

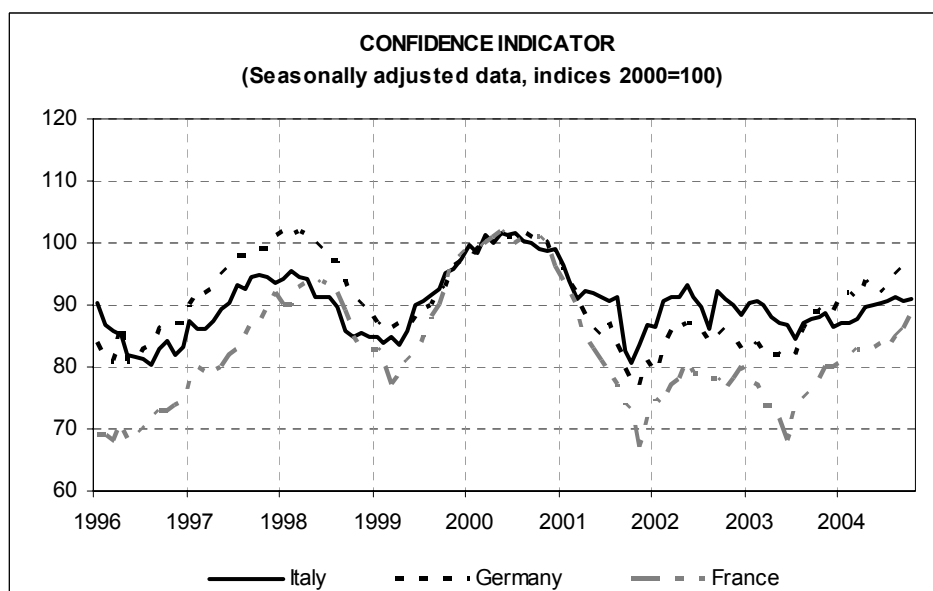


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DATA/Date: November 2, 2004  
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## THE OCTOBER CONFIDENCE CLIMATE OF MANUFACTURING FIRMS RISES IN FRANCE AND ITALY, WHILE IN GERMANY IT STABILISES ON THE MAXIMUM VALUES OF THE PAST THREE YEARS

- In Germany the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – stabilises at 96 in October, thus remaining on the highest values since January 2001. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – registers a further growth, passing from 86 to 89, which is also near the highest figures ever attained over the past three years. In Italy, as already outlined in the data distributed by ISAE on October 27, confidence increases from 90.7 in September to 91 in October
- In Germany, assessments on the order-book level slightly improve and signals are emerging that the stock level is decreasing, while short-term expectations on production are worsening
- In France, the entrepreneurs' opinions on their order-book levels considerably grow, as do short-term expectations on production, while inventories are diminishing
- In Italy, the confidence improvement is due to the smaller growth of finished products inventories and to rosier expectations on production. Conversely, assessments on the present order-book level slightly decrease
- With regard to prices, while expectations for future selling price rises are diminishing in France and Italy, no further inflationary tension is emerging in Germany



Data on November shall be diffused on **December 1, 2004**.

Next ISAE Surveys are scheduled as follows:

**November 3, 2004:** Quarterly ISAE Business and Consumer Surveys: Territorial Aspects (Reference period: Q3 2004)

**November 24, 2004:** ISAE Monthly Consumer Survey (Reference month: November)

**November 25, 2004:** ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: November)

**November 30, 2004:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: October) and ISAE Monthly Business Service Survey (Reference month: November)

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<sup>1</sup>

In October, the confidence climate of manufacturing and extractive firms improves in France and in Italy, while it remains stable (on cyclically high values) in Germany.

