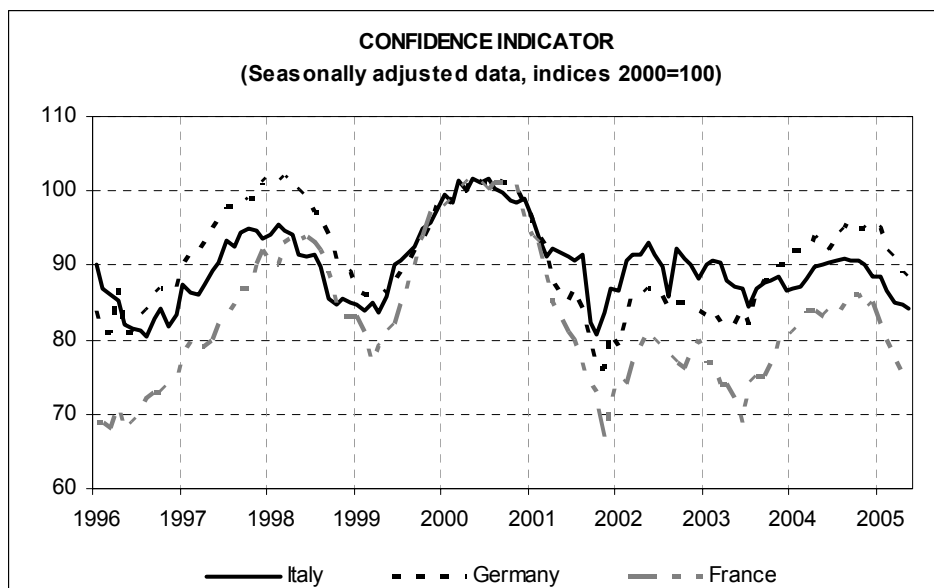




Date: June 1, 2005
TEL.: 06/444821

THE CONFIDENCE TREND OF MANUFACTURING FIRMS IN THE MAIN EURO-AREA COUNTRIES REMAINS NEGATIVE IN MAY

- In Germany, the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – decreases for the fifth month in a row, passing from 89 to 88, which is close to the minimum figure since October 2003. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – remains on the lowest level since September 2003 (75, as in the previous month). In Italy, as already outlined in the data distributed by ISAE on May 25, confidence goes down from 84.8 to 84.2, which is much below the average figures of Q1 2005 and close to the lowest data since November 2001
- In all three countries, entrepreneurs signal a further growth in inventories alongside with a negative order-book trend. Short-term expectations on production consequently decrease in Germany and Italy, while they register modest signals of recovery in France, after the strong contractions witnessed over the past few months
- With regard to prices, selling prices are expected to decrease or remain stable in the next few months



Data on June shall be diffused on **July 4, 2005**.

Next ISAE Surveys are scheduled as follows:

June 23, 2005: ISAE Monthly Consumer Survey (Reference month: June)

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

June 30, 2005: 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

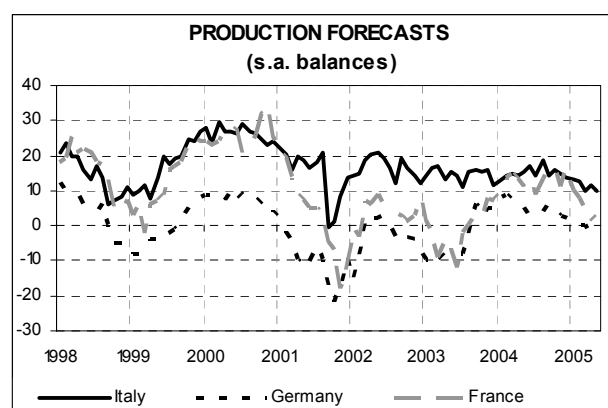
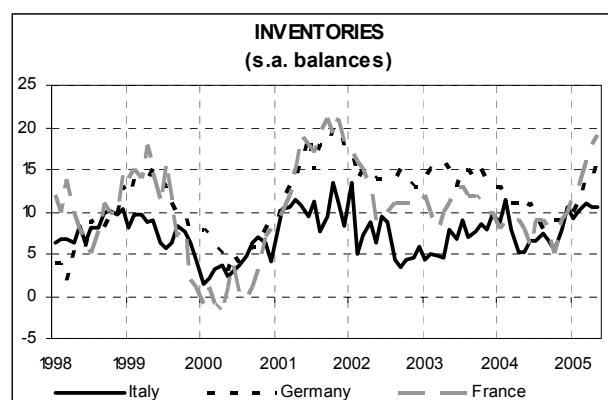
The May confidence of manufacturing and extractive firms decreases in Germany and in Italy, reaching its lowest trough in the past two years. In Germany, the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – decreases from 89 to 88. In Italy, as already outlined in the data distributed by ISAE on May 25, confidence goes down from 84.8 to 84.2, which is much below the average figures of Q1 2005 and close to the lowest data since November 2001. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – remains on its smallest figure since September 2003 (75, as in the previous month). Inventories grow again in the three major countries, owing to a generally unfavourable demand trend. Hence, expectations on production decrease in Germany and Italy, while they slightly improve in France, after the strong contraction witnessed in the past few months.

The IFO and INSEE Surveys for Germany and France

In May, the balance of German entrepreneurs' assessments on their order-book volume decreases from -23 to -24, which is close to the minimum values since May 2004 (the foreign component passing from -15 to -14). The unfavourable demand trend has an impact on growing inventories (the balance equalling 16, close to the peaks of the past two years) and on deteriorating expectations on production (from -3 to -4, close to the lowest troughs since August 2003). With reference to prices, a further selling price fall is expected in the next few months and the balance falls from -1 to -4.

In France too, May assessments on the present order-book level are worsening (from -21 to -23 in terms of balance, which is close to the lowest figures since October 2003), with an even larger deterioration in the foreign component (from -19 to -27, which is one of the lowest levels since July 2003). Similarly, inventories grow compared to April, as they reach the highest levels in the past few years. Production expectations slightly recover (from 1 to 3), after the strong contraction observed at the beginning of 2005,

though remaining below the average figures of Q1 2005. Finally, with reference to prices, also French entrepreneurs continue to expect a selling price fall, even though the balance shows signals of recovery in May, passing from -3 to -1.



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

	Italy	France	Germany
February 2005	86.6	80	92
March 2005	85.0	78	91
April 2005	84.8	75	89
May 2005	84.2	75	88

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