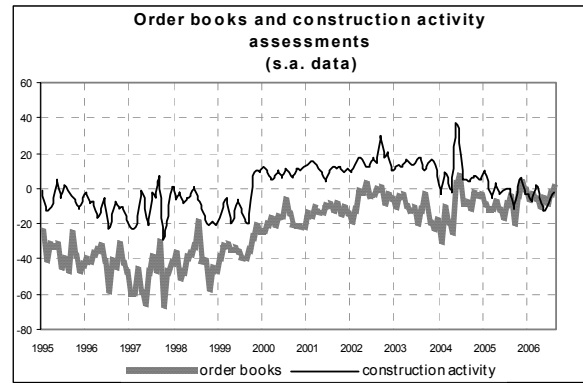
## General results

According to the ISAE Survey carried out on a panel of around 500 construction firms, in August the seasonally adjusted confidence index (2000=100) declined from 95.4 to 91.8: the index returned to the average level recorded in the period May-June 2006. Among the underlying components of the indicator, the opinions on construction plans continued to improve, while prospects for employment sent pessimistic signals, with the related balance going back in negative territory.

With respect to the other surveyed variables, the assessment on construction activity bettered for the third month running, but prospects for construction plans deteriorated. The number of entrepreneurs who forecast a rise in prices charged in the sector increased: the balance remained positive, staying around the level posted in February 2006.

Following two straight months of growth, the share of entrepreneurs who did not find obstacles limiting their construction activity declined. Among the respondents that stated that constraints actually hindered their activity, the number of those considering insufficient demand the major obstacle slightly moved up.

The deterioration in the overall confidence indicator was evenly spread across sectors: confidence worsened for both civil engineering, where the decline was moderate and amounted to one point, and for building activity, where the fall was more significant.



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

Positive signals characterized the assessment on construction plans: the related balance increased for the second month in a row, reaching 0 compared to -3 in the previous month. The evaluation of construction activity decisively improved as well: the seasonally adjusted balance reached -2 (from -5 in the previous month), though still remaining at historically low levels. Most surveyed entrepreneurs declared that they did not find obstacles limiting their construction activity, even though their percentage share decreased with respect to the previous month (from 63% to 58%). Furthermore, among the respondents that stated that constraints actually hindered their activity (in this case the percentage rose from 37% to 42%), insufficient demand prevailed as a major obstacle.

### Forecasts for the following three months

The short-term forecasts for developments in the main company variables did not confirm the positive picture painted on the whole by entrepreneurs' opinions. Both expectations on construction plans and employment prospects were deteriorating: the related balances respectively moved from 7 to 4 and from 3 to -7, in the latter case reverting to negative territory and matching the historical low posted in 1999. Finally, the balance for the forecasts on prices charged in the sector increased: it moved from 5 to 10, thus reaching the level recorded in February 2006.

### Confidence climate and balances of the component series index (s.a. data)

	Confidence climate (index base 2000=100)	Order books assessments	Employment Expectations
May	91.3	-6	-3
June	90.7	-8	-2
July	95.4	-3	3
August	91.8	0	-7