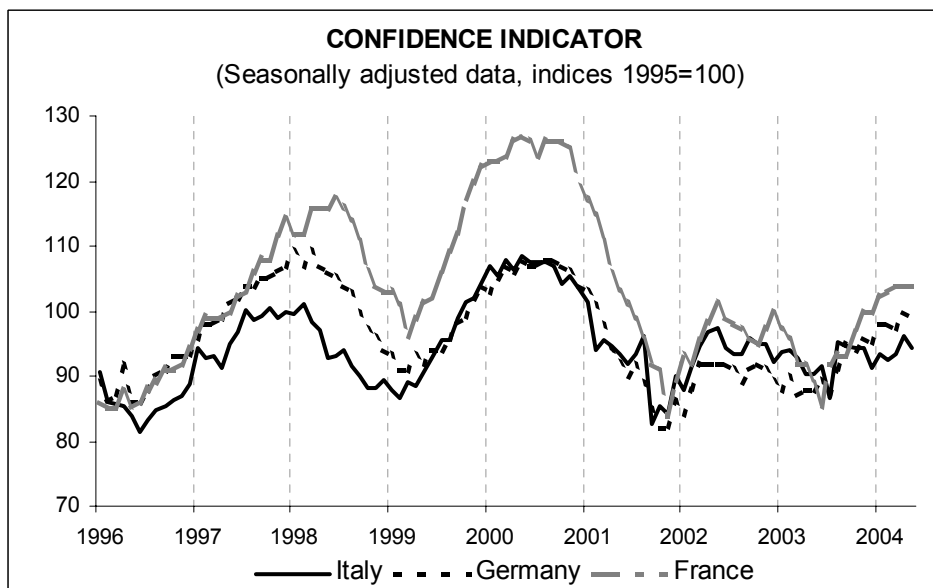




Date: **June 1, 2004**
TEL.: 06/444821

THE MAY CONFIDENCE CLIMATE OF MANUFACTURING FIRMS FALLS AGAIN IN GERMANY AND IN ITALY, WHILE IN FRANCE IT STABILISES ON THE MAXIMUM FIGURES OF THE PAST THREE YEARS

- In Germany the IFO indicator – seasonally adjusted by ISAE – falls in May from 100 to 99, while in Italy, as already outlined in the data distributed by ISAE on May 26, confidence decreases from 96.2 in April to 94.2 in May, thus remaining above the average figures of the first quarter 2004. In France, the INSEE index – seasonally adjusted by ISAE – remains at 104 – i.e. on the maximum levels over the past three years - for the third month in a row
- The entrepreneurs assessments on their current order-book levels worsen both in Germany and in Italy, while they remain stable in France, where a marked foreign order-book contraction is registered
- Expectations on production worsen in the three countries. Favourable signals come from inventories, which diminish in the three countries
- With regard to prices, expectations for price rises in the next few months prevail in France and Germany, while signals of inflationary tension easing emerge in Italy



Data on June shall be diffused on **June 30, 2004**.

Next ISAE Surveys are scheduled as follows:

June 22, 2004: ISAE Monthly Consumer Survey (Reference month: June)

June 24, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: June)

June 28, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference month: May) and ISAE Monthly Business Service Survey (Reference month: June)

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 May, the confidence climate of manufacturing and extractive firms falls again in Germany and in Italy, while in France it stabilises on the maximum figures of the past three years.

In particular, the confidence indicator of French firms, elaborated and seasonally adjusted by ISAE basing on INSEE data, remains at 104 for the third month in a row. In Germany the IFO indicator – seasonally adjusted by ISAE – falls in May from 100 to 99, while in Italy, as already outlined in the data distributed by ISAE on May 26, confidence decreases from 96.2 to 94.2, thus remaining above the average figures of the first quarter 2004.

The entrepreneurs assessments on their current order-book levels worsen both in Germany and in Italy, while they remain stable in France, where a marked foreign order-book contraction is registered.

Expectations on production get worse in the three countries, though remaining on historically high levels in Italy. Favourable signals come from inventories, which diminish in the three countries.

With regard to prices, expectations for price rises in the next few months prevail in France and Germany, while signals of inflationary tension easing emerge in Italy.

IFO and INSEE Surveys for Germany and France

German entrepreneurs' assessments on their current order-book levels worsen again: indeed, their seasonally adjusted balance diminishes from -21 to -24, which is however close to the highest levels ever observed since June 2001, in the presence of a less marked contraction of foreign order books (whose balance passes from -17 to -18). Negative signals also come from short-term expectations on production: the seasonally adjusted balance goes from 6 to 5, which is close to the November 2003 figures. A new process of inventories' reduction is emerging, though inventories remain above what are considered as "Normal" levels. With regard to prices, new inflationary tensions are emerging (from 3 to 7 in terms of balance).

In France, assessments on the current order-book level remain unchanged as against the previous month (the balance equalling -13), even though the foreign component is worsening (the balance falling from -2 to -16, which is near the October 2003 levels). Unfavourable indications come from expectations on the productive activity (the balance going from 12 to 10) and new inventories' reductions are signalled. As for prices, the share of those expecting further industrial price rises is growing from -5 to 1, which means the balance is positive again.

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

	Italy	France	Germany
February 2004	92.6	103	98
March 2004	93.4	104	97
April 2004	96.2	104	100
May 2004	94.2	104	99

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