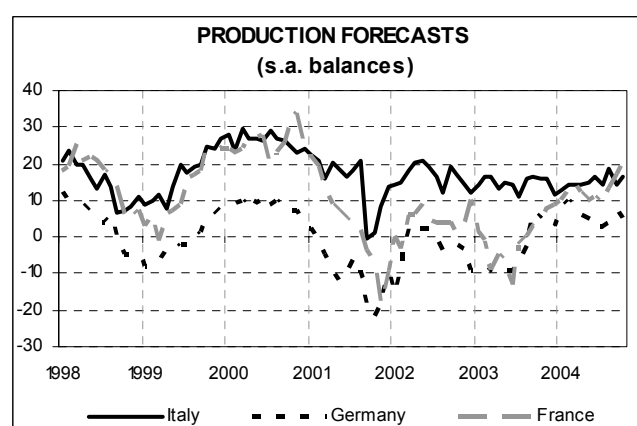
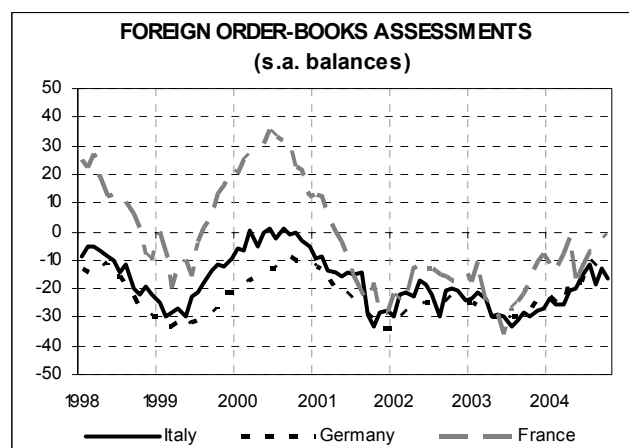
In particular, the confidence indicator of French firms - elaborated and seasonally adjusted by ISAE on INSEE data - is growing for the third month in a row, passing from 86 to 89, which is also near the highest figures ever attained over the past three years. In Germany, the IFO indicator - seasonally adjusted by ISAE on IFO data - stabilises at 96 (as in the previous month), which is however on the highest values ever observed since January 2001. In Italy, as already outlined in the data distributed by ISAE on October 27, confidence increases from 90.7 in September to 91 in October, thus getting near the cyclically high figures of August 2004.

French entrepreneurs signal a diffused improvement: indeed the entrepreneurs' opinions on both their order-book levels and on short-term expectations on production increase, while inventories are diminishing.

In Germany, assessments on the order-book level slightly improve and signals are emerging that stocks are thinning out, while short-term expectations on production are worsening.

In Italy<sup>2</sup>, the confidence improvement is due to the smaller growth of finished products inventories<sup>3</sup> and to rosier expectations on production. Conversely, assessments on the present order-book level slightly decrease.

With reference to prices, expectations for future selling price rises diminish in France and in Italy, while no further inflationary tension is emerging in Germany.



## IFO and INSEE Surveys for Germany and France

In October, the German entrepreneurs' assessments on their order-book levels improve: the balance passes from -17 to -16, thus marking the fifth recovery in a row and getting close to the highest figures reached since March 2001; looking at the foreign component, the balance slightly worsens, passing from -10 to -11. Unfavourable signals come from short-term expectations on production, falling from 7 to 5 in terms of seasonally adjusted balance. Finally, a slight recovery is signalled in inventories. With reference to prices, new inflationary thrusts are observed: the balance stops at 8, as in the previous month.

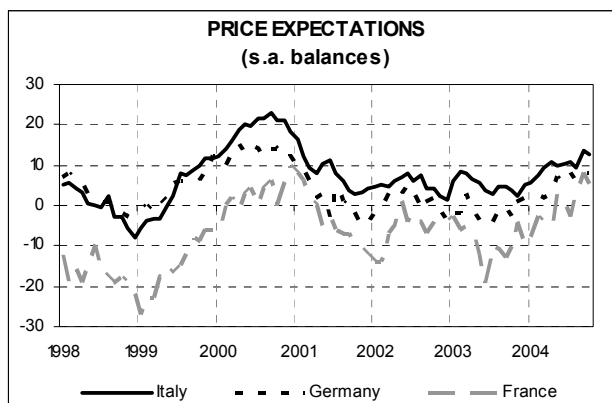
In France, assessments on the current order-book level markedly increase (the seasonally adjusted balance passing from -10 to -7), particularly for the foreign component (passing from -4 to -1, which means the highest values since April 2004). Short term prospects on production

<sup>1</sup> Starting from October 2004, ISAE computes the confidence climates of France, Germany and Italy using the year 2000 (and no longer 1985) as the base year.

<sup>2</sup> Starting from October 2004, ISAE is re-elaborating the data of the manufacturing and extractive firms' Survey on the basis of new computation procedures. The main changes concern the firm classification by sector, the weights adopted for aggregation and the computation of the balance of assessments on finished products inventories. A detailed description of the variations is provided by the Press Release "Restructuring of the ISAE Survey on manufacturing and extractive firms", which was diffused on October 27.

<sup>3</sup> Starting from October 2004, the balance of inventories is computed as the difference between the share of "Above Normal" and "Below Normal", pursuant to the European Commission Harmonised Programme.

increase (from 17 to 20, which is close to the peaks of January 2001) and a reduction in inventories is signalled (from 7 to 5 in terms of balance). Finally, turning to selling prices, French entrepreneurs expect a considerable slowdown in their inflationary dynamics in the next few months indeed the balance falls from 8 to 5.



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

	Italy	France	Germany
July 2004	90.7	83	93
August 2004	91.1	85	95
September 2004	90.7	86	96
October 2004	91.0	89	96

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