

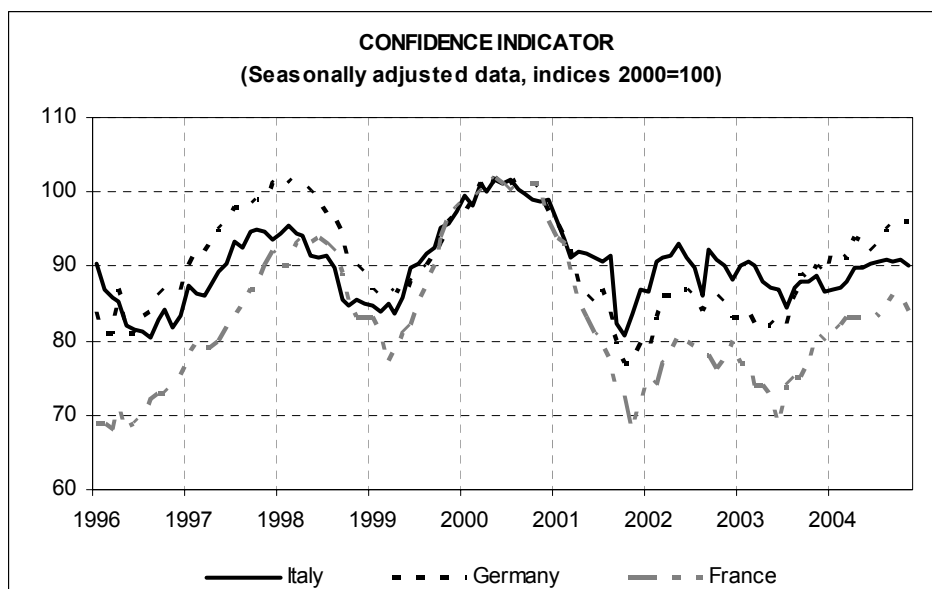


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THE NOVEMBER CONFIDENCE CLIMATE OF MANUFACTURING FIRMS FALLS IN FRANCE AND IN ITALY, WHILE IT SLOWS DOWN IN GERMANY

- In Germany the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – stabilises at 96 in November for the third month in a row. In France, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – falls from 86 to 84, which is close to the June figures. In Italy, as already outlined in the data distributed by ISAE on November 25, confidence passes from 91 to 90.2, which is close to the minimum values ever reached since May 2004
- In Germany, short-term expectations on production further decrease within a framework characterised by stable assessments on the order-book level and by slightly increasing inventories.
- In France, growing concerns on the current demand level emerge, particularly with reference to foreign demand, probably due to the euro appreciation. Besides, less favourable prospects are registered on short-term production, while stocks are slightly increasing
- In Italy, the confidence contraction is mainly due to the further stock growth and to slightly darker forecasts on the production trend, in the presence of weaker assessments on the current demand level
- With regard to prices, expectations for future industrial price rises are emerging in all three countries



Data on December shall be diffused at the **beginning of January 2005**.

Next ISAE Surveys are scheduled as follows:

December 16, 2004: Bi-Annual ISAE Investment Survey on Manufacturing and Extractive Firms (Reference period: Autumn 2004)

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

December 28, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: December)

