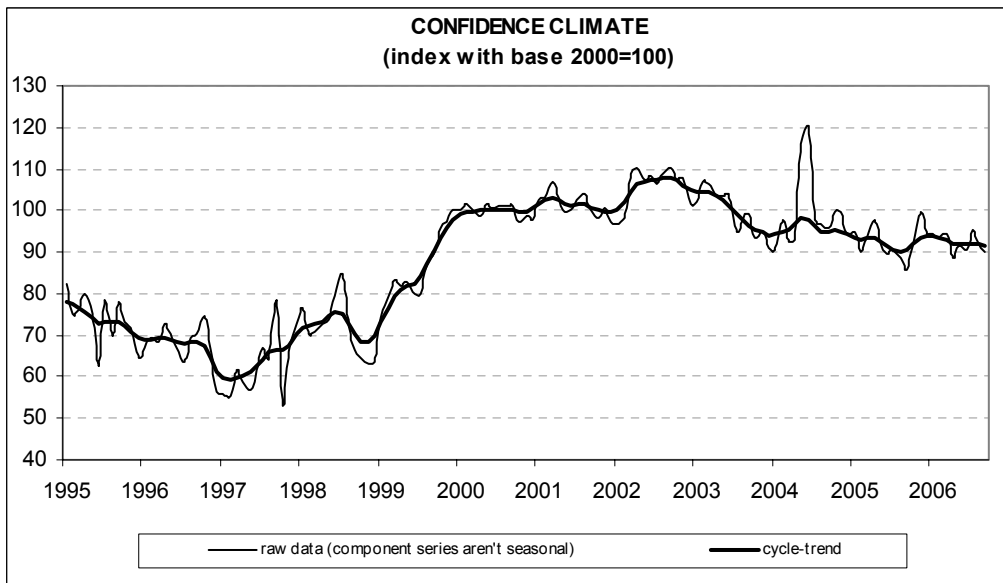




Date: October 30, 2006  
TEL.: 06/444821

## IN SEPTEMBER CONSTRUCTION FIRMS' CONFIDENCE DECREASES

- According to the ISAE Survey carried out on a panel of about 500 firms, in September the seasonally adjusted confidence index (2000=100) declined for the second month running, moving from 91.8 to 90.3 and returning to the average level posted in the period April-May 2006
- Among the underlying components of the indicator, the assessment on construction plans started to worsen again, while employment prospects remained stable
- Moreover, entrepreneurs scaled down their opinions on construction activity, whereas they improved their prospects for order books. The balance for the trend in prices charged in the sector diminished and the forecasts for the length of assured production (a seasonally adjusted variable which is measured in months) remained virtually unchanged
- Finally, for the second month in a row, the proportion of entrepreneurs who did find obstacles limiting their construction activity increased, mainly because of insufficient demand
- The worsening in the overall confidence index was not evenly spread across sectors: confidence actually deteriorated for building activity and improved, instead, for civil engineering



**Data on October shall be released on November 28, 2006**

The next ISAE surveys are scheduled as follows:

