

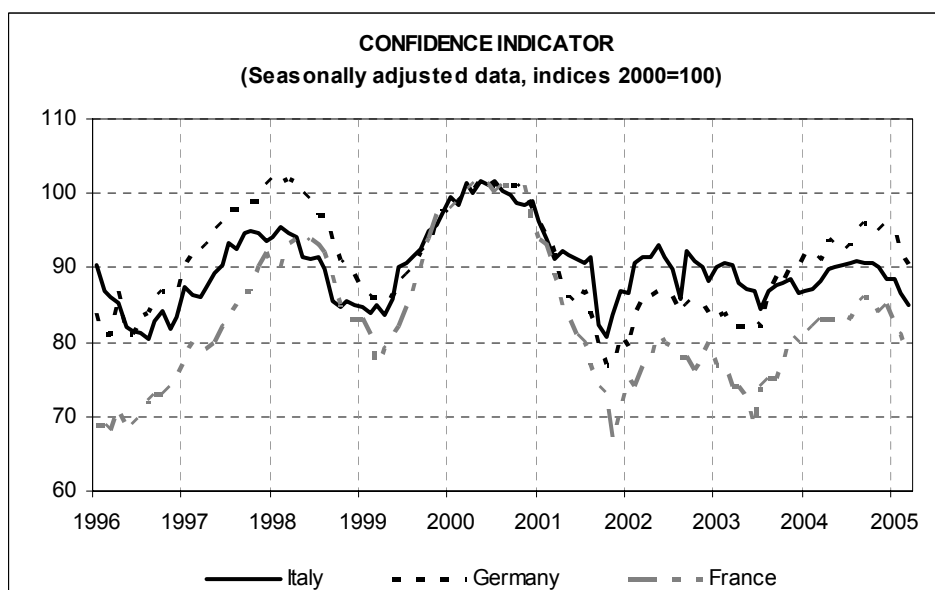


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THE MARCH CONFIDENCE OF MANUFACTURING FIRMS WORSENS IN THE THREE MAIN COUNTRIES OF THE EURO AREA

- In Germany, the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – decreases from 92 to 90, which is one of the lowest levels since December 2003. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – falls from 81 to 78, which is one of the lowest figures ever registered since October 2003. In Italy, as already outlined in the data distributed by ISAE on March 24, confidence goes from 86.6 to 85, which is also one of the troughs since July 2003
- In all three countries, opinions on the order-book volume diminish and new stock growth are registered. Production expectations worsen in Italy and France and they stabilise on the low figures of the past two months in Germany
- With regard to prices, Italian, French and German entrepreneurs expect a slowdown of selling price rises in the next few months



Data on April shall be diffused on **May 3, 2005**.

Next ISAE Surveys are scheduled as follows:

April 21, 2005: ISAE Monthly Consumer Survey (Reference month: April)

April 28, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: April)

April 27, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: March) and ISAE Monthly Business Service Survey (Reference month: April)

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

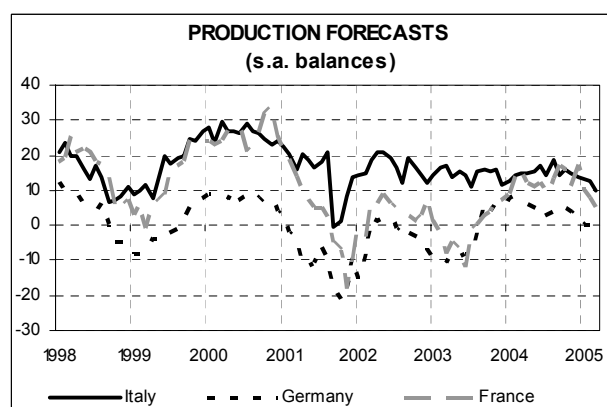
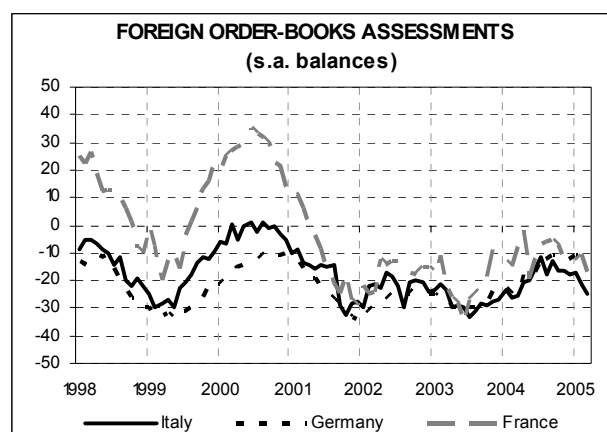
The March confidence of manufacturing and extractive firms decreases in the three main countries of the euro area. In France, the index – elaborated and seasonally adjusted by ISAE on INSEE data – falls from 81 to 78, which is one of the lowest figures ever registered since October 2003. The German confidence indicator – elaborated and seasonally adjusted by ISAE on IFO data – decreases from 92 to 90, which is one of the lowest levels since December 2003. In Italy, as already outlined in the data distributed by ISAE on March 24, confidence goes from 86.6 to 85, which is also one of the troughs since July 2003. In all three countries, opinions on the order-book volume diminish and new stock growth are registered. Production expectations worsen in Italy and France and they stabilise on the low figures of the past two months in Germany. Rosier signals come from prices, as entrepreneurs expect a slowdown of selling price rises in the next few months.

IFO and INSEE Surveys for Germany and France

In March, the balance of German entrepreneurs' assessments on their order-book volume decreases from -18 to -22, which is close to the lowest levels since June 2004 (the foreign component alone passing from -10 to -14). Stocks grow again from 11 to 14 (on the highest figures since November 2003), while short-term prospects on production remain unchanged compared to the previous Survey (the balance equalling 0, which coincides with the same low levels of the past two months). With reference to prices, inflationary dynamics are expected to slow down, and the balance passes from 10 to 5, thus getting near the lowest levels since April 2004.

In France too, March assessments on the present order-book volume considerably fall (from -15 to -20 in terms of balance, which is close to the lowest figures since December 2003), alongside with an even larger worsening in the foreign component (the balance passing from -11 to -17). Unfavourable signals also come from short-term prospects on the productive activity trend (the balance decreasing from 8 to 5, which is close to the minimum

figures since October 2003), while stocks remain unchanged compared to the previous Survey. Finally, with reference to selling prices, French entrepreneurs expect a strong slowdown in industrial price rises: indeed, the balance should diminish from 9 in February to 6 in March.



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

	Italy	France	Germany
December 2004	88.5	85	96
January 2005	88.5	82	95
February 2005	86.6	81	92
March 2005	85.0	78	90

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