



ISTITUTO DI STUDI E ANALISI ECONOMICA

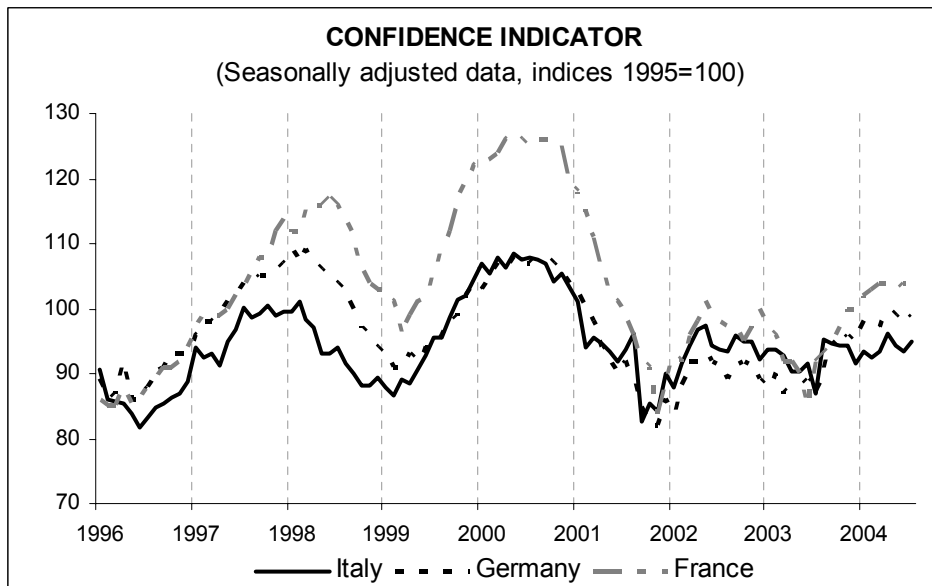
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## THE JULY CONFIDENCE CLIMATE OF MANUFACTURING FIRMS IMPROVES IN GERMANY AND IN ITALY, WHILE IT REMAINS STABLE IN FRANCE

- In Germany the IFO indicator – seasonally adjusted by ISAE – rises in July from 98 to 99, while in Italy, as already outlined in the data distributed by ISAE on July 27, confidence grows from 93.5 in June to 95 in July, which is above the average figures of the second quarter 2004. In France, the INSEE index – seasonally adjusted by ISAE – remains unchanged at 104 – i.e. on the maximum levels of the past three years
- In France, the entrepreneurs assessments on their current order books (particularly those coming from the foreign market) are less pessimistic, while expectations on the productive activity slightly decrease and inventories grow again
- In Germany, favourable signals come from the entrepreneurs' evaluations and expectations: in particular, a strong rise is observed in order books from abroad alongside with a new inventories' reduction. Expectations on the productive activity improve
- In Italy, the recovery of assessments on (both foreign and domestic) order books goes on and inventories fall below what are considered as "normal" levels. Conversely, expectations on production decrease, though they remain positive
- With regard to prices, the selling price balance grows in Germany and Italy, while inflationary tensions are expected to ease in France



Data on August-September shall be diffused on **October 1, 2004**

Next ISAE Surveys are scheduled as follows:

**September 7, 2004:** ISAE Monthly Consumer Survey (Reference month: August)

**September 8, 2004:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: August)

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

**September 27, 2004:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference month: July-August) and ISAE Monthly Business Service Survey (Reference month: September)

**September 30, 2004:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: September)

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

## General results

In July, the confidence climate of manufacturing and extractive firms rises in Germany and in Italy, while it remains stable in France on the maximum figures of the past three years.

In particular, the French index – elaborated by INSEE and seasonally adjusted by ISAE – remains unchanged at 104, while the German IFO indicator – seasonally adjusted by ISAE – rises in July from 98 to 99. In Italy, as already outlined in the data distributed by ISAE on July 27, confidence grows from 93.5 in June to 95 in July, which is above the average figures of IIQ.

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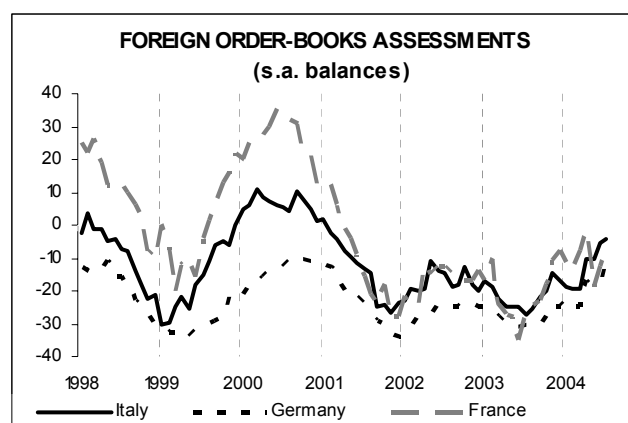
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## IFO and INSEE Surveys for Germany and France

The German entrepreneurs' assessments on their current order-book levels improve in July: their seasonally adjusted balance rises indeed from -22 to -20; the foreign component registers an even stronger recovery (the balance passing from -17 to -10, close to the highest figures ever registered since October 2000), which confirms the high competitiveness of German firms on foreign markets.

Inventories slightly decrease and expectations on production are better than in the previous Survey (the seasonally adjusted balance passing from 2 to 3). With regard to prices, after the slight easing registered in June, a further inflationary tension rekindling is observed (from 6 to 8 in terms of balance).

In France, assessments on the overall order-book level recover in July (the balance rising from -14 to -11, which is close to the highest level of the past three years). The improvement is even more marked in the foreign component, as the balance goes from -13 to -8, close to the March figures. Inventories grow again and expectations on production are less favourable (the balance going from 11 to 10). Finally, turning to prices, French entrepreneurs expect an inflationary tension easing: indeed, the share of those expecting a price reduction exceeds the number of those expecting a future selling price rise (from 1 to -1).



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

|            | Italy | France | Germany |
|------------|-------|--------|---------|
| April 2004 | 96.0  | 104    | 100     |
| May 2004   | 94.2  | 103    | 99      |
| June 2004  | 93.5  | 104    | 98      |
| July 2004  | 95.0  | 104    | 99      |

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