**November 7, 2006:** *ISAE International Comparison of Consumer and Business Surveys (reference period: October)*

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

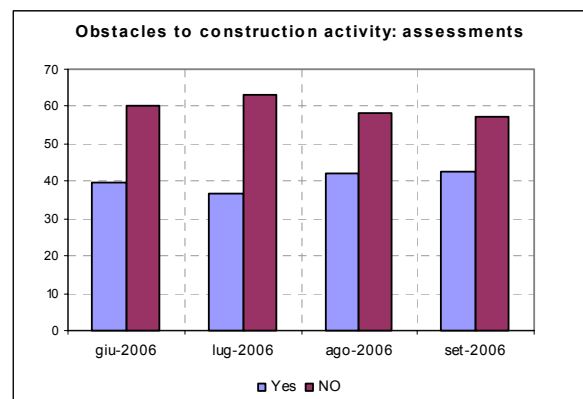
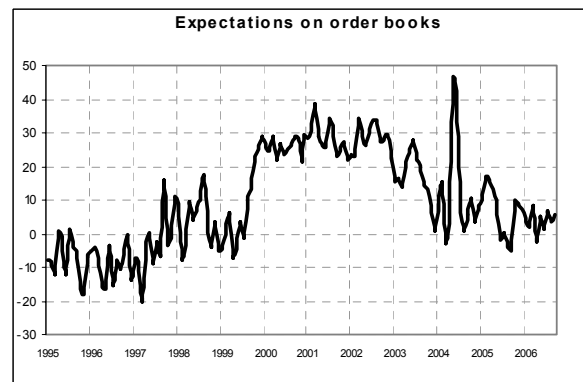
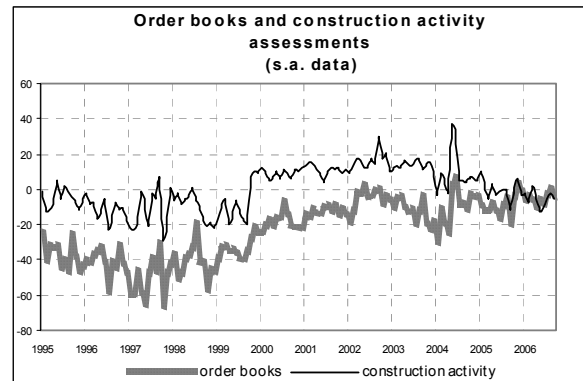
According to the ISAE Survey carried out on a panel of around 500 construction firms, in September the seasonally adjusted confidence index (2000=100) declined from 91.8 to 90.3: the index returned to the average level recorded in the period April-May 2006, confirming also in this month the phase of uncertainty which characterized the sector. Among the underlying components of the indicator, the opinions on construction plans started to worsen again, while the balance of the prospects for employment remained unchanged.

Among the other surveyed variables, the assessment on construction activity deteriorated, but prospects for order books improved. The balance for the trend in prices charged in the sector diminished, remaining positive, around the average posted in the last few months. Forecasts for the length of assured production (measured in months and seasonally adjusted) remained virtually unchanged. For the second consecutive month, 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, insufficient demand was considered the major obstacle.

The deterioration in the overall confidence indicator was not evenly spread across sectors. Building activity recorded a worsening which was not offset by the improvement posted by civil engineering.

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

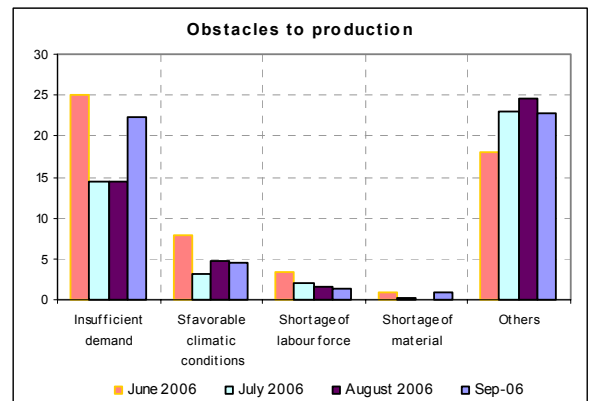
Negative signals characterized the entrepreneurs' assessments for September: both the opinions on construction plans and those on building activity deteriorated. The related balances decreased from 0 to -4 and from -2 to -5, respectively, remaining in the latter case at a record low level. Most surveyed entrepreneurs declared that they did not find obstacles limiting their construction activity, even though their share continued to decrease with respect to the previous month (from 58% to 57%). Furthermore,



among the respondents that stated that constraints actually hindered their activity (in this case the percentage rose from 42% to 43%), insufficient demand prevailed as a major obstacle.

**Forecasts for the following three months**

The forecasts for developments in the main company variables only partially confirmed the picture of uncertainty painted by entrepreneurs' opinions. Expectations on construction plans actually improved (the balance rose from 4 to 6), while prospects for employment remained basically unchanged (the balance stayed at -7). Finally, the balance of the forecasts for prices charged in the sector declined from 10 to 8, staying nevertheless around the average level posted in the first six months of 2006. As for expectations on the length of assured production (a variable which is measured in months and surveyed quarterly), entrepreneurs did not significantly change their opinion with respect to the previous survey.



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

	Confidence climate (index base 2000=100)	Order books assessments	Expectations on employment
June	90.7	-8	-2
July	95.4	-3	3
August	91.8	0	-7
September	90.3	-4	-7