

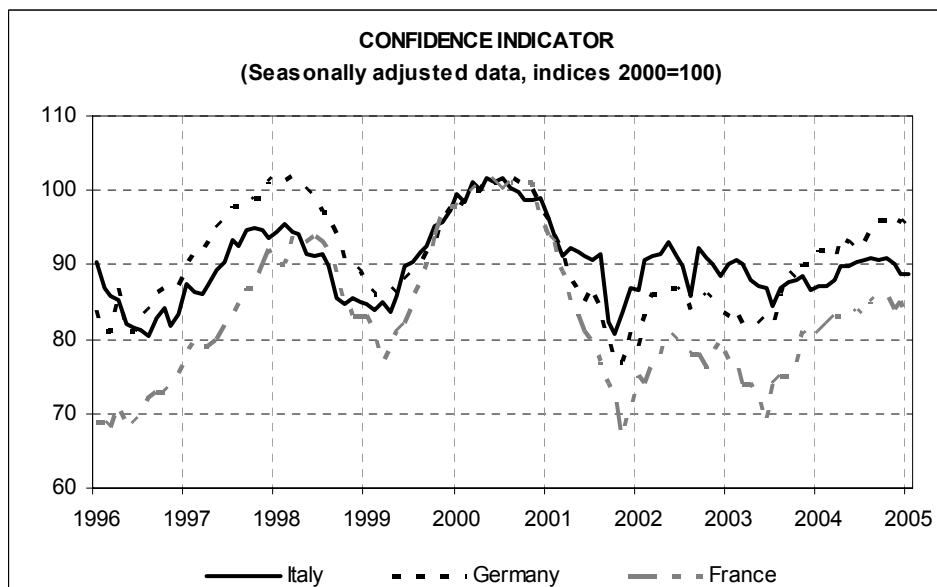


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THE JANUARY CONFIDENCE OF MANUFACTURING FIRMS FALLS IN FRANCE AND IN GERMANY, WHILE IT RECOVERS IN ITALY

- In Germany the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – slightly decreases from 96 to 95, thus remaining above the average figures of 2004. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – falls from 86 to 83, which is near the July 2004 values. In Italy, as already outlined in the data distributed by ISAE on January 27, confidence rises from 88.9 to 89.2
- German assessments on order books worsen (while those on the foreign market remain stable), as do production expectations, which diminish for the fourth month in a row. On the contrary, inventories remain unchanged
- The French confidence deterioration is mainly due to the strong contraction of production expectations, which are falling again after the considerable December rise. Besides, a further small growth is observed in inventories while the order-book level stabilises
- In Italy, inventories decrease and evaluations on the present order-book level slightly recover within a substantial stability in short-term expectations on production
- With regard to prices, French and Italian entrepreneurs expect an inflation easing, while German operators expect a further industrial price rise



Data on February shall be diffused on 1 March, 2005.

Next ISAE Surveys are scheduled as follows:

February 3, 2005: *Quarterly ISAE Business and Consumer Surveys: Territorial Aspects (Q4 2004)*

February 22, 2005: *ISAE Monthly Consumer Survey (Reference month: February)*

February 23, 2005: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: February)*

February 28, 2005: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: January)* and *ISAE Monthly Business Service Survey (Reference month: February)*

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

General results

In January the confidence climate of manufacturing and extractive firms falls in Germany and, more markedly, in France, while it slightly rises in Italy.

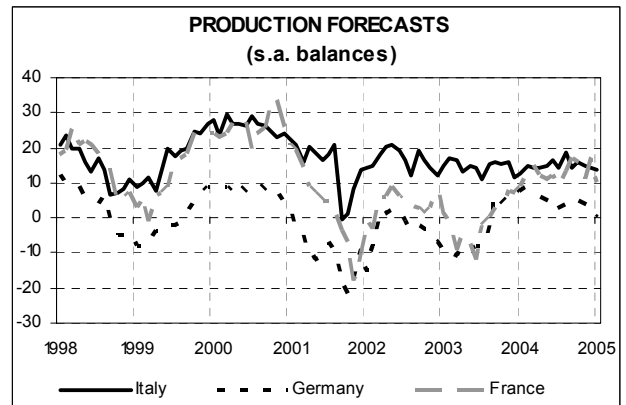
In particular, the French firms' confidence INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – falls from 85 to 83 (close to the July 2004 values), while the German IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – decreases from 96 to 95, thus remaining above the average figures of 2004. In Italy, as already outlined in the data distributed by ISAE on January 27, confidence rises from 88.9 to 89.2.

The fall of the French confidence is mainly due to the strong contraction of production expectations, which are deteriorating again after the considerable December rise. Besides, a further small growth is observed in inventories while the order-book level stabilises.

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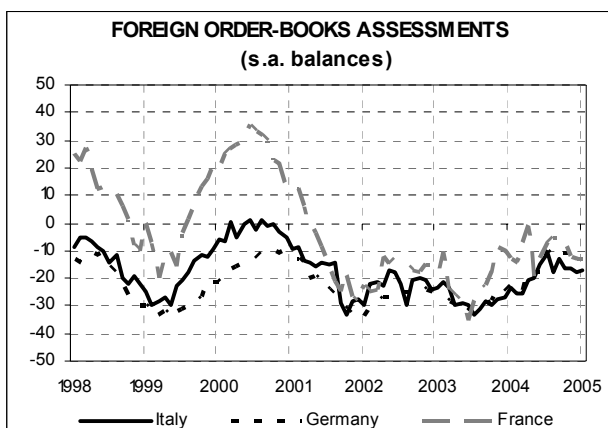
In Italy, inventories decrease and evaluations on the present order-book level slightly recover within a substantial stability in short-term expectations on production.

With regard to prices, French and Italian entrepreneurs expect an inflation easing, while German operators expect a further industrial price rise.



IFO and INSEE Surveys for Germany and France

In January, the German entrepreneurs' assessments on their order-book level slightly decrease (the balance falling from -12 to -14, which is however close to the highest figures attained since March 2001). With reference to the foreign component, the entrepreneurs' evaluations remain unchanged as against the previous survey and the balance stops at -12. Short-term expectations on production register a further contraction (the fourth in a row) from 2 to 0 and inventories remain stable at 9 (seasonally adjusted figure). With reference to prices, entrepreneurs expect a further industrial price rise (the fifth in a row): the balance passes from 14 to 15, which is close to the highest levels observed since November 2000.



Manufacturing firms' confidence climate (seasonally adjusted data, indices 2000 = 100)

	Italy	France	Germany
October 2004	90.8	86	96
November 2004	90.0	84	95
December 2004	88.9	85	96
January 2005	89.2	83	95

Sources: ISAE and ISAE elaborations on IFO and INSEE data.

In France, January assessments on the order-book level remain stable at -12 as in December (seasonally adjusted figure), with a slight improvement in the foreign component. Quite the reverse, expectations on the production trend strongly deteriorate and the balance diminishes from 17 to 11, while a further growth is observed in inventories (from 10 to 11). With reference to selling prices, French entrepreneurs expect a strong price dynamics easing in the next few months and the balance falls from 16 to 7, which is near the high levels of October 2004.