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

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

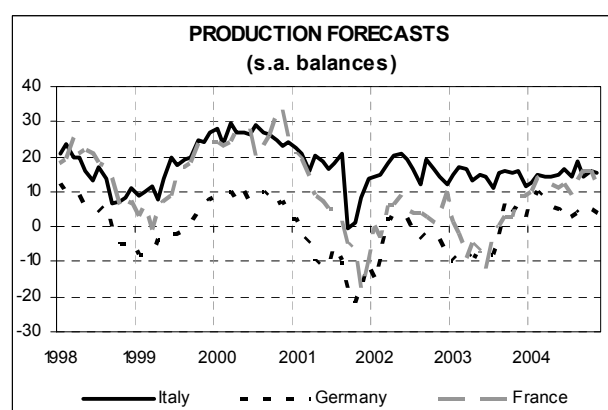
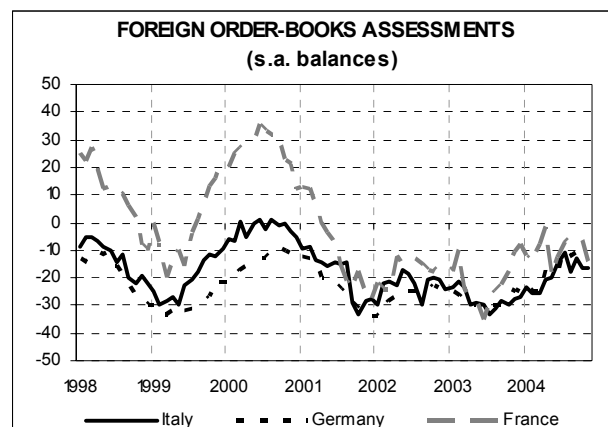
In November, the confidence climate of manufacturing and extractive firms falls in France and in Italy, while it remains stable (on cyclically high values) in Germany. In particular, the French entrepreneurs' INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – diminishes from 86 to 84, which is close to the June figures. Conversely, the German firms' IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – stabilises at 96 in November for the third month in a row. In Italy, as already outlined in the data distributed by ISAE on November 25, confidence passes from 91 to 90.2, which is close to the minimum values ever reached since May 2004.

Both French entrepreneurs' assessments and expectations are rather pessimistic: indeed growing concerns on the current demand level emerge (particularly with reference to foreign demand, probably due to the euro appreciation). Besides, less favourable prospects are registered on short-term production, while stocks are slightly increasing.

In Germany, short-term expectations on production further decrease within a framework characterised by stable assessments on the order-book level and by slightly increasing inventories.

In Italy, the confidence contraction is mainly due to the further stock growth¹ and to slightly darker forecasts on the production trend, in the presence of weaker assessments on the current demand level.

With regard to prices, expectations for future industrial price rises are emerging in all three countries.



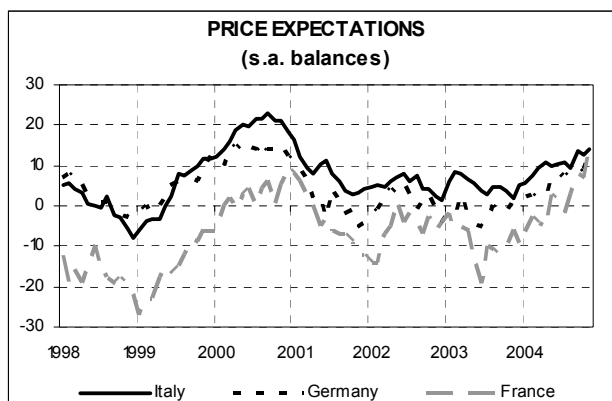
IFO and INSEE Surveys for Germany and France

In November, the German entrepreneurs' assessments on their current demand level remain unchanged compared to the previous month: indeed, the balance equals -16, as in October, which is however one of the highest figures ever reached since March 2001. Also foreign demand evaluations stabilise on the maximum figures attained since November 2000 (-11, as in the previous month). Unfavourable signals come from short-term expectations on production - further worsening from 5 to 4 – and from inventories which register a slight accumulation. With reference to prices, new inflationary thrusts are observed and the balance passes from 9 to 12.

In France, assessments on the current order-book level slightly worsen (the seasonally adjusted balance passing from -10 to -12), in the face of a more marked reduction of

¹ 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.

the foreign component (passing from -6 to -14, which means the lowest values since June 2004). Short term prospects on production also decrease (from 16 to 11) and further slight stock rises are emerging. With regard to the selling price trend, French entrepreneurs expect a further considerable inflationary dynamics growth, with the balance rising from 7 to 14.



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

	Italy	France	Germany
August 2004	91.0	85	95
September 2004	90.6	86	96
October 2004	91.0	86	96
November 2004	90.2	84	96

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