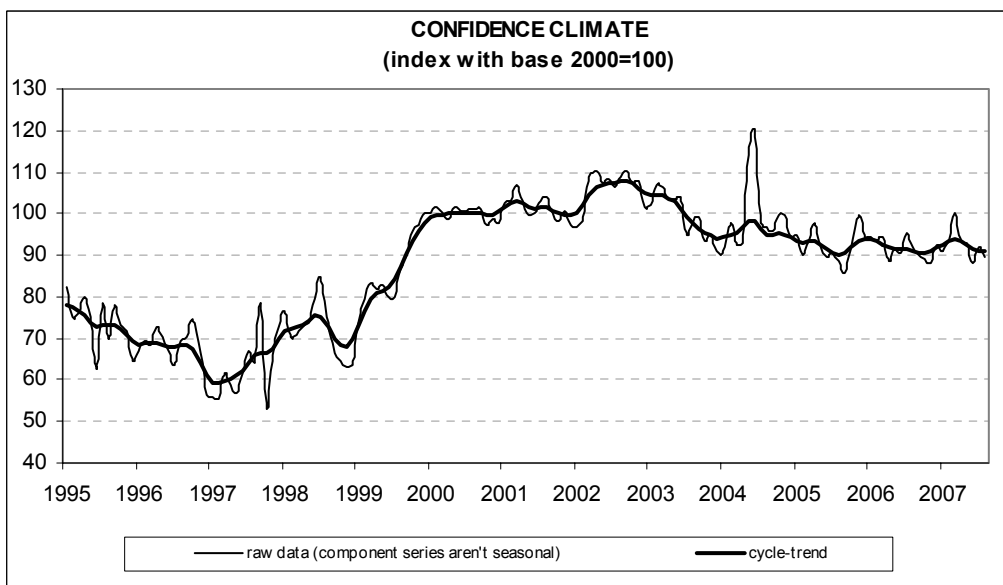




Date: September 27, 2007
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CONSTRUCTION FIRMS' CONFIDENCE WORSENS IN AUGUST

- According to the ISAE Survey carried out on a panel of around 500 firms, in August the seasonally adjusted confidence index (2000=100) declined from 91.8 to 89.7, hovering around its September-October 2006 average value
- Among the variables included in the definition of confidence, the opinions on construction plans turned negative again, whereas the balance for employment prospects started to send favourable signals, going back in positive territory
- Among the other surveyed variables, the opinions on construction activity improved, while the balance referring to the prospects for construction plans diminished instead. The number of respondents predicting a rise in prices charged in the sector increased: the balance returned to the level posted last June
- The share of entrepreneurs who did find obstacles limiting their construction activity reached 52%, exceeding, for the first time since 1999, the proportion of those who stated they did not find any obstacle. Among the main constraints, firms mentioned, in particular, insufficient demand
- The deterioration in the overall confidence index was heterogeneously spread across sectors: confidence sharply worsened in civil engineering, but moderately increased in residential and non-residential building



Data on September shall be released on October 25, 2007

The next ISAE surveys are scheduled as follows:

October 4, 2007: *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)

General results

According to the ISAE Survey carried out on a panel of around 500 firms, in August the seasonally adjusted confidence index (2000=100) declined from 91.8 to 89.7: the index stood around its September-October 2006 average value. Among the variables included in the definition of confidence, the opinions on construction plans turned unfavourable again, whereas the balance for employment prospects started to send favourable signals, going back in positive territory.

