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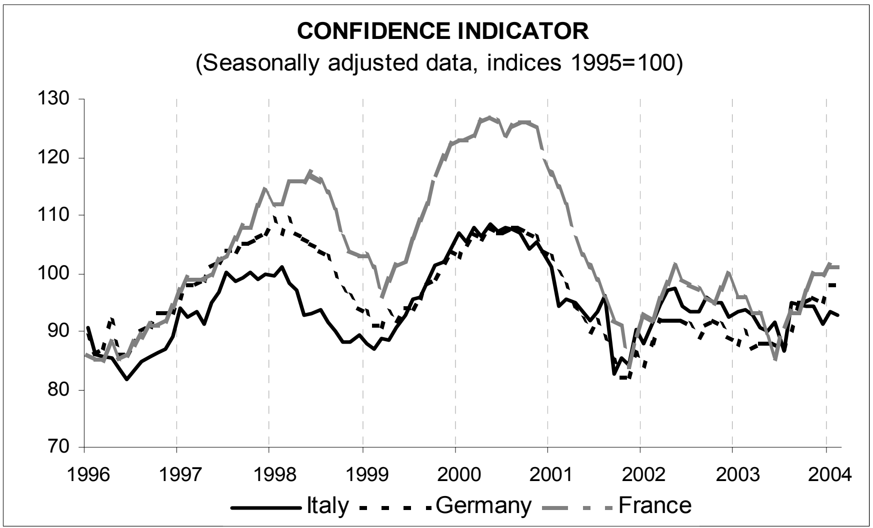
THE FEBRUARY CONFIDENCE CLIMATE OF MANUFACTURING FIRMS REMAINS UNCHANGED IN GERMANY AND FRANCE AND DECREASES IN ITALY

- **In February, the traditional monthly data comparison on the confidence climate of manufacturing and extractive firms in France, Germany and Italy shows a substantial stability in the first two countries and a contraction in Italy. The confidence indicators – seasonally adjusted by ISAE on INSEE and IFO data – equal 101 and 98 respectively, while confidence in Italy - as already outlined in the data ISAE distributed on February 25 – decreases from 93.5 to 92.6**
- **The confidence contraction in Italy is exclusively due to the rise in inventories: indeed, a new growing trend is also registered in Germany, while French firms signal a slight inventories' reduction**
- **Assessments on order books worsen in Germany and France, particularly with reference to the foreign component, probably negatively affected by the euro appreciation. In Italy, orders slightly recover, being less influenced by exchange rate effects**
- **Production expectations show signals of improvement in the three countries**
- **With regard to prices, French, German and Italian entrepreneurs all expect further rises in the next few months**



*Data on March shall be diffused on **March 31, 2004.***

Next ISAE Surveys are scheduled as follows:
March 23, 2004: *ISAE Monthly Consumer Survey (Reference month: March)*
March 24, 2004: *ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: March)*
March 25, 2004: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference month: February)* and *ISAE Monthly Business Service Survey (Reference month: March)*

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 February, the confidence climate of manufacturing and extractive firms remains unchanged in France and Germany, while it decreases in Italy. The confidence climate of French firms – seasonally adjusted by ISAE on INSEE data – equals 101, while the one of German firms – seasonally adjusted by ISAE on IFO data – amounts to 98, which is close to the highest level ever reached since March 2001. In Italy - as already outlined in the data distributed by ISAE on February 25 – confidence decreases from 93.5 to 92.6.

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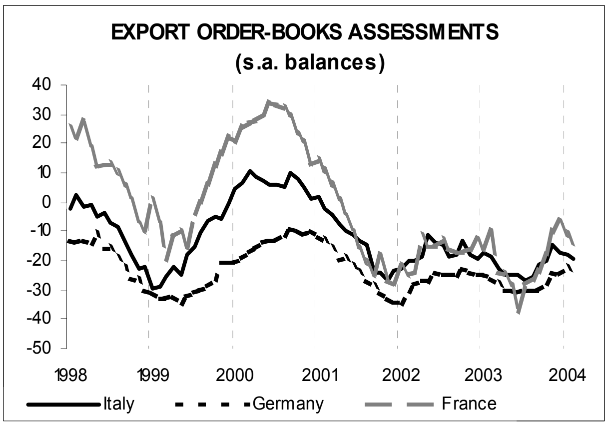
Expectations on production show signals of improvement in the three countries. With regard to prices, French, German and Italian entrepreneurs all expect further rises in the next few months.



IFO and INSEE Surveys for Germany and France

The German entrepreneurs' assessments on their current order-book levels worsen in February: their seasonally adjusted balance equals –28 (-27 in January). The balance contraction is even more marked looking at the foreign component (from –23 to –25), probably because of the euro appreciation. Expectations on production improve (from 9 to 10 in terms of balance), though inventories grow again reaching high levels (from 12 to 13). With regard to prices, new inflationary tensions are looming ahead (from 2 to 3 in terms of seasonally adjusted balance).

In France, assessments on the current order-book level become darker: the seasonally adjusted balance falls from –19 in January to –22 in February . In this case too – as it happens with German entrepreneurs – the worsening is even stronger looking at the foreign component (from –11 to –14). Favourable signals come from short-term expectations on production: their seasonally adjusted balance equals 11 in February (10 in the previous month). Some signals of inventories contraction emerge, though they remain above what are considered as "Normal" levels. With regard to prices, the share of firms expecting a future selling price rise increases: indeed the balance grows from –8 to –3, which is close to the January 2003 figures, even though it remains negative.

Manufacturing firms' confidence climate
(seasonally adjusted data, indices 1995=100)

	Italy	France	Germany
November 2003	94.3	100	96
December 2003	91.3	100	95
January 2004	93.5	101	98
February 2004	92.6	101	98

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