



ISTITUTO DI STUDI E ANALISI ECONOMICA

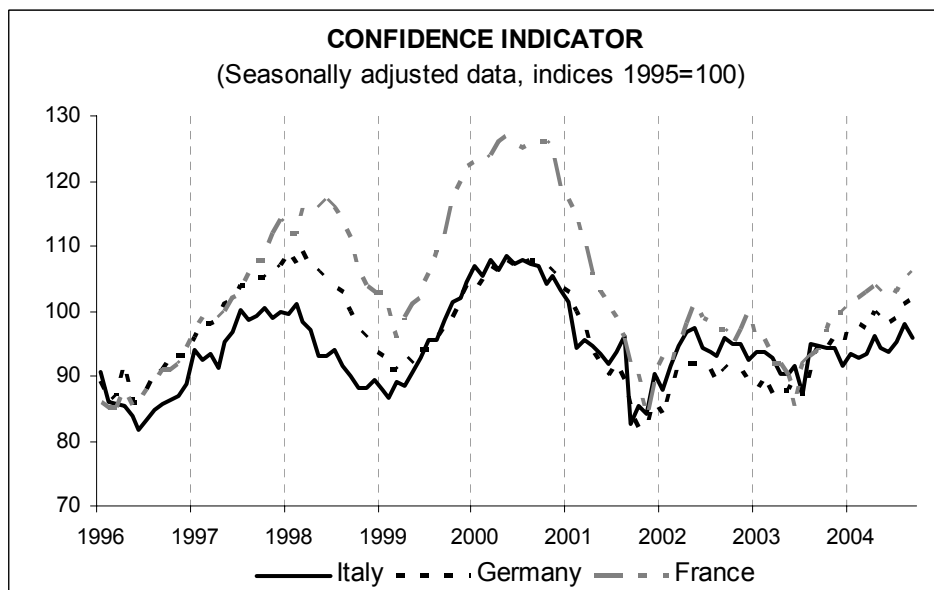
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## THE SEPTEMBER CONFIDENCE CLIMATE OF MANUFACTURING FIRMS CONTINUES TO RISE IN GERMANY AND IN FRANCE, WHILE IT FALLS IN ITALY (AFTER THE GROWTH OBSERVED IN THE PAST QUARTER)

- In Germany the IFO indicator – seasonally adjusted by ISAE – grows in September from 101 to 102, which is close to the highest peaks ever reached since January 2001. In France too, the INSEE index – seasonally adjusted by ISAE – registers a further growth, passing from 105 to 106, which is close to the maximum levels ever attained over the past three years. In Italy, as already outlined in the data distributed by ISAE on September 30, confidence decreases from 98.1 in August to 95.9 in September
- In Germany, both entrepreneurs' opinions on their order books and their prospects on the production activity improve, though inventories slightly rise
- In France, the entrepreneurs' opinions on their order-book levels are stable, though there is a strong rise in the short-term expectations on production and a slight decrease in inventories
- In Italy, the confidence deterioration is mainly due to a smaller contraction of finished products inventories. Conversely, assessments on the present order-book level and short-term forecasts on production are slightly decreasing
- In all the three countries further selling price rises are expected



Data on October shall be diffused on **November 2, 2004**.

Next ISAE Surveys are scheduled as follows:

**October 21, 2004:** ISAE Monthly Consumer Survey (Reference month: October)

**October 27, 2004:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: October)

**October 29, 2004:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: September) and ISAE Monthly Business Service Survey (Reference month: October)

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))

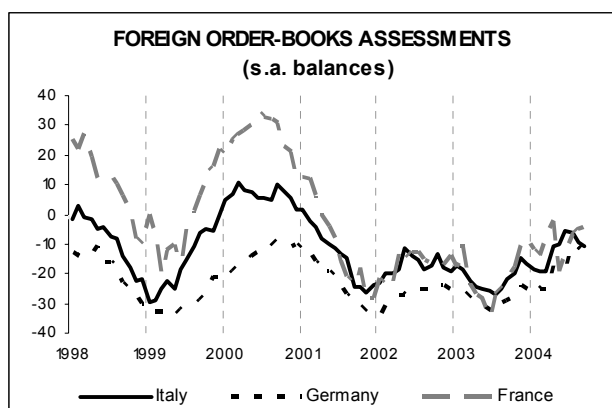
## General results

In September, the confidence climate of manufacturing and extractive firms grows in Germany and in France, while in Italy it falls again (after three positive months).

In particular, the French index – elaborated and seasonally adjusted by ISAE on INSEE data – registers a further growth, passing from 105 to 106, which is near the highest figures ever attained over the past three years. In Germany the IFO indicator – seasonally adjusted by ISAE – grows in September from 101 to 102, which is close to the highest peaks reached since January 2001. In Italy, as already outlined in the data distributed by ISAE on September 30, confidence decreases from 98.1 in August to 95.9 in September, though it remains on values exceeding the average figure of Q2.

In France, the entrepreneurs' opinions on their order-book levels are stable, though there is a strong rise in the short-term expectations on production and a slight decrease in inventories. In Germany, both entrepreneurs' opinions on their order books and their prospects on production improve, though inventories slightly rise. In Italy, the confidence deterioration is mainly due to a smaller contraction of finished products inventories. Conversely, assessments on the present order-book level and short-term forecasts on production are slightly decreasing.

In all the three countries the selling price balance grows again.



## IFO and INSEE Surveys for Germany and France

The German entrepreneurs' assessments on their order-book levels continue to recover in September: the balance rises from -19 to -17, which is close to the highest figures reached since March 2001; looking at the foreign component, the balance grows to -10, as in July. Favourable signals come from expectations on production, which register a marked improvement (from 3 to 7, which is near the March levels) in spite of slightly growing inventories. With regard to prices, new inflationary tensions are emerging (from 6 to 8 in terms of balance).

In France, assessments on the overall order-book level remain stable and the balance stops at -10 (as in August), in the presence of a small improvement in the foreign component (from -5 to -4, which is one of the highest figures since April 2004). Short term prospects on production activity increase (from 13 to 16, which is close to the peaks of the past three years) and a slight reduction in inventories is signalled. Turning to selling prices, French entrepreneurs expect further growth in the next few months and the balance grows from 2 to 7.

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

	Italy	France	Germany
June 2004	93.7	104	98
July 2004	95.1	103	99
August 2004	98.1	105	101
September 2004	95.9	106	102

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