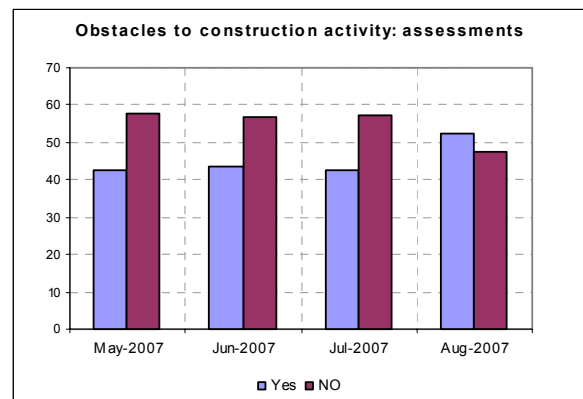
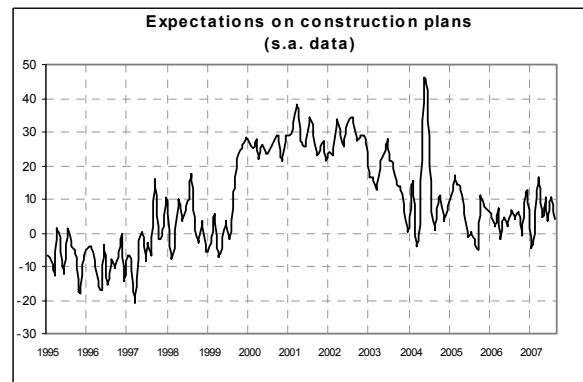
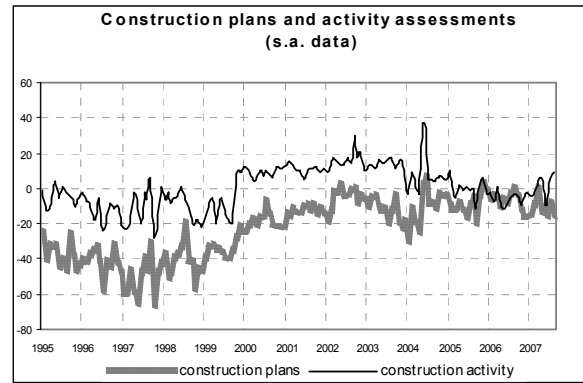
Among the other surveyed variables, the opinions on construction activity improved, while the balance for the prospects for construction plans diminished instead. The number of respondents predicting a rise in prices charged in the sector increased: the balance returned to the level posted last June.

The share of entrepreneurs who did not find obstacles limiting their construction activity continued to decline for the second straight month. Among those who stated they did find obstacles, insufficient demand was considered to be the main constraint.

The deterioration in the overall confidence index was heterogeneously spread across sectors: confidence sharply worsened in civil engineering, but moderately increased in residential and non-residential building.

Situation in the reference period (August 2007)

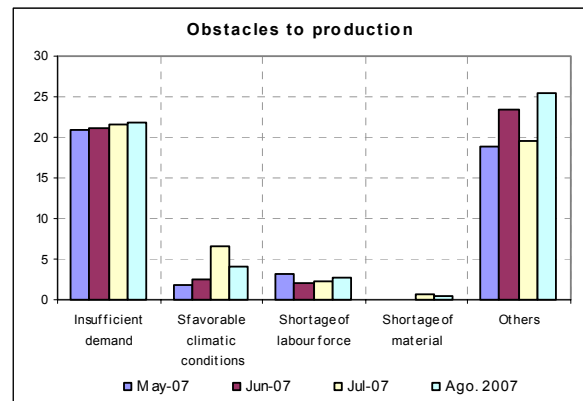
The opinions on construction plans sent negative signals: the related balance declined to -16 from -8 in the previous month (returning to the level recorded last June). The opinions on construction activity markedly improved instead: the seasonally adjusted balance reached 9 from 6 in the previous month, remaining in positive territory for the second consecutive month and coming in at the highest level since July 2004. The majority of surveyed entrepreneurs stated that they did find obstacles limiting their construction activity (such an event did not happen since 1999 – the related percentage increased from 43% to 52%). Among the declared obstacles, insufficient demand was considered



the main constraint. On the other hand, the share of those who stated that they did not find any obstacle declined to a historical low level (from 57% to 48%).

Forecasts for the following three months

Prospects for main company variables partly confirmed the negative picture painted by entrepreneurs' opinions on the current situation. Forecasts for construction plans worsened (the balance declined from 10 to 4), whereas employment prospects improved: the related balance moved from 0 to 4, turning positive after stagnating around 0 for two months. Finally, the balance for the forecasts of prices charged in the sector rose: its value moved from 6 to 8, coming in around the level recorded last June.



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
May	93.1	-12	7
June	88.1	-15	0
July	91.8	-8	0
August	89.7	-16	4