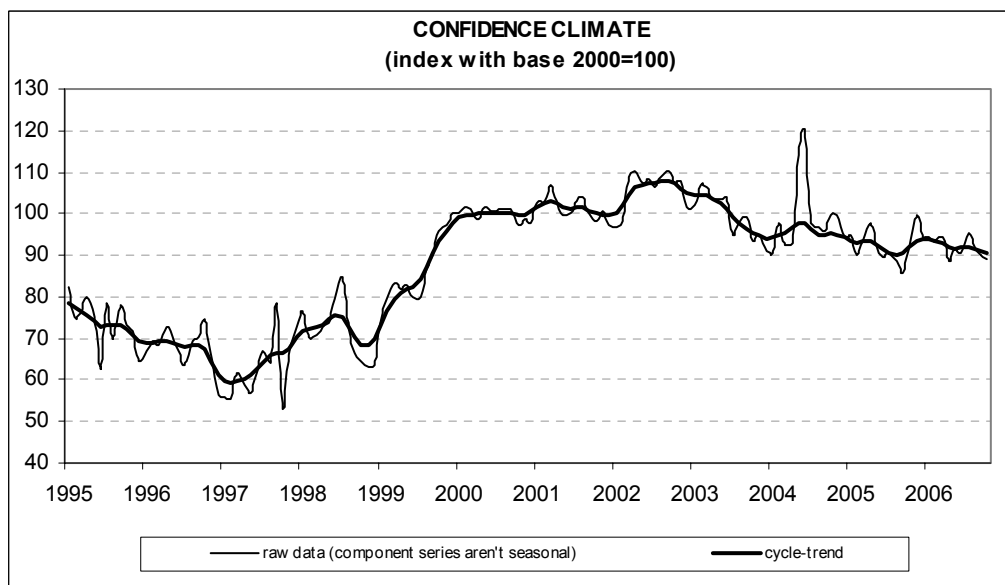




Date: November 28, 2006  
TEL.: 06/444821

## IN OCTOBER CONSTRUCTION FIRMS' CONFIDENCE CONTINUES TO DECLINE

- The confidence index decreased for the third month running, moving from 90.3 to 89.1 and staying around the level posted on average in the period April-June 2006. The opinions on construction plans decidedly worsened, whereas employment prospects showed an overall improvement
- Among the surveyed variables, the opinions on construction activity continued to deteriorate for the second straight month. Also the prospects on construction plans added to the unfavourable picture; the related balance declined and turned negative again. Finally, the balance for the trend in prices charged in the sector lowered, reverting to the level posted last June
- For the third month in a row, the number of entrepreneurs who did not find obstacles limiting their construction activity diminished, and among those that stated that constraints actually hindered their activity insufficient demand was considered the major obstacle
- According to the breakdown of data by industry, confidence for civil engineering sharply deteriorated, whereas that for building activity slightly improved



**Data on November shall be released on December 27, 2006**

The next ISAE surveys are scheduled as follows:

**December 5, 2006:** *ISAE International Comparison of Consumer and Business Surveys (reference period: November)*

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**

Confidence worsened in the construction sector: according to the ISAE Survey carried out on a panel of around 500 firms, in October the seasonally adjusted confidence index (2000=100) declined for the third month running, moving from 90.3 to 89.1: the index still remained around the level recorded on average in the period April-June 2006, confirming stagnation for the sector. Among the underlying components of the indicator, opinions on construction plans clearly worsened while, as a whole, prospects for employment improved.

Among the other surveyed variables, the assessments on construction activity continued to deteriorate for the second consecutive month. Prospects for order books added to the unfavourable picture painted by the survey: the related balance declined and turned negative once more. Finally, the balance for the trend in prices charged in the sector lowered, returning to the level posted last June.

For the third straight month, the number 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 again considered the major obstacle.

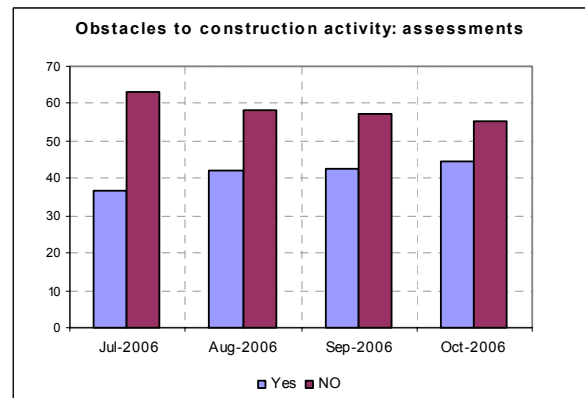
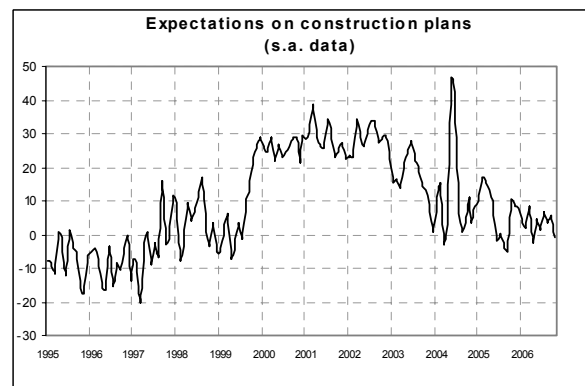
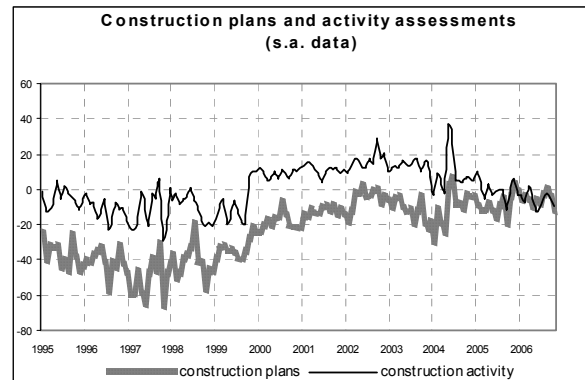
The breakdown of data by industry pointed to a sharp deterioration in confidence for civil engineering, but to a slight improvement for building activity.

**Situation in the reference period (October 2006)**

Decidedly negative signals characterized entrepreneurs' assessments in October: both the opinions on construction plans and those on building activity deteriorated. The related balances decreased from -4 to -12 and from -5 to -9, respectively.

Also in October, most surveyed entrepreneurs declared that they did not find obstacles limiting their construction activity, even though their share decreased for the second month running (from 57% to 55%). Furthermore, among the respondents that stated that

constraints actually hindered their activity (in this case the percentage rose from 43% to 45%), insufficient demand prevailed as a major obstacle.



### Forecasts for the following three months

The forecasts for the developments in the main company variables partially confirmed the negative picture painted by opinions of surveyed entrepreneurs. Expectations on construction plans actually worsened (the balance decreased from 6 to -1, reverting to negative territory for the first time since April 2006, and hitting historically low levels). The balance of the forecasts for prices charged in the sector declined for the second consecutive month, moving from 8 to 7 but remaining, however, around the average level posted in the first six months of 2006. Employment prospects sent, instead, positive signals: the balance recovered, moving from -7 to -1, though the number of entrepreneurs forecasting a decline in employment in their own firm remained slightly higher than the share of those viewing an increase.

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

	Confidence climate (index base 2000=100)	Order books assessments	Employment Expectations
July	95.4	-3	3
August	91.8	0	-7
September	90.3	-4	-7
October	89.1	-12	-1

